

GLOBALLY DIVERSIFIED MULTI-ASSET PORTFOLIOS WITH ETFs

TIME	TOPIC	DESCRIPTION
09.00 – 10.30	PORTFOLIO THEORY	<p>ASSET ALLOCATION and MYTHS</p> <ul style="list-style-type: none"> ▪ Asset allocation history <p>The emphasis of this introductory part is on Modern Portfolio Theory (MPT). We will review the main concepts, since the seminal papers of Markowitz (1952) and Sharpe (1964), behind the construction of a “traditional” capitalization weighted portfolio consisting of stocks. We will then study the concept of Market portfolio and finally the mutual fund separation theorem.</p>
	RISK PREMIA	<ul style="list-style-type: none"> ▪ Fact, fiction and investing: the case of value, size and momentum <p>In this second part, we will extend portfolio analysis beyond asset classes and towards dynamic factors or risk factors. If the rationality of the existence and/or persistence of the extra return earned by the factors is still debated, there seems to be some support for the ability of some factors to deliver higher risk-adjusted returns than traditional asset classes. We will investigate the facts and figures of three risk premia: value, size and momentum.</p>
	LIMITS OF TRADITIONAL RISK MANAGEMENT TECHNIQUES	<ul style="list-style-type: none"> ▪ Is diversification dead? Examples of risk factors based portfolios. <p>The first golden rule in investing is diversification, yet the challenge of constructing a portfolio which delivers less volatility with the same given expected return still remains a holy grail in finance. We will study the notion of risk contribution or diversification enhancement portfolios and assess the benefits of these optimizing techniques with a wide range of risk factors/premia.</p>
10.45 – 12.15	POLICY PORTFOLIO	<p>GOING GLOBAL</p> <ul style="list-style-type: none"> ▪ A first multi-asset portfolio: the global asset portfolio <p>Following the concept of Market portfolio, we will present a multi-asset, market-weighted policy portfolio based on global capital stocks, therefore genuinely untouched by any kind of active investing. We will study other existing global benchmarks and assess which may represent the most comprehensive market portfolio against which to measure any active decision.</p>
	RISE OF ALTERNATIVES	<ul style="list-style-type: none"> ▪ The Yale & Harvard Endowment examples. <p>Alternative investments have grown faster than traditional investments over the last 8 years and have surpassed their 2007 peak levels. For instance, in 2014, the Yale endowment fund allocated more than 60% of its funds in private equity, real estate, and natural resources. We will analyze the Yale and Harvard successful multi-asset portfolios.</p>

LUNCH BREAK

13.15 – 14.45	PORTFOLIO CONSTRUCTION DUE DILIGENCE SELECTION	DIVERSIFYING WITH INVESTABLE INDICES <ul style="list-style-type: none">▪ A coherent framework for dynamic portfolio construction: the case of multi-objective optimization <p>How does one construct a portfolio of traditional and alternative assets that fulfills the requirements of modern portfolio management and achieve a higher risk-adjusted performance to a traditional investment scheme? We will present Goal Programming, which is perhaps the most widely used approach in the field of multiple criteria decision making, and enables the manager to incorporate numerous variations of constraints and goals.</p> <ul style="list-style-type: none">▪ Practical considerations: ETFs selection, portfolio rebalancing. <p>Additional objectives and constraints will be included for a more realistic approach to portfolio optimization problems: ETF's price history, tracking error, expense ratio, liquidity. Portfolio rebalancing will be also discussed in detail.</p>
15.00 – 16.30	APPLYING LESSONS LEARNED :“BEATING THE BENCHMARK” COMPETITION	<p>A case study based on historical data using multi-objective optimization in an excel-vba toolkit is introduced in order to apply the lessons learned throughout the day. Participants will then brainstorm about how to use these new methods in their own job/company.</p>