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International Investments

国际投资学

第五版

CFA系列

[法] 布鲁诺·索尔尼克（Bruno Solnik）
[美] 丹尼斯·麦克利维（Dennis McLeavey） 著

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序

世界金融市场的蓬勃发展需要大量合格的金融从业人员，需要有全球通行的金融语言和行为标准。无论投资者、企业还是金融管理层都需要用统一、规范的标准来衡量金融分析人员的知识水平、道德规范和专业化程度，从而建立起对他们所提供的金融服务和所管理的金融资产的信赖。由此，特许金融分析师（Chartered Financial Analyst，简称 CFA）应运而生。

作为全球通行的、最权威的金融市场专业人员的资格认证，CFA 创办于 20 世纪 60 年代初。主办 CFA 考试和授予 CFA 特许状的权威机构是美国投资管理研究协会。目前，CFA 资格授予各个投资领域内的专业人士，包括基金经理、证券分析师、财务总监、投资顾问、投资银行家、交易员等等。CFA 要求它的持有人建立严格而广泛的金融知识体系，掌握金融投资行业各核心领域的理论与实践知识，包括从投资组合管理到金融资产估价，从衍生证券到固定收益证券以及定量分析。与此相适应，CFA 的课程设置和考试内容深深根植于投资管理的实践，涉及广泛的金融投资方面的基础知识，并且考试标准和阅读书目每年都在变化，以反映投资领域的最新变化。

为适应经济日益全球化、信息化、金融化的发展趋势，促进我国资本市场的发展，并配合 CFA 资格考试在国内的展开，以方便广大考生应考，以及满足相关财经领域从业人员和广大师生的学习需求，中信出版社推出了 CFA 系列丛书。该系列包含两个子系列：影印系列和翻译系列，我们衷心地希望这套丛书的推出能够对广大的读者有所帮助。

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Preface

Almost thirty years ago, Bruno Solnik published an article entitled "Why not diversify internationally rather than domestically?" in the *Financial Analysts Journal* (July/August 1974). At the time, U.S. pension funds had never invested outside of the United States. The situation was not very different in most other countries (except Britain) in which international investment by pension funds and other institutional investors was legally prohibited or regarded as exotic. Although European banks and private investors have long been international investors by cultural heritage as well as necessity (given the small size of most countries), institutional investors' guidelines often limited or prohibited international investments. Because institutional investors are large and sophisticated investors, their absence on the international scene was significant. Various forms of capital and currency controls constrained international investing. Few brokers or asset managers offered global services. Most corporations only reported annual accounts in their local language, and publicly available information was scarce and often unreliable. The combination of poor information, low expertise, stringent regulations, and high costs inhibited global investing. Thirty years later, the investment scene has changed dramatically.

Back in 1974, the world stock market capitalization stood below $1 trillion. Since the publication of the first edition of this book in 1988, the world stock market capitalization has passed the $25 trillion mark. Global debt markets have developed and opened up to foreign investors. Derivatives markets on financial instruments were in their infancy in 1974, but now provide major risk management instruments in all countries. It is now common to see U.S. pension funds with 10 percent or 20 percent of their assets invested internationally; individual investors have followed the trend, and the number of international mutual funds offered to American investors is astonishing. Non-U.S. investors hold extensive international investments. For example, ABP, the pension fund of Dutch civil servants and one of the largest in the world with total assets well over $100 billion, decided in 1989 to move from a purely domestic strategy to invest a growing percentage of its assets abroad. Dutch institutional investors now have more than 30 percent of their assets abroad.

The rapid pace of international investing is due to a change in mentality based on many factors. First, the benefits of international diversification in terms of risk and return have increasingly been recognized, as detailed in this book. This has led to a push toward guidelines and legislation more favorable to foreign investment. A second factor is the deregulation and internationalization of financial markets throughout the world. This global integration of financial markets has led to reduced costs, easier access to information, and the development of worldwide expertise by major financial institutions. In 1986, foreign organizations and banks were allowed to become members of the Tokyo and London stock exchanges. A similar step was taken in France in 1988 and is now the rule in all major countries. Computerized quotation and trading systems that allow global round-the-clock trading have been developed. At the start of 1990, restrictions to capital flows were removed within the countries of the European Union (EU); European-based investment management firms can freely market their products to residents of any EU member state. Hence, American or Japanese asset managers established in London can easily provide their services to any European client. This globalization of investment management has led to increased competition among money managers of all nationalities. It has also led to a wave of alliances, mergers, and acquisitions among financial institutions seeking to extend their international management expertise and the geographic coverage of their client base. A third factor is the general acceptance of a common set of standards and ethical principles by investment professionals. Debt issues are rated by the same rating agencies worldwide. Listed corporations are progressively adopting common or related international accounting standards. The Chartered Financial Analyst® (CFA®) designation of the Association for Investment Management and Research (AIMR®) has progressively been adopted as a standard by the worldwide investment profession. A majority of the CFA candidates are non-U.S. The AIMR Global Investment Performance Standards (AIMR-GIPS®) are adopted by institutional asset managers worldwide and are recognized as the leading global industry standard for ethical presentation of investment performance results.

