



“WAITING FOR THE OTHER SHOE TO DROP...”

**AGENDA
Monday, June 13th**

8:00 **Registration Opens**

8:45 – 9:00 **Welcome and Opening Remarks**
Christopher Holt, Director, Industry Relations (Americas) & Founding Editor, AllAboutAlpha.com
Tristram Lett, CIO, Integra Capital Management

9:00 – 10:00 **Featured Speaker: Dr. Raghuram Rajan**
Raghuram G. Rajan is Eric J. Gleacher Distinguished Service Professor of Finance at The University of Chicago Booth School of Business and an economic adviser to the Prime Minister of India. Previously, he worked as chief economist at the International Monetary Fund. Dr. Rajan is author of the book *Fault Lines: How Hidden Fractures Still Threaten the World Economy*, which received the 2010 *Financial Times* and Goldman Sachs Business Book of the Year award. He holds a BA degree in engineering from the Indian Institute of Technology, New Delhi, an MBA degree from the Indian Institute of Management, Ahmedabad, and a PhD degree from the Massachusetts Institute of Technology. He was also voted #1 in The Economist's Guest Network Poll as “the economist that has the most important ideas in a post-crisis world.”

10:00 – 10:15 **Break**
Provided by: The Gargoyle Group

10:15 – 11:15 **Separating the Wheat from the Chaff: Trade-Based, Hedge Fund Replication Strategies**
Deepak Gurnani, CIO, Head of Hedge Funds, Investcorp
As the hedge fund industry matures, more effort has been directed to separating the alpha “wheat” from the beta “chaff”. As a result, several methods have been proposed to replicate the “alternative beta” contained within many hedge funds. The head of Investcorp's \$5 billion hedge fund business will review proprietary research revealing that a significant proportion of hedge fund returns stem from as little as five risk components. These components can be recreated using a passive trading strategy that approximates the trading strategies commonly used by hedge fund managers. In several instances, this synthetic replication has out-performed hedge fund indices themselves – raising interesting questions about the role of real hedge funds in an institutional portfolio.

11:15 – 12:15

Advances in Tail Risk Management

William Shadwick, Managing Director, Omega Analysis Limited

Josh Parker, Managing Partner, Investment Strategies, Gargoyle Group

In the wake of the financial crisis of 2008, extreme risk and its management has become a key subject within the asset owner world. Large scale investors are looking for viable and cheaper ways to protect themselves without buying expensive insurance. In that instance the cure is likely to be worse than the disease.

This session will hear two different ways of achieving this objective.

Bill Shadwick, the developer of the widely used Omega statistic will present a new approach to risk targeting which follows the research he presented to us last year. Key to successfully managing tail risk is to have a means to forecast when markets become unstable causing the probability of an extreme event occurring to increase dramatically. This leads to application of timely hedges-’risk timing’

Josh Parker a highly experienced option trader, will provide a clear analysis of the basic principles, and implementation considerations behind portfolio tail-risk management. Tail risk hedging strategies come with a cost; cutting into the alpha generated by stock selection, and should be examined based on their cost and joint performance during normal times as well as periods of stress relative to the portfolio being hedged. There are other opportunities; Josh will show you several options-based portfolio hedging strategies that will add alpha while still reducing risk, he will also guide you through a cost/benefit analysis of these methods with an emphasis on both absolute and risk-adjusted returns.

Both speakers will address the question, can tail risk be managed without destroying the inherent portfolio alpha in the process.

12:15 – 1:15

Lunch

Provided by: Marret Asset Management Inc.

1:15 – 2:15

Inside the Consultant’s Workshop: Ambachtsheer intimate and interactive

Don Ezra, Co-Chair, Global Consulting, Russell Investments Worldwide

Keith Ambachtsheer, President, KPA Advisory Services

Following the format of the highly acclaimed television series “Inside the Actors’ Studio”, Russell’s Don Ezra will look “behind the scenes” with renowned pension expert, academic and author Keith Ambachtsheer.

