

Asset Management in the Long Run

Module 2, 2022-2023

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Course description

This course is about managing portfolio of assets. While by assets we first and foremost mean financial instruments, our goal is to develop understanding of a general approach that may be applicable well beyond the financial market ambit. Under that approach assets are just labels for bundles of overlapping risks that an investor should learn to distinguish and disentangle in order to weather bad times such as financial crises and reap the rewards (premia) that ownership of return factors entails. We shall cover a number of such factors, including the mysterious ESG-factor nowadays hugely popular.

The long-term perspective is important because this course not about trading techniques (timing and/or frequency of rebalancing one's portfolio), but rather approaches to asset allocation and selection. Those are important from an asset-liability management perspective of sovereign funds, endowments, pension funds as well as family offices, and ultimately an individual investor.

We shall generally follow the two books given in the course materials. However, we shall also draw upon much more work (other books but mostly research papers) that will be brought to attention as the course rolls on.

Course requirements, grading, and attendance policies

This course requires a general acquaintance with how financial markets work. A good prerequisite will be a course in financial markets and instruments. The course mark is based on 2 home assignments (20%), 1 essay (20%) and the final exam (60%).

Course contents

Week	Topics	Readings
1	Asset Owners and Their Preferences	[1] Ch 1, 2 [2] Ch 6
2	Mean-Variance Investing. Investing for the Long Run and over the Life Cycle	[1] Ch 3-5 [2] Ch 10
3	Factor Theory. CAPMs, Factors, Alpha and Beta	[1] Ch 6, 7, 10 [2] Ch 8, 9
4	Equities, Bonds, "Real" and Illiquid Assets	[1] Ch 8, 9, 11, 13
5	Factor Investing, ALM in the Long Run	[1] Ch 12, 14 [2] Ch 10
6	Delegated Investing, Mutual Funds, Hedge Funds and PE Funds	[1] Ch 15-18
7	<u>Guest speaker 1</u>	

- **Denis Lapitski**

(DPhil in Applied Mathematics, University of Oxford)
Director of Strategy Research, TrexQuant Investments,
Stamford, Connecticut, US

Topic TBC

Guest speaker 2 – ?

Possible choices:

- **Mark Capstick (subject to compliance)**

(BA in Financial Services, Manchester Metropolitan
University, UK)
Investment Officer, Colchester Global Investors,
London

«**ESG Investing**»

- **Pascal Chiknagi (subject to compliance)**

(MSc in Econometrics, University Paris II, France)
Fixed Income Portfolio Manager, DWS Group, London

Topic TBC

- **Mikhail Turlakov (?)**

(PhD in Theoretical and Mathematical Physics,
University of Illinois, Urbana-Champaign, US)
former MD Head of CVA/FVA Trading, Sber, Russia

«**Edward Thorp, Fortune's Formula, and Mikhail
Turlakov**»

Course materials

Required textbooks and materials

[1] Ang A. (2014) Asset Management. A Systematic Approach to Factor Investing. Oxford University Press.

Additional materials

[2] Ильинский К., Буев М. (2020) В зеркале супермоделей. Рассказы о моделях в финансовой экономике с примерами, историями и лирическими отступлениями. В 2-х томах. М.: Наука, 2020.

[3] To keep track of the latest developments on the topic please refer to the papers from the conference collections by NBER: New Developments in Long-Term Asset Management from various years (since 2016). In particular:

2022: <https://www.nber.org/conferences/new-developments-long-term-asset-management-spring-2022>

2021: <https://www.nber.org/conferences/new-developments-long-term-asset-management-spring-2021>

2019: <https://www.nber.org/conferences/new-developments-long-term-asset-management-spring-2019>

2018: <https://www.nber.org/conferences/new-developments-long-term-asset-management-conference-spring-2018>

2017: <https://www.nber.org/conferences/new-developments-long-term-asset-management-spring-2017>

Also useful:

[4] Ilmanen A., Asness C. (2011) Expected Returns: An Investor's Guide to Harvesting Market Rewards. John Wiley and Sons.

[5] Bhansali V. (2014) Tail Risk Hedging: Creating Robust Portfolios for Volatile Markets. McGraw Hill.

[6] Ilmanen A. (and Asness. C.) (2022) Investing Amid Low Expected Returns: Making the Most When Markets Offer the Least. John Wiley and Sons.

Academic integrity policy

Cheating, plagiarism, and any other violations of academic ethics at NES are not tolerated.