

Asset Allocation Optimization For German Life Insurers

This book contains selected papers presented at the "International Annual Conference of the German Operations Research Society (OR2012)" which was held September 4 -7, 2012 at the Leibniz Universität Hannover, Germany. The international conference, which also serves as the annual meeting of the German Operations Research Society (GOR), attracted more than 500 participants from more than 39 countries. Special attention at the conference was given to the three topics "Energy, Markets and Mobility". The OR2012 conference has addressed these topics from an OR perspective, treating them not only in isolation, but also with respect to their numerous and exciting interconnections, such as new energy for new mobility concepts and new market mechanisms for sustainable energy production to name but a few. The proceedings show that this conference topic is an important and promising area to apply Operations Research. The book also contains numerous papers addressing the full scope of fields in Operations Research.

The book analyzes how modern portfolio theory and dynamic term structure models can be applied to government bond portfolio optimization problems. The author studies the necessary adjustments, examines the models with regard to the plausibility of their results and compares the outcomes to portfolio selection techniques used by practitioners. Both single-period and continuous-time bond portfolio optimization problems are considered.

The book is a monograph in the cross disciplinary area of Computational Intelligence in Finance and elucidates a collection of practical and strategic Portfolio Optimization models in Finance, that employ Metaheuristics for their effective solutions and demonstrates the results using MATLAB implementations, over live portfolios invested across global stock universes. The book has been structured in such a way that, even novices in finance or metaheuristics should be able to comprehend and work on the hybrid models discussed in the book.

Risk budgeting models set risk diversification as objective in portfolio allocation and are mainly promoted from the asset management industry. Albina Unger examines the portfolios based on different risk measures in several aspects from the academic perspective (Utility, Performance, Risk, Different Market Phases, Robustness, and Factor Exposures) to investigate the use of these models for asset allocation. Beside the risk budgeting models, alternatives of risk-based investment styles are also presented and examined. The results show that equalizing the risk across the assets does not prevent losses, especially in crisis periods and the performance can mainly be explained by exposures to known asset pricing factors. Thus, the advantages of these approaches compared to known minimum risk portfolios are doubtful.

This innovative volume comprises a selection of original research articles offering a broad perspective on various dimensions of asset management in an international capital market environment. The topics covered include risk management and asset pricing models for portfolio management, performance evaluation and performance measurement of equity mutual funds as well as the wide range of bond portfolio management issues. Asset Management and International Capital Markets offers interesting new insights into state-of-the-art asset pricing and asset management research with a focus on international issues. Each chapter makes a valuable contribution to current research and literature, and will be of significant importance to the practice of asset management. This book is a compilation of articles originally published in The European Journal of Finance.

This encyclopedic, detailed resource covers all the steps of one-period allocation from the foundations to the most advanced developments. It includes a large number of figures and examples as well as real trading and asset management case studies.

Credit Risk Pricing Models - now in its second edition - gives a deep insight into the latest basic and advanced credit risk modelling techniques covering not only the standard structural, reduced form and hybrid approaches but also showing how these methods can be applied to

practice. The text covers a broad range of financial instruments, including all kinds of defaultable fixed and floating rate debt, credit derivatives and collateralised debt obligations. This volume will be a valuable source for the financial community involved in pricing credit linked financial instruments. In addition, the book can be used by students and academics for a comprehensive overview of the most important credit risk modelling issues. Deals with areas at interface between finance and mathematics.

The practical aspects of optimization rarely receive global, balanced examinations. Stephen Satchell's nuanced assembly of technical presentations about optimization packages (by their developers) and about current optimization practice and theory (by academic researchers) makes available highly practical solutions to our post-liquidity bubble environment. The commercial chapters emphasize algorithmic elements without becoming sales pitches, and the academic chapters create context and explore development opportunities. Together they offer an incisive perspective that stretches toward new products, new techniques, and new answers in quantitative finance. Presents a unique "confrontation" between software engineers and academics Highlights a global view of common optimization issues Emphasizes the research and market challenges of optimization software while avoiding sales pitches Accentuates real applications, not laboratory results

