

Understanding Risk to Help You Invest Soundly



Sept 17 – Oct 22, 2008
Wednesday's 9:30 – 11:00

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Course Description and Objectives

This course is a short practical lesson in understanding risk and how to manage it with regard to investing. Participants will develop a common understanding of the capital markets and how we as individual investors can invest wisely in those markets in order to profit. We will cover various sources of risk in investing, how risk is measured and whether it can be removed, reduced or insured against. Most importantly you will learn how to always evaluate investment return and risk together rather than just return. Our focus in this course will be on the practical, which will be learned through some examples. This course should serve useful when considering many forms of investments, when reading financial journals, and talking with financial advisors.

Prerequisites

No mathematical background is required for this course however; we will learn a few statistical concepts that are relevant for understanding risk.

Course Outline

Week 1 – Understanding Global Capital Markets

In the first session of this course we will build up a common understanding of the global capital markets, some general concepts and terminology.

Week 2 – Risks with Investing in Capital Markets

Building on the capital markets discussion from the previous week we will now review the risks associated with each type of investment vehicle and how those risks translate to higher expected return. In this session we will begin the topic of how to measure risk.

Week 3 – Measuring Investment Risk

If we can measure the risk associated with different investments then we can compare these investments on a risk-adjusted basis. Another way of saying this is we can determine a fair price for taking on risk. This session will cover ways that risk is measured in the capital markets and how we can use this knowledge to our advantage.

Week 4 – Managing Investment Risk

In this session we will explore ways of managing investment risk using very practical methods that come out of Modern Portfolio Theory. We will also discuss active versus passive management. This will lead into the topic of portfolio construction.

Week 5 – Portfolio Construction and Management

Using the tools that we've learned we will talk about sensible asset allocation for constructing a portfolio and how to manage a portfolio as economic, market and life conditions change.

Biographical Summary

I have a Master's of Science in Finance from George Washington University and a Bachelor's of Science in Physics. Also, I've been through immersion training in the German language at the Goethe Institut in Frankfurt Germany.

In 1996 my wife and I moved to Germany where I helped Oracle Corporation build a consulting practice focused on building IT systems for investment banks and telecommunication companies. In 1999 I formed a consultancy in Germany called Inflectix AG and then in 2000 moved the office to Zug, Switzerland where we focused on IT consulting to large multi-nationals in the commodities trading and banking sectors.

In 2004 my wife and I relocated back to the U.S. where our children could be closer to our families.

Since returning to the U.S. I have focused my career on financial consulting instead of IT consulting. My professional and academic interest is in portfolio engineering and risk management in the context of retirement and financial planning.

I also enjoy windsurfing and good game of tennis and am an active member at the Fairfax Racquet Club.