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Risk

Course highlights:

- From Markowitz to today: a recap of portfolio theory
- Link portfolio management strategy to the objectives of the managing institution
- Deliver state-of-the-art performance while saving costs
- Reappraise the value of risk management tools for the modern portfolio manager
- Revisit and re-define liquidity and leverage for practical portfolio management
- Maintain competitive advantage in rapidly changing markets

PLUS: Take part in two practical case studies about responding to unexpected events and dealing with disasters in portfolio management

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Portfolio management

Balancing risk & return

Led by **Aaron Brown**, CRO, **AQR Capital Management**

Johannesburg

1 & 2 June 2010

Overview of course

Due to global events over the last few years, it is increasingly challenging for fund managers to construct and manage portfolios that provide optimal value to themselves and their clients. In response to this *Risk* magazine is delighted to host a new course that will provide fund managers in South Africa with a unique international perspective of the key challenges and solutions. Led by Aaron Brown, a leading expert from the US, this course will investigate how risk appetite and tolerances can be identified and set within the parameters of investment goals, as well as the specific methods for optimising risk and return in order to generate returns over the long-term.

Venues & accommodation

Johannesburg
Please check website for updates

Learning outcomes

By attending this course you will have the opportunity to benchmark your day-to-day practices with those of a leading international practitioner and find out about the key ways in which to effectively balance risk and return in your portfolios. At the end of the two days you will have particular knowledge about:

- **The practicalities of constructing a portfolio from the bottom up**
- **How to select and manage assets that reflect the investment mandate**
- **The challenges of managing a portfolio across time**
- **How the variety and sophistication of hedging instruments have increased in recent times and the extent to which these instruments add value**
- **Making the right choices in regard to drawdown control**
- **The key principles of asset allocation and portfolio risk management**

Who should attend?

The course will be particularly beneficial for professionals working in the following areas:

Investment management/Fund management/Portfolio management/Asset management/Risk management/Quantitative analysis/Wealth management/Multi-manager investments

Course tutor:

Aaron Brown is the risk manager of AQR Capital Management. In his 28-year Wall Street career he has been a trader, portfolio manager, head of mortgage securities and risk manager for institutions including Morgan Stanley, Citigroup and Prudential Insurance. He holds degrees from Harvard University in applied mathematics and the University of Chicago in finance, and taught for several years as a finance professor. He is the author of *The Poker Face of Wall Street* (John Wiley & Sons, 2006, selected as one of the ten best books of 2006 by *Business Week*) and *A World of Chance* (Cambridge University Press, 2008, with Reuven and Gabrielle Brenner), and has contributed chapters to many books, most recently *Credit Counterparty Risk* (Risk Books, 2010). He is a regular columnist for both *Wilmott and Quantum*, and has been profiled in three books, *The Quants, Derivative Models on Models* and *Bulls, Bears and Brains*. He serves on the editorial board of the Global Association of Risk Professionals and also on the National Book Critics Circle. His awards include Forbes magazine Best of the Web for theory and practice of investing, and *Wilmott* magazine Financial Educator of the Year. He is a frequent contributor to both academic and professional literature. He lives in Manhattan with his wife and two school-age children.

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Risk Management

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"Delegates will gain a deeper understanding of the realities of risk & return in order to better their investment successes."

Past delegate,
***Risk* Portfolio Management training**

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Johannesburg Tuesday 1 June 2010

Day 1

0730 Registration and refreshments

0800 Balancing risk and return in 2010: an international perspective

- Setting the roadmap for the next two days
- From Markowitz to today: a recap of portfolio theory
  - What basic truths are still reliable?
  - What must be discarded as errors?
  - What must be modified in light of recent experience?
- Overview of current challenges relating to regulation, institutional considerations and empirical results

0900 Break

0910 Portfolio construction across assets

- Constructing a portfolio from the bottom up
- How to select and manage assets that reflect the investment mandate: a theoretical approach and market views
- Can we deliver state-of-the-art performance and keep it simple and cheap?
  - Investigating the role of new assets, new types of derivatives, new trading tools and new account structures
  - Delivering services in a climate when investors are demanding more transparency, better controls and lower fees
- What are the investment techniques that simply cannot be delivered in low-cost, transparent, process-driven structures and do we need them?

1010 Break

1020 Portfolio construction across time

- The challenges of managing a portfolio across time
- A critical analysis of the ideas that have been proposed since the crisis hit: are we just fighting the last war?
- Challenging those sensible-sounding time diversification principles

1120 Break

1130 Liquidity and leverage

- Revisiting and re-defining the terms for practical portfolio management
- The opportunities and challenges of exploiting liquidity and leverage for profit
- How are regulatory and market-driven events changing the nature of liquidity and leverage?

1230 Lunch

1400 Hands-on case study

Responding to unexpected events

- Split into discussion breakout groups
- Considering a portfolio management situation
  - Reconsideration of initial decision given an unexpected even
- How to structure decision-making processes to encourage rational responses to surprises.

(this session will contain a 10 minute break)

1530 Break

1600 Hedging

- An overview of how the variety and sophistication of hedging instruments has increased in recent times
  - Is the high expense of these instruments justifiable?
- Given their complexities do some instruments introduce more risk than they mitigate?

1700 End of day one

Johannesburg Wednesday 2 June 2010

Day 1

0730 Registration and refreshments

0800 **Drawdown control**
- Background to drawdown control: by policy or investor enforcement
- Making the right choices
  - At what level to apply it
  - Defining drawdown
  - How fast to react
- Investigating when and how to increase risk

0900 Break

0910 **Portfolio risk management**
- From an art to a science: the evolution of portfolio risk management over the last 20 years
- Reappraising the value of risk management tools for the modern portfolio manager:
  - Value-at-Risk
  - Stress testing
  - Scenario analysis
  - Backtesting
  - Simulation
  - Exposure analysis
  - Performance attribution

1010 Break

1020 **Asset allocation**
- Key principles behind allocating money among managers
  - Analysing impressive fifteen year track records
  - The beatings that prominent ideas have taken in the last three years
- Is it possible to survive liquidity crises by patching up traditional ideas or should we consider instead models that have worked well recently?
- Do we need entirely new ideas?

1120 Break

1130 **Institutional considerations**
- Linking portfolio management strategy to the objectives of the managing institution
- How are the things changing for the beneficial owner, fund sponsor and manager
- Investigating the changes to the connections between them:
  - Stress testing
  - Fund-of-funds
  - Stress testing
  - Managed account platforms
  - Stress testing
  - Consultants

1230 Lunch

1400 **Hands-on case study**
Analysing disaster
- A role-playing exercise about a portfolio management disaster
- Considering the situation from the perspective of your job function
- Sharing feedback across job functions and coming up with a joint solution
- Investigating the types of communication and reporting that reduce the probability and severity of disaster.

(this session will contain a 10 minute break)

1530 Break

1700 **The immediate future**
- Addressing the questions behind operating in exceptionally challenging environments
  - Are developed country sovereign still the bedrock of credit?
  - Is a diversified global equity investor still linked to the main drivers of growth?
  - Is anything an inflation hedge?
  - Are there any attractive strategies that are not just disguised short volatility bets?
- The events of 2007 through 2009 were the most statistically anomalous in economic history, when are we likely to return to historical norms?

1800 End of course

Risk

Portfolio management
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Registration & payment details

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