

March 25, 2011

## FTSE EDHEC-Risk Efficient Indexes: February 2011

United States	4.16%
United Kingdom	3.37%
Eurobloc	2.24%
Developed Europe	3.50%
Dev. Europe ex. UK	2.82%
Japan	4.17%
Dev. Asia ex. Jap.	-2.98%
Asia-Pac. ex. Jap.	-2.41%
Asia-Pacific	0.02%
Developed	3.37%
Emerging	-0.14%
All World ex. US	2.07%
All World ex. UK	2.76%
All World	2.94%

## EDHEC-Risk Alternative Indexes: Feb 2011 (Estimates)

Conv. Arb.	1.66%
CTA Global	1.72%
Dist. Sec.	1.49%
Emg. Mkts	-0.45%
Eq. Mkt Neut.	0.61%
Event Driven	1.34%
Fix. Inc. Arb.	1.10%
Global Macro	0.93%
L/S Equity	1.44%
Merger Arb.	0.63%
Rel. Value	1.12%
Short Selling	-3.22%
FoF	0.87%

## Events

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

[EDHEC-Risk Alternative](#)

## EDITORIAL

[The importance of EDHEC-Risk Institute's PhD in Finance for professionals](#) Enabling the efficient allocation of resources across time and space, the financial industry is the lifeblood of the global economy and at the forefront of the evolutions which are dramatically reshaping the world. Its fast-paced, cosmopolitan, and intellectually stimulating atmosphere attracts some of the best and most ambitious minds in science and business. Advancing the frontiers of knowledge and practices in such a competitive environment demands professionals who are able to combine well-honed critical thinking, extensive field expertise, and outstanding analytical and research skills to exert thought-leadership and introduce radical innovation. [More...](#)

## INDUSTRY ANALYSIS

[Investing for a zero return](#) A 30-day taxable money market fund offers an average yield of 0.04%. Why do investors bother with this minuscule, effectively zero, return, although clearly many do? Their reasons, and an analysis of the underlying background and future prospects, do not concern just the 'boring' world of money market funds, but are important on a wider scale. There are huge ramifications for the asset management industry, as well as a serious systemic risk to the financial system. [More...](#)

## FEATURES

[The Elephant in the Room: Accounting and Sponsor Risks in Corporate Pension Plans](#) As part of the AXA Investment Managers research chair on regulation and institutional investment, EDHEC surveyed corporate pension funds, their sponsors, and advisers to assess how sponsors manage pension risk and how pension funds manage sponsor risk. There are 100 respondents to the survey; they manage pension funds assets of more than €730 billion (the assets of sponsoring companies are greater than €5.5 trillion). Sponsors that give their employees pension plans are subject to the risk of having to make additional contributions to make up for shortfalls in pension funds as well as to a more specific accounting risk that arises because of the arbitrary accounting assumptions that differ from those typical of financial economics. [More...](#)

Investment Days 2011,  
London

New Forms of Passive  
Equity Investing  
Seminar, San Francisco

#### Books

Modeling the Term  
Structure of Interest  
Rates: A Review of the  
Literature

## INTERVIEW

[Short-termism in behaviour and regulation is a major threat - an interview with Jean-François Boulier](#) In this interview, we talk to Jean-François Boulier, Chairman of the Editorial Committee of *Bankers Markets & Investors*, and Chief Executive of Aviva Investors Europe about the editorial partnership between BM&I and EDHEC-Risk Institute; the influence of academic research on professionals; and the major challenges facing European institutional investors today. [More...](#)

## RESEARCH NEWS

[The Impact of Constraints on Short Sales and on Borrowing on the Efficiency of the Market Portfolio](#) *Véronique Le Sourd*. The theoretical efficiency of the market portfolio is often mentioned by index providers to justify the setting of cap-weighting indices, as financial theory has it that capitalisation weighting represents the optimal investment choice. Indeed, the market portfolio, defined as the optimal risky investment by Sharpe (1964) and Lintner (1965) in the capital asset pricing model (CAPM), is set up as the cap-weighted combination of all available assets, including stocks, bonds, and not easily tradable assets such as human capital or real estate. However, the conclusion of market portfolio efficiency, and consequently of the efficiency of cap-weighted indices, appears to be questionable. [More...](#)

