

Dear Sirs!

We would like to welcome everyone at our conference. Before we start the main part of our meeting, which is going to focus on the replication of hedge funds portfolios with Eurex products, we would like to say a few words about changing landscape of investment industry at the beginning of 21st century.

Recently, we have observed substantial change of the attitude of individual and institutional investors who have realized that old fashioned "buy and hold" strategies are no longer profitable in the new environment where stable stock market upward trend from 80s and 90s is only the reminiscence of the past reality. The economy cycles started to be much shorter while additionally it has occurred that we move faster from the high to low volatility periods than it was before. Moreover, last several years made it more than clear that assumptions of almost all financial models are indeed not valid which is especially important in the time of sudden crash. Examples are changing correlations and volatilities which was supposed to be stable, very fat tails, long memory after financial shocks, etc. These are only few reasons why hedge funds industry with their various investment policies gained so much popularity these days. The problem is that their investment profile is not available either for investment professionals nor for individual ones because of many formal limitations (minimum initial investments, limitations concerning withdrawal of the funds or sometimes just closed access for new investors, etc.).

On the other hand, we always want to enhance our investments and add to our portfolio new instruments which could move our efficient frontier in the north-east direction. Usually it is only possible when we enhance our portfolio with new instruments with different investment profile. Current financial markets give us such opportunity through the diverse spectrum of derivatives for almost every basis instrument, offering high liquidity and often enabling us to trade twenty four hours per day through the electronic trading. What remains for us is just to adequately choose these instruments and construct our portfolio including new investment opportunities.

And from this point we could smoothly go to the QFRG mission. Quantitative Finance Research Group was launched exactly two years ago, just one year after we have launched Quantitative Finance program at the Faculty of Economic Sciences at the post graduate level. Main purpose of the QFRG was to combine activity of academic staff with students and financial industry in order to implement financial tools and theories in the real world.

Having successfully completed our first project, the future looks promising and the activity of QFRG will focus on several aspects:

- scientific projects based on grants funded by our sponsors from financial industry,*
- practical implementation of financial theories and tools in order to solve real live investments dilemma,*
- macro data forecasting based on the in-house econometric models.*

From this place we would like to encourage all of you to cooperate with QFRG in many various fields which require scientific investigations!

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