

# **EFM-EDHEC Symposium on Risk and Asset Management**

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## **Welcome Address & Presentation of EDHEC-Risk Strategy and Activities**

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[www.edhec-risk.com](http://www.edhec-risk.com)

# Overview

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- EDHEC-Risk Philosophy
- EDHEC-Risk Research Programs
- EDHEC-Risk Outputs
- EDHEC-Risk Resources
- EDHEC-Risk Marketing
- EDHEC-EFM RAM Symposium

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# EDHEC-Risk Philosophy

## *Combining Academic Excellence and Industry Relevance*

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- Ever since its inception in 2001, the EDHEC Risk and Asset Management Research Centre has attempted to combine academic excellence with industry relevance.
- Based on a formal validation process involving our international advisory board, research projects are undertaken if only if they meet the two criteria.
- Our broad ambition is to become the premier research center in Europe in the field of asset management.
- More specifically, in the face of the profound paradigm change affecting the asset management industry, we hope to have an impact on the way this business will be carried out in the years ahead.

# EDHEC-Risk Philosophy

## *Our Team*

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- The team now has 50 members (including 18 research associates), spread out across 4 campuses (Lille, Nice, Paris & London), with more to come in the future.
  - New faculty members:
    - Garcia, René, PhD Princeton University, previously at University of Montreal
    - Lopez de Silanes, Florencio, PhD Harvard University, previously at Harvard and Yale
    - Mella Barral, Pierre, PhD Cambridge University, previously at LSE and HEC
    - O’Kane, Dominic, PhD Oxford University, previously at Lehman Brothers (affiliated professor)
    - Lioui, Abraham, PhD ESSEC and University of Paris I Sorbonne, previously at Bar Ilan University
  - New research engineers:
    - Basu, Devraj, PhD Indiana University, previously at Cass Business School and Warwick Business School
    - Schröder, David, PhD Bonn Graduate School of Economics, previously at CREST and Friedrich Wilhelms University


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# EDHEC-Risk Research Programs

## *Overview*

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- Our research focuses on the new frontiers in risk and asset management.
- Our research falls within the following six programs.
  - Indices and Benchmarking (1)
  - Asset Allocation and Alternative Diversification (2)
  - Asset Allocation and Derivatives Instruments (3)
  - ALM and Asset Management (4)
  - Performance and Style Analysis (5)
  - Best Execution and Operational Performance (6)

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# EDHEC-Risk Outputs

## *Academic Publication Outputs*

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- Members of EDHEC team have extensively published in the leading academic & practitioners journals.
- The (non-exhaustive) list includes:

American Economic Review, Econometrica, European Financial Management, Finance Research Letters, Journal of Alternative Investments, Journal of Asset Management, Journal of Banking and Finance, Journal of Derivatives, Journal of Econometrics, Journal of Economic Dynamics and Control, Journal of Empirical Finance, Journal of Finance, Journal of Financial Economics, Journal of Financial & Quantitative Analysis, Journal of Financial Risk Management, Journal of Fixed Income, Journal of Indexes, Journal of International Money and Finance, Journal of Mathematical Economics, Journal of Money, Credit & Banking, Journal of Performance Measurement, Journal of Political Economy, Journal of Portfolio Management, Finance & Stochastics, Management Science, Quarterly Journal of Economics, RAND Journal of Economics, Review of Finance, Review of Financial Studies, Risk Magazine, etc.

# EDHEC-Risk Outputs

## *Professional Publication Outputs*

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- Our research has also led to numerous articles in professional journals...
  - Funds Europe,
  - Global Investor,
  - Hedge Funds Review,
  - Investment & Pensions Europe,
  - Life & Pensions Magazine
  - PWM, etc.
- ...as well as in general business publications...
  - The Wall Street Journal,
  - The Financial Times,
  - The Economist,
  - *Le Temps*,
  - *Les Echos*, etc.
- ... and a number of “EDHEC Position Papers”.
  - Amaranth debacle,
  - Hedge fund replication,
  - Subprime crisis
  - Assessing fundamental equity indices, etc.

