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FinAnalytica Focuses on Downside Risk Budgeting with New CognityFoF Release.

New York, October 2 - FinAnalytica Inc., a leading provider of glass box risk management and portfolio construction analytics, today announced a major expansion of its CognityFoF platform to include a full downside risk budgeting framework in a new release – Version 2.10.

As the only risk platform offering fat-tailed, skewed VaR and Expected Tail Loss (ETL) risk measures, this new release extends the CognityFoF risk budgeting capabilities, allowing fund managers to maximize their expected returns per unit of allocated downside risk using new Marginal Contribution to ETL, Percent Contribution to ETL and ETL-based Implied Return measures. Pro-actively managing their tail risk in a flexible, interactive and highly dynamic environment, users can now optimize their returns from a true downside risk perspective.

“The core of CognityFoF is in exposing and modeling fat-tailed and skewed returns, estimating tail dependencies, and reporting the most accurate value-at-risk and expected tail loss measures in the market place,” said Doug Martin, CEO of FinAnalytica. “ETL-based risk budgeting is a natural extension of this core, in providing the most insightful and accurate view of implied and marginal returns.”

CognityFoF now includes pre-defined U.S. and global factor models, integrated with over 600 branded global risk factor indices from leading sources including Standard & Poor’s, Russell, MSCI, Merrill Lynch, Citigroup, CBOE and Hedge Fund Research, thus dramatically expanding the factor modeling capabilities. Fund of funds managers can immediately measure their factor exposure and then, using their own qualitative research, interactively adjust the models to include any proprietary or exotic risk factors. Additionally, using a new Principal Component Analysis (PCA) module, custom risk factors can be generated from the extracted components of larger groups of indices and added to the risk decomposition analysis. New rolling time window analysis enables users to detect style drift by tracking changes in factor exposures and tail behavior over time.

Enhanced stress test capabilities allow users to identify “time bomb” effects, assess the impact of complex, multi-dimensional market crises, and directly stress their modeling assumptions such as factor betas and correlations. Users can choose from a library of predefined historical crisis scenarios or create and store an unlimited number of their own multifactor stress tests. Any number of stress scenarios can be aggregated into a multi-level stress test that is integrated into the Cognity risk reporting framework.

Martin added, “Pro-active risk management is a highly dynamic and interactive process of constantly challenging underlying assumptions. With the entirety of this release, fund managers can visualize complex market relationships, accurately measure their true risk exposures, challenge their underlying market and modeling assumptions and then interactively test what might happen to portfolios and counterparty balances if the unthinkable becomes reality.”

About FinAnalytica

FinAnalytica is a leading provider of post-modern portfolio and risk management solutions for quantitative analysts and portfolio managers. FinAnalytica's Cognity software suite incorporates the latest and most transparent advances in analytics, including comprehensive treatment of real world fat-tailed and skewed asset returns. FinAnalytica clients include leading fund of funds, hedge funds and asset management firms. Further information: www.finanalytica.com