Target Audience

This book is designed for CFA candidates, MBA students, and professionals working in the investment area. In some cases, it has been used for senior-level undergraduates majoring in finance. It is also used for students in master's programs in fields such as engineering or economics. To a large extent, the book is self-contained and does not take a specific national viewpoint (e.g., American); hence, it has been successfully used in courses and professional seminars throughout the world.

Structure of This Book

The international investor is faced with a complex task. The financial markets throughout the world are quite different from one another, and information on them is sometimes difficult to obtain. Trading in different time zones and languages further complicates the task. But the most important aspect of international investment is the use of multiple currencies. An American investing in France must do so in euros; therefore, the performance (and risk) of the investment will depend in part on changes in the euro/U.S. dollar exchange rate. Because of the importance of exchange rates in international investment, this book begins with a description of foreign exchange transactions.

In this text, we develop the analysis needed for the international investment and portfolio management process. The first three chapters lay the foundation of exchange rates, which link the economies of different countries and regions. In Chapter 1, we introduce the basic facts of foreign exchange quotation, their interpretation, and arbitrage implications. In Chapter 2, we develop the theory of international parity conditions. The theory helps in defining real foreign currency risk, an important factor to be managed in international investing and portfolio management. Chapter 3 then discusses the empirical validation of the theories introduced in Chapter 2 and explores the techniques and empirical results in the difficult task of exchange rate forecasting.

The next five chapters explore the various assets available for international investing. Chapter 4 is the lead chapter in a series of chapters on international assets. In it we develop international asset pricing in general with attention to foreign currency risk. Chapter 5 places a particular focus on the transaction costs involved in various equity markets and instruments allowing entry into international investments. Following this general introduction to international asset pricing, Chapters 6, 7, and 8 focus on the available international assets and investments themselves: equities, bonds, and alternative investments, respectively.

The final five chapters develop the techniques and perspective of international investment and portfolio management. After building the case for and against international diversification in Chapter 9, we move into the foreign currency risk and return analysis needed for international portfolio management. We develop the risk control techniques available with derivatives in Chapter 10 and then apply these techniques in currency risk management in Chapter 11. In Chapter 12, we examine the performance measures to judge the risk and return contributions of global diversification. Finally, we summarize the global investment and portfolio management process in Chapter 13. Throughout the text, we attempt to isolate those elements of the process that have unique international aspects.

Pedagogical Approach

To operate in a complex, multicurrency, multimarket, multicultural environment, you need a strong conceptual framework as well as a working knowledge of institutional aspects. Presenting concepts without resorting to lengthy theoretical expositions full of equations is a challenge. We have attempted to present all the major concepts and theories by illustrating their applications with numerous examples. Our guiding principle has been that rigor and intuition are equally necessary for a good understanding of the subject.

New to this edition, the "model-in-action" approach is used to integrate the chapter content. In the model-in-action approach, each chapter is motivated with questions of how to solve a valuation or portfolio management problem. These questions reflect the chapter's learning outcome statements found on the first page of each chapter. Examples are provided throughout the chapter to demonstrate answers to the questions and also to preview end-of-chapter problems. Thus the end-of-chapter problems should be familiar reinforcements for those students who have followed the learning outcome statements and worked through the examples of the chapter. The first twelve chapters end with a large number of problems and their solutions. Chapter 13, entitled "Structuring the Global Investment Process," ends with two case studies and proposed solutions.

A basic investment course is a useful prerequisite to this text. Some knowledge of international economics may also help in the early chapters. Familiarity with discounting techniques and basic statistics (e.g., standard deviation, correlation, and regression) will make some of the chapters easier to read. However, this book is intended to be accessible to students and portfolio managers without recent training in portfolio theory.

New to the Fifth Edition

As with the previous editions, this new edition provides students and practitioners with comprehensive yet accessible coverage of international investments. The authors have revised the book in a way that meets the needs of CFA candidates and prepares them for the CFA exams, while continuing to provide the coverage and accuracy our higher education adopters have come to expect. The fifth edition is a major revision in terms of both content and presentation. Major changes in terms of presentation have already been discussed. Besides the new model-in-action approach, the chapters have been reordered and some of them merged. In terms of content, this revision of the book focuses more on international applications. First, those aspects unique to international investments are key to the revision. Thus background material on bonds, swaps, futures, and options have been condensed. Second, more emphasis is placed on what is known from theory meeting the test of time rather than from empirical results that may be time-bound. For example, the chapter on the international asset-pricing model seeks to put the model into action and develops the valuation implications of the theory along with examples and illustrations. Empirical discussion has been shortened and a balance is sought between empirical results supporting and those not supporting theories under consideration.