Ezra, a long-time friend and former business partner of Ambachtsheer, will explore Ambachtsheer’s extensive career both in Canada and internationally and probe his views on the most pressing issues facing Dialogue participants.

Ezra will also invite participants into this intimate and interactive conversation, giving them an opportunity to pose questions and explore issues that would not otherwise be raised in traditional forum.

2:15 – 3:15

Risk and Reward in the Dynamic of Climate Change

Dr. Elisabeth Bourqui, Principal, Mercer

Dr. Ron Dembo, Founder and CEO, Zerofootprint

Climate change has traditionally been viewed as a social or geo-political issue. But as consumers adjust their behaviours and policymakers respond to growing social pressures, economic and financial issues that once seemed distant now confront investors head-on. Do traditional approaches to strategic asset allocation adequately integrate these changes? Are some asset classes more “climate sensitive” than others? And perhaps most importantly, do we need a new risk management model to account for these fundamental shifts?

Two global experts in this field will explore the emerging investment risks and opportunities facing institutional investors as they navigate this changing landscape. Dr. Ron Dembo is the founder of risk management firm Algorithmics and recently the founder of Zero Footprint, a firm that specializes in carbon management solutions for multi-national organizations. Dr. Elisabeth Bourqui

is head of responsible investments at Mercer Investment Consulting and a former derivatives trader at Société Générale. She will discuss Mercer's recently published research on this topic.

3:15 – 4:15

The Coming Demographic Revolution

Virginie Maisonneuve, Head of Global and International Equities, Portfolio Manager, Schroders Investment Management

The world is undergoing a dramatic demographic transition. On the one hand, the global population will continue to grow (from around 6.5 billion today to over 9 billion by 2050). On the other hand, falling fertility and continued improvements in life expectancy will result in rapid population aging. Over the next 40 years, demographic shifts will have implications for economic growth and living standards, as well as influencing government policies on tax, labour markets and the broader regulatory framework. However, in spite of the potential magnitude of these changes, the complex impact of demographic change on the global economy is often poorly understood. Moreover, since demographic trends are regarded a very long-term in nature, most investors neglect to include them in their analysis of companies' operating environments and earnings sustainability. Virginie Maisonneuve, head of Global and International Equities at Schroders will discuss the implications of these demographic shifts and how disciplined investors can incorporate an understanding of this and other themes to recognize and exploit investment opportunities and better understand companies' future earnings growth.

4:15

Closing Remarks – Christopher Holt, Director, Industry Relations (Americas) & Founding Editor, AllAboutAlpha.com

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5:00

Jet Boating - *Provided by: Highstreet Asset Management Inc.*
or
Walking Tour - *Provided by: BMO ETFs*

7:00

BBQ Dinner - *Provided by: RBC Dexia Investor Services*

Tuesday, June 14th

7:00 – 7:40

Breakfast

Provided by: Schroders Investment Management

7:45 – 8:00

Welcome Remarks

Christopher Holt, Director, Industry Relations (Americas) & Founding Editor, AllAboutAlpha.com
Tristram Lett, CIO, Integra Capital Management

8:00 – 9:00

Revisiting the Equity Risk Premium, What is the Outlook?

Doug Gratz, Associate Director, Research Affiliates

Rob Arnott and Peter Bernstein stated in their Financial Analyst Journal paper, March/April 2002, that the historical equity risk premium relative to bonds was not likely to remain at such historically high levels. The decade of the "naughts" saw such global contraction of the equity risk premium that for the U.S. large cap market the risk premium actually became negative. Nearly a decade later, with today's yields on long-term bonds at low levels and equity valuations higher than historical averages, the prospects appear reduced for portfolios built on these two popular asset classes to approach historical average returns and meet investor expectations.