# EDHEC-Risk Outputs

## *EDHEC Asset Management Education*

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- The mission of EDHEC Asset Management Education is to help investment professionals to upgrade their skills with advanced risk and asset management training across traditional and alternative classes.
- Approved Provider of professional development programs with the CFA Institute
- Exclusive Chartered Alternative Investment Analyst Association® Course Provider for Europe since 2004
- Our offering includes such courses in London and New York as:
  - ✓ Advances in Asset Allocation – The EDHEC/CFA Institute Annual Seminar – N. Amenc, L. Martellini, and B. Scherer
  - ✓ State-of-the-Art Fund of Hedge Funds Management – F. Lhabitant
  - ✓ Alternative Beta and Hedge Fund Replication – L. Martellini

# EDHEC-Risk Outputs

## *EDHEC Days*

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- Since 2004, the EDHEC Risk and Asset Management Research Centre has been organizing annual conferences across Europe. By setting up the EDHEC Hedge Fund Days, EDHEC created a new type of conference that aimed to provide professionals with the state of the art in financial research in the various fields of asset management.
- The EDHEC Hedge Fund Days, now re-branded as the EDHEC Alternative Investment Days to accommodate the new alternative asset classes, are recognized as the most relevant and worthwhile industry conference dedicated to alternative investments.
- The inaugural EDHEC Asset Management Days took place in Geneva in April 2005 and gave around 600 industry practitioners the opportunity to meet and debate with EDHEC's research team. The event was repeated in March 2007 with more than 700 participants.
- In 2008, the EDHEC Asset Management Days, which had been taking place in Geneva up until now, have been integrated into a new edition of the EDHEC Institutional Days, which will now be held every year in Paris in June. 1,200 delegates are expected for this year's event.

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# EDHEC-Risk Resources

## *Sources of Funding*

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- From its inception, the EDHEC Business School has been the primary source of funding for the various research initiatives.
- Development of industry relationship have allowed multiple and diverse sources of financing:
  - Conferences and other events (2 per year)
  - EDHEC Asset Management Education (EAME)
  - Chairs (the most recent and original source of financing)
    - ALM and Institutional Investment Management (BNP Paribas Asset Management)
    - MiFID and Best Execution (SunGard, CACEIS and Euronext)
    - Structured and Derivative Products (French Banking Federation)
    - Regulation and Institutional Investment (AXA Investment Managers)
    - Financial Engineering and Global Alternative Portfolios for Institutional Investors (Morgan Stanley Investment Management)

# EDHEC-Risk Resources

## *Wide Industry Support*

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- ABN AMRO Asset Management
- Allianz Global Investors
- ATOS Euronext Market Solutions
- AXA Investment Managers
- BAREP Asset Management
- BNP Paribas Corporate & Investment Banking
- BNP Paribas Investment Partners
- BNP Paribas Securities Services
- BNY Mellon Asset Management
- CACEIS Investor Services
- CASAM
- Citigroup
- Clearstream
- Crédit Agricole Asset Management
- Deutsche Bank
- Dow Jones Indexes
- DRRT – Global Expansion Group
- DST International
- EFA
- Easy ETF
- ETF Securities
- Eurex
- EuroPerformance
- F&C Management
- Federal Finance
- Fimat
- Financière de Champlain
- Fitch Ratings
- Fortis
- Halbis
- IMFC Fund Services
- Invesco Asset Management
- Invesdex
- iShares
- LCF Rothschild
- Lehman Brothers Asset Management
- Lombard Odier Darier Hentsch
- Lyxor
- Markov Processes International
- Moody's Investor Service
- Monakea
- Morgan Stanley Investment Management
- NewFinance Capital
- NYSE Euronext
- Oddo Asset Management
- Optimal Investment Services
- Pictet
- PIM Gestion
- Pioneer Investments
- PricewaterhouseCoopers
- Reuters
- RiskData
- RiskMetrics
- Robeco
- SGAM Alternative Investments
- SGAM ETF
- Société Générale Corporate & Investment Banking
- Société Générale Securities Services
- Sinopia
- Sparinvest
- Standard & Poor's
- State Street Global Advisors
- Swiss Exchange
- Threadneedle
- UFG Group
- Unigestion
- Vanguard Investments
- Vontobel Asset Management

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# EDHEC-Risk Marketing Channels

*Website*

- [www.edhec-risk.com](http://www.edhec-risk.com), an academic website for finance professionals. EDHEC-Risk, with its joint academic and professional expertise, endeavours to be the most useful site for practitioners who are keen to take advantage of research results to improve their investment and risk management processes.
- 25,000 registered members.

