

EDITORIAL

[Ten years on](#) When EDHEC-Risk Institute was set up, on August 1, 2001, a deliberate decision was made to include the word "Risk" in the institute's name, because of the importance of risk in the asset management industry. In the ten years since then, the support of our business partners has allowed EDHEC-Risk to become experts in the area of risk in asset management. Those ten years have also seen us extend our influence in Europe, with our London-based research centre, and also in Asia, where we have established EDHEC Risk Institute Asia with the support of the Monetary Authority of Singapore (MAS). [More...](#)

INDUSTRY ANALYSIS

[Advantages and shortcomings of minimum variance portfolios](#) Since minimum variance portfolios have only the objective of lowering risk, rather than aiming to optimise the risk/reward ratio, minimum variance portfolio optimisation leads to a pronounced concentration in low volatility stocks at the expense of exploiting correlation properties. While minimum variance portfolios are not optimal portfolios, they may be suitable for investors who wish to load up on low-risk or "defensive" stocks. [More...](#)

[Middle-class difficulties](#) The expansion of the middle classes in emerging countries is supposed to be good for the investment management industry. But a prospective scenario for middle-income earners worldwide could be calamitous instead. [More...](#)

FEATURES

[Structured Equity Investment Strategies for Long-Term Asian Investors](#) The current macroeconomic and regulatory environments are extremely challenging for institutional investors. Prudential and accounting standards encourage investors to invest in low risk assets that are highly correlated with liabilities. At the same time, investors operate in a low interest rate environment where attractive risk premia are offered by asset classes that are poorly correlated with liabilities or command high capital charges due to their volatility. The conundrum for long-term institutional investors is how to extract risk premia while limiting exposure to downside risks. [More...](#)

INTERVIEW

[The strategies of Asian institutional investors are being challenged - an interview with Pierre Trecourt](#) In this month's interview, we talk to Pierre Trecourt, Head of Fixed Income Solutions & Institutions for Asia Pacific at Société Générale, about a study recently released by EDHEC-Risk Institute, entitled "Structured Equity Investment Strategies for Long-Term Asian Investors," the use of volatility targeting, SG CIB's plans for the Asian region, and their support for EDHEC-Risk Institute's research. [More...](#)

RESEARCH NEWS

[Realized Volatility Indexes](#) *Andrew Clark.* In this article, the author first considers in turn the various hypotheses inherent to modern portfolio theory to see if they match the real market conditions. First of all, it is clear that investors invest at different time horizons. This is not without consequences on their investing objectives and the way they trade. This heterogeneity among investors has led to the market being considered as fractal. This fractal characteristic relates to both the various investment horizons and time

periods. [More...](#)

EDHEC PUBLICATIONS

[Force-fitting CDS Spreads to CDS Index Swaps](#) *Dominic O'Kane*. Issues of contemporaneity, liquidity, different restructuring clauses and market supply and demand, all contribute to the fact that the market quoted term structure of CDS index spreads does not always agree with the term structure of CDS index spreads implied by the CDS term structures of the constituent credits. This can cause problems for those who wish to calibrate no-arbitrage pricing models in order to price and hedge index derivatives. [More...](#)

[Improving Portfolio Selection Using Option-Implied Volatility and Skewness](#) *Victor DeMiguel, Yuliya Plyakha, Raman Uppal, Grigory Vilkov*. The objective of this paper is to examine whether one can use option-implied information to improve the selection of portfolios with a large number of stocks, and to document which aspects of option-implied information are most useful for improving their out-of-sample performance. Portfolio performance is measured in terms of four metrics: volatility, Sharpe ratio, certainty-equivalent return and turnover. [More...](#)

EDHEC-RISK NEWS

[Next EDHEC-Risk Institute PhD in Finance information sessions taking place in Hong Kong, London and Singapore](#) Since 2008, EDHEC-Risk Institute has been offering a unique PhD in Finance programme to elite practitioners who aspire to higher intellectual levels and aim to redefine the investment banking and asset management industries. [More...](#)

[Advances in Equity Portfolio Construction Seminar being held in London on April 19-20, 2012](#) Asset management is the art and science of designing investment solutions that match investors' needs. For more than 50 years, the industry has focused on delivering alpha through security selection as the main source of added-value, based on the assumption that market-cap-weighted indices were efficient portfolios. This sole focus, which did not fare well during recent times of market turbulences, has somewhat distracted the industry from another, more significant, source of added value: beta and risk management. [More...](#)

[Early Bird rate available for EDHEC-Risk Days Europe 2012, March 27-29, London](#) After the success of the last EDHEC-Risk Institutional Days and EDHEC-Risk Alternative Investment Days, which gathered together more than 800 investors and investment professionals from all over Europe and beyond, and in order to better satisfy the requirements of institutional investors, EDHEC-Risk Institute has decided to merge its two annual conferences into a unique three-day event in Europe, the EDHEC-Risk Days Europe, which will take place at the Brewery in London in March 2012 (27-28-29). [More...](#)