

A PRACTICAL HISTORY OF FINANCIAL MARKETS



SINGAPORE: 06-07 November 2008

THE FULLERTON HOTEL

1 Fullerton Square Tel: (65) 6733 8388 Fax: (65) 6735 8388

Two hundred years of practical experience in financial markets delivered by recognised experts in just two days.

Introduction

A Practical History of Financial Markets is designed, written and taught by leading investment practitioners (Andrew Smithers, Stephen Wright, Gordon Pepper, Michael Oliver, Peter Warburton, Herman Brodie and Russell Napier.)

These teachers are travelling to Singapore to deliver the course in an intensive 2 day session on Thursday and Friday, 06-07 November 2008. The course is supported by a 700 page textbook and a website comprising self-test questions, teacher feedback and additional materials. Utilising the textbook and the website support, students can opt to take the course in a distance-learning format. This course is eligible for 21 Professional Development credits as granted by CFA Institute and forms one unit of the Edinburgh Business School MBA programme. Launched in 2004, the course is owned and operated by the Stewart Ivory Foundation, a Scottish charity devoted to the promotion of financial education.

Past students of the course have been enthused and excited by what the course has to offer:

"The only course I shall recommend to my fund managers. This course invigorated me."

Ian Beattie
Investment Director,
New Star Institutional Managers, Inc.

"A Practical History of Financial Markets courageously takes on some of the more important, and more daunting, questions in finance and investments. Using a broad historical context and a diverse range of analytical approaches, the course puts standard precepts such as 'investment value' under the spotlight, with sometimes unexpected results. I find myself regularly thinking back to its teachings in a practical context."

Andrew Howell CFA
Emerging Markets Strategy,
Smith Barney

"A concise and well-organised course that puts today's frenetic financial markets into context in a unique fashion. It cannot but help to improve the decision-making process of the investment professional. An essential course for both aspiring and aging investment managers."

Henry Thornton
CEO, BDT Investment Management Ltd

"The curriculum dissects a variety of investment approaches and market history in depth and then, through the use of current practitioners, takes the theory and applies it to the present market environment. The perspective one leaves with is a practical understanding of various market approaches, where they came from and how they work in today's environment. Theory is interesting, but theory applied makes this course unique."

Robert Levitt CFA
Managing Member and Chief
Investment Officer, Levitt Capital
Management, LLC

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"My objective was to make some sense of my experiences over the past 30 years and to gain some framework for assessing the future by listening to some of the finest minds in the City and the academic input – I have not been disappointed."

Tony Charlwood
Portfolio Manager,
Aerion Fund Management

"A Practical History of Financial Markets is a course not only for the MBA students in the finance stream but for any MBA student who is interested in investing in the financial markets. It provides an insight into the workings of financial markets and uses concepts to explain historical events. (This subject is not pure history; rather it is about applying the concepts to historical data.) The textbook is very interestingly written and sometimes goes into great detail to clarify the concept. Complex issues are tackled, but they are easily understood by applying the theories learned in Economics and Finance. The lectures complement the text, by working through actual examples and extending the concepts to the present day. Russell Napier and his team of highly regarded lecturers and practitioners do a superb job of making this a practical, applicable and very interesting subject."

Christian Vaatz
MBA Student,
Edinburgh Business School

"An invaluable practical insight into the human failings of capital markets and, in many ways, the perfect complement to the theoretical training prescribed for today's aspiring investors. It also happens to be superb value for money!"

Stuart Paul
Chief Investment Officer,
First State Investments

Course Structure

Although utilising historical examples, the course is an educational tool for active investors and is thus a practical and not a chronological history. How does one best determine 'value' in stock markets? What forces act to produce the regular material deviations from even the best estimates of such value? These are the key questions that this course seeks to answer.

In the first module, **Andrew Smithers** and **Stephen Wright** (authors of *Valuing Wall Street*) look at 200 years of equity and bond valuation data to find which equity valuation criteria work in practice. They find which methodologies work better than others and find two that – contrary to the teachings of the efficient market hypothesis (EMH) – are predictive of future equity market returns. Having established the best guide to fair value for equities, the rest of the course focuses on the forces that cause equities to trade away from fair value.

The two forces most usually mentioned in this regard are liquidity and psychology. On liquidity, **Gordon Pepper** (author of *Money Credit and Asset Prices* and *The Liquidity Theory of Asset Prices*) and **Michael Oliver** (co-author of *The Liquidity Theory of Asset Prices*) are teaching this unit. Gordon and Michael explore the mechanisms through which money impacts financial markets and focus on how, in understanding liquidity trades, one's understanding of financial markets is enhanced.

And so to psychology: our unit on behavioural finance is taught by **Herman Brodie**, who runs a consultancy company helping financial service companies implement behavioral techniques. Herman's long experience as a currency trader and provider of

advice to financial institutions has given him unique insights into the practical uses of behavioral finance.

Another factor impacting deviation from fair value is inflationary expectations. **Peter Warburton** looks at the impact of changes in inflation on bonds, bills, equities and equity sectors in 16 different countries over the past 100 years.

In the concluding session, **Russell Napier** analyses the usefulness of the various methodologies expounded during the 1990–2000 period.

Teachers



Andrew Smithers
is co-author of Module 1: Valuing Stock Markets. Andrew founded Smithers & Co., a leading

advisor to investment managers on international asset allocation, in 1989. Prior to starting Smithers & Co., Andrew was at S.G. Warburg from 1962 to 1989. He has been a regular contributor to the *London Evening Standard* and *Sentaku Magazine*, writes regularly for the *Nikkei Kinyu Shimbun* and his OpEd pieces are included periodically in the *Financial Times*. He is the co-author of *Valuing Wall Street* with Stephen Wright and *Japan's Challenges for the 21st Century* with David Asher.