Investing in one of the most promising real estate markets in Europe offers enormous opportunities. And as with every real estate market, in Germany too, the local framework conditions must be understood and their particularities must be adequately taken into account. The authors are renowned senior executives, real estate advisors and academics, who share here their extensive experience and real life insights from countless real estate investments, covering all aspects of a successful investment process in Germany. Includes: markets, the regulatory framework and investment guidelines. Contents: Essentials for successful real estate investments in Germany Macro-economic structure and dynamics of the German real estate market Real estate investment, trends and strategies Diverse submarkets: residential, offices, retail, hotel and nursing homes Real estate legal, tax and audit frameworks German REITS and ESG in real estate investments Real estate M&A, financing, due diligence and valuations

Financial Risk Modelling and Portfolio Optimization with R, 2nd Edition Bernhard Pfaff, Invesco Global Asset Allocation, Germany A must have text for risk modelling and portfolio optimization using R. This book introduces the latest techniques advocated for measuring financial market risk and portfolio optimization, and provides a plethora of R code examples that enable the reader to replicate the results featured throughout the book. This edition has been extensively revised to include new topics on risk surfaces and probabilistic utility optimization as well as an extended introduction to R language. Financial Risk Modelling and Portfolio Optimization with R: Demonstrates techniques in modelling financial risks and applying portfolio optimization techniques as well as recent advances in the field. Introduces stylized facts, loss function and risk measures, conditional and unconditional modelling of risk; extreme value theory, generalized hyperbolic distribution, volatility modelling and concepts for capturing dependencies. Explores portfolio risk concepts and optimization with risk constraints. Is accompanied by a supporting website featuring examples and case studies in R. Includes updated list of R packages for enabling the reader to replicate the results in the book.

Graduate and postgraduate students in finance, economics, risk management as well as practitioners in finance and portfolio optimization will find this book beneficial. It also serves well as an accompanying text in computer-lab classes and is therefore suitable for self-study.

The central research objective of the dissertation is to assess the suitability of Social Responsible Investments (SRIs) as well as alternative investments for the strategic asset allocation of German Pension Insurance Funds (Pensionskassen). Using a Vector Error Correction model, we estimate the data generating process of the underlying input variables. A

bootstrap simulation allows generating future return paths of the underlying portfolios. These return distributions will subsequently be used as input for different asset allocation strategies. The empirical results of our research study offer valuable conclusions: (1) SRI-structured portfolios consistently perform better than conventional portfolios, (2) including alternative investments has a beneficial effect on the risk-return distribution and (3) derivative overlay structures mitigate downside risk exposure without impacting average fund performance. In terms of alternative allocation models, (1) high-equity portfolios lead to an increase in return volatility without sufficiently compensating investors with higher returns, (2) hedging against price increases by engineering a portfolio with inflation-suitable assets yields mixed results, (3) a portfolio composition that combines derivative overlay strategies for both equities and corporate bonds and uses SRI-screened assets as underlying generates the best results.

Until recently, only the United States had an active venture capital market. This is changing rapidly, as many other countries have experienced rapid growth in venture capital financing over the past five years. This book contains new scientific articles showcasing the latest research on venture capital in Europe. Venture capital investment remains a hot topic with portfolio managers, individual investors, academics worldwide. This book examines in detail all the major issues regarding venture capital investment: contracting, financing, regulation, valuation, etc. and identifies new trends in the venture capital arena. Features a foreword by Josh Lerner. *The only book in which academics from around the world present the latest research on venture capital in Europe *Covers all of Europe as well as including overview papers about venture capital industry, public and private venture capital, valuation, financing, contracting, structuring, regulation, etc. *Comprehensive, authoritative coverage Presents new approaches to defining optimal portfolios and details techniques that managers can use to enhance the value of optimized portfolios

Genetic programming is a new and evolutionary method that has become a novel area of research within artificial intelligence known for automatically generating high-quality solutions to optimization and search problems. This automatic aspect of the algorithms and the mimicking of natural selection and genetics makes genetic programming an intelligent component of problem solving that is highly regarded for its efficiency and vast capabilities. With the ability to be modified and adapted, easily distributed, and effective in large-scale/wide variety of problems, genetic algorithms and programming can be utilized in many diverse industries. This multi-industry uses vary from finance and economics to business and management all the way to healthcare and the sciences. The use of genetic programming and algorithms goes beyond human capabilities, enhancing the business and processes of various essential industries and improving functionality along the way. The Research Anthology on Multi-Industry Uses of Genetic Programming and Algorithms covers the implementation, tools and technologies, and impact on society that genetic programming and algorithms have had throughout multiple industries. By taking a multi-industry approach, this book covers the fundamentals of genetic programming through its technological benefits and challenges along with the latest advancements and future outlooks for computer science. This book is ideal for academicians, biological engineers, computer programmers, scientists, researchers, and upper-level students seeking the latest research on genetic programming.

