

Professional Development

Master Class Series

Asset Allocation

Date: Tuesday 27 October, 2009

Time: 9.00 am – 5.00 pm

Venue: Mercer
Darling Park Tower 3
Level 6, 201 Sussex Street
Sydney

Purpose

- Traditional approaches to asset allocation have failed to protect investors during the recent market turmoil and have left many experienced industry participants wondering what went wrong with their investment strategy. Using a combination of theory, practice and evidence, Mercer strategy specialists will take delegates through the asset allocation development process, highlighting dangers and shortcomings with using historical-based assumptions, and present alternatives to a mean-variance approach to strategy development. We will also examine how to incorporate tail-risk inherent in many alternative investment strategies into strategy decisions, and finally, propose a disciplined approach to active asset allocation.
- Mercer's Asset Allocation Master Class is designed to challenge and enhance the investment knowledge of participants by addressing the range of considerations required for tailored strategy development. As well as providing practical take-outs, the Master Class format is also designed to provide a forum to debate current conditions and opportunities with peers enabling you to make confident investment decisions and improvements to your strategy development processes.

Learning format

Master Classes are run in an interactive workshop format, facilitated by a range of Mercer topic specialists, and are focused on group participation. This format is ideal in engaging participants, in contrast to a presentation-style format.

The format of the Master Class will also involve Mercer specialists examining the key principles underlying risk budgeting and strategy development, as well as offering ideas, perspectives and insights on their respective topics. Participants will work within small groups during the day on various activities designed to reinforce learning outcomes.

The day will close with a session on dynamic asset allocation, Mercer's terminology for active asset allocation over a medium-term timeframe, and how this process can add value over the longer term when implemented in a disciplined and informed manner.

Who should attend the Master Class series?

- Senior financial advisers and private banking advisory personnel
- Financial advisory personnel focused on product and investment research
- Trustees and investment advisers for self-managed super funds and family office trusts
- Institutional Investment Committee representatives and investment analyst staff.

Learning outcomes

Following the completion of the workshop, participants will be able to:

- **Understand** the strategy development process in a holistic sense
- **Recognise** the limitations and pitfalls of traditional approaches to strategy development
- **Appreciate** the sensitivity of strategy outcomes to modelling inputs
- **Consider** an alternative strategy approach for HNW investors
- **Discuss** a framework for incorporating a 'active asset allocation' process

Assumed knowledge

Participants are expected to have a basic understanding of the following investment concepts:

- All major asset classes
- Correlation and diversification
- Risk profiling/risk budgeting
- Basics of Modern Portfolio Theory and efficient market principles
- Statistical terminology.

Mercer asset allocation experts



Simon Eagleton

Head of Investment Consulting, Australia and New Zealand

Simon Eagleton is the Business Leader for Mercer's investment consulting business in Australia and New Zealand. He is based in Mercer's Sydney office.

Simon advises a small number of Australian clients on all aspects of their investment programs. His particular areas of expertise are asset-liability modelling and strategy development. Simon is also a member of Mercer's Australian Investment Policy Committee, responsible for establishing Mercer's house policy on investment strategy and manager configuration issues.

Simon joined Mercer in February 1992. In 1996 he transferred to Mercer Investment Consulting Hong Kong to lead the practice and research Asia ex-Japan Equity managers. Simon returned to the Sydney business in 1999.

Simon has been involved in Mercer's capital markets research efforts and has also chaired Mercer's Australian property manager research team.

Simon holds a Bachelor of Economics degree from the Australian National University and is a Fellow of the Institute of Actuaries of Australia.



David Stuart

Head of Dynamic Asset Allocation, Australia and New Zealand

David is the Leader of Mercer investment consulting in the Melbourne office. He consults to major education and superannuation funds. He is also Head of the Dynamic Asset Allocation team in Australia, providing advice on medium term asset allocation to clients.

