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A REVIEW

INVESTMENT MANAGEMENT: THEORETICAL AND PRACTICAL ASPECTS

The field of investment management is closely related to economics, finance, decision-making and monetary theory. Investment managers need to understand the relationship between these fields. Economics provides a structure for decision-making in such areas as risk analysis, pricing, and return analysis and many other important areas, including the economic environment which also plays a crucial role in decision-making and investment management. Monetary theories, in turn, provide a structure for understanding such areas as risk management, capital flows, etc.

Dr. Stasys Valentinavičius, author of the monograph *Investment Management: Theoretical and Practical Aspects,* explores an important scientific problem of the relationship among all the above-mentioned fields. He remains strongly committed to presenting the concepts of investment, extremely carefully dealing with the conceptual material related to the valuation of investment, capital flows, inflation as well as investment markets and business management.

Theoretical and practical aspects of investment management have been analysed by a number of foreign and domestic authors such as Harry Markowitz, Stanley Block, Geoffrey Hirt, Andrew Adams, Romualdas Ginevičius, Jonas Mackevičius and others. In Lithuania, however, the subject was developed with an insufficient focus, in particular, on investment management. This gap was filled by the current monograph by Associate Professor Dr. Valentinavičius. Dr. Valentinavičius sets an objective of conducting a very systematic analysis, including the analysis of the investment processes according to the structure of investment, methodology of evaluation, expectations of market changes, fundamentals of analysis and investment strategy. In pursuance of this objective, the investigation makes an appropriate use of the following methods: systematic and logical analysis and generalization of information, statistical data, and legislation of the European Union and the Republic of Lithuania.

The monograph consists of two main parts; the first part deals with the theoretical aspects of investment management, while the second part analyses the process of investment.

The first chapter elaborates the economic concept of investment and investors, providing different criteria, features and financial instruments that make an impact

on different countries' economies. The analysis of investors' behaviour done by Dr. Valentinavičius provides us with a more thorough definition of behavioural patterns, including the role of the state's targeting of investment.

Investment evaluation is explained by simple methods which encourage the students and investors to make an analysis of investment before making a decision, since measures of the present and future values, interest rates and return, inflation and money flow help to develop an investigation of investment and its management.

In all economies, investors remain faced with the most difficult task of establishing a correct relationship among different variables of return and risk, which also depend on the environment created by state authorities and conditioned by the market behaviour determined by various changes in the world economy. The author of this book has made an observation about the relationship between the country's economy, legislation and investment growth. Expectations of investment return, risk and liquidity are always the central elements in the demand for assets. Moreover, expectations of inflation have a major impact on the interest rates and prices of securities since expectations of future short-term interest rates play the central role in determining the structure of investment return during a certain period of time. An extremely important factor in the relationship between an economy and investment expectations is that they are also central to understanding how expectations are formed. Thus, we can understand how asset prices, interest rates or investment return move over time. Such an all-inclusive understanding helps the author of the monograph to develop the efficient market hypothesis by examining some changes in the market of stock prices, bonds and other securities.

Up to nowadays, the analysis and management of the investment portfolio in terms of investment diversification has always been an object of discussion between investment policy-makers and scientists. The methodology suggested by author primarily aims at proving to investors that there is the general need for combining the methods that help to more precisely predict risks and benefits.

The methods by which indices are constructed for the main investment markets are to some degree discussed in the third chapter. This allows considering portfolio performance measurement as a subject that has grown in importance over recent years. The concept of beta value is introduced in the context of the analysis of individual shares and of a portfolio. The Capital Asset Pricing Model establishes a relationship between a portfolio's expected return and its beta. In this respect, the author develops a theoretical approach to the reality of the market. The monograph emphasizes the fact that "investors need more and more knowledge about the technical analysis and the possibilities of implementation of analytical methods in the real life situations". This book provides answers to these questions as regards the implementation of technical methods of analysis and the possibilities for investors. Active portfolio management, as explained by the author, involves a continuous effort to make the right decisions concerning the timing of movements in the market as a whole, sector weightings and individual share selection.

From both theoretical and practical points of view, the study on the role of financial markets is also of great importance. Investigation of investment markets where a surplus of funds generated in one area is transferred to an area experiencing a deficit of finances provides answers to the main question how much predictable or unpredictable the changes in the investment market can be. This book provides solutions by examining such investment markets as money market and capital market as well as institutional performance. Investment markets and institutions manage huge flows of funds throughout our economy, and this in turn affects business profits as well as the production of goods and services. Therefore, the study of investment markets and institutions rewards us with the understanding of many interesting issues.

The author presents a study on the interaction among various elements of investment market such as supply and demand, prices and competition. The importance of these market variables is argued with regard to the investment market development. The market development is described in four stages representing the market changes that are closely related to forecasts of market development. The author of this book provides recommendations on the traditional methods of making market forecasts for investors.

The first part of the book also focuses on the financial institutions working in financial markets. Capital market adjustment is described from the perspective of the various factors, including infrastructure, that influence the market.

The fundamental analysis presented by the author in the second part of the monograph introduces the main methods of exploring the macroeconomic environment. The economic policy, including monetary and fiscal policies, has always been a key factor for foreign and domestic investors. In the monograph, the concept of an appropriate environment for investment is carefully elaborated by analysing monetary and fiscal policies.

A practical introduction to the workings of today's financial markets and business enables us to understand the connection between theoretical concepts and their real-world applications. Moving beyond the description and definitions provided by the author in the field of fundamental analysis enhances the students' and investors' analytical abilities and concrete problem-solving skills. A focus on the impact of the macroeconomic stability on investment encourages developing investment and business enlargement strategy.

The author argues that the main goal of the fundamental analysis is to estimate the value of corporate stocks in the short term. A deeper analysis, however, should include all the possible market changes that can affect corporate securities held at a particular moment. Such a standpoint encourages us to investigate many aspects of investment when we have to deal with decision-making in this area. The sixth part of the monograph elaborates on the understanding of the investment strategy that could be presented following the traditional stages of this strategy. Such explanation of investment strategy will assist in understanding more clearly the nature of investment.

Evaluation of the competitiveness of companies and their attractiveness for investment is elaborated as one of the important stages of the fundamental analysis. The author emphasizes the difference between growth and development, which are often theoretically and practically considered to be one and the same thing. He argues that the difference between corporate growth and development lies in the qualitative changes of the activities of an enterprise.

The seventh, and the last, chapter concentrates on the concept of technical analysis and deals with the trends in market movements. In order to conduct such a technical analysis, the author suggests following the Dow theory, Exponential Moving Average, Divergence Indicator and many other methods. The main issue of such technical analysis is to identify the market movements that are of substantial importance for each investor.

The monograph is concluded with the final remarks on the investigated investment management problems that are clarified by the author following the systemic analysis of the theoretical and practical issues. The author's reflections in his concluding remarks implicitly show that the subject of investment management is elaborated on the basis of the fundamental theory of investment and is simultaneously based on the research results. In the author's opinion, "investment management is a very complicated phenomenon", but at the same time the investment analysis as an empirical evidence can support the theory. This point of view is a good starting point for further studies of investment management.

The monograph of Dr. Stasys Valentinavičius is a significant contribution to the theory and practice of investment. This book provides answers to the main questions by examining how investment markets and investment institutions work and how theories, theoretical methods and models are implemented in practice. The study of investment management provides an understanding of many interesting issues related to investors, investment and markets. I believe that this monograph will be useful first of all for investors, then for students and professors of universities as well as representatives of business and government.

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