

Syllabus  
HKUST Department of Economics  
Economics 6110M  
The Asset Management Industry

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**Course Description:** Asset management continues to be a major growth industry in the global economy. This course will examine developments in the industry, with an emphasis on using economics to explain (a) the main forces at play, and (b) participants' responses to the challenges and opportunities that they are facing. We will first describe the industry, exploring the origin of the assets that are managed, the main participants in asset management, and the principal investment styles that are employed. We will then consider challenges and opportunities facing the industry, focusing on:

- (i) The macro-economic environment and its implications for the industry (including ageing populations, longevity, zero nominal interest rates and the consequences of Quantitative Easing)
- (ii) Passive vs active investing: what both mean, the threat that passive investing poses to active managers, and asset managers' response so far to the threat
- (iii) Behavioural Economics and asset management: what behavioural economics can tell us about observed behaviours in the asset management industry
- (iv) The growth of Private Markets: what Private Markets are, their performance and implications for the broader economy
- (v) Environmental, Social and Governance (ESG) investing: what ESG investing is, and its impact so far on the asset management industry

**Learning Outcomes:** This course contributes to the M.Sc. learning outcome: "Have deep understanding of economic issues based on knowledge of economics, including microeconomics, macroeconomics and econometrics". Note: there will be no 'hands-on' econometrics work during the course.

**Course Requirements** The grading will be based on a long essay assignment and a final exam. The exam will take place during finals week, at a time to be decided.

| <b>Assignment/Exam</b> | <b>Date</b>                   | <b>Grade</b> |
|------------------------|-------------------------------|--------------|
| <b>Long essay</b>      | <b>Deadline to be decided</b> | <b>60%</b>   |
| <b>Final exam</b>      | <b>Date to be decided</b>     | <b>40%</b>   |

**Readings** The exam will be based on the lectures delivered in class and on supplementary readings assigned during the course.

**Course Outline:**

1. Introduction: Lecture Notes 1
2. The Macro-economic environment and implications for asset management:  
Lecture Notes 2
3. Active and Passive Management: Lecture Notes 3
4. Behavioural Finance and the asset management industry: Lecture Notes 4
5. Private markets and their implications for asset management: Lecture Notes 5
6. Environmental, Social and Governance (ESG) investing: Lecture Notes 6