



External Fund Management – National Bank of Cambodia

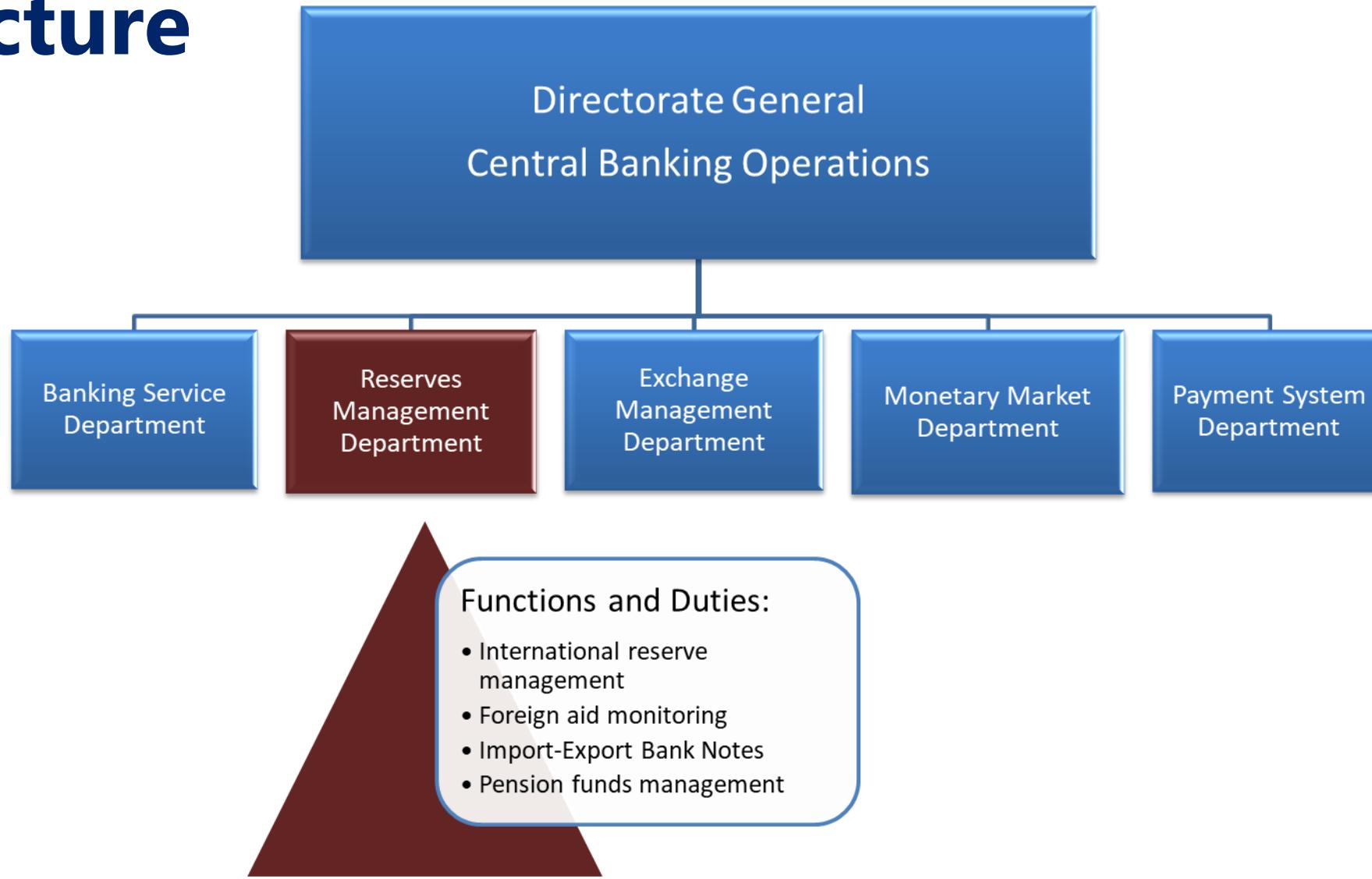
Session 13: Engaging External Fund Managers
Speaker: Kormoly Kimty, National Bank of Cambodia

