



المركز العالمي للتدريب والتطوير  
International Centre For Training & Development



# BANKING MANAGING RISK In Asset Management



INTERNATIONAL ACCREDITATION ORGANIZATION



UNIVERSITY OF ROCKHAMPTON  
MAKING THE DIFFERENCE



## Course Introduction:

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The Course will provide a brief overview of the financial risk management practices in place in modern financial institutions and describe the evolutions from a developmental perspective. It will concentrate on identifying and quantifying an institution's risk appetite and a case study will challenge participants to apply these concepts in a situation depicted from the "real world".

Further, the course will dive into the complexities of managing risks for various asset management functions and apply consecrated measures to assess risk and return from an investor's and a regulator's perspective. Specifically, risks of derivative contracts will be analyzed separately and participants will be challenged to derive appropriate

Risk reports for a derivatives book via a dedicated case study.

Given the importance and specifics of the hedge funds industry, the course will dedicate a separate section for risk analysis in this industry class. Regulatory developments under way will be discussed and potential impacts will be assessed for the risk metrics employed for hedge funds and funds of hedge funds.

## Course Objectives:

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A last section will be dedicated to operational risks and the course will Focus on best practice means of assessing such risks, especially focusing on forward looking measures such as objective early warning systems.

- Overview of Financial Risk Management Practices
- Risk and Compliance Reporting for Investment Funds
- Portfolio Risk Management
- Measuring the Performance of Internationally
- Diversified Portfolios
- Overview of Financial Derivatives
- Portfolio Risk Management Using Derivatives
- Risk Management of Hedge Funds
- Funds of Hedge Funds
- Portfolio of Hedge Funds – Style Drifts
- Operational Risk Management

## Who Should Attend?

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**The course will be of value to professionals in the following areas:**

- Directors & senior managers of asset management companies

- Risk managers
- Compliance officers
- Pension fund managers/trustees
- Institutional investors
- Corporate treasurers
- Regulators & lawyers
- Portfolio managers
- Directors & senior managers of insurance companies
- Private investors

## Course Outline:

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### Overview of financial risk management practices

- Risk identification
- Corporate governance
- Regulatory framework (specific for the asset management segments)
- Market risk
- Credit risk
- Operational risk
- Other risks
- Limit systems congruent with risk appetite
- Case study on defining a fund's inherent risk appetite
- Risk and compliance reporting for investment funds
  - Regulation and reputational risk
  - Role of the regulator
  - Reporting requirements
  - Compliance issues
  - MIFID implications
- Asset Allocation
  - Global vs. tactical asset allocation
  - Optimization approaches
  - Portfolio insurance
  - Stress testing portfolio insurance
  - Currency decisions
- Portfolio risk management
  - CAPM and applications to asset management
  - Performance measurement and risk adjusted performance attributions
  - The Zero Beta model & Brennan's model
  - Merton's continuous time Version

## Case study on optimal asset allocation under currency uncertainty Managing Risk in Asset Management -

- The Treynor measure
- The Sharpe measure
- Jensen's Alpha
- Relationships between various measures
- The tracking error – the information ratio
- The Sortino ratio
- Recent developments and best practice refinements:
- The Morningstar rating system
- The actuarial approach
- VAR based analysis
- Taking management style into account
- Timing analysis
- The Treynor and Mazuy method
- The Henriksson methods
- Decomposition of Jensen's measure and Tiing evaluation
- Measuring the performance of internationally diversified portfolios
- The international asset pricing model
- The McDonald model
- Pogue, Solnik and Russelin's model
- Limitations and criticisms

### Overview of financial derivatives

- Forwards and futures
- Interest rate, currency and equity swaps
- Options
- Credit derivatives
- Use of derivatives in funds
- Controlling the use of derivatives in funds – Compliance issues
- Portfolio risk management using derivatives
- Role of derivatives hedging
- Static vs. dynamic replication
- Use of futures contracts
- Option related hedging
- Portfolio insurance as a hedging strategy
- Risk management of funds with derivatives
- Case study

- Risks of structured products
- Case study: portfolio of fixed income securities and derivatives to be evaluated against a benchmark. Special issues:
- Hedge efficiency
- Basis risk evaluation
- Setting a Limit framework

### **Risk management of hedge funds**

- Equity hedged strategies
- Long/ short equities
- Market Neutral
- Market timing
- Relative Value strategies
- Convertible arbitrage
- Static returns
- Gammatrading
- Pricing inefficiencies
- Fixed income arbitrage
- Volatility arbitrage
- Capital structure arbitrage
- Event driven strategies
- Merger arbitrage
- Distressed securities
- Regulation D
- Global macro strategies
- Managed futures
- Systematic strategies
- Discretionary strategies
- Risk perspective of hedge funds strategies
- The due diligence process

Case study: analysis of a hedge fund and assessing its suitability for a pension fund

### **Funds of hedge funds**

- Industry overview
- Portfolio management strategies
- Style risks and diversification – the selection of strategy sectors
- The due diligence process – funds of hedge funds (applied example)
- Defining and managing portfolio risk
- Transparency (emerging regulatory trends)

- Active risk management & liquidity concerns
- Portfolio of hedge funds – style drifts
  - Definition and importance
  - Detection, monitoring and control
  - Performance attribution and risk exposure
  - Peer Group analysis
  - Applied examples
- Operational risk management
  - Importance
  - Approach
  - Operational risk framework
  - Reporting and audit
  - Key risk indicators
  - Operational risk capital – can funds learn from banks?

## Course Certificate:

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**International Center for Training & Development (ICTD)** will award an internationally recognized certificate(s) for each delegate on completion of training.

## Course Methodology:

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**A variety of methodologies will be used during the course that includes:**

- (30%) Based on Case Studies
- (30%) Techniques
- (30%) Role Play
- (10%) Concepts
- Pre-test and Post-test
- Variety of Learning Methods
- Lectures
- Case Studies and Self Questionnaires
- Group Work
- Discussion
- Presentation

## Course Fees:

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**To be advised as per the course location.** This rate includes participant's manual, and-Outs, buffet lunch, coffee/tea on arrival, morning & afternoon of each day.

## Course Timings:

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### Daily Course Timings:

08:00 - 08:20	Morning Coffee / Tea
08:20 - 10:00	First Session
10:00 - 10:20	Coffee / Tea / Snacks
10:20 - 12:20	Second Session
12:20 - 13:30	Lunch Break & Prayer Break
13:30 - 15:00	Last Session

