

**Press Release London, Nice, Paris, 18 December 2019**

**EDHEC-Risk Institute and FirstRand launch a research chair to design and implement welfare-improving investment solutions for institutions and individuals**

EDHEC-Risk Institute and FirstRand Limited (FirstRand or the group) are partnering for the first time to launch a three-year research chair entitled “Designing and Implementing Welfare-Improving Investment Solutions for Institutions and Individuals” to expand the scientific literature on investor welfare-enhancing methodologies for portfolio construction in a goals-based investing framework.

Year 1 will focus on a detailed analysis of the interplay between diversification and insurance, with the aim of determining **whether it is possible to achieve an improvement in investor welfare by creating a diversified portfolio of insured assets, as opposed to insuring a portfolio of diversified assets**.

To answer this problem, in collaboration with the FirstRand team, EDHEC-Risk Institute will develop a comprehensive analysis of various forms of diversification strategies and various non-linear payoffs so as to measure the level of investor welfare achieved with two competing approaches as applied to different markets (equity, fixed-income, currencies, etc.). The two competing approaches are:

1. Designing a well-diversified portfolio of individual assets and then generating a convex payoff aimed at maximising investor welfare;
2. Generating a convex payoff from individual assets and mixing these non-linear asset and factor exposures in a diversified portfolio in order to maximize investor welfare.

The research chair will involve a team led by Prof. Lionel Martellini, Director of EDHEC-Risk Institute, with Vincent Milhau, Scientific Director. Albert de Wet from FirstRand Group Treasury, along with Hannes du Plessis from the group’s Rand Merchant Bank Global Markets Division, will lead a team from across the group’s business to participate in the working committee of the research chair. “We are very excited and privileged to have access to the globally leading academic acumen of EDHEC-Risk Institute in tackling some of the most important unsolved questions in investment management” said du Plessis.

De Wet said that FirstRand believed working in partnership with EDHEC-Risk Institute represented an exciting opportunity to challenge the status quo in investment management.

“To partner with a leading, global think tank on this topic could be a game changer for the industry” he said. “FirstRand’s strategy is completely focused on delivering better outcomes for our clients and this research will definitely identify how we can most effectively service their needs.”

Prof. Martellini also welcomed the new partnership: “Even when implemented with the most advanced state­of­the­art techniques, diversification alone cannot satisfactorily address the needs and aspirations of all individual or institutional asset owners. Indeed, even a well-diversified portfolio based on objective market inputs such as a covariance matrix can fall short of an investor’s goal, which typically involves specific subjective inputs, for example related to the need to generate minimum and target levels of replacement income in retirement. Thus optimal payoffs should be determined by the investor’s preferences and horizon, and insurance is the risk management technique that can be used to most efficiently address the presence of these intrinsic features of an investment problem. With the support of FirstRand, one of the largest listed financial services groups in Africa, we very much look forward to advancing research on how diversification and insurance can be optimally combined within a comprehensive risk management framework best suited to addressing investors’ needs.”

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**About EDHEC-Risk Institute**

**Academic Roots & Practitioner Reach**

Since 2001, EDHEC Business School has been pursuing an ambitious policy to produce academic research that is both practical and relevant. This policy, known as “Research for Business” and now labelled “Make an Impact”, aims to make EDHEC an academic institution of reference for the investment 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, investment management has occupied a privileged position, leading to the creation in 2001 of EDHEC-Risk Institute, which has developed an far-reaching ambitious portfolio of research and educational initiatives in the domain of investment solutions for institutional and individual investors.

This Institute boasts a team of permanent professors, engineers and support staff, as well as a large number of affiliate professors and research associates from the financial industry among its ranks. EDHEC-Risk Institute is located on campuses in the City of London (United Kingdom) and Nice (France). Its philosophy is to validate its work by publishing in international academic journals, as well as to make it available to the sector through position papers, published studies and global conferences.

To ensure the distribution of its research to the investment industry, EDHEC-Risk also provides professionals with access to its website, <https://risk.edhec.edu>, which is devoted to asset and risk management research, with a focus on investment solutions. Finally, its quarterly newsletter is distributed to over 100,000 readers.

In addition to the EDHEC Alternative Indexes, which are used as performance benchmarks for risk analysis by hedge fund investors, and the EDHEC-IEIF Monthly Commercial Property index, which tracks the performance of the French commercial property market through SCPIs, EDHEC-Risk has recently launched a series of new initiatives:

* The [EDHEC-Princeton Retirement Goal-Based Investing Index Series](https://risk.edhec.edu/indices-investment-solutions#tab_372), launched in May 2018, which presents asset allocation benchmarks for innovative mass-customised target date solutions for individuals preparing for retirement;
* The [EDHEC Bond Risk Premium Monitor](https://risk.edhec.edu/bond-risk-premium-monitor), designed to offer investment and academic communities a tool with which to quantify and analyse the risk premium associated with Government bonds;
* The [EDHEC-Risk Investment Solutions (Serious) Game](https://risk.edhec.edu/edhec-risk-investment-solutions), intended to facilitate engagement with graduate students or investment professionals enrolled on one of EDHEC-Risk’s various campus-based, blended or fully-digital educational programmes.

EDHEC-Risk Institute also has highly significant executive education activities for professionals, in partnership with prestigious academic partners.

In 2012, EDHEC-Risk Institute signed two strategic partnership agreements. The first was with the Operations Research and Financial Engineering department of Princeton University to set up a joint research programme in the area of investment solutions for institutions and individuals. The second was with Yale School of Management to set up joint certified executive training courses in North America and Europe in the area of risk and investment management.

As part of its policy of transferring know-how to the investment industry, in 2013 EDHEC-Risk Institute also set up ERI Scientific Beta, which is an original initiative that aims to favour the adoption of the latest advances in smart beta design and implementation by the whole investment industry. Its academic roots provide the foundation for its strategy: offer, in the best economic conditions possible, the smart beta solutions that are most proven scientifically with full transparency of both methods and associated risks.

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**About FirstRand**

FirstRand Limited is a portfolio of integrated financial services businesses operating in South Africa, certain markets in sub-Saharan Africa and in the UK. Many of these businesses are leaders in their respective segments and markets, and offer a universal set of transactional, lending, investment and insurance products and services.

FirstRand is listed on the Johannesburg Stock Exchange (JSE) and the Namibian Stock Exchange (NSX) and is the largest financial institution by market capitalisation in Africa.

Recognised for its culture of entrepreneurship and innovation the group has a long track record of consistent growth in high quality earnings, and superior and sustainable returns for shareholders. This track record has been achieved through a combination of organic growth, acquisitions and the creation of completely new businesses.