portfolio construction forum

MARKETS SUMMIT

What's really driving the outlook for markets?

Cyclical? Structural? Secular?

17 February 2015

Critical Issues Forum
Due Diligence Forum

RESOURCES KIT WORKBOOK

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Cyclical? Structural? Secular?

The US is winding down its QE program, but Japan and Europe are ramping up. Australia's golden era of prosperity is over. Oil prices have fallen over 35% in 12 months. Currency wars are well underway. With divergence a global theme, which cyclical, structural and secular issues are really driving the outlook for markets?

As always, Markets Summit facilitates debate on the drivers of and outlook for the markets, one of the three pillars of portfolio construction. Today's jam-packed program features 18 international and local geopolitical specialists, economists, market/asset class experts, and investment strategists debating their best ideas on the key cyclical, structural and secular issues that are driving the medium-term (3-5 year) outlook for markets - and, of course, the implications for portfolios.

To ensure clarity of today's debate amongst Faculty and delegates, we provide these definitions:

- **Cyclical**: issues related to the state of the economic cycle, influenced by the business cycle, measured in quarters or years.
- **Structural**: issues related to the composition or operation of an economy, industry or market. Sustained cyclical issues can become structural issues if left unchecked, and secular issues can lead to structural issues. Structural issues include deficits, household debt, labour force composition, composition of government spending, taxation, immigration, composition of economic growth, acts of nature (e.g. Japanese earthquake).
- **Secular**: long-term, external, deep-rooted trends (one or more decades). For example, the ageing demographic, lower fertility, technology, entry of women into the labour force in 1970s, baby boomers exiting labour force from 1990s, etc. Secular trends can lead to structural issues - for example, technology has changed the structure of employment/wages and composition of economic growth; the ageing demographic has and will continue to change the structure of government spending (e.g. healthcare) and taxation.

By the end of today, you'll have heard 18 expert, high conviction ideas to consider applying when building portfolios. And, you'll have been part of the studio audience for each presentations as it is filmed to be broadcast via the online Resources Kit available after Markets Summit. You can revist the program as part of your ongoing CPD and attend the four DDF sessions you've missed today.

Welcome to Markets Summit 2015!

