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EDINBURGH APRIL 15-16 2010

HERIOT
WATT
UNIVERSITY

A PRACTICAL HISTORY OF FINANCIAL MARKETS



**TWO HUNDRED YEARS OF PRACTICAL EXPERIENCE
IN FINANCIAL MARKETS – DELIVERED BY RECOGNISED
EXPERTS IN JUST TWO DAYS.**

Introduction

A Practical History of Financial Markets is designed, written and taught by leading investment practitioners: Andrew Smithers, Stephen Wright, Gordon Pepper, Michael Oliver, Peter Warburton, Herman Brodie and Russell Napier. These teachers deliver the course in an intensive two-day session (usually Thursday to Friday).

The course is supported by a 700-page textbook and a website containing self-test questions, teachers' feedback and additional materials. Utilising the textbook and the website, students can opt to take the course via distance-learning. The course is eligible for 21 Professional Development credits as granted by the CFA Institute. It also forms one unit of the Edinburgh Business School MBA programme.

Launched in 2004, the course is owned and operated by Didasko – The Financial Education Company, a Scottish charity founded for the promotion of financial education.

Past students of the course have been enthused and excited by what the course has to offer:

"The only course I recommend to my fund managers. It invigorated me."

Ian Beattie – Chief Investment Officer, New Star Institutional Managers Ltd

"*A Practical History of Financial Markets* takes on some of the more important, and more daunting, questions in finance and investments. Using a broad historical context and a diverse range of analytical approaches, the course puts standard precepts such as 'investment value' under the spotlight, with sometimes unexpected results. I find myself thinking back regularly to what I learned on this course – and then applying it."

Andrew Howell CFA – Emerging Markets Strategist for Citi

"A concise and well-organised course that puts today's frenetic financial markets into context in a unique fashion. It cannot but help to improve the decision-making process of the investment professional. An essential course for both aspiring and established investment managers."

Henry Thornton – CEO, BDT Investment Management Ltd

"The best and most valuable two days I have spent outside the office in twenty years (holidays excepted). In a field which remains mired in short-termism and brevity of memory, all aspiring and experienced fund managers should attend this course. They will gain the invaluable advantage of historical perspective."

Sebastian Lyon – Managing Director of Troy Asset Management and manager of Personal Assets Trust

EDINBURGH
BUSINESS SCHOOL
HERIOT-WATT UNIVERSITY



ACCREDITED CPD PROVIDER

CFA
INSTITUTE
CONTINUING
EDUCATION
QUALIFIED ACTIVITY
21 CREDIT HOURS

DIDASKO
The Financial Education Company

A PRACTICAL HISTORY OF FINANCIAL MARKETS

“History’s predictive powers are considerable. This course helps us understand them, and then apply these lessons to investment management today. I would recommend *A Practical History* to anyone who wants to improve his or her understanding of investing.”

Mark Tyndall – co-founder and CEO,
Artemis Investment Management Ltd

“An invaluable practical insight into the human failings of capital markets and, in many ways, the perfect complement to the theoretical training prescribed for today’s aspiring investors. It also happens to be superb value for money!”

Stuart Paul – Chief Investment Officer,
First State Investments

“*A Practical History of Financial Markets* is a course not only for the MBA students in the finance stream, but for any MBA student who is interested in investing in the financial markets. Russell Napier and his team of highly regarded lecturers and practitioners do a superb job of making this a practical, applicable and very interesting course.”

Christian Vaatz – MBA Student,
Edinburgh Business School

COURSE STRUCTURE

How does one best determine ‘value’ in stockmarkets? What forces act to produce the regular material deviations from even the best estimates of such value? These are the key questions that this course seeks to answer.

Although utilising historical examples, the course is an educational tool for active investors. So it is a practical, and not just a chronological, history.

