

PART ONE

Introduction

CHAPTER 1

What Are Value-at-Risk and Risk Budgeting? 3

CHAPTER 2

Value-at-Risk of a Simple Equity Portfolio 13

PART TWO

Techniques of Value-at-Risk and Stress Testing

CHAPTER 3

The Delta-Normal Method 33

CHAPTER 4

Historical Simulation 55

CHAPTER 5

The Delta-Normal Method for a Fixed-Income Portfolio 75

CHAPTER 6

Monte Carlo Simulation 91

CHAPTER 7

Using Factor Models to Compute the VaR of Equity Portfolios 105

CHAPTER 8

**Using Principal Components to Compute the VaR
of Fixed-Income Portfolios 115**

CHAPTER 9

Stress Testing 135

PART THREE

Risk Decomposition and Risk Budgeting

CHAPTER 10

Decomposing Risk 153

CHAPTER 11	
A Long-Short Hedge Fund Manager	163
CHAPTER 12	
Aggregating and Decomposing the Risks of Large Portfolios	183
CHAPTER 13	
Risk Budgeting and the Choice of Active Managers	205
PART FOUR	
Refinements of the Basic Methods	
CHAPTER 14	
Delta-Gamma Approaches	223
CHAPTER 15	
Variants of the Monte Carlo Approach	233
CHAPTER 16	
Extreme Value Theory and VaR	245
PART FIVE	
Limitations of Value-at-Risk	
CHAPTER 17	
VaR Is Only an Estimate	263
CHAPTER 18	
Gaming the VaR	275
CHAPTER 19	
Coherent Risk Measures	287
PART SIX	
Conclusion	
CHAPTER 20	
A Few Issues in Risk Budgeting	297
References	303
Index	315