

December 17, 2008

**EDHEC Alternative Indexes:
November 2008
(Estimates)**

Conv. Arb.	-3.25%
CTA Global	1.99%
Dist. Sec.	-4.24%
Emg. Mkts	-3.94%
Eq. Mkt Neut.	-5.83%
Event Driven	-2.90%
Fix. Inc. Arb.	-2.83%
Global Macro	0.50%
L/S Equity	-2.08%
Merger Arb.	-0.05%
Rel. Value	-2.06%
Short Selling	4.39%
FoF	-1.65%

EDITORIAL**Financial innovation is over. Really?**

The current turmoil is prompting calls to curtail financial innovation, abandon financial engineering, and pull the plug on quantitative risk management. Risk management models are being criticised for failing to keep pace with market developments and for creating a false sense of security that led to excessive risk-taking. Practitioners are being urged to give up rocket science and "look at the world with the naked eye." [More...](#)

INDUSTRY ANALYSIS**The Basel II reform that would have made most injections of public funds unnecessary**

The financial crisis has put great pressure on banks and led to a number of emergency measures intended to restore confidence in the banking system: tentative changes to accounting standards, recapitalisation of the banking industry, and higher capital requirements. Each measure targets a specific concern that has arisen during the crisis. Governments and regulators, however, have yet to deal with one of the essential causes of systemic risk: the inflexibility of prudential regulation for banking. [More...](#)

Target date funds - a retirement vehicle for the future

Defined Benefit (DB) pension schemes are increasingly giving way to Defined Contribution (DC) schemes as employers seek to reduce their risks. However DC schemes pose massive new problems of their own. In response, a new type of retirement savings vehicle, Target Date Funds has come to the fore and has experienced explosive growth rates in the US in recent years. In current or modified form they offer the potential of becoming an important aspect of pension arrangements worldwide. [More...](#)

The trend towards "empowering" buy-side trading and the re-alignment of trading responsibilities from the sell-side towards the buy-side

It must be a truism that efficient trading on the buy-side is important at all levels. The fiduciary duty on a fund manager has always existed. However, the focus upon that duty, perhaps exacerbated by hedge funds inexorably moving into the institutional arena and the attendant higher profile on the regulatory radar screen, is intensifying. Hence the need for fund managers to supply demonstrable evidence that Best Execution has been performed. [More...](#)

Events

[CAIA Review Courses - London and Paris](#)

[CFA Institute / EDHEC Alternative Asset Allocation Seminar - London](#)

[Miffre and Till Commodities Investing Seminar - London](#)

[CFA Institute / EDHEC Advances in Asset Allocation Seminar - New York](#)

[Futures Markets: Using Publicly Available Information to Identify Opportunities and Manage Risks - Chicago](#)

Books

[Handbook of Finance, 3 Volume Set](#)

FEATURES

[Reactions to an EDHEC Study on Asset-Liability Management Decisions in Private Wealth Management](#)

With the great economic growth of the past decade, before the current downturn, private wealth management has become a very profitable business for banks worldwide. As a result, more and more asset management firms have jumped into the fray and competition has increased steadily. These industry changes have led to renewed attempts to improve client relationships and to develop tools and methods to enhance advisor effectiveness. [More...](#)

INTERVIEW

[ALM does provide us with better risk management - an interview with Joost Rietvelt](#)

In this month's interview we speak to Joost Rietvelt of Van Lanschot about the practical implications of using ALM techniques in private wealth management and also welcome an article by Guus Boender and Ronald Janssen on Asset-Liability Management for Private Individuals. [More...](#)

RESEARCH NEWS

[The Arithmetic of Fundamental Indexing](#)

Frederick E. Dopfel. The author first recalls the important difference between active and passive management, i.e., that if an active fund outperforms, there is necessarily another fund that underperforms, while investors in passive cap-weighted indices accept average investment returns, rather than take the risk of earning inferior returns. The recently introduced fundamental indices look more like active strategies than passive indices, since they seek to outperform cap-weighted indices. [More...](#)

EDHEC PUBLICATIONS

[Assessing the European Banking Sector Bailout Plans](#)

In response to a major financial crisis, European governments have put in place measures for the recapitalisation of the banking sector and the shoring up of its liquidity. These bailout plans pose problems for the European Union, founded as it is on the presumption of market competition not distorted by intervention on the part of its member states. [More...](#)

EDHEC-RISK NEWS

[CFA Institute and EDHEC organising inaugural Alternative Asset Allocation Seminar in London](#)

The EDHEC Risk and Asset Management Research Centre and CFA Institute will be organising their inaugural Alternative Asset Allocation Seminar at The Dorchester in London on 17-19 March, 2009. This intensive three-day course will impart advanced concepts and practical tools for optimal construction and risk management of multi-style multi-class portfolios. The objective is to enable participants to derive the full benefits of alternative investments for asset management and asset-liability management (ALM) while controlling for their specific risks. [More...](#)

[Banking Regulation and Government Intervention: Call for Reaction](#)

We are canvassing opinions on a recent EDHEC position paper, "Banking: Why Does Regulation Alone Not Suffice? Why Must Governments Intervene?" and have formulated a short questionnaire with five questions. In the paper, Samuel Sender, Applied Research Manager with the EDHEC Risk and Asset Management Research Centre proposed a solution to the procyclical nature of prudential regulations that would involve the use of buffers - an amount of regulatory capital that would vary over the business cycle and could eventually disappear provided it is recovered over the medium term. [More...](#)

[Next State-of-the-Art Commodities Investing Seminar to be held in London in April](#)

The next State-of-the-Art Commodities Investing Seminar organised by EDHEC Asset Management Education, and delivered by Joëlle Miffre, Professor of Finance at EDHEC Business School, and Hilary Till, a principal of Premia Risk Consultancy, and a research associate with EDHEC, will be held in London on 21-22 April, 2009. [More...](#)



Alternative Asset Allocation Seminar

London, 17-19 March 2009, The Dorchester



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