2025 ASIAN REGIONAL FORUM
ON INVESTMENT MANAGEMENT
OF FOREIGN EXCHANGE RESERVES

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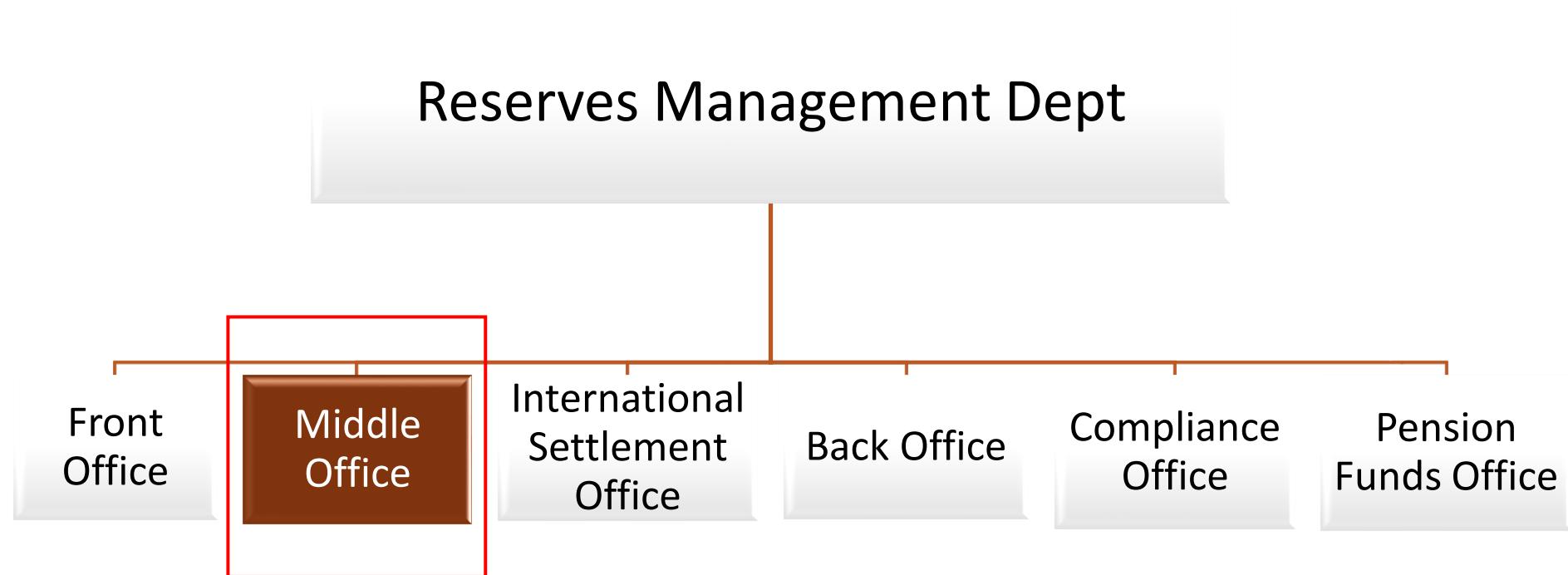
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- II. FX Reserves Governance
- III. External Fund Management
- IV. Q & A

