Welcome

Welcome to the first edition of the International Center for Finance Newsletter. We hope that you enjoy learning more about the ICF and the positive impact and contributions that it has had on research and the field of finance.

The ICF supports the creation of new knowledge in finance and disseminates it in many different forms to the world's academic and professional communities. The ICF provides data, technology, and staff support for financial research. It organizes conferences that bring together researchers, professionals, and students to exchange ideas.

About the International Center for Finance
about the role of finance in society, broadly defined. The ICF develops
and supports opportunities for Yale students and faculty to engage
with key practitioners and thought leaders in the world of finance.

The ICF leadership and staff thanks you for your continued support!
To find out more about the ICF, visit our website.

ICF News

Educating Future Academics at Yale's Summer School in
Behavioral Finance

Since 2009, Professor Nicholas Barberis, with the support of the
International Center for Finance, has led a popular summer program
on Behavioral Finance aimed at introducing the subject to highly
qualified graduate students from across the globe.

2016 Whitebox Advisors Graduate Students Named

Four Yale SOM students have been selected by faculty members
involved with the Behavioral Finance Initiative and awarded a
Whitebox Advisors Doctoral Fellowship for the 2015-2016 academic
year. The four students are current PhD students: Elizabeth Friedman,
Amanda Levis, Cameron Peng, and Garence Staraci.

WATCH: Finance
and Society: Values
and Tensions

Ranji Nagaswami '86
MBA, is an
ICF Advisory Board
Member and Senior
Advisor at Corsair
CapitalICF Advisory

WATCH: Retirement
Insecurity and Spirit
of '76

Charles Ellis is a
consultant in investing
and Founder of
Greenwich Associates

2015 Global Network
for Advanced
Management
Competition

November 2015

Hosted by the Yale School of
Management, student teams
from the Global Network of
The students are currently working on coordinating the annual Whitebox Advisors Graduate Student Conference which draws top doctoral students from around the world to present their research in the fields of Behavioral Economics, Behavioral Finance and Behavioral Marketing.

A Living Artifact from the Dutch Golden Age: Yale’s 367-year-old Water Bond Still Pays Interest

A Dutch water bond dating back to 1648 is housed today at the Yale Beinecke Rare Book & Manuscript Library. Find out more about the significance and financial history of the water bond as well as how Yale is still able to collect interest on the bond today.

Winning Team
Photos: (Top) Koç University, GSB. (Bottom) NUS Business School

Alumni Views & Achievement

Stephen C. Daffron
Roger Ibbotson: Investing with a Popularity Approach

Roger Ibbotson sat down with Sophia Grene from Financial Times to discuss his theories that lead to outperforming the market.

When Markets Get Scary, Panicking is Smart

It's classic investment advice: When markets get volatile, the worst thing you can do is panic; instead, take a deep breath and stay fully invested.

But according to two Yale researchers, that advice could be completely wrong.

Professor Tyler Muir spoke with CNBC's Trading Nation about his research with Yale School of Management colleague, Professor Alan Moreira.

How Should Investors Respond to Volatility?

Managed portfolios that take less risk when volatility is high produce large, positive alphas and increase factor Sharpe ratios by substantial amounts. We document this fact for the market, value, momentum, profitability,

A Unique Approach Toward Investing

Andrea Baumann Lustig '86, leads a firm that uses a 100-year-old strategy to beat the market.

Andrea Baumann Lustig '86 MPPM, is an ICF Advisory Board Member and President; Director, Private Client Asset Management at Stralem & Company

Stephen C. Daffron '86 MBA, '89 MA, '89 MPhil, '90 PhD is an ICF Advisory Board Member and Private Equity Investor
return on equity, and investment factors in equities, as well as the currency carry trade. Our portfolio timing strategies are simple to implement in real time and are contrary to conventional wisdom because volatility tends to be high after the onset of recessions and crises when selling is typically viewed as a mistake. Instead, our strategy earns high average returns while taking less risk in recessions.

Read the full research paper by professors Alan Moreira and Tyler Muir of Yale School of Management here.

Student Perspectives

**Climate Change Finance Data: Looking Under the Hood**

By Patrick Reed, Gabe Rissman, Logan Yonavjak, Evan Dryland, Yonatan Landau, Dillon Lanius, and Sebastian Vanderzeil.

This paper describes the current state of financial data as it relates to climate change mitigation. The authors present a comprehensive approach that explains how this data flows—from company reporting to investment products—and that includes all the players and steps in between. At present, the usage of such data is limited or in very rudimentary stages of collection and aggregation; however, increased comprehensiveness and sophistication can be expected as the industry matures and as asset owners and managers demand more consistency. The purpose of this report is to help asset owners and managers think more critically about how to incorporate climate data into their investment decision-making.

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**Asset Management: A Fiduciary Responsibility for a Social Need**

By Thiago Palaia, Executive for MBA student, Class of 2016

What we all need is a portfolio that delivers an outcome that perfectly matches our individual future goals and needs. Once this is achieved, some of the existential financial questions about alpha, beta, passive, active, premium, factors, efficiency, and behavior may become naturally less important.
Hedge Fund Case Study: Understanding the Role of Hedge Funds in Large-Scale Pension Plans

By Jonathan Lucas, Executive for MBA student, class of 2016

Top hedge funds, one of the largest pensions in the world, respected consultants, and renowned academics; these are just some of the people I interviewed in the past semester. I am part of a small group of research assistants to Professor Goetzmann for his forthcoming International Center for Finance raw case that examines the role of hedge funds in an institutional investor’s portfolio. The impetus for the case is CALPERS’ much publicized decision to divest from hedge funds, but our case study goes beyond their decision to examine the pros and cons of hedge funds, fees, sources of hedge fund returns, asset allocation in large pension funds, and the role consultants play in the process.

Publications & Working Papers
**Bubble Investing: Learning From History**

By William N. Goetzmann, Yale School of Management

History is important to the study of financial bubbles precisely because they are extremely rare events, but history can be misleading. The rarity of bubbles in the historical record makes the sample size for inference small. Restricting attention to crashes that followed a large increase in market level makes negative historical outcomes salient. In this paper I examine the frequency of large, sudden increases in market value in a broad panel data of world equity markets extending from the beginning of the 20th century. I find the probability of a crash conditional on a boom is only slightly higher than the unconditional probability. The chances that a market gave back its gains following a doubling in value are about 10%. In simple terms, bubbles are booms that went bad. Not all booms are bad.

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**The Origins of Corporations: The Mills of Toulouse in the Middle Ages**

By Germain Sicard; Translated by Matthew Landry; Edited by William N. Goetzmann; with an Introduction by David LeBris, William N. Goetzmann, and Sébastien Pouget.

Germain Sicard proves that Europe’s first corporations were fourteenth-century mill companies operating in Toulouse, rather than seventeenth-century English and Dutch trading companies as commonly believed. He shows that the corporate form derives from a unique ownership contract from Medieval Europe called pariage, and a culture of strong property rights and municipal self-governance. Based on archival research, Sicard’s 1952 thesis has been translated into English with an introduction that places the work in the context of new institutional economics and legal theory. It is an important contribution to research on the history and legal origins of the corporation.
Yale Series in Economic and Financial History New Book Release

Inglorious Revolution: Political Institutions, Sovereign Debt, and Financial Underdevelopment in Imperial Brazil

By William R. Summerhill

Nineteenth-century Brazil’s constitutional monarchy credibly committed to repay sovereign debt, borrowing repeatedly in international and domestic capital markets without default. Yet it failed to lay the institutional foundations that private financial markets needed to thrive. This study shows why sovereign creditworthiness did not necessarily translate into financial development.