Deirdre Keown
Director & Managing Editor

Graham Rich
Director & Publisher

WIFI
Choose network = atpguest
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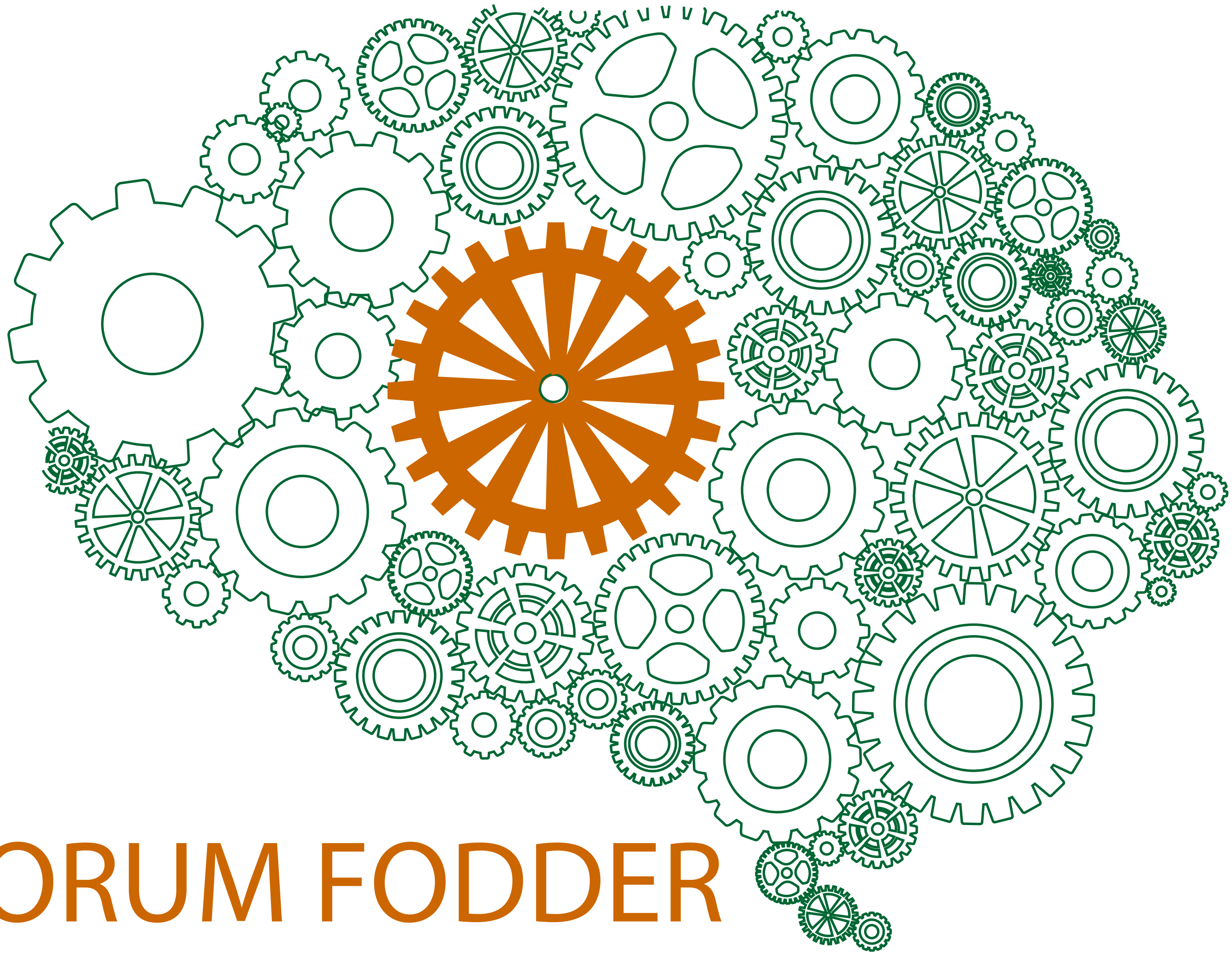

FORUM FODDER

food for thought on the markets, strategies & investing

Each Friday, our Forum Fodder email alerts you to new portfolio construction Perspectives from our Faculty and Learning Partners (local and international investment professionals and subject matter experts) along with new videos, podcasts, research papers, and opinion papers in the online Resources Kits from our Conference, Markets Summit, Symposium and Academy programs – and alerts you about our upcoming live professional development programs and what's new on CPD Campus.

Complimentary to all PortfolioConstruction.com.au Members, Forum Fodder keeps you up to date with what's new on our multi-media learning platform, PortfolioConstruction.com.au

(If weekly updates aren't enough, you can follow us on Twitter @PortfolioForum and receive immediate notification of what's new on PortfolioConstruction.com.au as it is published.)

For more information go to www.PortfolioConstruction.com.au

Getting the most from Markets Summit 2015

Tick when done

1. Treat the Markets Summit program as one whole multi-media experience
Markets Summit is an end-to-end, integrated learning program – a journey – not just an eclectic mix of sessions. All sessions address different key issues directly related to the theme, in a succinct and definitive way, to ensure you take away a clear set of expert, high conviction ideas to consider when building investor portfolios once back in the office, supported by the online Resources Kit. ☐

2. Use the Gizmo to submit your questions and answers (absolutely essential to get your CPD)
You must answer the Gizmo questions Graham asks each session to prove your attendance at the session. CPD will only allocated if you demonstrate via the Gizmos that you attended the full program i.e. every session from start to finish. No partial CPD is awarded. If you have any problem with your Gizmo, you must go to the Registration desk at the next break and discuss it with them so they can record that you were at the session. It's too late to let us know after Markets Summit. ☐

3. Twitter.com
Join Twitter.com, post your comments, and follow all delegates' comments @PortfolioForum. ☐

4. Choose your Due Diligence Forum session
Identify a first and second choice. Don't worry if you don't get into your first choice. The Resources Kit will contain sync'd slides/podcasts for each session so you can "attend" them all. ☐