I. Structure



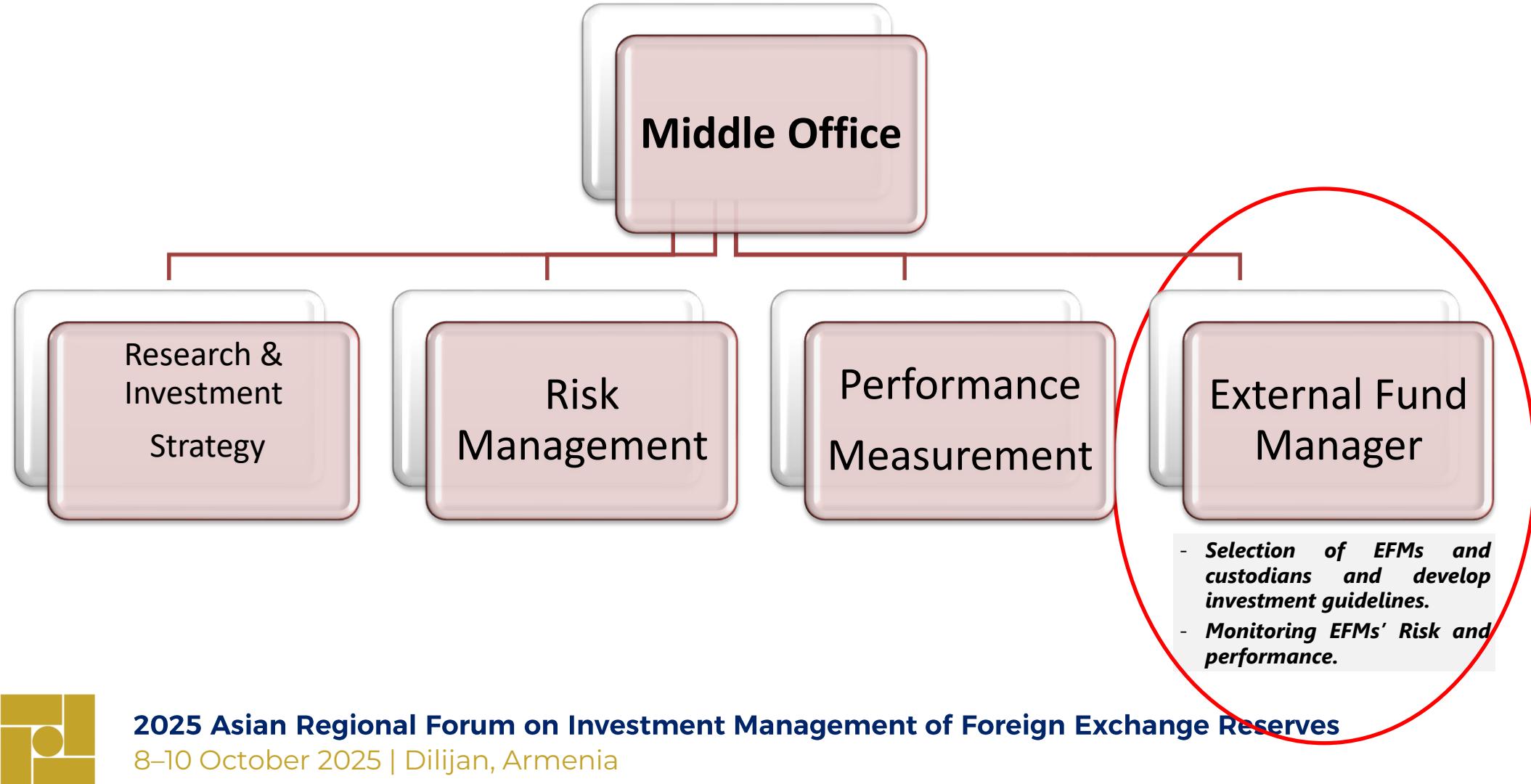
I. Structure

EMD Structure

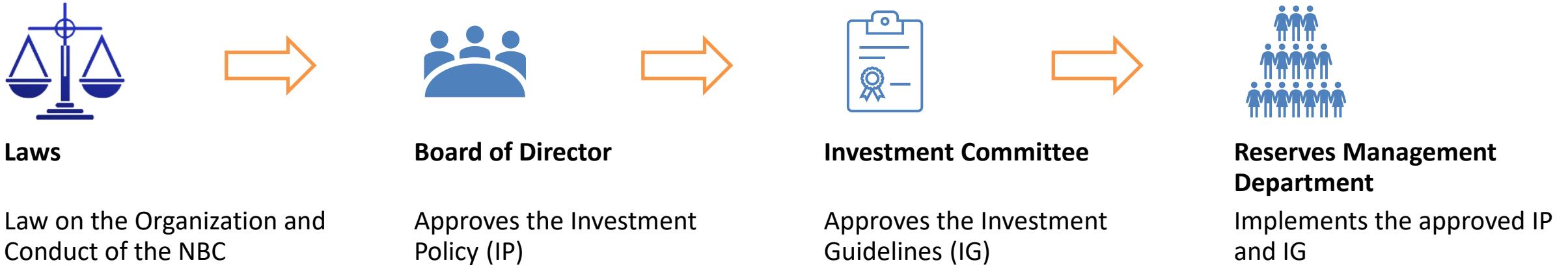


I. Structure

Middle Office Structure

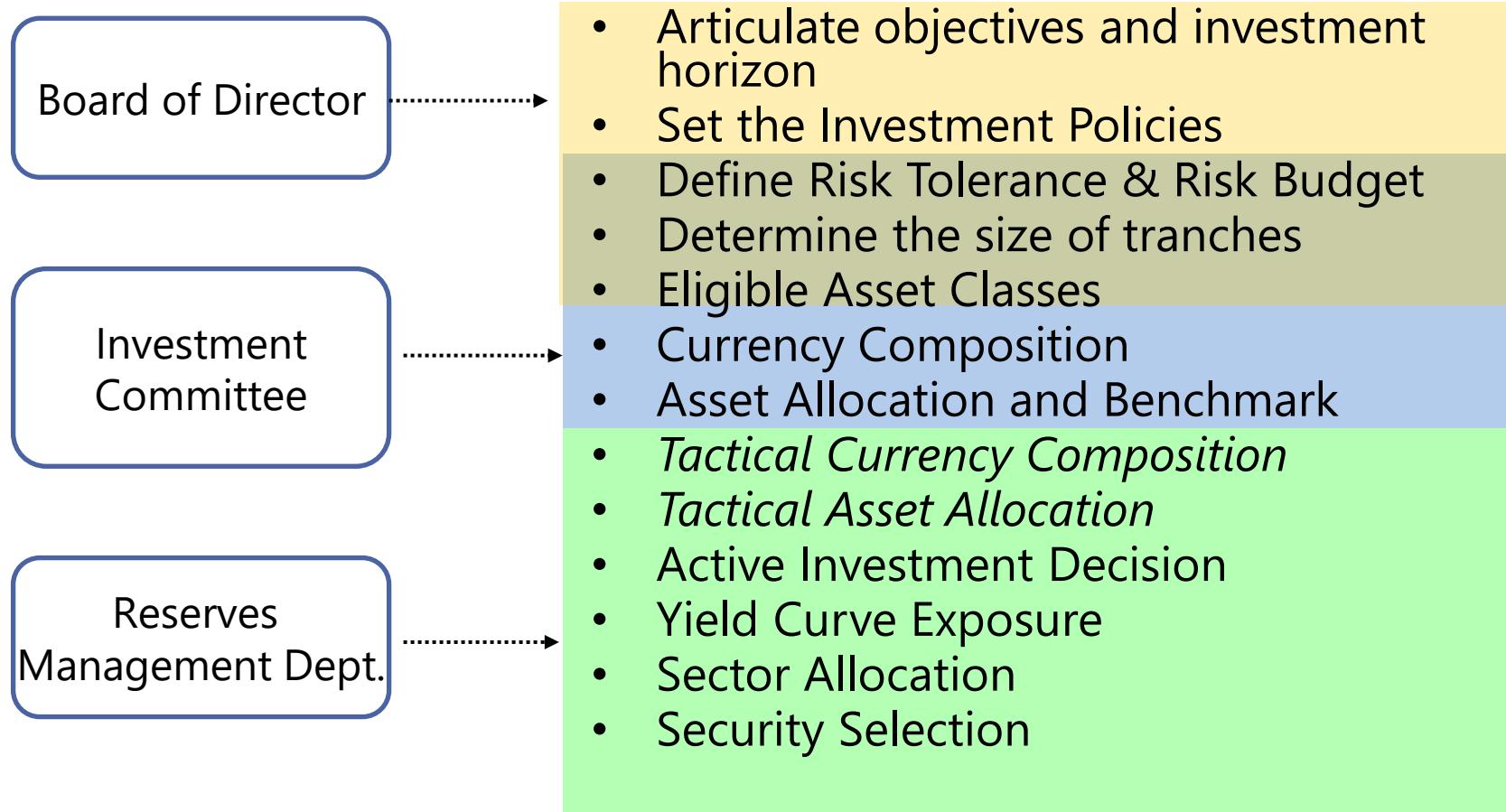


II. FX Reserves Governance



II. FX Reserves Governance

Who define what?



II. Reserves Structure

Division of Reserves Tranches

Liquidity Tranche

- Reserve a certain level of liquidity to meet sudden demand
- USD current account and money market products (US T-bill, O/N, FD)

