International Investment Analysis
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Stern School of Business, NYU
Prof. Jeff (YuQing) Shen

Goals:
This course delivers the theoretical framework, the quantitative tools and the
practical issues that are critical for international investment management. The
class starts with the investor's problem: how can investors get more total return?
The class proposes three potential solutions: strategic asset allocation (beta
decision), active portfolio management (alpha decision) and the beta/alpha
investment framework. The ending goal of the class is to deliver a consistent
framework and practical tools to deliver total return to investors in the
international context. We build a solid foundation in portfolio management
theory first. Then we focus on the applications of portfolio theory to practical
issues such as strategic asset allocation, asset liability management, macro
investment, security selection and the dynamics of the hedge fund industry.

The Course on the Internet
We will make use of the Internet for lecture notes, resource materials and
communication. Indeed this course outline itself will change: the definitive
version is the Web site at Blackboard. Look for the class "International
Investment Analysis" at your front page. Students who have registered for the
class should have automatic access to the class site.
Most of the class materials can be downloaded from Blackboard.

Textbook
I haven't found one good textbook for the class, but the following three books are
good references.

1. *Modern Portfolio Theory and Investment Analysis,* by Edwin J. Elton, Martin
   J. Gruber, Stephen J. Brown, William N. Goetzmann
2. *Strategic Asset Allocation,* by John Y. Campbell, Luis M. Viceira
3. *Active Portfolio Management: A Quantitative Approach for Producing Superior
   Returns and Selecting Superior Returns and Controlling Risk,* by Richard C.
   Grinold, Ronald N. Kahn

Prerequisites
Some familiarity of portfolio theory and statistics.

Portfolio Management Simulation
I will give out practice exercises along the classes. For the portfolio management

simulation, each student will need to participate in a group project by constructing a *strategic* portfolio for an institutional client with certain investment profile. We will evaluate and discuss the merit of varies different types of portfolio construction.

Grading

Portfolio Management Simulation*30% + Class Participation*20% + Final Examination*50%

Overview:
1. *Motivation*
   - Why Invest?
   - Investment objectives
      - Defined benefit pension plan
      - Defined contribution plan and individual
      - Endowment/foundation
   - Pension finance
   - Current issues of institutional retirement plans
   - Multi-faceted objectives

2. *Strategic Asset Allocation (Beta decision)*
   - Strategic asset allocation
   - Portfolio theory and efficient frontier analysis
   - Long-term return forecasting
   - Long term risk/correlation forecasting
   - International diversification theory and its applications
   - Asset liability framework

3. *Active Management (Alpha decision)*
   - Active management theory
   - Theory of short term return/risk forecasting
   - Global macro investment theory and its applications
      - Global tactical asset allocation strategy
      - Active currency strategy
   - Micro investment theory and its applications:
      - Global quantitative equity strategy
      - Fundamental stock picking strategy: international applications
   - Stock selection risk management

4. *Solving for total return (Alpha/Beta framework)*
   - Alpha/Beta framework
      - Yale endowment case study

- Bridgewater all weather portfolio case study
- Solving total return problem using Alpha and Beta: case studies
- Hedge fund industry
    - How do we analyze hedge fund using alpha/beta framework?
    - The future of hedge fund industry

Instructor:

Jeff (YuQing) Shen, Managing Director, is the Head of Emerging Market and co-head of Scientific Active Equity group at BlackRock. Before BlackRock, Jeff was the global head of macro absolute return products and asset allocation research at JP Morgan Fleming Asset Management in New York. A JP Morgan employee since 1997, he has previously worked for JP Morgan in the portfolio advisory function in London and hedge fund product development and risk management research in New York. Jeff is an adjunct professor at the Stern School of Business (NYU), and Haas School of Business (UC Berkeley) teaching international investment, and risk management classes for the MBA and MFE programs. Jeff holds a Ph.D. in Finance from Stern School of Business, NYU.

Email: yshen@stern.nyu.edu