In the first module, Andrew Smithers and Stephen Wright (authors of *Valuing Wall Street*) look at 200 years of data on equity and bond valuations to find which equity valuation criteria work in practice. They find two that – contrary to the teachings of efficient market hypothesis (EMH) – are predictive of future equity market returns. Having established the best guide to fair value for equities, the rest of the course focuses on the forces that cause equities to trade away from fair value.

The two most usually mentioned in this regard are liquidity and psychology. Gordon Pepper (author of *Money Credit and Asset Prices* and *The Liquidity Theory of Asset Prices*) and Michael Oliver (co-author of *The Liquidity Theory of Asset Prices*) teach the unit on liquidity. Gordon and Michael explore the mechanisms through which money affects financial markets and focus on how, in understanding liquidity trades, one’s understanding of financial markets is enhanced.

And so to psychology: our unit on behavioural finance is taught by Herman Brodie, who runs a consultancy company helping financial services companies implement behavioural techniques. Herman’s long experience as a currency trader and provider of advice to financial institutions has given him unique insights into the practical uses of behavioural finance.

Another factor impacting deviation from fair value is inflationary expectations. Peter Warburton looks at the impact of changes in inflation on bonds, bills, equities and equity sectors in 16 different countries over the past 100 years.

Russell Napier concludes the teaching by wrapping up the lessons learnt and seeking to apply them in the current environment. (Additional material for this section, written by Barry Riley and Russell, is included in the course’s text book under The History of Institutional Investment.)

THE TEACHERS

**Andrew
Smithers**



**Stephen
Wright**



**Gordon
Pepper**



**Michael
J. Oliver**



**Peter
Warburton**



**Herman
Brodie**



**Russell
Napier**



**Andrew Smithers is co-author of
Module 1: Valuing Stock Markets.**

Andrew founded Smithers & Co, a leading advisor to investment managers on international asset allocation, in 1989. Before starting Smithers & Co, Andrew was at SG Warburg from 1962 to 1989. He has been a regular contributor to the *London Evening Standard* and *Sentaku Magazine*, writes regularly for the *Nikkei Kinyu Shimbun* and his OpEd pieces appear periodically in the *Financial Times*. He is the co-author of *Valuing Wall Street* with Stephen Wright, *Japan's Challenges for the 21st Century* with David Asher and *Wall Street Revalued - Imperfect Markets and Inept Central Bankers* (2009).

**Stephen Wright is co-author of
Module 1: Valuing Stock Markets.**

Stephen is a reader in economics at Birkbeck College, University of London. He was previously a staff economist at the Bank of England and a senior research associate in the faculty of economics and politics at the University of Cambridge. Since 1991, he has been a part-time consultant to Smithers & Co, writing reports for professional investors on financial markets. He is the co-author with Andrew Smithers of *Valuing Wall Street*, published in 2000.

Gordon Pepper, CBE joined the stockbrokers W Greenwell & Co in 1960 and was the joint founder of what became one of the leading bond advisory businesses in the world. He became joint senior partner of Greenwell and then chairman of Greenwell Montagu. Gordon left the City in 1989 and became a professor at the City University Business School (now the Sir John Cass Business School). Gordon has been an advisor on monetary issues to several

Chancellors of the Exchequer as well as to Margaret Thatcher. His numerous publications include *Money Credit and Asset Prices* (1994), *Inside Thatcher's Monetarist Revolution* (1998) and, jointly with Michael Oliver, *Monetarism Under Thatcher* (2000) and *The Liquidity Theory of Asset Prices* (2006).

Professor Michael Oliver is an associate of Lombard Street Research, which produces original, rigorous and consistently accurate comment on and analysis of the world's markets. He is also Professor of Economics at ESC Rennes School of Business in France, an economic adviser to the Corporate Affairs Scrutiny Panel in Jersey and a director of Global Partnership of Family Offices (UK). He has spent 18 years teaching at various universities in the UK, France and US and has combined this with a practical application of economics to offer executive education, workshops and a broad range of consultancy for high-profile corporations. He has published extensively on monetary economics, exchange rate policies and macroeconomic history. He is the co-author of *Monetarism Under Thatcher* and *The Liquidity Theory of Asset Prices*. His recent book *Economic Disasters of the Twentieth Century* (published by Edward Elgar in 2007) has attracted widespread critical acclaim.