Discover a masterful exploration of the fallacies and challenges of asset allocation in *Asset Allocation: From Theory to Practice and Beyond*—the newly and substantially revised Second Edition of *A Practitioner's Guide to Asset Allocation*—accomplished finance professionals William Kinlaw, Mark P. Kritzman, and David Turkington deliver a robust and insightful exploration of the core tenets of asset allocation. Drawing on their experience working with hundreds of the world's largest and most sophisticated investors, the authors review foundational concepts, debunk fallacies, and address cutting-edge themes like factor investing and scenario analysis. The new edition also includes references to related topics at the end of each chapter and a summary of key takeaways to help readers rapidly locate material of interest. The book also incorporates discussions of: The characteristics that define an asset class, including stability, investability, and similarity The fundamentals of asset allocation, including definitions of expected return, portfolio risk, and diversification Advanced topics like factor investing, asymmetric diversification, fat tails, long-term investing, and enhanced scenario analysis as well as tools to address challenges such as liquidity, rebalancing, constraints, and within-horizon risk. Perfect for client-facing practitioners as well as scholars who seek to understand practical techniques, *Asset Allocation: From Theory to Practice and Beyond* is a must-read resource from an author team of distinguished finance experts and a forward by Nobel prize winner Harry Markowitz.

This book combines academic research and practical expertise on alternative assets and trading strategies in a unique way. The asset classes that are discussed include: credit risk, cross-asset derivatives, energy, private equity, freight agreements, alternative real assets (ARA), and socially responsible investments (SRI). The coverage on trading and investment strategies are directed at portfolio insurance, especially constant proportion portfolio insurance (CPPI) and constant proportion debt obligation (CPDO) strategies, robust portfolio optimization, and hedging strategies for exotic options.

Asset management Standards discussion's main focus on governance issues matches the established structural components of the Asset Management Standard's systematic classification. Numerous innovations called for a nearly complete revision. This new edition offers again a reliable source of information on the major issues in asset management.

Jaroslaw Morawski offers a practicable and theoretically well-founded solution to the problems encountered when investing in illiquid assets and develops a model of the liquidation process for this category of investments. The result is a coherent investment decision framework designed specifically for private real estate but applicable also to other illiquid assets.

This paper analyses the links between the investment strategies of a commodity-based SWF and the macroeconomic framework of the owner country. We examine some basic macrofinancial linkages of an SWF's strategic asset allocation (SAA) strategies with regard to the government budget, monetary

policy, and exchange rate movements. Based on a simple Markowitz-model framework, which integrates the specific objectives and constraints facing an SWF and the country's specific characteristics and macroeconomic vulnerabilities (especially in relation to commodity prices and prospective defined liabilities), we derive an SAA. The asset-liability methodology that is applied in the selection of an SWF SAA also allows assessing whether (i) the SAA adequately takes into account the country-specific risks and vulnerabilities, and (ii) its objectives and macrofinancial constraints are consistent. Some analytical and practical issues in determining an SAA model are also discussed, along with key effects of a financial crisis.

This book is both a reference book on Germany's financial system and a contribution to the economic debate about its status at the beginning of the twenty-first century. In giving a comprehensive account of the many facets of the system, it covers corporate governance, relationship lending, stock market development, investor protection, the venture capital industry, and the accounting system, and reports on monetary transmission and the credit channel, regulation and banking competition, the insurance and investment industry, and mergers and acquisitions. Special chapters at the beginning and at the end of the book adopt the financial system perspective, analysing the mutual fit of different features of the financial system; and each of the fifteen chapters addresses particular myths that surround it. The book is invaluable for those who want to understand the German economy and its financial system, promising not only a compilation of facts and statistics on Germany's financial markets and institutions, but also an analysis of its current structure and the determinants of its future development.

