

**EDHEC Alternative
Investment Days
2007**

Bringing Academic Insights to
Alternative Investment

Presentation of the Research Centre's Strategy and Activities

Overview of Recent and Upcoming Highlights

Lionel Martellini

*Professor of Finance, EDHEC Business School
Scientific Director, EDHEC Risk and Asset Management Research Center*

lionel.martellini@edhec.edu
www.edhec-risk.com



Overview

- EDHEC-Risk Philosophy
- EDHEC-Risk Research Programs
- EDHEC-Risk Output
- EDHEC-Risk Marketing
- EDHEC-Risk Resources
- EDHEC-Risk on Hedge Funds

EDHEC-Risk Philosophy

Combining Academic Excellence and Industry Relevance

- Since its inception in 2001, the EDHEC Risk and Asset Management Research Centre has attempted to combine academic excellence and industry relevance.
- Based on a formal validation process involving our international advisory board, research projects are undertaken only if they meet the two criteria.
- Our broad ambition is to become the premier research centre in Europe in the field of asset management.
- More specifically, in the face of the profound paradigm change affecting the asset management industry, we hope to have an impact on the way this business will be carried out in the years ahead.

EDHEC-Risk Research Programmes

Overview

- Our research focuses on the new frontiers in risk and asset management.
- Our research falls within the following six programmes.
 - Asset Allocation and Alternative Diversification (1)
 - Performance and Style Analysis (2)
 - Indices and Benchmarking (3)
 - Best Execution and Operational Performance (4)
 - Asset Allocation and Derivatives Instruments (5)
 - ALM and Asset Management (6)

EDHEC-Risk Output

Academic Output

- During the last few years, our research on these questions has led to a number of publications in the following academic journals:
 - *European Financial Management*
 - *Journal of Alternative Investments*
 - *Journal of Asset Management*
 - *Journal of Banking and Finance*
 - *Journal of Economic Dynamic and Control*
 - *Journal of Financial Risk Management*
 - *Journal of Fixed-Income*
 - *Journal of Indexes*
 - *Journal of Performance Measurement*
 - *Journal of Portfolio Management*
 - *Management Science*
 - *Life & Pensions Magazine*
 - *Review of Finance*
 - *Review of Financial Studies*
 - *Risk Magazine*

EDHEC-Risk Output

Professional Output

- Our research has also led to numerous publications in professional journals...
 - *Funds Europe*,
 - *Global Investor*,
 - *Hedge Funds Review*,
 - *Investment & Pensions Europe*,
 - *PWM*, etc.
- ...as well as business dailies...
 - *The Wall Street Journal*,
 - *The Financial Times*,
 - *The Economist*,
 - *Le Monde*,
 - *Les Echos*, etc.
- ... and a number of “EDHEC Position Papers”.
 - Amaranth debacle,
 - Hedge fund replication,
 - Subprime crisis, etc.

EDHEC-Risk Marketing Channels

Website and Newsletter

- www.edhec-risk.com, an academic website for finance professionals. EDHEC-Risk, with its joint academic and professional expertise, endeavours to be the most useful site for practitioners who are keen to take advantage of research results to improve their investment and risk management processes (22,000 registered members).
- Electronic newsletter containing news from all the main sections of the EDHEC-Risk web site (editorial, feature, interview, research news, EDHEC publications, index returns, etc.) is sent out once a month to more than 115,000 readers worldwide.

Index	Return
Conv. Arb.	0.72%
CTA Global	-2.29%
Dist. Sec.	0.13%
Emp. Hbts	0.64%
Eq. Hkt Neut.	0.30%
Event Driven	0.02%
Fin. Inc. Arb.	0.62%
FoF	-0.18%
Global Macro	-0.02%
L/S Equity	-0.43%
Hedge Arb.	0.61%
Rel. Value	0.26%
Short Selling	1.26%

EDHEC-Risk Resources

Our Team

- The team has now 34 members and more will be coming in the years ahead.
- Development of industry relationships have allowed multiple and diverse sources of financing, with research chairs as the most recent and original initiative:
 - ALM and Institutional Investment Management (BNP Paribas Asset Management)
 - MiFID and Best Execution (SunGard, CACEIS and Euronext)
 - Structured and Derivative Products (French Banking Federation)
 - Regulation and Institutional Investment (AXA Investment Managers)
- More chairs are in preparation, with an expected focus on the following themes:
 - Real estate finance
 - Commodities
 - Hedge funds

EDHEC-Risk on Hedge Funds

What You Will Hear about Today

- EDHEC-Risk is perhaps best known for its research on hedge fund related topics.
- While not the sole focus of the research centre, hedge funds are a fantastic lab that allow us to expand and analyse the new frontiers in modern portfolio theory.
- Latest important topics in hedge fund research include...
 - Advanced modelling techniques for hedge fund return replication and performance evaluation: beyond the linear-case
 - The uses and misuses of hedge fund indices in style allocation decisions
 - Hedge funds in asset-liability management
- ...but also
 - Hedge fund and private equity
 - Listing of hedge funds
 - Hedge funds and systemic risk