

January 25, 2011

FTSE EDHEC-Risk Efficient Indexes: December 2010	
United States	6.52%
United Kingdom	7.61%
Eurobloc	5.88%
Developed Europe	9.19%
Japan	4.64%
Dev. Asia ex. Jap.	5.71%
Asia-Pac. ex. Jap.	5.99%
Asia-Pacific	6.74%
Developed	7.41%
Emerging	6.96%
All World ex. US	7.95%
All World ex. UK	7.28%
All World	7.35%

EDHEC-Risk Alternative Indexes: Dec 2010 (Estimates)	
Conv. Arb.	1.42%
CTA Global	4.53%
Dist. Sec.	2.87%
Emg. Mkts	2.76%
Eq. Mkt Neut.	1.05%
Event Driven	2.97%
Fix. Inc. Arb.	0.64%
Global Macro	2.75%
L/S Equity	3.56%
Merger Arb.	1.10%
Rel. Value	1.55%
Short Selling	-5.46%
FoF	1.99%

Events

[EDHEC-Risk Equity Indices & Benchmarks 2011 Seminar Series, New York](#)

[EDHEC-Risk Institute 2011 Risk Management Seminar Series, New York, Boston](#)

[Commodities/Energy Risk Management, Calgary](#)

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

[EDHEC-Risk Alternative Investment Days 2011, London](#)

EDITORIAL

[EDHEC Risk Institute-Asia accompanying the development of the investment industry in Asia-Pacific](#)

EDHEC-Risk Institute has made a major commitment to the Asia-Pacific region owing to its importance as a key growth area for the global investment industry. This decision was buttressed by strong needs and expressed demand for research and education on the part of local institutions, as well as by willingness of the Institute's European and global corporate sponsors and partners to extend existing co-operations to the region. [More...](#)

INDUSTRY ANALYSIS

[Strategic risk management and risk monitoring for pension funds](#)

The current crisis reemphasizes the necessity of a well-founded strategic risk management that focuses on funded ratio risk, rather than on implementation risk. This paper contains a description of how strategic risk management of a pension fund should be organized. The key message is to lay down an ambition that is feasible under the risk appetite of the pension fund and which is accompanied by a suitable investment strategy. [More...](#)

[Infrastructure - the way out for the west?](#)

Massive investment in infrastructure, embracing both new developments in areas such as green energy and badly needed regeneration of existing stock, is seen as not only essential for the global economy but also providing it with a substantial stimulus in the years to come. This sector has had a bad time during the recent credit crisis, but there are signs of it picking up. It might seem far-fetched but infrastructure looks like being a possible way for western economies to solve their huge public sector debt problems. At least, this might be particularly true of the USA. [More...](#)

FEATURES

[The European Fund Management Industry Needs a Better Grasp of Non-Financial Risks](#)

UCITS, the European retail regulated investment funds, were created shortly after the 1985 passage of the first UCITS directive. Since then, non-financial risks have increased, but European authorities and

Books

[The Handbook of
Commodity Investing](#)

investment professionals failed to study the impact of these risks when they allowed UCITS funds to evolve. The increase of non-financial risks in investment funds is the result above all of the growing sophistication of the transactions and financial instruments of investment funds, of the pursuit of non-traditional risk premia, as well as of such regulatory actions as the passage of the eligible assets directive (EAD) and the improved possibilities for leverage in sophisticated UCITS. In addition, inappropriate regulatory certification contributed to the sale of bad products, to misrepresentation of these products, and to increasing risk. Country competition in the implementation of EU regulations and possibly in supervisory practices also had an impact. [More...](#)

INTERVIEW

[Research plays a key role in driving knowledge creation, knowledge dissemination and innovation - an interview with Ong Chong Tee](#)

In this interview, we talk to Mr Ong Chong Tee, Deputy Managing Director, Monetary Authority of Singapore and a member of EDHEC-Risk Institute's International Advisory Board, about the status of Singapore as a financial hub, the balance between regulation and the need to encourage competition, and the role of research and education in the financial industry. [More...](#)

RESEARCH NEWS

[Applications of Systematic Indexes in the Investment Process](#)