The screenshot shows the EDHEC-Risk website interface. At the top, there is a search bar and navigation links. The main content area features a large header for 'Eurex' with the logo and a detailed description of the exchange. To the left, there is a vertical navigation menu with various categories like 'EDHEC Risk Concept', 'Industry Analysis', and 'Research News'. To the right, there is a table of 'EDHEC Alternative Indices: July 2009 (Estimate)' and a 'Featured Events' section.

Index	Value
Cons. Arb.	0.72%
EIA Global	-2.29%
Worl. Inc.	0.19%
Emp. Idx.	0.66%
Eq. Hk. Trst.	0.30%
Event Driven	0.02%
Fin. Inc. Arb.	0.42%
Fut.	-0.18%
Global Hurd	-0.02%
L/S Equity	-0.43%
Merger Arb.	0.41%
Rel. Value	0.26%
Short Selling	1.26%

# EDHEC-Risk Marketing Channels

## Newsletter

- Electronic newsletter containing news from all the main sections of the EDHEC-Risk web site (editorial, feature, interview, research news, EDHEC publications, index returns, etc.) is sent out once a month to more than 150,000 readers worldwide.

September 04, 2006

Edhec-Risk Newsletter  
Asset Management Research

EDHEC Alternative Indices: July 2006 (Estimates)	
Conv. Arb.	0.72%
CTA Global	-2.23%
Dist. Sec.	0.15%
Emp. Hbts	0.66%
Eq. Hbts	0.30%
Event Driven	0.02%
Fin. Inc. Arb.	0.62%
FoF	-0.18%
Global Macro	-0.02%
L/S Equity	-0.43%
Merge Arb.	0.61%
Rel. Value	0.26%
Share Selling	1.26%

**EDITORIAL**

EDHEC disagrees with the ECB  
An article in the June 2006 edition of the European Central Bank's Financial Stability Review (FSR) claims that hedge fund activities pose considerable risk to the financial system. We disagree with this conclusion, which is based on mere speculation. We outline the fallacies in the reasoning of the FSR article and makes some propositions on how to assess the welfare impacts of hedge funds. [More...](#)

**INDUSTRY ANALYSIS**

EDHEC criticises FRR's decision to exclude hedge funds from its strategic allocation  
At the beginning of June, the FRR (Fonds de Réserve pour les Retraites) announced its decision to allocate 10% of its assets to so-called alternative products. The reason highlighted was the risky nature of the current composition of the fund, which is dominated by two asset classes, stocks and bonds. The allocation to alternative products targeted by FRR is part of a diversification logic: by being exposed to different risk factors (i.e. different asset classes) the portfolio's sensitivity to a given source of risk is reduced. [More...](#)

US court overturns hedge fund adviser registration  
A US federal appeals court has unanimously held that the Securities and Exchange Commission (SEC) exceeded its authority when it adopted a controversial new rule requiring hedge fund managers to register as investment advisers with the SEC, throwing the SEC's long-running battle to better regulate hedge funds into doubt and disarray. The shock decision leaves hedge fund managers and their investors in limbo, while they await a definitive response from the SEC on how it intends to regulate this \$1.5 trillion industry in the future. [More...](#)

