Asset Management in the Long Run

Module 2, 2023-2024

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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 several such factors, including the mysterious ESG-factor hugely popular nowadays.

The long-term perspective is important because this course is not about trading techniques (timing and/or frequency of rebalancing one's portfolio), but rather is about 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	Selected additional topics: ESG and Ethical Investing + Possible guest speakers (TBC)	TBC

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:

2023: https://www.nber.org/conferences/new-developments-long-term-asset-management-spring-2023
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. Submitting your home assignment after the deadline reduces your maximum mark for it by 25% for each day that you missed. Lending your work to a friend for him/her to complete a late assignment will result in both the «lender» and the «borrower» receiving a zero mark for it.