

Ang, Andrew – Asset Management

Oxford University Press, 2014, [Finance] Grade ★★★★★

This is something as scarce as a readable textbook. The subtitle is *A Systematic Approach to Factor Investing* but the bulk of the book is really a broad, comprehensive and accessible primer on asset management that combines the basics of financial academic theory with the latest academic findings and a fair amount of real life examples and practical applications. The author Andrew Ang, currently at BlackRock and previously a celebrated finance Professor at Columbia, advises the reader to view the field through the lens of underlying factors but with the book being so broad this almost becomes a side story. First and foremost Ang wants to see better practices in institutional asset management over all.

Asset Management provides an introduction into the character of asset classes, investment strategies and factor premias. The book provides a step-by-step guide in traditional portfolio theory without expanding too much into the underlying math. Then Ang goes further and discusses new findings, extensions and critique of the established models in a good-tempered and easy-going style. Each chapter starts with an illuminating story from real world asset management, then the academic theory is presented and in the end Ang takes the – now more knowledgeable – reader back to the introductory story to discuss it in a new light. The book in a way resembles Antti Ilmanen's *Expected Returns* in its breadth and in that it gives the reader a good insight into the latest thinking in finance and portfolio theory.

The book largely substitutes equations for well thought out illustrations which will make the subject more comprehensible for a larger audience. It is quite an impressive trait of the author to be able to make discussions on, for example, the use of utility functions in mean-variance optimization models this understandable and interesting. It is also symptomatic that the author during his career has been able to switch back and forth between consulting for various asset managers and having a successful career in academia.

Mats Larsson, April 15, 2018

Thus, although it sometimes shines through that Ang isn't an experienced asset manager, he still skillfully merges academia with practical advice. Where academia often make too many unrealistic assumptions and almost have a fetish for explaining market movements with information, practical asset management can on the other hand at times be dominated by a lazy continuation of old obsolete practices and self interests.

The last quarter of the book called *Delegated Portfolio Management* is essentially concentrated on agency problems and discusses mutual funds, hedge funds and private equity. Ang is extremely critical towards hedge funds and private equity specifically, showing that they generally underperform risk-adjusted benchmarks composed of the factors that build up their return streams. His advice is to "walk away". Still, this categorical statement saves Ang from engaging in a discussion that is vitally important for most portfolios; how to best construct a portfolio that combines liquid and illiquid assets, where the latter renders most of the standard risk and reward measures useless. Also, one minor irritation – how hard can it be to spell Warren Buffett's surname with two "t's"? Often it is too hard for the author apparently!

Andrew Ang clearly champions liquid securities and factor investing as the latter gives a deeper analytical insight into what drives the risk/reward in the portfolio. All factor returns give compensation for enduring various types of bad times. Ang wisely advices the reader to figure out which of these "bad times" that he can endure better than others because this is where his portfolio will have a competitive edge.

Asset Management will be a cornerstone of the reading list for asset management classes for years to come. For anyone wanting to gain a thorough understanding of the current best practice in institutional multi-asset, portfolio management this is the place to start.