

## **Advances in MPI Research and Technology: Hedge Funds, Asset Allocation and Returns-Based Style Analysis**

### **Overview**

MPI's research and development efforts over the past several years in the areas of alternative investments, asset allocation, and returns-based style analysis have proven unusually timely. The dramatic rise in hedge funds, diminished manager transparency, and renewed emphasis on asset allocation have escalated the need for more advanced research and risk management applications. In that spirit, the program format is designed as an educational workshop that illustrates how to successfully navigate these dynamic landscapes using MPI's Advanced Applications.

### **Details**

- Date: May 14<sup>th</sup>, 2004
- Time: 9 AM to 5 PM
- Location: New York Hilton Hotel  
1335 Avenue of the Americas, New York, NY 10019

### **Agenda**

9:00 - 9:15 **Introduction**

9:15 - 10:30 **Advances in Returns-Based Style Analysis**

The discussion will focus on the evolution of the methodology since its introduction in 1988 by Prof. Sharpe. In this session we will cover various estimation methodologies, visualization methods, applications to hedged and leveraged products, and the use of high frequency data. We will also discuss performance attribution, and methods of validation of results of Style Analysis. In the presentation we will be using specific examples and case studies and will be operating Stylus to show the effect of parameters on results.

Break

10:45 - 12:00 **New Technology from MPI: A Breakthrough in Returns-Based Style Analysis**

MPI's research and development effort over the past several years resulted in a very effective methodology of Style Analysis producing more accurate results than any existing methodologies. This patent-pending technology from MPI presents a major breakthrough in RBSA, addressing all of the original methodology's limitations. It delivers unparalleled precision in sensing portfolio dynamics, identifying breaks in exposure (e.g., manager or strategy changes) and protecting from spurious correlations and instability of results. We will provide an introduction to the methodology and details of its implementation in the software. Several case studies will be used to demonstrate the accuracy of the new methodology vs. existing methodologies of Style Analysis.

12:00 - 12:45 Lunch break

12:45 - 2:00     **Introducing MPI Hedge Fund Engine: A Workshop in Hedge Fund Analysis**

This session will be structured as a workshop illustrating how to successfully apply MPI's technology using well-known hedge fund stories such as Soros Quantum Fund and others as case studies. The discussion will focus on the practical use of Stylus in determining major drivers of hedge fund performance, skill assessment techniques, and fraud detection methods.

Break

2:15 - 3:00     **Introducing MPI Allocator: A new Asset Allocation tool from MPI**

This session will focus on the overview of features of our asset allocation module and the newest addition to the MPI Stylus Pro Suite. Allocator applies the best of MPI's analytics, visualization and reporting to the development and analysis of asset allocation policies. Its breakthrough design offers unlimited flexibility in conducting asset allocation studies and presenting their results in client-ready reports.

3:00 - 3:45     **Another Dimension in Manager Evaluation - Strategy Profile**

Our guest speaker, Jeff Hansen of Blue Heron Consulting, will describe their series of Strategy Performance Indicators (SPI) and how a manager's strategy profile is more predictive of future returns than similar analyses using other commonly used index families. A manager's strategy profile is the mix of typically 2 to 4 strategies that best fits their historical returns. The discussion will review how he used Stylus as the primary research tool to conduct out-of-sample tests of the strategy profiles of over 200 managers and back tested nearly 10 years of history.

Break

4:00 - 4:45     **What's Next: Overview of upcoming features of the Mpi Platform**

The final session of the Seminar highlights and organizes the best of Mpi's portfolio of new *research* and *reporting* technologies. An example turn-key solution is reviewed, from original conceptualization to implementation, illustrating the capabilities of the Platform while also offering a practical guide to maximize the user experience. In addition, Mpi's latest Client Servicing Group initiatives are introduced.

4:45 – 5:00     **Q&A and Closing Remarks**

## Seminar Speakers

**Jeff Hansen** (our guest speaker) with Blue Heron Consulting has been in the investment industry for over 20 years and was with the Russell Investment Group for 14 years. Blue Heron Consulting, LLC, an independent firm founded in 1999 that advises leading firms in the investment industry on issues related to organizational and investment process effectiveness.

**Michael Markov** is the CEO of MPI. In 1991, Michael founded MPI with the firm's Chairman and Chief Technology officer, Mik Kvitchko. His primary focus is Research and Development of financial models and algorithms, which are implemented in MPI's unique software tools and methodologies. The newest methodology presented at the seminar is the result of Michael's three-year collaboration with two distinguished scientists on MPI's Research Advisory Board: Prof. Vadim Mottl of the Russian Academy of Sciences (Moscow, Russia) and Prof. Iliya Muchnik of Rutgers University (Newark, New Jersey).

**Nate Nassif** joined Mpi in February of 2003 as the Director of Client Services. He was no stranger to Mpi's landscape, having collaborated closely with the firm as a research analyst while working in Prudential Financial's investment management research group. From 1996-2000, Nate's investment management work responsibilities involved the design, development, ongoing management, and distribution related initiatives for investment products. Nate moved to Prudential in 1998 after beginning his investment management career as a product analyst within Federated Investors' product management/product development group in 1996. Nate graduated with an economics degree from the University of Kansas in 1995.

**Jeff Schwartz** joined MPI in early 2003 as Vice President, Director of Sales and Marketing. Prior to joining MPI, Jeff served three years as Vice President, Investments and Vice President, Large Plan Sales for mPower, a provider of on-line investment advice to defined contribution investors. Jeff began his career in finance with Ibbotson Associates, where, in his six years with the firm, he served as a product development analyst, consultant and Vice President and Director of Asset Allocation Consulting. At Ibbotson Associates, Jeff was the chief developer of Portfolio Strategist, a mean-variance optimization and historical analysis tool for financial planners and Fund Strategist, a comprehensive book of returns-based analysis on public mutual funds; served as an editor of the Stocks, Bonds, Bills and Inflation (SBBBI) yearbook; taught educational workshops for institutions, financial professionals and the Alliance - Ibbotson Research Institute (AIRI); oversaw Ibbotson's consulting practice which provided asset allocation, behavioral finance, fund analysis and capital market research solutions to other financial institutions. His opinions have appeared in such publications as The Wall Street Journal, The New York Times, Pensions and Investments, Financial Planning, Smart Money and Money Magazine, as well as appearing on CNBC and NPR's Odyssey. Jeff holds a degree in Finance from the University of Arizona and is a CFA Level II candidate.

**Megan Woods** joined Mpi's Client Services Group ("CSG") as a *Director* and *Senior Analyst* in June of 2003. Although Megan had not used Stylus previously, it was only a short time before her Stylus genetics became apparent. Today, Meg is a verifiable super-user of the Mpi Platform. Her primary areas of responsibility include Client Research (special emphasis on hedge fund analysis), Client Consulting, and Client Relationship Management. Prior to joining Mpi, Megan worked in various analyst positions with Coca-Cola Enterprises in Toronto before returning to receive her Master of Business Administration at University of North Carolina's Kenan-Flagler School of Business. She graduated in May of 2003 with a concentration in Finance. Megan was a Finance Club member and Statistics tutor. She is a CFA Level III Candidate.