The 3-D hurricane of developing countries' deficits, debt levels, and demographic shifts further add a headwind to the long-term economic outlook of the major suppliers of stocks and bonds. To contend with these obstacles, investors must consider moving beyond the safety of asset allocations centered around the common policy 60/40 stock/bonds mix, be nimble to invest in new opportunities that periodically present themselves, and acknowledge that return expectations based on historical risk profiles may well still need to be reduced. Doug Gratz, will lay out the Rob Arnott's latest review of capital markets expectations.

- 9:00 – 10:00 **Outlook for Alpha Generation Strategies**
 Moderated by: *Lionel Erdely, Head of Alternative Investments, Lyxor Asset Management*
Barry Allan, Founding Partner, Marret Asset Management
David Franklin, CEO, Sprott Private Wealth
Rob Jackson, CRO, Highstreet Asset Management Inc.
 Global economic and geopolitical volatility gives rise to new risks for traditional fund managers. But it also gives rise to new opportunities for managers who rely on alpha, not beta for their returns. In this frank and eye-opening discussion with three of Canada's most successful "alpha-centric" fund managers, we will explore investment themes that both mitigate against, and exploit, these new risk factors. How have they positioned their portfolios in light of high unemployment, stagnant wages, fiscal uncertainty, currency fluctuations and a secular shift in global trade? Are they anticipating a respite from these gyrations or are they also "waiting for the other shoe to drop"?
- 10:00 – 10:15 **Break:**
Provided by: Investcorp
- 10:15 – 11:15 **Panel Discussion: Currency Management**
Adrian Hussey, Director, Portfolio Research & Analysis, University of Toronto Asset Management Corporation;
Adnan Akant, PhD, Head of Currencies, Fischer Francis Trees & Watts (FFTW), A BNP Paribas Investment Partner
 Currency management is often an afterthought in the decision process of global investors. This is both a missed opportunity and a serious peril. Global opportunities imply currency risk to which an investor must decide if and how it wishes to manage this exposure. An active approach to such currency risk has often been a rewarding strategy. Our speakers will share their thoughts on passive hedging as well as active management on the spectrum of beta management to alpha generation.
- Academic research suggests that currency returns are hard to explain using fundamental economic data. In spite of this, currency managers have been successful in adding value in practice. Recent analysis of long-run currency manager performance shows evidence of alpha and beta factors in excess returns, and suggests approaches for selecting active managers. Dr. Akant will examine what makes currency alpha possible and how currency managers typically structure their process, looking both at judgment-based as well systematically-driven approaches. Finally, he will review some evidence showing that active currency is an excellent source of uncorrelated alpha in global portfolios.
- Adrian Hussey will review the issues that a Canadian investor faces with reference to the recent past where the Canadian dollar has rallied from \$.62 USD up to \$1.09 USD. He will also refer to the experiences that UTAM had in managing its currency exposure and suggests ways that Canadian investors should view this risk.
- 11:15 – 12:15 **"Flation, what's it going to be?"**
David Rosenberg, Chief Economist & Strategist, Gluskin Sheff + Associates Inc.
 The bond market is sniffing out deflation. It may well be correct.
- 12:15 – 1:15 **Lunch**
Provided by: BNP Paribas Investment Partners
- 1:15 – 2:15 **Yale Model Modified to the Canadian Scene with Reference to University of Toronto**
Bill Moriarty CFA, President & CEO, University of Toronto Asset Management Corporation
 With its focus on diversification and illiquidity premia, the "Yale Model" of endowment management was once heralded as the future of institutional asset management. But in 2009, US endowment funds suffered their largest ever loss. Further, the biggest funds - including that of Yale University itself - fared worst. So is the Yale Model always a better model or was it the unwitting beneficiary of secular market trends that prevailed in the 1980's and 1990's? And to what extent can such an approach be transplanted into a Canadian context anyway? And having said that, is there a better way to view these issues that heretofore has not had much attention. Bill Moriarty's

discussion will focus on a modern view of the Yale model with particular attention to the Canadian situation and will draw examples from UTAM's experience.