5. Use this Resources Kit Workbook – and pick up the papers you want from the Resources Hub
Put your name on the cover now – and keep it with you at all times! Take notes, record your Key Takeouts, use the check boxes on the Timetable to note which sessions you want to revisit via the online Resources Kit. Afterwards, create a Dropbox folder (Dropbox.com) for electronic copies of the papers and presentations. Use this Workbook as a quick reference in future. ☐

6. Make full use of the networking opportunities
Interact with our Faculty, Partners and your fellow Practitioners in the Cafe. Get their takeouts! ☐

7. Book a one-hour review session with yourself for next week. Do it now, or you may never!
Spend an hour next week reviewing your Key Takeouts. Share them with your colleagues and clients. ☐

8. Plan your follow up
Plan the specific actions you'll take as a result of Markets Summit, to build better quality portfolios. ☐

9. Make the most of the online Resources Kit (portfolioconstruction.com.au) and CPD Campus
From Monday, we'll add videos, presentations and podcasts to the Resources Kit. Revisit the sessions – it's a lot to take in on the day – and "attend" the DDF sessions you missed. Add your comments! We'll let you know via Twitter as each session goes live in the online Resources Kit, and via our weekly PortfolioConstruction Forum Fodder email each Friday. ☐

10. Read the weekly PortfolioConstruction Forum Fodder email
It alerts you to Perspectives added to PortfolioConstruction.com.au, our multi-media learning platform, along with details about upcoming programs and what's new on CPD Campus. ☐

Faculty directory

Moderator

– Graham Rich, Publisher, PortfolioConstruction Forum (Sydney)

Faculty (in order by first name)

– Bruce Campbell, Investment Chairman, Pyrford International (London)
  – Brought to you by BMO Global Asset Management
– Charles Dallara, Executive Vice Chair of the Board of Directors, Partners Group (Washington DC)
– Erik L. Knutzen, MD & CIO Multi-Asset Class Portfolios, Neuberger Berman (New York)
– Jeremy Lawson, Chief Economist, Standard Life Investments (Edinburgh)
– Joe Bracken, Principal, Tempo Asset Management (Sydney)
  – Brought to you by Challenger
– John Hock, Founder & CIO, Altrinsic Global Advisors (New York)
  – Brought to you by NAB Asset Management
– Kate Howitt, Portfolio Manager, Fidelity Worldwide Investment (Sydney)
– Neeraj Seth, MD & Head of Asian Credit, BlackRock (Singapore)
– Nick Langley, Co-CEO & Co-CIO, RARE Infrastructure (Sydney)
– Hon. Dr Pippa Malmgren, Founder, DPRM Group (London)
– Rob Mead, Head of Portfolio Management Australia, PIMCO (Sydney)
– Ronald Temple, MD & Portfolio Manager/Analyst, Lazard Asset Management (New York)
– Scott Weiner, Managing Principal, Payden & Rygel (Los Angeles)
  – Brought to you by Grant Samuel Funds Management
– Tai Hui, MD & Chief Market Strategist Asia, JP Morgan Asset Management (Hong Kong)
– Thomas Poullaouec, MD & Head Strategy & Research Asia Pacific, State Street Global Advisors (HK)
– Tim Farrelly, Principal, farrelly's Investment Strategy (Sydney)
– Tracey McNaughton, Head Investment Strategy, UBS Global Asset Management (Sydney)
– Vimal Gor, Head of Income & Fixed Interest, BT Investment Management (Sydney)