Investment Tranche

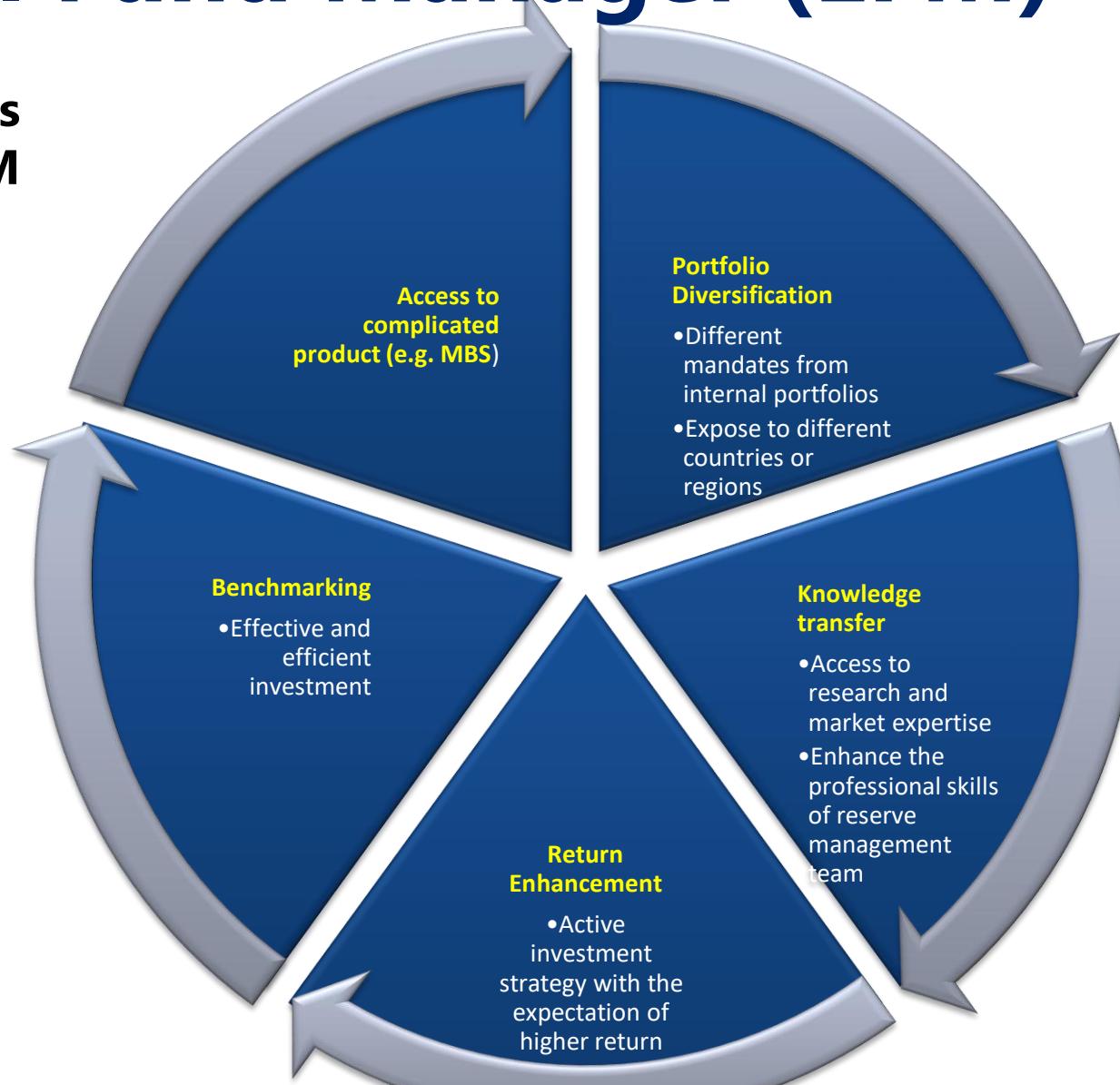
- Focus on higher returns while maintaining safety
- Short term to Medium term bonds of major sovereign
- Mainly for Internal Management Portfolios

Long Term Tranche

- **Mainly focus on External Fund Manager**
- Exposure to new products and advanced investment techniques
- Broader investment universe and more flexible guidelines
- Mainly, this tranche is using for ample reserve to enhance portfolio Return and capacity building