Peter Warburton is the author and teacher of Module 2: Investing in Periods of Inflation, Disinflation and Deflation. Dr Peter Warburton moved from academia to the City of London in 1986. He was chief economist at Robert Fleming from 1989 and in 1996 formed his own consultancy company. He has been a member of the Institute of Economic Affairs' Shadow Monetary

Policy Committee since its inception in 1997. Peter acts as an economist to the investment management company Ruffer LLP and is managing director of Halkin Services Ltd, an international risk analysis business. He is author of *Debt and Delusion*.

**Herman Brodie is the co-author of
Module 4: Behavioural Finance.**

Herman received his grounding in the financial markets as a trader of soft commodity, stock and fixed-income futures. In 1992 he developed Deutsche Bank's quantitative trading models for the currency markets. The systematic trading strategies that comprise these models are in use today by traders, fund managers, monetary authorities and corporate treasurers around the world. Herman was a co-founder of Cognitrend, a company established in 2000 to advise financial institutions on the utilisation of behavioural finance techniques.

**Russell Napier is the co-author of
Module 5: A Practical History of
the Stock Market and Financial
Institutions.**

Russell was a fund manager for five years before joining the broking firm of CLSA as an Asian equity strategist in 1995. From 1997-1999 Russell was ranked number one for Asian equity strategy in most industry polls. He moved to a consultancy role with CLSA in 1999. Russell is also involved in the buy-side as a member of the investment committee of Cerno Capital Partners and as a director of the Scottish Investment Trust and the Mid Wynd International Trust. Russell is author of *Anatomy of the Bear: Lessons from Wall Street's Four Great Bottoms* (2007).

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QUALITY CONTROL



Edinburgh Business School

EBS is the Graduate School of Business at Heriot-Watt University, Scotland, one of the UK's 100 Royal Charter universities. The main focus of the School is to provide applied management programmes to individual students and major corporations. EBS offers one of the most popular distance-learning MBA programmes in the world.



ACCREDITED CPD PROVIDER

Securities & Investment Institute (SII)

The SII is the professional qualifications and membership body for the securities and investment industry in the UK. SII members who attend the course can claim 23 CPD hours.



CFA Institute

CFA Institute is a global membership organisation that awards the CFA (chartered financial analyst) designation. CFA Institute leads the investment industry by setting the highest standards of ethics and professional excellence and vigorously advocating fair and transparent capital markets. Didasko is registered with CFA Institute as an Approved Provider of professional development programs. This course is eligible for 21 PD credit hours, as granted by CFA Institute.

DIDASKO

The Financial Education Company

The Stewart Ivory Foundation

Didasko is a company limited by guarantee. Owned by five of the leading investment management houses in Edinburgh, it is run on a 'not-for-profit' basis and is registered with the Office of the Scottish Charity Regulator. The company was formed to own and run the *Practical History* course, originally created and funded by the Stewart Ivory Foundation.



Cost and Examinations

The current cost of the two-day course in the UK is £1500 (plus VAT) and the distance-learning option costs £800. Overseas sessions of the course are priced to break-even and in the past have been priced around US\$4,000. As part of the EBS MBA programme, exams will be offered twice per annum. A pass in the *A Practical History of Financial Markets* course will provide students with one of the nine credits required to achieve MBA status. CFA charterholders already qualify for two exemptions from EBS MBA exams, and thus a course pass will take them one third of the way to an MBA.

Registration and Contact Details

To register or for further details, please contact:

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<http://www.sifeco.org>

<http://www.ebsglobal.net>