

INNOVATION LABS » SOFIA:

# AIdvisor

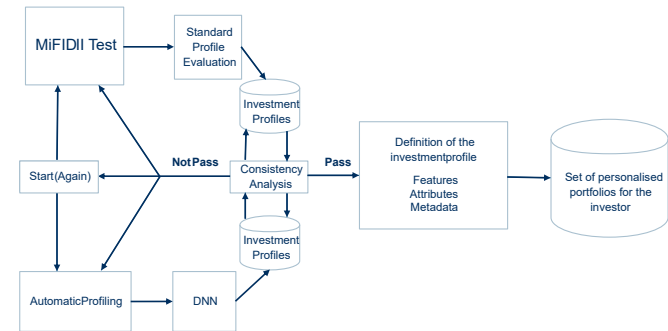


A software that allows investment firms to optimise investment recommendations for their clients.

The algorithm behind this service makes use of:

- Investment returns
- Investment profile
- Investor interactions with the platform
- Other insights from securities

It offers a personalised portfolio for every investor. It breaks from the traditional concept of having a set of predefined portfolios to recommend.



## Investor Profiling

- **MiFID II test:**
  - Financial knowledge and experience
  - Return objective
  - Risk aversion
  - Financial capacity

- **Automatic Profiling:**

A deep neural network profiles investors based on their actions

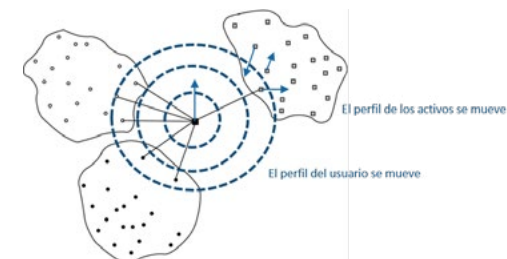
Then, a second network checks consistency between these two investment profiles. It detects any inconsistencies there may be and it generates a set of different optimal investments for the investor.

## Security Selection

The system keeps track of the investment profile over time, based on:

- Investors decisions
- Updated asset utility for the investor
- Reactions and behaviours of similar investors
- Detecting inconsistencies given their current profile

Given both the asset utility for the investor and her investment profile, a deep neural network selects the optimal assets that can be assigned to the final portfolio.

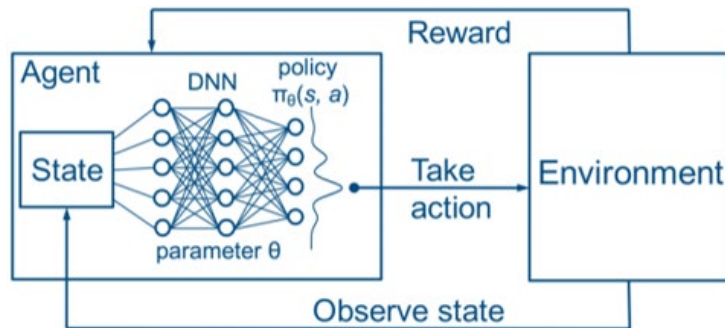


## Asset Allocation

Once the algorithm selects the financial assets, it performs the final asset allocation. The software assigns the specific weights based on:

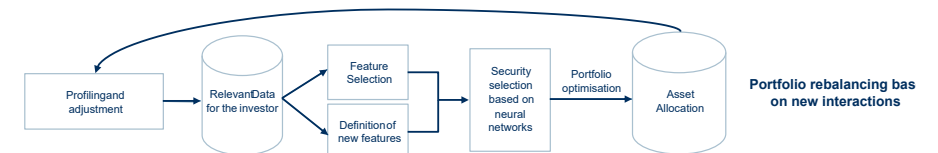
- Recent return and risk characteristics of the asset
- Performance prediction
- Asset utility for the investor

Reinforcement learning is used for asset management. It decides which assets should be overweighted.



## Portfolio Rebalancing

Finally, the software rebalances the portfolio when it deviates from target factor exposures. It also accounts for new investor interactions with the platform and changes in their investment profile.



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