III. External Fund Manager (EFM)

1- The Purposes of having EFM



III. External Fund Manager (EFM)

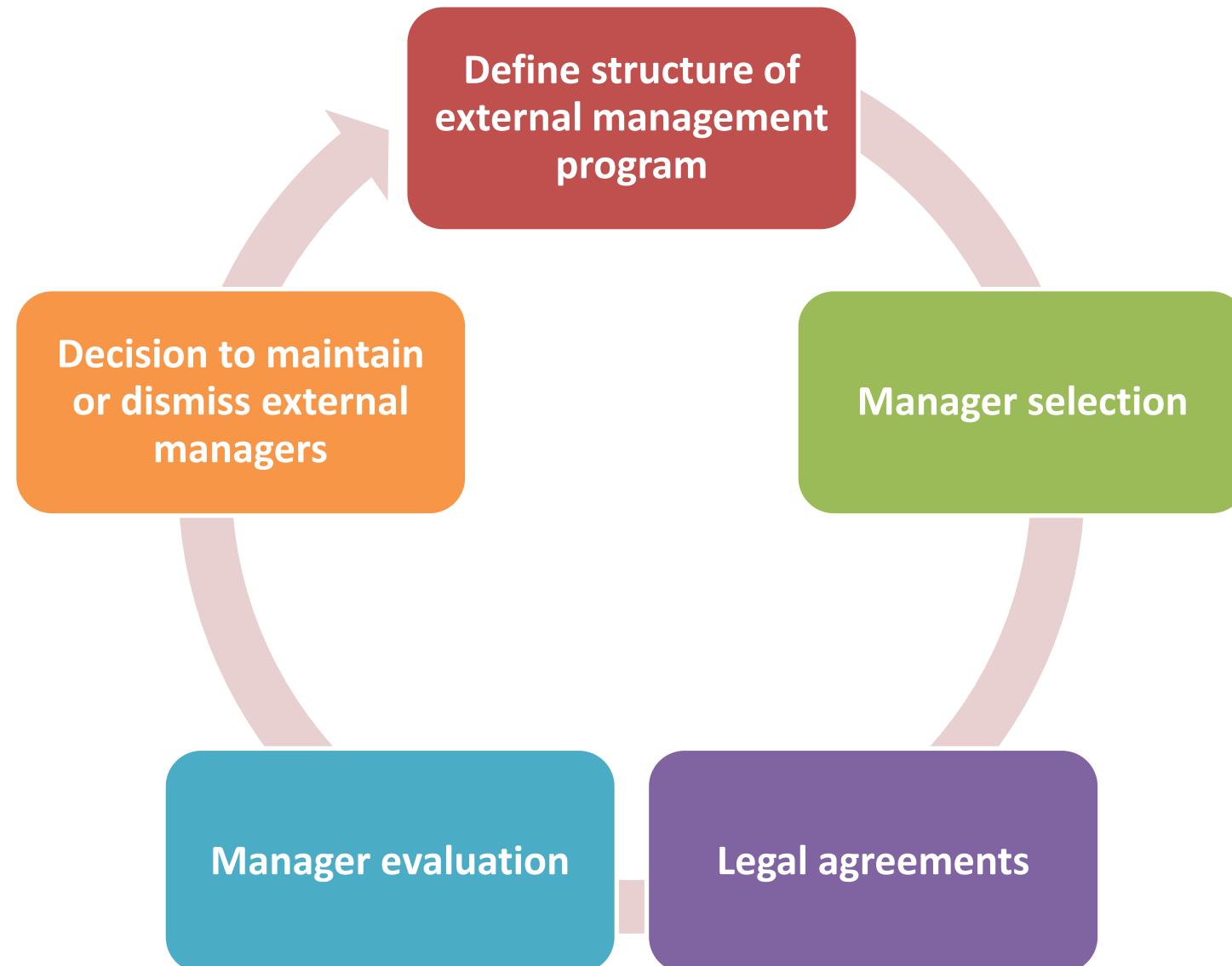
2- EFM Directive

- ❖ We has its own "Directive" or so called EFM Framework
- ❖ The Directive sets clearly the framework for managing EFM including:
 - ✓ Selection
 - ✓ Monitoring and
 - ✓ Evaluation procedures.
- ❖ The aggregate size of EFM is capped at 30% of the total reserve.