David joined Mercer in March 2006, and has 27 years' experience in the investment industry. Prior to joining Mercer he worked as Regional Chief Investment Officer for HSBC Asset Management, responsible for their investment teams across the Asia-Pacific region. He has also held senior investment roles at Prudential Portfolio Managers, Norwich Union and VFMC. Prior to immigrating to Australia in 1994, David was Investment Manager for the British Gas pension funds in London.

David has an MA in Economics and Mathematics from Cambridge University in England, and an Investment Management Certificate from the London Business School.

Mercer asset allocation experts



Harry Liem

Strategic research specialist

Harry Liem is a Principal with Mercer's investment consulting business in Sydney, where he undertakes specialist research on hedge funds and various strategic issues.

Harry joined Mercer in 2004 and has 15 years of international experience in the investment management industry working as a portfolio manager and strategist for a number of reputable companies, including ING, Perennial and Rabobank/Stroeve Investment Bank.

He regularly presents at conferences and is also author of the book *2020 Vision: Investment Wisdom for Tomorrow*.

Harry holds a BSc and MSc in Computing Science from Delft University of Technology (the Netherlands), an MBA from Stirling University (UK) and is a Chartered Financial Analyst.



Craig Callum

Capital markets specialist

Craig Callum is a Senior Associate of Mercer's investment consulting business in Sydney. As well as general consulting to institutional investors, Craig is working in Mercer's Australian dynamic asset allocation team, which provides advice on medium term asset allocation to clients.

Craig joined Mercer in April 2008 having worked at the Reserve Bank of Australia since 2000. Craig's financial market experience at the RBA included money market dealing, foreign exchange and equity research and middle office work for the international reserves portfolio. Craig was also manager and Secretary of the RBA Officers' Superannuation Fund.

Prior to joining the RBA, Craig worked at the University of Queensland as an Associate Lecturer of finance, while completing a Masters of Financial Management. He is a CFA Charter holder and has a Bachelor of Commerce (Honours) and Bachelor of Laws (Honours).



Monica Ho

Capital markets specialist

Monica is an Investment Analyst from Mercer's investment consulting business in the Sydney office. She works closely with consultants to formulate and review investment policies and is involved in performance reviews of clients' investment strategies and monitoring of managers. Monica is member of the Dynamic Asset Allocation and capital markets specialist teams.

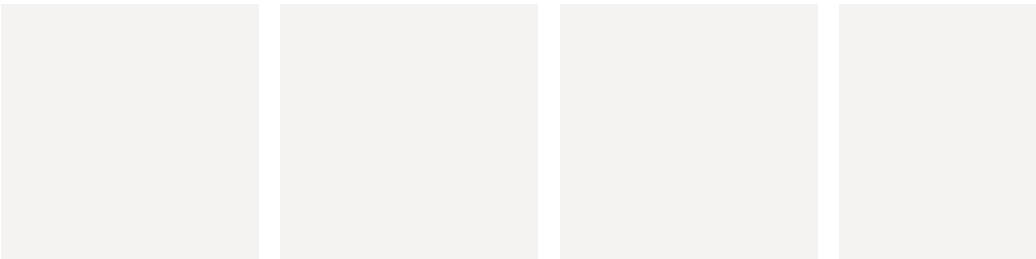
Monica has a Bachelor of Science majoring in Mathematics from the University of British Columbia and a Master of Actuarial Studies from the University of New South Wales. She is an associate member of the Institute of Actuaries of Australia. She plans to continue Part III exams toward her fellowship.

