



Press Release

Nice, London, Singapore, February 15, 2012

EDHEC-Risk Institute research provides insights into optimal hedge fund allocation

In a research paper published in the Winter 2012 issue of the *Journal of Alternative Investments*, entitled “*Optimal Hedge Fund Allocation with Improved Estimates for Coskewness and Cokurtosis Parameters*,” EDHEC-Risk Institute has provided insights into optimal portfolio decisions involving hedge funds.

Drawn from research conducted as part of the “Advanced Modelling for Alternative Investments” research chair at EDHEC-Risk Institute, supported by the Prime Brokerage Group at Newedge, the paper presents an application of the improved estimators for higher-order co-moment parameters, in the context of hedge fund portfolio optimisation.

The authors find that the use of these enhanced estimates generates a significant improvement for investors in hedge funds. It is only when improved estimators are used and the sample size is sufficiently large that portfolio selection with higher-order moments consistently dominates mean–variance analysis from an out-of-sample perspective. The results have important potential implications for hedge fund investors and hedge fund of funds managers who routinely use portfolio optimisation procedures incorporating higher moments.

The subject of improved hedge fund diversification will be addressed by Professor Lionel Martellini as part of the forthcoming **Alternative Asset Allocation seminar** in New York from **April 11 to 13, 2012**.

More information on this seminar can be found through the following link:

[Programme Alternative Asset Allocation Seminar, New York, April 11-13, 2012](#)

A copy of the research chair study from which the article in the *Journal of Alternative Investments* was drawn can be found here:

[EDHEC-Risk Publication Optimal Hedge Fund Allocation with Improved Estimates for Coskewness and Cokurtosis Parameters](#)



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About EDHEC-Risk Institute

Since 2001, EDHEC has been pursuing an ambitious policy in terms of international research. This policy, known as “Research for Business”, aims to make EDHEC an academic institution of reference for the industry in a small number of areas in which the school has reached critical mass in terms of expertise and research results.

Among these areas, asset and risk management have occupied privileged positions, leading to the creation in 2001 of a major research facility: EDHEC-Risk Institute. This institute now boasts a team of 80 permanent professors, engineers and support staff, as well as 18 research associates from the financial industry and 6 affiliate professors.

EDHEC-Risk Institute is located at campuses in Singapore, which was established at the invitation of the Monetary Authority of Singapore (MAS), the City of London in the United Kingdom, and Nice, France. In addition, it has a research team located in the United States.

The research projects managed at EDHEC-Risk Institute receive the support of several financial companies representing some thirty different sponsors (including AXA Investment Managers, BNP Paribas Investment Partners, CME Group, Deutsche Bank, Eurex, iShares, NYSE Euronext, HSBC, Pictet, Robeco, Rothschild & Cie, Russell Investments, Newedge, SocGen, State Street, UBS, and many others).

The philosophy of the institute is to validate its work by publication in prestigious academic journals, but also to make it available to professionals and to participate in industry debate through its Position Papers, published studies and conferences. Each year, EDHEC-Risk organises two conferences for professionals in order to present the results of its research, one in London (EDHEC-Risk Days – Europe) and one in Singapore (EDHEC-Risk Days – Asia), attracting more than 2,000 professional delegates.

To ensure the distribution of its research to the industry, EDHEC-Risk also provides professionals with access to its website, www.edhec-risk.com, which is entirely devoted to international risk and asset management research. The website, which has more than 50,000 regular visitors, is aimed at professionals who wish to benefit from EDHEC-Risk’s analysis and expertise in the area of applied portfolio management research. Its monthly newsletter is distributed to more than 1,000,000 readers.

EDHEC-Risk Institute also has highly significant executive education activities for professionals. In partnership with CFA Institute, it has developed advanced seminars based on its research which are available to CFA charterholders and have been taking place since 2008 in New York, Singapore and London.

EDHEC-Risk Institute has an original PhD in Finance programme which, in addition to its highly selective residential track for young talents worldwide, has an executive track for high level professionals who already have masters degrees from prestigious universities and significant industry experience. Complementing the core faculty, this unique PhD in Finance programme has highly prestigious affiliate faculty from universities such as Princeton, Wharton, Oxford, Chicago and CalTech.

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