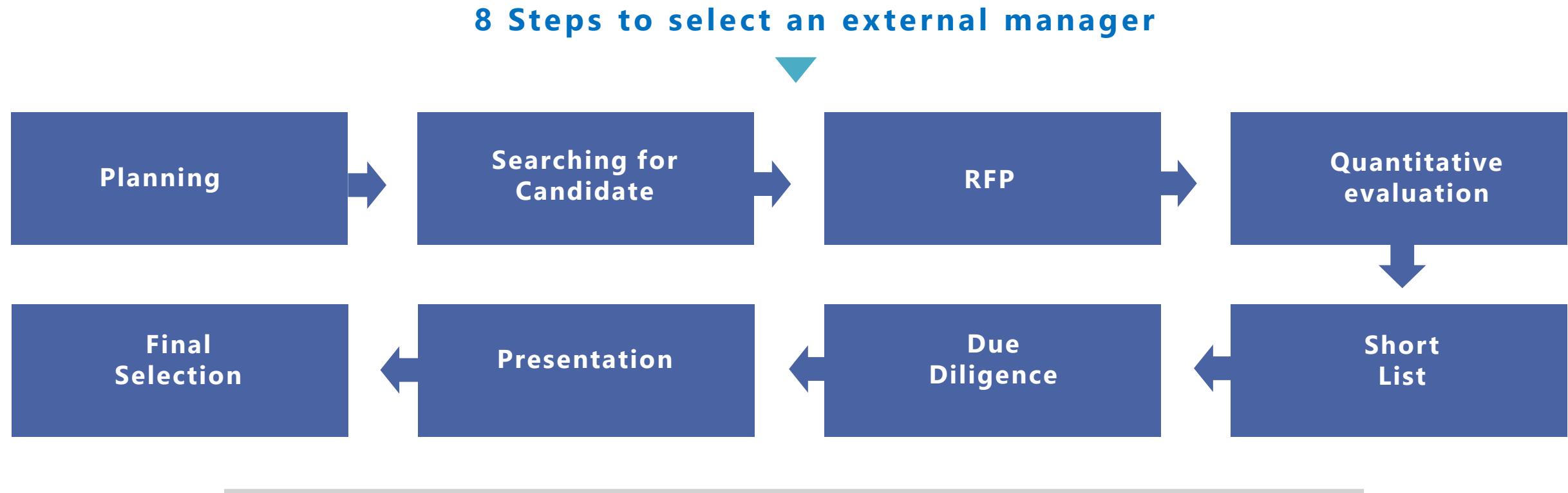
III. External Fund Manager (EFM)

2.1- Selection Process



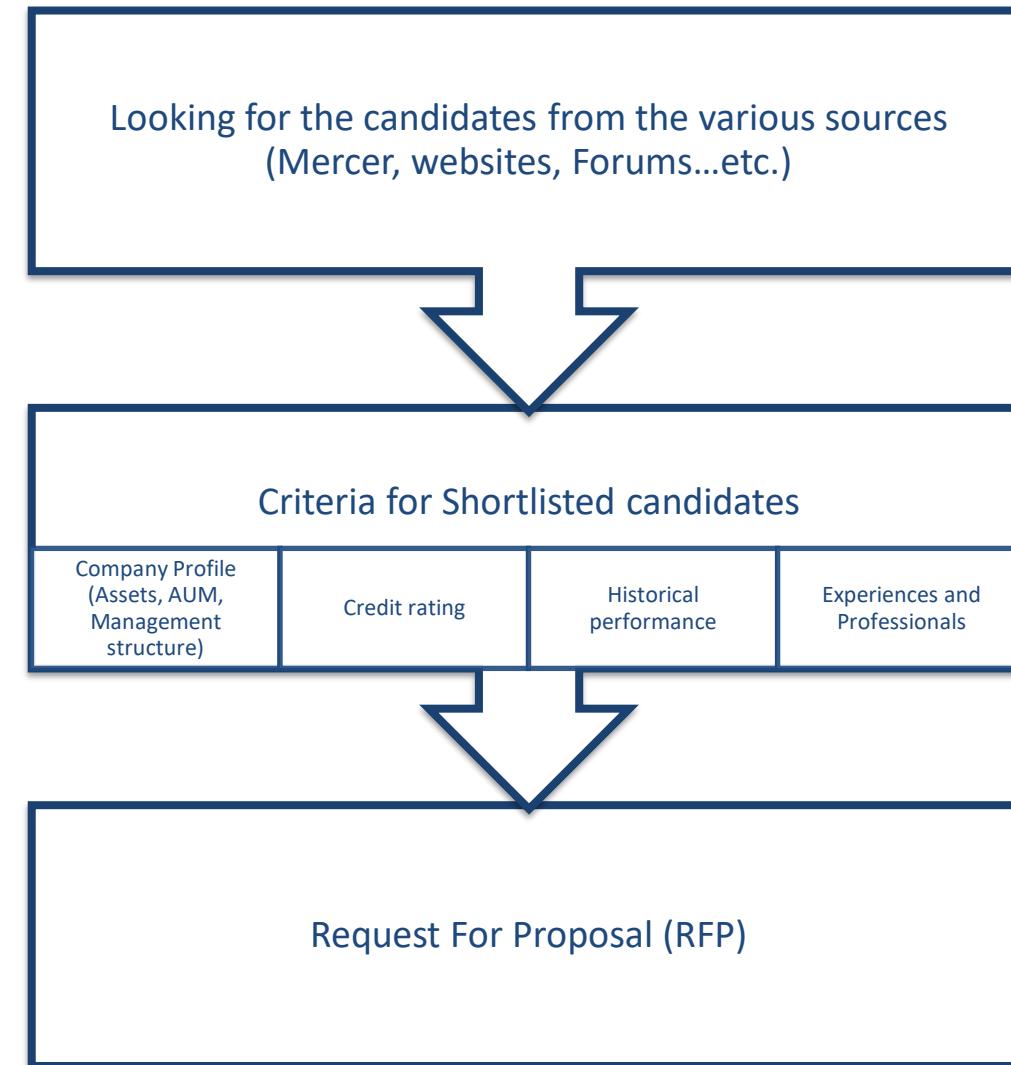
III. External Fund Manager (EFM)