Asset allocation has long been viewed as a safe bet for reducing risk in a portfolio. Asset allocators strive to buy when prices are low and sell when prices rise. Tactical asset allocation (TAA) practitioners tend to emphasize shorter-term adjustments, reducing exposure when recent market performance has been good, and increasing exposure in a slipping market (in contrast to dynamic asset allocation, or portfolio insurance). As interest in this technique continues to grow, J.P. Morgan's Wai Lee provides comprehensive coverage of the analytical tools needed to successfully implement and monitor tactical asset allocation.

Control of an impartial balance between risks and returns has become important for investors, and having a combination of financial instruments within a portfolio is an advantage. Portfolio management has thus become very important for reaching a resolution in high-risk investment opportunities and addressing the risk-reward tradeoff by maximizing returns and minimizing risks within a given investment period for a variety of assets. *Metaheuristic Approaches to Portfolio Optimization* is an essential reference source that examines the proper selection of financial instruments in a financial portfolio management scenario in terms of metaheuristic approaches. It also explores common measures used for the evaluation of risks/returns of portfolios in real-life situations. Featuring research on topics such as closed-end funds, asset allocation, and risk-return paradigm, this book is ideally designed for investors, financial professionals, money managers, accountants, students, professionals, and researchers. The *Handbooks in Finance* are intended to be a definitive source for comprehensive and accessible information in the field of finance. Each individual volume in the series presents an accurate self-contained survey of a sub-field of finance, suitable for use by finance and

economics professors and lecturers, professional researchers, graduate students and as a teaching supplement. It is fitting that the series Handbooks in Finance devotes a handbook to Asset and Liability Management. Volume 2 focuses on applications and case studies in asset and liability management. The growth in knowledge about practical asset and liability modeling has followed the popularity of these models in diverse business settings. This volume portrays ALM in practice, in contrast to Volume 1, which addresses the theories and methodologies behind these models. In original articles practitioners and scholars describe and analyze models used in banking, insurance, money management, individual investor financial planning, pension funds, and social security. They put the traditional purpose of ALM, to control interest rate and liquidity risks, into rich and broad-minded frameworks. Readers interested in other business settings will find their discussions of financial institutions both instructive and revealing. * Focuses on pragmatic applications * Relevant to a variety of risk-management industries * Analyzes models used in most financial sectors

In answer to the intense development of new financial products and the increasing complexity of portfolio management theory, Portfolio Optimization and Performance Analysis offers a solid grounding in modern portfolio theory. The book presents both standard and novel results on the axiomatics of the individual choice in an uncertain framework, contains a precise overview of standard portfolio optimization, provides a review of the main results for static and dynamic cases, and shows how theoretical results can be applied to practical and operational portfolio optimization. Divided into four sections that mirror the book's aims, this resource first describes the fundamental results of decision theory, including utility maximization and risk measure minimization. Covering both active and passive portfolio management, the second part discusses standard portfolio optimization and performance measures. The book subsequently introduces dynamic portfolio optimization based on stochastic control and martingale theory. It also outlines portfolio optimization with market frictions, such as incompleteness, transaction costs, labor income, and random time horizon. The final section applies theoretical results to practical portfolio optimization, including structured portfolio management. It details portfolio insurance methods as well as performance measures for alternative investments, such as hedge funds. Taking into account the different features of portfolio management theory, this book promotes a thorough understanding for students and professionals in the field.

Mathematical finance is a prolific scientific domain in which there exists a particular characteristic of developing both advanced theories and practical techniques simultaneously. Mathematical Modelling and Numerical Methods in Finance addresses the three most important aspects in the field: mathematical models, computational methods, and applications, and provides a solid overview of major new ideas and results in the three domains. Coverage of all aspects of quantitative finance including models, computational methods and applications Provides an overview of new ideas and results Contributors are leaders of the field

In recent years portfolio optimization and construction methodologies have become an increasingly critical ingredient of asset and fund management, while at the same time portfolio risk assessment has become an essential ingredient in risk management. This trend will only accelerate in the coming years. This practical handbook fills the gap between current university instruction and current industry practice. It provides a comprehensive computationally-oriented treatment of modern portfolio optimization and construction methods using the powerful NUOPT for S-PLUS optimizer.

