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COURSE BROCHURE

# Portfolio Risk Limits, Stress Testing and Committee Reporting Training Course

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Dar es Salaam

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# Portfolio Risk Limits, Stress Testing and Committee Reporting Training Course

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Portfolio Risk Limits, Stress Testing and Committee Reporting is a 1-week training course for investment analysts, portfolio officers and risk officers and it ends with a risk limit and stress scenario pack ready for an investment committee. Markets now move faster than quarterly reviews, so committees need limits and scenarios they can act on between meetings. Jupiter Prime Training offers this course on portfolio risk limits and stress testing.

## Why Portfolio Risk Limits and Stress Testing Matter Now

Three pressures shape this subject today. Committees expect evidence that losses stay inside an agreed tolerance. Liquidity can disappear in days, turning a sound holding into a forced sale. Counterparties in derivatives, custody and securities lending add exposure that does not show in a simple holdings list. Calibrated limits and tested scenarios give early warning; without them, true exposure appears during a sell-off. The course rests on widely used practice in volatility measurement, drawdown control, concentration limits and scenario design.

## Who Gains Most from Portfolio Risk Limits and Stress Testing

- Analysts who calculate volatility, tracking error and drawdown for funds and mandates
- Portfolio officers who keep positions inside issuer, sector and asset class limits
- Risk officers who monitor breaches, escalate them and propose limit changes
- Treasury and investment staff who manage collateral, margin and counterparty lines
- Secretariat staff who prepare risk papers and minutes for investment committees

An investment office gains most when analysts, portfolio officers and risk staff attend together and leave with one limit vocabulary.

## Portfolio Risk Limits and Stress Testing Capabilities

Participants move from reading risk numbers to setting, testing and defending the boundaries that sit around a portfolio.

- Calculate volatility, tracking error and maximum drawdown for a portfolio — for the investment committee's tolerance discussion
- Design issuer, sector and liquidity limits with soft and hard triggers — for the portfolio officer's daily position checks
- Build historical and hypothetical stress scenarios — for trustees weighing tail losses
- Assess counterparty and collateral exposure — for treasury and credit line decisions
- Specify a breach escalation path — for the chief investment officer
- Communicate risk results in a short committee paper — for committee members approving changes

## Key Portfolio Risk Limits and Stress Testing Terms

- Maximum drawdown — the largest fall in portfolio value from a peak to a later low.
- Tracking error — the volatility of the difference between portfolio returns and benchmark returns.
- Concentration limit — a ceiling on exposure to one issuer, sector or asset class within a portfolio.
- Liquidity horizon — the time needed to sell a position at a reasonable price.
- Reverse stress test — a scenario built backwards from an unacceptable loss to find the conditions that would cause it.
- Counterparty exposure — the amount that could be lost if a trading partner, custodian or borrower failed to meet its obligations.

## Portfolio Risk Limits and Stress Testing Day by Day

### Day 1: The Portfolio Risk Landscape

- Investment Objectives and Loss Tolerance — Framing What the Committee Can Accept
- Market, Liquidity, Concentration and Counterparty Risk — Mapping Exposure Sources
- Risk Appetite Statement for a Fund — Linking Tolerance to Limits
- Roles of Front Office, Risk and Committee — Separating Duties Clearly
- Holdings and Benchmark Data Quality — Trusting the Numbers Reported

### Day 2: Measuring Volatility and Drawdown

- Return Series and Annualised Volatility — Comparing Funds on Equal Terms
- Tracking Error Against Benchmark — Judging Active Risk Taken
- Maximum Drawdown and Recovery Time — Explaining Loss Experience to Trustees
- Historical Loss Percentiles — Estimating Bad-Day Losses Simply
- Correlation Shifts in Falling Markets — Questioning Diversification Assumptions

### Day 3: Setting Concentration, Liquidity and Counterparty Limits

- Issuer, Sector and Asset Class Ceilings — Preventing Single-Name Surprises
- Liquidity Buckets and Days-to-Sell — Matching Holdings to Redemption Needs
- Counterparty Lines, Netting and Collateral — Containing Partner Default Loss
- Soft and Hard Limit Triggers — Deciding When Action Becomes Mandatory
- Limit Calibration and Annual Review — Keeping Boundaries Relevant

### Day 4: Designing Stress Scenarios

- Historical Crisis Replays — Testing Holdings Against Past Market Shocks
- Hypothetical Shock Design — Choosing Rate, Spread and Equity Moves
- Reverse Stress Testing — Finding the Conditions Behind Unacceptable Loss
- Liquidity Stress Under Redemptions — Sizing Cash Buffers Needed
- Breach Escalation and Remediation Plans — Assigning Owners and Deadlines

## Day 5: Practising the Risk Limit and Stress Scenario Pack

- Volatility and Drawdown Dashboard for a Sample Fund — Summarising Current Risk
- Limit Utilisation Table With Breaches — Showing Headroom by Limit
- Stress Results Across Three Scenarios — Ranking Exposures by Severity
- Committee Paper Structure and Clear Asks — Securing Decisions in One Meeting
- Risk Limit and Stress Scenario Pack — Completing the Committee Submission

## Applying Portfolio Risk Limits and Stress Testing After the Course

- Run a limit utilisation check on one fund, flag every limit above eighty per cent of its ceiling and propose responses.
- Rebuild one stress scenario for the current holdings and present the results with a reverse stress test at the next committee.

## Portfolio Risk Limits and Stress Testing Questions FAQ

### What are portfolio risk limits and stress testing, and why do they matter now?

They are the boundaries placed on volatility, drawdown, concentration, liquidity and counterparty exposure, and the scenarios that test those boundaries. They matter now because markets and liquidity can shift within days.

### Which roles gain most from portfolio risk limits and stress testing training?

Investment analysts, portfolio officers and risk officers gain most. Treasury and committee secretariat staff also benefit.

### How does a portfolio risk limits and stress testing course differ from an investment management course?

It focuses on controlling exposure rather than choosing assets. An investment management course covers allocation, valuation and security selection; this one covers limits, scenarios and committee reporting.

### What do you bring back from portfolio risk limits and stress testing training?

You bring back a working pack: a volatility and drawdown summary, a limit utilisation table, stress results across several scenarios and a short committee paper.

## Portfolio Risk Limits and Stress Testing: The Way Forward

The risk limit and stress scenario pack first informs whether current limits still fit the portfolio's tolerance. Portfolio officers use it to manage headroom, risk officers to escalate breaches and committee members to approve changes. After its first committee cycle, revisit the scenario choices and the trigger levels as holdings change.