2.1- Selection Process



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III. External Fund Manager (EFM)

2.1- Selection Process

Selection Approaches

- **Quantitative**
 - RFP
 - Other additional information
- **Qualitative**
 - Due diligence and
 - Oral presentation

Scoring factor

Capacity (Professionals)
Experience
Investment process
Strategy and Decision-making process
Risk management
Performance
Supporting service and Post service

III. External Fund Manager (EFM)

2.2- Monitoring

Investment Guideline for EFM must be consistent with the NBC's investment policy such as instruments, risk and return.

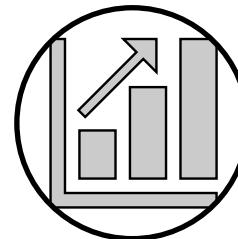
Investment Guideline

- Investment objective: eg. The portfolio shall achieve 30bps excess the BM in 3 years rolling period.
- Eligible Instruments
- Benchmark
- Management Fee
- Custodians
- Performance measurement
- Risk tolerance
- Knowledge sharing program

III. External Fund Manager (EFM)

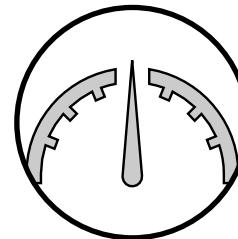
2.2- Monitoring

Post Management and Reporting



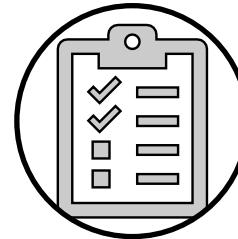
Performance Measurement

- Comparing the Portfolio vs Benchmark return



Risk Measurement:

- Market and Credit risk such as Duration, VaR, TE and Credit rating etc



Reporting:

- Weekly, Monthly, Quarterly and Yearly

III. External Fund Manager (EFM)

2.2- Monitoring

Post Management and Reporting

- **Compliance monitoring:** whether the portfolio comply with the IG
 - ✓ Reported by the custodian
 - ✓ NBC request/discuss with the manager to adjust the portfolio and gives **30 days** for the adjustment
 - ✓ In Case the cost of the adjustment is huge impact, NBC can instruct the manager to hold the position and wait for the good time to dispose.
- *Conduct frequently meeting with the Managers both virtually and physically to discuss on Strategy, Performance, Risk and the challenges.*

III. External Fund Manager (EFM)

2.3- Evaluation

Performance Evaluation

- ✓ NBC Evaluate the EFM for every 3 years based on the Performance Evaluation Methodology;
- ✓ The indicators;
 - Risk Adjusted Performance
 - Consistency of Return
 - Level of Downside Risk

Giving the weight for each indicator

- ✓ Ranking the Managers by 1)-Own Improvement & 2)- Peer Comparison
 - Based on the result, we will decide to Continue/Terminate/Withdrawal.

We also consider this



Fund Withdrawals

- If 30bps Underperform BM in 3 consecutive years
- If 130bps Underperform BM in 1 year

III. External Fund Manager (EFM)

3- Cost and Benefits Analysis of external managers

Benefit	Cost/Challenges
Access to resources (knowledge sharing)	Risk are more difficult to control
Access to best practice in the market and investment strategies	Require experiences in managing external managers
Access to asset classes outside internal mandates to manage risk/return	Slows down the possibility of implementing changes in the portfolio
	Higher cost



Q & A



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