

November 29, 2010

FTSE EDHEC-Risk Efficient Indexes: October 2010	
Eurobloc	4.09%
United Kingdom	1.36%
United States	4.39%
Japan	-3.20%
Dev. Asia ex. Jap.	2.01%
All World	3.73%
All World ex. US	3.28%
All World ex. UK	3.81%
Asia-Pacific	1.82%
Asia-Pac. ex. Jap.	2.60%
Developed Europe	4.23%
Developed	3.74%
Emerging	3.67%

EDHEC-Risk Alternative Indexes: October 2010 (Estimates)	
Conv. Arb.	2.16%
CTA Global	3.12%
Dist. Sec.	2.01%
Emg. Mkts	2.42%
Eq. Mkt Neut.	1.09%
Event Driven	2.12%
Fix. Inc. Arb.	1.01%
Global Macro	1.71%
L/S Equity	2.17%
Merger Arb.	0.45%
Rel. Value	1.52%
Short Selling	-1.63%
FoF	1.52%

Events

"Diversification matters... but not for risk control"
Seminar, Frankfurt

Equity Indices & Benchmarks Seminar, Munich

CFA Institute/EDHEC-Risk Institute Advances in Asset Allocation Seminar, London

EDHEC-Risk Institutional Days 2010, Monaco

EDITORIAL

[Diversification is not sufficient for managing risk](#) The global financial crisis has shifted the attention of all investors to risk. A survey of the practices of European pension funds conducted by EDHEC-Risk Institute highlights three great challenges-gaining additional access to performance through optimal diversification, improving the hedge of the stream of liabilities, and respecting the minimum funding ratio constraint by insuring downside risk away. [More...](#)

INDUSTRY ANALYSIS

[Investment management after the global financial crisis](#) From mid-2007 through the first quarter of 2009, financial markets were shaken by a series of shocks. It is important that the investment management industry learns lessons from this crisis to understand what needs to be done differently going forward. Everyone in the industry will need more 'science', a more systematic consideration of the true risks that lie ahead, be they the risk of extreme events, liquidity risk, counterparty risk or systemic risk. [More...](#)

[Emerging markets - an outdated concept?](#) "Emerging markets" have become an asset class that is both fashionable and recently very rewarding in share price terms. However, the very notion of "emerging markets" now needs to be reviewed. [More...](#)

[Invitation to participate in EDHEC Sponsor and Accounting Risk Management Survey 2010](#) As the market downturn at the turn of the millennium devastated many pension plans, some companies have been left with pension deficits larger than their stock market capitalisation. [More...](#)

FEATURES

[EDHEC-Risk European Private Wealth Management Survey](#) The EDHEC-Risk European Private Wealth Management Survey has been completed as part of the second year of the "Private Asset/Liability Management" research chair, a chair endowed by Ortec Finance. The objective of this research chair is to assess the degree to which asset/liability management (ALM) practices common in institutional investment management are likewise effective in private wealth management. The theory behind private ALM is that, by representing a client's spending objectives formally as a liability benchmark and by managing his assets relative to this benchmark, risk management can be customised, and that portfolio decisions that take into account the client's specific objectives

Books

Investment Management
after the Global Financial
Crisis

can then be made. [More...](#)

INTERVIEW

[The number of advisors using ALM techniques is growing very fast - an interview with Ton van Welie](#) In this month's interview, Ton van Welie, Chief Executive Officer of Ortec Finance, discusses the survey of European private wealth management practices which has just been released as part of the "Private ALM" research chair at EDHEC-Risk Institute, and his views on what the future holds for the risk management and investment processes of pension funds, insurance companies, asset managers and real estate managers after the financial crisis. [More...](#)

RESEARCH NEWS

[Thinking about Indices and "Passive" versus Active Management](#) *Russell J. Fuller, Bing Han, Yining Tung*. In this article, the authors have two embedded focuses. One is to go through the construction of paper indices-indices, such as the Dow Jones Industrial Average (DJIA), whose performance is widely reported by the media-in detail. The other is an argument about the term passive investment, a term, in their view inappropriate, used to refer to indexation. Replicating an index may appear to be a passive form of portfolio management, but the construction of the paper indices that serve as benchmarks requires several active decisions detailed in the article. [More...](#)

EDHEC PUBLICATIONS

[French Corporate Social Responsibility: Which Dimension Pays More?](#) *Laetitia Drusch, Abraham Lioui*. The authors use a sample of 148 events related to corporate social responsibility (CSR) to assess the impact of CSR on corporate financial performance. There is considerable heterogeneity in market reaction to different dimensions of CSR. Not all dimensions offer a positive reward; some yield a negative and even statistically significant impact on the firms' stock returns. One main conclusion of this study is that socially responsible investment is not an excuse for passive management. There is still room for timing and stock picking within the socially responsible universe of stocks. [More...](#)

[Strategic and Tactical Roles of Enhanced-Commodity Indices](#) *Ana-Maria Fuertes, Joëlle Miffre, Georgio Rallis*. This paper compares the risk and performance of two traditional commodity indices with enhanced long-only versions that exploit signals based on momentum, term structure and the time-to-maturity of the contracts. Regarding risk diversification and inflation hedging properties, the enhanced indices are as effective tools for strategic asset allocation as the traditional ones. In addition, with alphas ranging from 0.49% to 6.18% a year, the enhanced indices improve upon the performance of their traditional counterparts, both statistically and economically, suggesting that they can also be utilized for tactical asset allocation. Among those considered, the leading enhanced index targets maturities far away from the present. [More...](#)

EDHEC-RISK NEWS

Final application deadline for the EDHEC-Risk Institute Executive MSc in Risk and Investment Management is December 10 The innovative Executive MSc in Risk and Investment Management has been introduced by EDHEC-Risk Institute for practitioners who wish to embrace and lead the major changes that will reshape the investment management industry. The programme is offered both in Europe, from London and Nice, and in Asia, from Singapore, and can be completed over 17 months of part-time studies. [More...](#)

European offering of "Advances in Asset Allocation Seminar" sold out - American and Asian sessions announced The Advances in Asset Allocation Seminar, taking place from 30 November to 2 December in London, has once again met with strong demand and places have sold out quickly. The next editions of the seminar will be held in New York and Singapore. [More...](#)

Opportunity to join EDHEC-Risk Institute's research teams in London and Singapore: Financial Analyst positions available To strengthen its research team and develop its industry outreach activities, EDHEC-Risk Institute is seeking two experienced Financial Analysts to join teams based in London and Singapore. Established in 2001, EDHEC-Risk Institute has become the premier centre for financial research and its applications. In partnership with the industry, its team of fifty-six permanent professors, engineers and support staff implements six research programmes and eleven research chairs focusing on asset allocation and risk management. [More...](#)



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