Agenda

Time	Topic	Discussion points
9.00 – 9.15 (15 mins)	Introduction	<ul style="list-style-type: none"> ■ Welcome ■ Housekeeping ■ Introductions
9.15 – 10.15 (1 hr)	The big picture	<ul style="list-style-type: none"> ■ Understanding your client's objectives and constraints ■ Defining the risk budget ■ Allocating the risk budget – determining strategy that maximises return for a given risk budget ■ Addressing the burning questions coming out of the GFC ■ Questions and discussion
10.15 – 10.55 (40 mins)	The relationship between asset classes	<ul style="list-style-type: none"> ■ The relationship between asset classes ■ How assumptions are used in modeling ■ Economic variables ■ Key factors driving our assumptions for core asset classes ■ Questions and discussion
10.55 – 11.10	Break	
11.10am – 12.40 (1hr 30 mins)	Improving modelling outcomes	<ul style="list-style-type: none"> ■ Key differences in modelling approaches and application: <ul style="list-style-type: none"> – Mean variance approach – Stochastic modelling approach ■ Modelling tail risk in alternatives ■ Questions and discussion
12.40 – 1.30	Lunch	
1.30 – 2.30 (1 hr)	Putting it together – case study activity	<ul style="list-style-type: none"> ■ Groups will be given a client or strategy scenario ■ Based on the scenario, groups will discuss and debate asset allocation decisions, building on principles introduced during the morning ■ Groups will have access to specialists and tools to facilitate their decision making ■ Groups will then present their conclusions with discussion amongst the group facilitated by Mercer specialists
3.15 – 4.00 (45 mins)	Beyond the efficient frontier	<ul style="list-style-type: none"> ■ An alternative to efficient frontier-optimised asset allocation is presented ■ Asset allocation is aligned to lifestyle driven objectives for HNW investors, offering a more intuitive process
3.00 – 3.15pm	Break	

Agenda

Time	Topic	Discussion points
3.00 – 4.30 (1hr 30 mins)	Forget 'set and forget' – dynamic asset allocation	<ul style="list-style-type: none">■ Investor and market cycles■ Approaches and pitfalls – market timing and active asset allocation■ Range of research inputs and Mercer's current views for major asset classes■ Implementation considerations■ Dynamic Asset Allocation case study activity
4.45 – 5.00 (15 mins)	Summary and evaluation	<ul style="list-style-type: none">■ Summary and wrap-up of session■ Complete assessment■ Complete evaluation summary form



Fee options

\$1,490 + GST per delegate

\$1,290 + GST (Early bird fee for first 10 registrations)

\$1,990 + GST per delegate registering for both the Equity and Asset Allocation Master Classes

Also enquire about discounts for group bookings.

Class size is restricted to approximately 20 pax.

Lunch, refreshments and all training materials provided.

Registration and further information

Complete and return the attached registration form or visit www.mercer.com/PDinvest for registration and more information on topics, speakers, and upcoming events, or contact:

Ray Kan
pdinvest@mercercorp.com
Phone 02 8864 6814
Mercer Professional Development

Master Class CPD accreditation point structure is currently being assessed by the FPA.

Feedback from Mercer's Debt and Credit Master Class (July 2009)

"Excellent format, content and pace"

"Institutional/retail mix of attendees very useful"

"Feel better equipped to move forward with credit discussions/recommendations with clients"

"Cleared doubt in several areas"

"Good thought provoking discussions and presentations"

"The benefit of these days is also the interaction with other participants"

"Excellent and helpful takeaways"

Mercer Master Class series

Mercer's Master Class series are investment focused workshops held by Mercer's Senior Consultants and topic experts, addressing one topic area in depth over a full day. You will be challenged to move beyond traditional investment theories to discuss and debate the latest global investment trends and market issues. The learning outcomes are focused on equipping delegates with practical tools and knowledge that enable them to make key investment decisions and develop views on contemporary issues.

Master Class participants are expected to have sufficient industry experience and pre-existing knowledge of the workshop topic area, however we promote diversity of job roles and market focus in order to bring in different investor perspectives. This ensures that participants are able to engage with each other on viewpoints, promoting advanced learning, discussion and debate.

Each Master Class is conducted with a small number of participants to improve learning opportunities and promote networking and information exchange. Workshop materials are prepared and are continuously updated by Mercer's investment and learning professionals.