

Asset Management in the Long Run

Module 2, 2024-2025

Maxim Bouev

New Economic School

mbouev at nes.ru

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 group project (30%) and the final exam (50%).

Late submissions are treated as follows. Two deadlines will normally be given; to get the maximum percentage points for the assignment you need to submit the scripts before the 1st deadline; submitting the scripts after the 1st deadline but before the 2nd one will bring you 50% of the maximum percentage allotted to the assignment (e.g. 5% of the course mark, when the assignment normally weighs 10% of the course mark). Missing the second deadline is equivalent to non-submission (brings 0%).

Week	Date/Time	Timeline
2	16/11/2024	Home assignment 1 (HA1) and Group project (GP) are given
3	23/11/2024 at 23:59 MSK	1 st Deadline for HA1
3	24/11/2024	Home assignment 2 (HA2) is given

4	26/11/2024 at 23:59 MSK	2 nd Deadline for HA1
5	03/12/2024 at 23:59 MSK	1 st Deadline for HA2
5	06/12/2024 at 23:59 MSK	2 nd Deadline for HA2
7	14/12/2024	GP presentations

Course contents

Week of the Module	Topics	Readings
2	Asset Owners and Their Preferences	[1] Ch 1, 2 [2] Ch 6
3	Mean-Variance Investing. Investing for the Long Run and over the Life Cycle. Factor Theory. CAPMs, Factors, Alpha and Beta	[1] Ch 3-7, 10 [2] Ch 8, 9, 10
4	Equities, Bonds, "Real" and Illiquid Assets. Factor Investing, ALM in the Long Run	[1] Ch 8, 9, 11-14 [2] Ch 10
5	Delegated Investing, Mutual Funds, Hedge Funds and PE Funds	[1] Ch 15-18
6	Possible guest speakers (TBC)	TBC
7	Group project presentations	

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 2017). In particular:

2024: <https://www.nber.org/conferences/new-developments-long-term-asset-management-spring-2024>

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.