Electronic Engineering and Computing Technology contains sixty-one revised and extended research articles written by prominent researchers participating in the conference. Topics covered include Control Engineering, Network Management, Wireless Networks, Biotechnology, Signal Processing, Computational Intelligence, Computational Statistics, Internet Computing, High Performance Computing, and industrial applications. Electronic Engineering and Computing Technology will offer the state of art of tremendous advances in

electronic engineering and computing technology and also serve as an excellent reference work for researchers and graduate students working with/on electronic engineering and computing technology.

In this book, experts discuss how German real estate values have remained stable throughout the financial crisis, even though transaction volumes have been very volatile since 2005. Consequently, risk-averse national and international investors have started to invest in virtually all German real estate asset classes. This book tries to answer what has made the German real estate markets more resilient to shocks than many European real estate markets by analyzing the economic, regulatory and demographic environment. In 30 well-structured chapters, experts from both the academic and professional world analyze structural and current issues of German real estate markets. Readers will get a deep understanding of what makes the German real estate market special and where potential opportunities and threats in Europe's largest real estate market exist.

In spite of theoretical benefits, Markowitz mean-variance (MV) optimized portfolios often fail to meet practical investment goals of marketability, usability, and performance, prompting many investors to seek simpler alternatives. Financial experts Richard and Robert Michaud demonstrate that the limitations of MV optimization are not the result of conceptual flaws in Markowitz theory but unrealistic representation of investment information. What is missing is a realistic treatment of estimation error in the optimization and rebalancing process. The text provides a non-technical review of classical Markowitz optimization and traditional objections. The authors demonstrate that in practice the single most important limitation of MV optimization is oversensitivity to estimation error. Portfolio optimization requires a modern statistical perspective. Efficient Asset Management, Second Edition uses Monte Carlo resampling to address information uncertainty and define Resampled Efficiency (RE) technology. RE optimized portfolios represent a new definition of portfolio optimality that is more investment intuitive, robust, and provably investment effective. RE rebalancing provides the first rigorous portfolio trading, monitoring, and asset importance rules, avoiding widespread ad hoc methods in current practice. The Second Edition resolves several open issues and misunderstandings that have emerged since the original edition. The new edition includes new proofs of effectiveness, substantial revisions of statistical estimation, extensive discussion of long-short optimization, and new tools for dealing with estimation error in applications and enhancing computational efficiency. RE optimization is shown to be a Bayesian-based generalization and enhancement of Markowitz's solution. RE technology corrects many current practices that may adversely impact the investment value of trillions of dollars under current asset management. RE optimization technology may also be useful in other financial optimizations and more generally in multivariate estimation contexts of information uncertainty with Bayesian linear constraints. Michaud and Michaud's new book includes numerous additional proposals to enhance investment value including Stein and Bayesian methods for improved input estimation, the use of portfolio priors, and an economic perspective for asset-liability optimization. Applications include investment policy, asset allocation, and equity portfolio optimization. A simple global asset allocation problem illustrates portfolio optimization techniques. A final chapter includes practical advice for avoiding simple portfolio design errors. With its important implications for investment practice, Efficient Asset Management's highly intuitive yet rigorous approach to defining optimal portfolios will appeal to investment management executives, consultants, brokers, and anyone seeking to stay abreast of current investment technology. Through practical examples and illustrations, Michaud and Michaud update the practice of optimization for modern investment management.

Up-to-Date Research Sheds New Light on This Area Taking into account the ongoing worldwide financial crisis, Stock Market Volatility provides insight to better understand volatility in various stock markets. This timely volume is one of the first to draw on a range of

