

Risk

Edited by
Ben Warwick



John Wiley & Sons, Inc.

PREFACE	VII
---------	-----

PART ONE

The Nature of Risk	1
---------------------------	----------

CHAPTER 1	
The Failure of Invariance by Peter L. Bernstein	3

CHAPTER 2	
Inverted Reasoning and Its Consequences: Confusing the Present with the Future-Discounting by George C. Selden	17

CHAPTER 3	
A New Paradigm for Portfolio Risk by Robert H. Jeffrey	27

CHAPTER 4	
The Likelihood of Loss by Mark Kritzman	35

PART TWO

Measuring Risk	43
-----------------------	-----------

CHAPTER 5	
Measuring and Managing Investment Risk by Roger G. Clarke	45

CHAPTER 6	
An Assessment of Alternative Models of Financial Market Volatility by John F. O. Bilson	57

CHAPTER 7	
The Case for the Relevancy of Downside Risk Measures by David Nawrocki	79

CHAPTER 8	
Measuring Risk for Asset Allocation, Performance Evaluation, and Risk Control: Different Problems, Same Solution by Christopher L. Culp, Ph.D., and Ron Mensink	97
CHAPTER 9	
Model Risk by Emanuel Derman	129
CHAPTER 10	
Technology and the Capital Markets by Ben Warwick	143
CHAPTER 11	
Horizon Problems and Extreme Events in Financial Risk Management by Peter F. Christoffersen, Francis X. Diebold, and Til Schuermann	155
PART THREE	
The Investment Manager's Viewpoint	171
CHAPTER 12	
A Behavioral Framework for Time Diversification by Kenneth Fisher and Meir Statman	173
CHAPTER 13	
Converging Correlations and Market Shocks: Implications for Managing Risk by Louis Llanes	189
CHAPTER 14	
Investing on the Edge of Chaos by Mike Howell	207
CHAPTER 15	
Hedge Fund Risk by Brian Cornell	219
CHAPTER 16	
The Risk of Informationless Investing: Hedge Fund Performance Measurement Bias by Andrew B. Weisman	247
INDEX	265