Program timetable - Tuesday 17 February 2015

Session	Venue	Time	Review later
Coffee	Cafe	7.00am-8.15am	
CIF1: Cyclical? Structural? Secular? – Graham Rich	Theatre	8.30am-8.50am	☐
CIF2: Signals – Hon. Dr Pippa Malmgren	Theatre	8.50am-9.15am	☐
CIF3: EM: Cyclically challenged, structurally adjusting, secularly promising – Tai Hui	Theatre	9.15am-9.40am	☐
CIF4: Greece - a case study for increasing Eurozone strain – Charles Dallara	Theatre	9.40am-10.10am	☐
Morning tea	Cafe	10.10pm-10.35am	
CIF 5: Bond markets lock up and lock out returns – Scott Weiner	Theatre	10.40am-11.10am	☐
CIF6: The US stands out in a low growth world – Ronald Temple	Theatre	11.10am-11.35am	☐
CIF7: EM in a rising $ world: Vulnerabilities but no systemic risk – Jeremy Lawson	Theatre	11.35am-12.00pm	☐
On the move	-	12.00pm-12.10pm	
Due Diligence Forum	Room 1-5	12.10pm-12.40pm	
Room 1 · Debt Au · Australia's New Neutral: Low interest rates for even longer – Rob Mead			☐
Room 2 · Debt Global · Limbo lower - real rates are at a structurally lower level – Tracey McNaughton			☐
Room 3 · Eq Global · The great US equity bull market is finished – Joe Bracken			☐
Room 4 · Eq Specialty · Oil price moves are a cyclical risk, adding volatility to markets - Nick Langley			☐
Room 5 · Multi-Asset · Greenspan 2.0: the Bernanke Boom will bust – Thomas Poullaouec			☐
Lunch	-	12.40pm-1.20pm	
CIF8: India's transformation: a compelling fixed income opportunity – Neeraj Seth	Theatre	1.25pm-1.55pm	☐
CIF9: Time to think "yes" Japan, not "ex" Japan – John Hock	Theatre	1.55pm-2.20pm	☐
CIF10: Break-up of the Eurozone is inevitable – Bruce Campbell	Theatre	2.20pm-2.45pm	☐
Afternoon tea	Atrium	2.45pm-3.00pm	
CIF11: Babies - the key secular trend that will drive portfolio returns – Vimal Gor	Theatre	3.05pm-3.35pm	☐
CIF12: Navigating the fourth D is essential for performance – Kate Howitt	Theatre	3.35pm-4.00pm	☐
CIF13: In a race without a hare, the US holds the cards in 2015 – Erik Knutzen	Theatre	4.00pm-4.25pm	☐
Stretch break	Theatre	4.25pm-4.30pm	
CIF14: Great Debate – Markets Summit 2015 Faculty	Theatre	4.35pm-5.30pm	☐
CIF15: Signals revisited – Hon. Dr Pippa Malmgren	Theatre	5.30pm-6.00pm	☐
Networking Drinks	Atrium	6.00pm-7.30pm	