**Events**

EDHEC Institutional Days & ETF Summit 2006

LHABITANT Hedge Fund Seminar

Asset Management Forum

Managed Accounts Europe 2006

**Books**

Operational Risk: Practical Approaches to Implementation

# EDHEC-Risk Marketing Channels

## Media Partnerships

- The research centre has been quoted in more than 2,000 articles in the professional press.
- Partnership with the *Financial Times* to publish the results of Alpha League Table (quarterly).
- Monthly contributions to *Funds Europe* and *Hedge Funds Review*.
- Partnership with *CNBC Europe* and the *International Herald Tribune* on the Hedge Fund Roundtable of Global Thought Leaders
- Partnership with the *Wall Street Journal Europe* on the Institutional Investor Forum
- Partnership with *Investment & Pensions Europe* (IPE) on the IPE-EDHEC Institutional Asset Management Awards

PORTFOLIO MANAGEMENT

### Alpha: From delivery to packaging

Edhec provides an illustration from active bond-portfolio management to explain the use of fixed-income derivatives to design hedge fund-type offerings that better fit investors' needs

BY LIONEL MARTELLINI, PHILIPPE MALAISE AND NOËL AMENC, EDHEC



With currently around \$1tn in assets under management, hedge funds have seen impressive growth over the past decade and providers of such investment vehicles do not lack arguments as to why institutional investors should try to gain exposure to hedge funds.

The interest from institutional investors comes at a time when they are trying to find recovery solutions after having been dramatically affected by downturns in the equity markets.

This is especially true for institutions where declining interest rates have increased liabilities at the same time as assets were reduced. These market events, in addition to questioning the current investment practices of institutional investors in general, and pension funds in particular, have put the emphasis on alternatives to stocks and bonds, such as hedge funds.


Though the existing literature seems to concur on the interest of hedge funds as a valuable investment alternative, because of the opacity and lack of transparency of their strategies, there is still a large number of institutional investors who wonder whether they should invest in hedge funds, and how they should do it. The classic arguments of hedge fund providers for investing in such structures – which is the claim that they provide investors with access to skilled managers – does not necessarily shed much light on how these products actually fit investors' needs with respect to their preferences and liability constraints.

The hedge fund industry needs to adopt an investor-driven approach, as opposed to the current producer (manager) perspective, and we call for packaging such performance in a way that is consistent with the modern core-satellite approach to institutional portfolio management.

**AUTHORS**  
Lionel Martellini, Philippe Malaise and Noël Amenc (left) are professors of finance at EDHEC Graduate School of Business. The author for correspondence is Philippe Malaise (philippe.malaise@edhec.edu). We thank Stefan Engel's for very useful comments. This research has been sponsored by Eurex.

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www.hedgefundreview.com

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# EDHEC-EFM Symposium

## *The Symposium*

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- We are delighted to partner with the European Financial Management Association to organize this Risk and Asset Management Symposium.
- We have received around 150 high-quality submissions, with an acceptance rate of 1 out of 5 papers.
- 30 papers are allocated in 15 sessions, with 3 parallel sessions running at all times, except for the keynote address.
- The keynote speaker is Robert Arnott, former editor of the Financial Analysts Journal, and the founder and chairman of Research Affiliates.
- Format of the sessions: 30 mns presentation, 10 mns discussion and 5 mns questions & answers.

# EDHEC-EFM Symposium

## *Practical Information*

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- Chairmen & women are responsible for the respect of the timing of the sessions, with an indication of “5 minutes left” and “1 minute left” signs.
- Location
  - All sessions are located on the 2nd Floor: room 2002/2003/2005.
  - Coffee break on the second floor, and buffet reception/lunch on the ground floor.
- Late changes for tomorrow evening
  - 7:00pm: Bus pick up at EDHEC campus (please arrive 10 mns before)
  - 7:45pm to 8:45pm: cocktail at the restaurant
  - 8:45pm: dinner (formal attire is recommended)
- Special thanks for our sponsors
  - EDHEC
  - Europlace Institute of Finance
  - RESEARCH AFFILIATES
  - EFM

# EDHEC-EFM Symposium

## *The EFM & EFM Journal*

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### 2006 EFM Readership

In 2006, *European Financial Management* articles were downloaded 41,972 times through *Blackwell Synergy* and other online hosts. This compares with 27,789 in 2005; an increase of 51% over 2005, and almost 75% higher than in 2004.

The following graph shows the number of times *European Financial Management* articles were downloaded online from 2001 to 2006.