## EDHEC PUBLICATIONS

[Never the Twain Shall Meet? Addressing the Disconnect between Banks' Financial and Regulatory Reporting](#) *Paul Klumpes, Peter Welch*. This paper reviews the arguments for and against the decoupling of capital ratio calculations based on IFRS from those based on Basel II. The authors analyse recent trends in both accounting and regulatory supervision after the financial crisis and identify areas where there are still deficiencies in the transparency of IFRS-based financial reports and regulatory-based capital disclosures and calculations. They find that the variation in disclosure practices across IFRS and BIS-based capital estimations is significant for a sample of major European banks. [More...](#)

[Risk Reduction in Style Rotation](#) *Rodrigo Dupleich, Daniel Giamouridis, Chris Montagu*. This paper investigates the potential improvement in the implementation of style rotation strategies by techniques addressing estimation errors. The authors select two approaches that have recently stood out in

the statistics and econometric literature and have been applied to portfolio construction literature. One builds on regularization methods which address estimation error by focusing on the weights of the constructed portfolios. And a second method that uses pooled forecasts obtained across different observation windows. [More...](#)

## **EDHEC-RISK NEWS**

[Early bird rates available for CFA Institute/EDHEC-Risk Institute Alternative Asset Allocation Seminar organised in London on 28-30 June and in New York on 12-14 July](#) Jointly organised by CFA Institute and EDHEC-Risk Institute, the Alternative Asset Allocation Seminar is an intensive three-day course that will impart advanced concepts and practical tools for optimal construction and risk management of multi-style multi-class portfolios. It will also enable participants to derive the full benefits of real assets for asset management and asset-liability management (ALM) while controlling for their specific risks. [More...](#)

[Next EDHEC-Risk Institute PhD in Finance information sessions taking place in Jakarta, Dubai, London, Mumbai, Bangkok and Melbourne](#) The deadline to submit applications for the EDHEC-Risk Institute PhD in Finance Executive Track is May 13th, 2011. The number of seats in the programme is limited in order to guarantee the quality of teaching and research supervision. [More...](#)

[Three new distinguished experts appointed to EDHEC-Risk Institute's International Advisory Board](#) EDHEC-Risk Institute is pleased to announce that three new members have joined its International Advisory Board: Mr. Tomas Franzén, Chief Investment Strategist, AP2, Mr. Jaap van Dam, Managing Director Investment Strategy, PGGM, and Mr. Stuart Lewis, Chief Credit Officer and Deputy Chief Risk Officer, Deutsche Bank. The role of the Board is to advise on the relevance and goals of the research programme proposals presented by the Institute's management and to evaluate research outcomes with respect to their potential impact on industry practices. [More...](#)

[CFA Institute webcast on "Fees at Risk" featuring EDHEC professor Bernd Scherer now available on-line](#) In the webcast, Dr. Scherer examines this key issue for asset management firms and discusses the desirability of hedging production risk and capital market-related business risk, as well as approaches to implement the hedging programme. [More...](#)

[EDHEC-Risk Institute research associate, Timothy Spangler, among the featured contributors on Forbes.com](#) Timothy

Spangler, a partner in the London and New York offices of Kaye Scholer LLP, a leading international law firm, and research associate at EDHEC-Risk Institute, is a featured contributor on Forbes.com, the leading internet media company website aimed at business leaders, professionals, investors and affluent consumers. In his column entitled "*Law of the Market*", Timothy focuses on the legal and regulatory issues surrounding Wall Street, both domestically and internationally. [More...](#)



## New Forms of Passive Equity Investing

San Francisco – May 18, 2011



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