Syllabus
HKUST Department of Economics
Economics 5650

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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 (a) the main forces at play in the industry, and (b) participants' responses to the challenges and opportunities that they are facing. We will first describe the main characteristics of the industry at present, exploring 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 and the industry's evolving response, focusing on:
(i) Passive vs active investing: what both mean and how they work (or are supposed to work); the threat that passive investing poses to active managers, and asset managers' response so far to the threat
(ii) Factor Investing: how this works and whether we should consider it active management or not
(iii) The growth of Private Markets: what Private Markets are, their performance and implications for the broader economy
(iv) Sustainability Investing (also known as Environmental, Social and Governance (ESG) investing): what Sustainability Investing is, and its impact so far on the asset management industry
(v) Artificial Intelligence (AI) and the Asset Management Industry: AI is having, and will continue to have, a major impact on all aspects of the industry; we will focus on AI's impact so far on the investment process and client service

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 four online Canvas quizzes and an open-book, on-site final exam.

Assignment/Exam	Due Date	Grade
Quiz 1	**22nd June 2025**	**10%**
Quiz 2	**29th June 2025**	**10%**
Quiz 3	**6th July 2025**	**10%**
Quiz 4	**13th July 2025**	**10%**
Final exam	**9th July 2025**	**60%**

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

Course Outline:

Lecture 1: Overview of the Asset Management Industry

1. The structure of the asset management industry – the main players, assets that are managed and the principal activities in the industry
2. Overview of the main challenges facing the industry

Lecture 2, 3: Investment style, process and performance

1. Definitions of active and passive management
2. How passive management works
3. A framework for active management and how it works (including long only and long/short investing)
4. How management fees are determined and implications for asset managers' behaviour
5. Difficulties with active management: (mostly) efficient markets and the consequences for active management
6. The growth of passive management and the industry's (continuing) response

Lecture 4: Private markets

1. The growth of private equity and private debt markets
2. How private assets are managed
3. Relative performance of private vs public markets

Lecture 5: Sustainability (also known as ESG) Investing

1. Sustainability Investing defined
2. How Sustainability Investing is done
3. The continuing evolution of Sustainability Investing
4. Some serious issues with Sustainability Investing

Lecture 6: Artificial Intelligence (AI) and asset management

1. Overview of how AI is changing the industry
2. AI and the investment process: Natural Language Processing in the investment process
3. AI and client service: Large Language Models (LLMs) and client communications