Dimitris Melas, Xiaowei Kang. In asset management, it is now widely recognised that many sources of risk other than that represented by the market portfolio can generate systematic returns. As cap-weighted indexes serve only to capture market risk, many indexes have recently been developed to capture other risk factors. All of these indexes rely on weighting schemes other than the well known capitalisation weighting suggested by portfolio theory. In this article, Melas and Kang choose to focus on so-called "systematic indexes", indexes that capture systematic risk factors, and on the ways they can be used, for both strategic and tactical asset allocation, in portfolio management. [More...](#)

EDHEC PUBLICATIONS

[Giants at the Gate: On the Cross-Section of Private Equity Investment Returns](#)

Florencio Lopez-de-Silanes, Ludovic Phalippou, Oliver Gottschalg. This paper examines the determinants of private equity returns using a newly constructed worldwide database of 7,500 investments made over forty years. The median investment IRR (PME) is 21% (1.3), gross of fees. One in ten investments goes bankrupt, whereas one in four has an IRR above 50%. Only one in eight investments is held for less than two years, but such investments have the highest returns.

The scale of private equity firms is a significant driver of returns: investments held at times of a high number of simultaneous investments underperform substantially. The median IRR is 36% in the lowest scale decile and 16% in the highest. Results survive robustness tests. Diseconomies of scale are linked to firm structure: independent firms, less hierarchical firms, and those with managers of similar professional backgrounds exhibit smaller diseconomies of scale. [More...](#)

Media and Investment Management

Gideon Ozik, Ronnie Sadka. This paper measures the differential impact of alternative media outlets. The authors classify news items about equity hedge funds over 1999 to 2008 into three source groups: General newspapers, Specialized magazines, and Corporate Communication. Applying a textual analysis to news items, they uncover three types of media biases. First, a reporting style bias, that is, when a fund is covered by multiple sources at the same time, the sentiment is most positive in Corporate coverage and least in General coverage. The differences in source sentiment are more significant in cases of exclusive coverage, indicating a second bias, editorial selection. Finally, examining post-coverage, sentiment-adjusted fund performance, the authors document that Corporate-covered funds outperform and General-covered funds underperform, with a performance difference of about 11% annually. [More...](#)

EDHEC-RISK NEWS

Grand opening of EDHEC Risk Institute-Asia held on 21 January

EDHEC-Risk Institute marked its official Asian debut at an exclusive ceremony and reception held at its newly opened Singapore premises on January 21. The grand opening was placed under the auspices of Mr Heng Swee Keat, Managing Director of the Monetary Authority of Singapore, and His Excellency Olivier Caron, Ambassador of France to Singapore, who delivered keynote speeches on the occasion. [More...](#)

Next editions of the popular "Advances in Asset Allocation" seminar organised in New York and Singapore in March

The next sessions of the Advances in Asset Allocation seminar will be held in New York on 8-10 March and in Singapore on 29-31 March. The seminar, organised in conjunction with CFA Institute, is an intensive three-day course providing participants with an in-depth appreciation of the concepts and techniques that will shape the future of investment management. [More...](#)

Findings of ground-breaking research on the performance of private-equity firms reported in FTfm

A report published in *Financial Times Fund Management* on 17 January, entitled "Big buy-out firms poor performers", discusses the conclusions of newly-released research by Florencio Lopez-de-Silanes of EDHEC Business School with co-authors Ludovic Phalippou and Oliver

Gottschalg, which finds that the scale of private equity firms is a significant and consistent driver of returns, with smaller investments outperforming large ones. [More...](#)

[EDHEC-Risk PhD in Finance students invited to present their specialised research topics at recent EDHEC-Risk Institutional Days in Monaco](#)

The recent PhD Forum, organised as part of the fourth edition of the EDHEC-Risk Institutional Days conference, was the opportunity for a selection of final year PhD candidates to present their dissertation work to some of the 600 representatives from the institutional investor and fund manager communities who had flown to Monaco from 41 countries to discuss the Institute's latest research results. [More...](#)

[Sergio Focardi presenting co-authored CFA monograph on "Investment Management after the Global Financial Crisis" in a number of European cities](#)

Sergio Focardi, Professor of Finance at EDHEC Business School, will be visiting a number of European cities to present the CFA Institute monograph entitled "Investment Management after the Global Financial Crisis", commissioned by the Research Foundation of CFA Institute to ascertain how the financial crisis affected, and will continue to affect, investment management decisions and processes as well as the investment management industry itself. [More...](#)



Advances in Asset Allocation Seminar

New York, 8-10 March 2011 Singapore, 29-31 March 2011



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