2:15 – 3:15

The History and Future of Hedge Funds

Sebastian Mallaby, *Paul A. Volcker senior fellow for international economics, Council on Foreign Relations*

Depending on who you ask, hedge funds are either the saviours of capitalism or the devil incarnate. But it often takes an outsider to view complex, politically-loaded issues in a rational, dispassionate light. Sebastian Mallaby is the Paul A. Volcker Senior Fellow for International Economics at the Council on Foreign Relations and a Washington Post columnist. In his 2010 book "More Money than God", he skilfully dissects the history of the hedge fund industry and its leaders to arrive at a remarkably balanced and cogent analysis. Mallaby explains why the future of finance lies in the history of this oft-misunderstood financial vehicle.

3:15 – 4:15

Making the Most of the Laws of Financial Gravity

Dr. Kevin Kneafsey, *Managing Director, BlackRock*

Kevin will appeal to the fundamentals of investment theory to help investors build better portfolios. Investors that ignored these fundamentals suffered grave consequences in the early 2000's and again in 2008. Kevin will discuss how systematic risk is unconditionally rewarded, but not all risks are rewarded equally. He will make the case that while diversification may not a free lunch, it is a good bargain. He will discuss the prudent use of leverage to build less risky portfolios and how ultimately markets are people and people are creatures of sentiment.

4:15

Closing Remarks – Christopher Holt, *Director, Industry Relations (Americas) & Founding Editor, AllAboutAlpha.com*

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5:30

Helicopter Tours &/or Bus to Treadwell's Restaurant
Provided by: KPMG

7:00-9:00

Cocktails and Dinner at Treadwell's Restaurant
Provided by: Integra Capital Management Corporation & Lyxor Asset Management

Wednesday, June 15th

7:15 – 8:15

Breakfast

Provided by: BlackRock

8:20 – 8:30

Welcome Remarks

Christopher Holt, *Director, Industry Relations (Americas) & Founding Editor, AllAboutAlpha.com*
Tristram Lett, *CIO, Integra Capital Management*

8:30 – 9:30

The Risks of Risk Management

Richard Bookstaber

There seems to be almost universal contempt for the performance of risk management in the 2008 crisis, though much of the blame rests with a failure on the one hand to understand the objectives and the limitations of risk management, and with an unwillingness on the other hand to take action to rein in risks when there were recognized. The natural question to ask, then, is how we can better apply risk management and respond to its warnings. Have we now learned how to manage risk for the next time around -- and is it indeed it is a lesson that can be learned?

- 9:30 – 10:30 **Debate: The creation of the National Market System by the SEC has been good for Investors**
Dr. Larry Harris, Fred V. Keenan Chair in Finance, USC Marshall School of Business – Prime Minister
Steve Wunsch, CEO, Wunsch Auction Associates, LLC – Leader of Opposition
Tristram Lett, CIO, Integra Capital – Speaker of the House
Despite its best efforts, could the SEC actually have been responsible for the “flash crash” on May 2010? In 1975, the commission created the National Market System to promote stock market efficiency and investor protection. But evolving technologies, alternative markets and ECN’s have dramatically changed the context for such an interconnected system. Ironically, some commentators have now suggested that the interplay of new technologies and the relative anonymity provided by NMS puts markets at risk.
- 10:30 – 11:30 **Outlook for the Private Equity Industry in 2011**
Jeff Pentland, Managing Director, Northleaf Capital Partners
Jeff will discuss current trends in the private equity industry following the global economic crisis, and how a successful private equity program can provide access to the significant value creation generated in privately held businesses.

He will also address the implementation and key drivers of a successful global private equity program and the capabilities required by institutional investors to maximize returns from private equity investment activities.
- 11:30 – 11:45 **Closing Remarks - Christopher Holt, Director, Industry Relations (Americas) & Founding Editor, AllAboutAlpha.com**