- The material on foreign exchange presented in the first three chapters of the fourth edition has been rearranged. **Chapter 1** presents foreign exchange quotation and arbitrage relations with more precision. The coverage of the economic determinants of the exchange rate presented in **Chapter 2** has been strengthened. In **Chapter 3**, the empirical material from the original three chapters is gathered in one place so that the first two chapters can emphasize what is known from the theory in the original three chapters.
- **Chapter 4** (International Asset Pricing) replaces the old Chapter 5. We give more attention to foreign currency risk, valuation, and portfolio management.

- **Chapter 5** (Equity: Markets and Instruments) replaces the old Chapter 6. It places a particular focus on transaction costs.
- **Chapter 6** (Equity: Concepts and Techniques) is a new version of the old Chapter 7. It provides a new focus on global industry analysis and goes much deeper into equity valuation.
- **Chapter 7** (Global Bond Investing) merges the old Chapters 9 and 10. It also includes a section on structured notes, which were partly covered in the old Chapter 13. The coverage of institutional details and of basic bond valuation principles has been shortened. But it remains sufficient to make the chapter self-contained and is consistent with the presentation in other CFA readings.
- **Chapter 8** (Alternative Investments) is a more comprehensive version of the old Chapter 15. It now covers most forms of alternative investments and their valuation methods.
- **Chapter 9** (The Case for International Diversification) is a completely new version of the old Chapter 5. It presents arguments in favor and against international diversification in light of recent trends. It also discusses the case for investing in emerging markets.
- **Chapter 10** (Derivatives) introduces the basics of derivatives: principles, valuation, and usage. The chapter deals with forward, futures, options, and swap contracts that were previously covered in the old Chapters 11, 12, and 13. Most readers would have been introduced to derivatives before. This chapter is present for those who need a refresher and to make the book self-contained. It is used in Chapter 11.
- **Chapter 11** (Currency Risk Management) corresponds to the old Chapter 14. But the presentation has been improved and focused on implementation. A section on currency overlay has been added.
- **Chapter 12** (Global Performance Evaluation) is an extensively revised version of the old Chapter 16. It clearly differentiates the three steps of global performance evaluation: measurement, attribution, and appraisal.
- **Chapter 13** (Structuring the Global Investment Process) is an extensively revised version of the old Chapter 17. After a brief tour of the global investing industry, it reviews the various global investment philosophies that can be chosen. The chapter focuses on the various steps of the global portfolio management process: the formulation of an investment policy statement, the formulation of capital market expectations, the derivation of a strategic and tactical asset allocation as well as of a currency hedging policy, and performance evaluation. Two case studies serve as a review and application of the principles outlined in the chapter.

No specific chapter is devoted to emerging stock markets. But the material contained in the old Chapter 8 is now covered in Chapter 5 (Equity: Markets and Instruments), Chapter 6 (Equity: Concepts and Techniques), and Chapter 9 (The Case for International Diversification).

Significant changes also have been made to pedagogy. The number of end-of-chapter problems has been expanded; most of them are new and targeted to test all important topics covered in the chapter. In addition, we have added the following pedagogical features.

Learning Outcome Statements: Each chapter begins with Learning Outcome Statements (LOS). The LOS serve to guide the reader to all the major points of the chapter and follow the order of the topics that are covered.

Concepts in Action: These high-interest boxed features are drawn from published press articles and provide recent illustrations of the concepts in the chapter.

Solutions to End-of-Chapter Problems: In the fifth edition, solutions to all end-of-chapter problems are included at the end of each chapter so that readers can check their own work and work at their own pace.

Capstone Cases: In lieu of end-of-chapter problems, Chapter 13, "Structuring the Global Investment Process," ends with two capstone cases and proposed solutions. These cases allow readers to apply many of the concepts from Chapter 13 and the preceding chapters.

Web Site

A web site for this book is available at www.aw.com/solnik_mcleavey. It has two main features. It contains a database that can be used by the instructor to assign various projects related to some of the chapters. This database includes monthly stock indexes, bond indexes, interest rates, exchange rates, and inflation rates for major countries and a sample of emerging countries. This allows students to conduct tests of various theories presented in the text. A test bank is also available on a password-protected part of the site; it contains problems and solutions as well as a list of cases that can be used for various chapters of the book. The test bank will be progressively enriched.

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