Stephen Wright is co-author of Module 1: Valuing Stock Markets. Stephen is a reader in economics at Birkbeck College, University of London. He was

previously a staff economist at the Bank of England and a senior research associate in the faculty of economics and politics at the University of Cambridge. Since 1991, he has been a part-time consultant to Smithers & Co., authoring reports for professional investors on financial markets. He is the co-author with Andrew Smithers of *Valuing Wall Street*, published in 2000.



Michael J. Oliver is a professor of economic history with 15 years' experience of working in higher education, the financial services industry

and the IT sector. He has worked and travelled extensively in the UK, Europe and the USA in a wide variety of academic, commercial and industrial organisations. He is a recognised authority in teaching on monetary policy, exchange-rate regimes and financial markets and institutions; he is also the author of numerous books and articles. His research and teaching have put him into contact with former prime ministers, senior officials in HM Treasury, the Bank of England, economic advisers and economists. Michael is a director of Lombard Street Associates, a leading financial advisory service. He is the co-author of *Monetarism Under Thatcher* and *The Liquidity Theory of Asset Prices*.



Herman Brodie is the co-author of Module 4: Behavioral Finance. Herman received his grounding in the financial markets as a trader of soft

commodity, stock and fixed-income futures. In 1992 he developed Deutsche Bank's quantitative trading models for the currency markets. The systematic trading strategies that comprise these models are today in use by traders, fund managers, monetary authorities and corporate treasurers around the world. Herman was a co-founder of Cognitrend, a company established in 2000 to advise financial institutions on the utilisation of behavioral finance techniques.



Gordon Pepper, CBE joined the stockbrokers W. Greenwell & Co. in 1960 and was the joint founder of what became one of the leading bond-advisory

businesses in the world. He became joint senior partner of Greenwell and then chairman of Greenwell Montagu. Gordon left the City in 1989 and became a professor at the City University Business School (now the Sir John Cass Business School). Gordon has been an advisor on monetary issues to several Chancellors of the Exchequer as well as to Margaret Thatcher. His numerous publications include *Money Credit and Asset Prices* (1994), *Inside Thatcher's Monetarist Revolution* (1998) and, jointly with Michael Oliver, *Monetarism Under Thatcher* (2000) and *The Liquidity Theory of Asset Prices* (2006).



Peter Warburton is the author and teacher of Module 2: Investing in Periods of Inflation, Disinflation and Deflation.

Peter spent 15 years in the City as economic advisor and chief economist for the investment bank Robert Fleming and at Shearson Lehman. He had previously worked as an economic researcher, forecaster and lecturer at the London Business School and the City University Business School. He is a member of the IEA's Shadow Monetary Policy Committee and the author of *Debt and Delusion*, published in 1999.



Russell Napier is the co-author of Module 5: A Practical History of the Stock Market and Financial Institutions. Russell was a

fund manager for 5 years before joining the broking firm of CLSA as an Asian equity strategist in 1995. From 1997 to 1999 Russell was ranked number one for Asian equity strategy in most industry polls. He moved to a consultancy role with CLSA in 1999. Russell is author of *Anatomy of the Bear: Lessons from Wall Street's Four Great Bottoms*.

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Quality Control



Edinburgh Business School

EBS is the Graduate School of Business at Heriot-Watt University, Scotland, one of the UK's 100 Royal Charter universities. The main focus of the School is to provide applied management programmes to individual students and major corporations. EBS offers one of the most popular distance-learning MBA programmes in the world.



CFA Institute

CFA Institute is a global membership organisation that awards the CFA (chartered financial analyst) designation. CFA Institute leads the investment industry by setting the highest standards of ethics and professional excellence and vigorously advocating fair and transparent capital markets. SIF is registered with CFA Institute as an Approved Provider of professional development programs. This course is eligible for 21 PD credit hours as granted by CFA Institute.



The Stewart Ivory Foundation

Stewart Ivory Foundation

In March 2000, Colonial First State of Australia acquired Stewart Ivory, an Edinburgh-based investment management house that traced its origins back to 1873. A number of Stewart Ivory employee shareholders resolved to use part of their sale proceeds to establish a foundation: they did so in spring 2001. The primary purpose of the Stewart Ivory Foundation is the development of financial education in Scotland. This course is 100% owned and operated by the Stewart Ivory Foundation.



CLSA Asia-Pacific Markets

As Asia's leading independent investment group, CLSA provides equity broking, investment banking, capital markets, and asset management services to global corporate and institutional clients. Renowned for its product innovation and award-winning market intelligence, CLSA has built its reputation on unrivalled equity research and economic analysis and is consistently voted as the best in Asia. CLSA U is the firm's exclusive executive-level education programme offering institutional investors access to unfiltered primary sources of information. Recognised as a CFA Institute Approved Provider, CLSA U courses have attracted over 20,000 in attendance by fund managers world-wide since the programme's inception in 2002.

Cost and Examinations

The current cost of the 2-day course is US\$4,500. Although this is a stand-alone course aimed at professional investors it also forms one part of the EBS MBA programme. Students could use this course as the first step towards an MBA at Edinburgh Business School and there are exemptions available from other MBA units for CFA charterholders.

Registration and Contact Details

To register or for further details, please contact:

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Partner information can be found at:

 www.sifeco.org

 www.ebsglobal.net

 www.clsa.com