Tayla:

Reading list:

* Maillard S., Roncalli T. and Teiletche J. (2010), The Properties of Equally Weighted Risk Contributions Portfolios, Journal of Portfolio Management, 36(4), pp.60-70.
* Choueifaty Y. and Coignard Y. (2008), Toward Maximum Diversification, Journal of Portfolio Management, 35(1), pp. 40-51.

Less useful readings:

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* Grinold R.C. and Kahn R.N. (2000), Active Portfolio Management: A Quantitative Approach for Providing Superior Returns and Controlling Risk, second edition, McGraw-Hill.
* Meucci A. (2005), Risk and Asset Allocation, Springer.
* Scherer B. (2007), Portfolio Construction & Risk Budgeting, third edition, Risk Books.
* Tütüncü R.H and Koenig M. (2004), Robust Asset Allocation, Annals of Operations Research, 132, pp. 132-157.
* Hyvärinen A. and Oja E. (2000), Independent Component Analysis: Algorithms and Applications, Neural Networks, 13(4-5), pp. 411-430.
* Ledoit, O. and Wolf, M. (2003), Improved Estimation of the Covariance Matrix of Stock Returns With an Application to Portfolio Selection, Journal of Empirical Finance, 10(5), pp. 603-621.
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* Jagannathan J. and Ma T. (2003), Reduction in Large Portfolios: Why Imposing the Wrong Constraints Helps, Journal of Finance, 58(4), pp. 1651-1683.
* Eychenne K., Martinetti S. and Roncalli T. (2011), Strategic Asset Allocation, Lyxor White Paper Series, 6, [www.lyxor.com](http://www.lyxor.com). OR Eychenne K. and Roncalli T. (2011), Strategic Asset Allocation – An Update following the Sovereign Debt Crisis, Lyxor Short Paper, November, [www.lyxor.com](http://www.lyxor.com). → takes you to a website… doesn’t look v academic

Managing Risk Exposures using the Risk Budgeting Approach:

* “The ongoing economic crisis has profoundly changed the industry of asset management by putting risk management at the heart of most investment processes. This new risk-based investment style does not rely on return forecasts and is therefore assumed to be more robust.”
* “risk budgeting approach”: “minimum variance, ERC or risk parity strategies.”
* “Mean-variance optimization, however, generally leads to portfolios concentrated in terms of weights. Slight differences in inputs can lead to dramatic changes in allocations and create portfolios heavily invested on very few assets. There is also confusion between optimizing the volatility and optimizing the risk diversification that could be naively described by the general “don’t put all your eggs in one basket” concept.”
* “Like the ERC portfolio, the risk budgeting approach is an heuristic asset allocation method.”
* “a dynamic strategy based on MVO portfolios will generate a higher turnover than a dynamic strategy based on RB portfolios.”
* This paper: “present four main applications of the risk budgeting approach. They concern risk parity funds, strategic asset allocation, equity indexes and sovereign bonds benchmarks.”