international authorities who offer their expertise on market volatility in developed, emerging, and frontier economies. The expert contributors cover stock market volatility modeling, portfolio management, hedge fund volatility, and volatility in developed countries and emerging markets. They present some of the vocational aspects, emphasizing the equity markets. The book approaches the material from the practitioner's viewpoint and familiarizes readers with how volatility is linked to speculation, trading volume, and information arrival. It also discusses recent trends in forecasting volatility, along with the newly cultivated trading platform of volatility derivatives. Given the current state of high levels of volatility in global stock markets, money managers, financial institutions, investment banks, financial analysts, and others need to improve their understanding of volatility. Examining key aspects of stock market volatility, this comprehensive reference offers novel suggestions for accurately assessing the field. Since the formalization of asset allocation in 1952 with the publication of *Portfolio Selection* by Harry Markowitz, there have been great strides made to enhance the application of this groundbreaking theory. However, progress has been uneven. It has been punctuated with instances of misleading research, which has contributed to the stubborn persistence of certain fallacies about asset allocation. *A Practitioner's Guide to Asset Allocation* fills a void in the literature by offering a hands-on resource that describes the many important innovations that address key challenges to asset allocation and dispels common fallacies about asset allocation. The authors cover the fundamentals of asset allocation, including a discussion of the attributes that qualify a group of securities as an asset class and a detailed description of the conventional application of mean-variance analysis to asset allocation.. The authors review a number of common fallacies about asset allocation and dispel these misconceptions with logic or hard evidence. The fallacies debunked include such notions as: asset allocation determines more than 90% of investment performance; time diversifies risk; optimization is hypersensitive to estimation error; factors provide greater diversification than assets and are more effective at reducing noise; and that equally weighted portfolios perform more reliably out of sample than optimized portfolios. *A Practitioner's Guide to Asset Allocation* also explores the innovations that address key challenges to asset allocation and presents an alternative optimization procedure to address the idea that some investors have complex preferences and returns may not be elliptically distributed. Among the challenges highlighted, the authors explain how to overcome inefficiencies that result from constraints by expanding the optimization objective function to incorporate absolute and relative goals simultaneously. The text also explores the challenge of currency risk, describes how to use shadow assets and liabilities to unify liquidity with expected return and risk, and shows how to evaluate alternative asset mixes by assessing exposure to loss throughout the investment horizon based on regime-dependent risk. This practical text contains an illustrative example of asset allocation which is used to demonstrate the impact of the innovations described throughout the book. In addition, the book includes supplemental material that summarizes the key takeaways and includes information on relevant statistical and theoretical concepts, as well as a comprehensive glossary of terms.

This book is a guide to asset and risk management from a practical point of view. It is centered around two questions triggered by the global events on the stock markets since the middle of the last decade: - Why do crashes happen when in theory they should not? - How do investors deal with such crises in terms of their risk measurement and management and as a consequence, what are the implications for the chosen investment strategies? The book presents and discusses two different approaches to finance and investing, i.e., modern portfolio theory and behavioral finance, and provides an overview of stock market anomalies and historical crashes. It is intended to serve as a comprehensive introduction to asset and risk management for bachelor's and master's students in this field as well as for young professionals in the asset management industry. A key part of this book is the exercises to

further demonstrate the concepts presented with examples and a step-by-step business case. An Excel file with the calculations and solutions for all 17 examples as well as all business case calculations can be downloaded at extras.springer.com.

Master's Thesis from the year 2015 in the subject Business economics - Banking, Stock Exchanges, Insurance, Accounting, grade: 1,0, University of Applied Sciences Osnabrück, language: English, abstract: Institutional investors face serious challenges due to the current low interest rate environment and their payment obligations. Life insurance companies in Germany have invested the majority of their assets in fixed-income securities. Thus, asset managers struggle to earn adequate returns as a consequence of low yields of high-grade sovereign bonds. As a consequence, institutional investors are forced to rethink their asset allocation, which is vital for the investment success. This thesis aims to evaluate asset allocation strategies in the light of the low interest rate environment that enable investors to generate adequate risk-adjusted returns. A sample portfolio is developed that is broadly diversified, has exposure to alternative investments and applies the Risk Parity approach. The performance is evaluated over different evaluation periods on a risk-adjusted basis and in comparison to other asset allocation strategies. As a result, the sample portfolio outperforms the current asset allocation of German life insurers and naïve diversification. However, portfolios with significant exposure to private equity or stocks outperform the sample portfolio in terms of Sharpe ratio but require a higher risk tolerance. Nevertheless, the sample portfolio achieves a satisfactory risk and return profile and is well balanced in terms of risk contribution.

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