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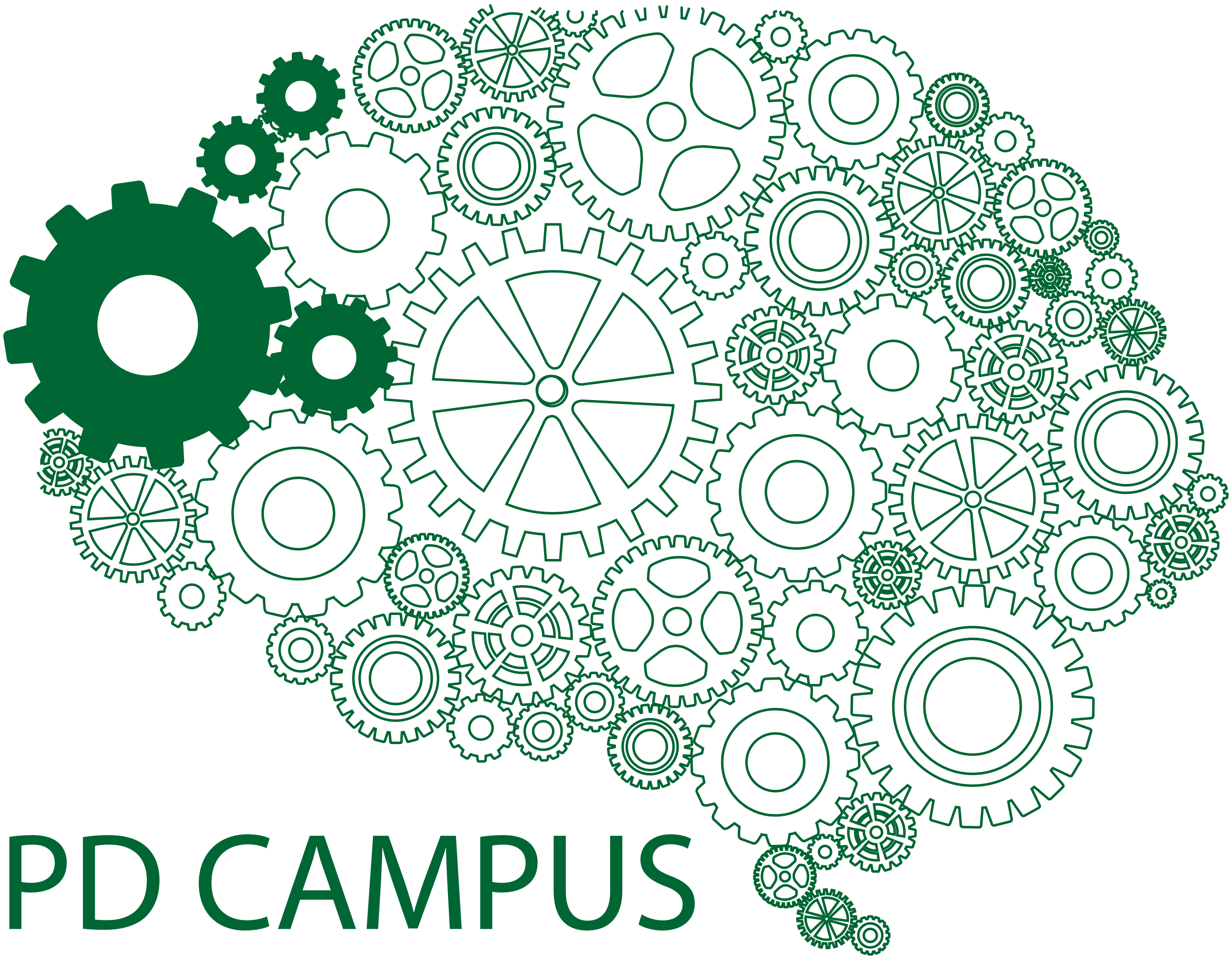

CPD CAMPUS

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CPD Campus complements our five independent, interactive and exceptional continuing professional development programs. Read high quality papers on the markets, strategies and investing within our online Perspectives library and Resources Kits from Conference, Markets Summit and Academy, pass the related quiz – and receive immediate CPD accreditation (in addition to CPD received from the live programs). Then, you can access, monitor and print/email your CPD accreditation.

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MARKETS SUMMIT

CRITICAL ISSUES FORUM SESSION WORKSHEETS

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Once you've read a Perspective, use the Comments area at the bottom of the page to post a comment and interact with the author. If you also "subscribe to comments for this article", you'll be emailed when the author (or any other Member) answers.

So have your say!

Review later

Critical Issues Forum 1

Cyclical? Structural? Secular? What's really driving the outlook for markets?

The US is winding down its QE program, but Japan and Europe are ramping up. Australia's golden era of prosperity is over. Oil prices have fallen over 35% in 12 months. Currency wars are well underway. With divergence a global theme, which cyclical, structural and secular issues are really driving the outlook for markets?

Graham Rich, Managing Partner & Publisher, PortfolioConstruction Forum

Graham is a pioneer of retail managed funds research in Australasia, and of financial planning in New Zealand. He started his financial services career in New Zealand in 1975 and in 1983 began his own business delivering funds research and financial advice professional development services. Since selling his research business to Morningstar and establishing brilliant! in 2002, Graham has specialised in publishing innovative, independent professional development services for professionals involved with portfolio construction.

Your rating

☐ Awful ☐ Mediocre ☐ Good ☐ Excellent

Critical Issues Forum 2

Review later

Signals

Economic signals are everywhere, from magazine covers to grocery stores to military events. They reveal the story of the world economy. The rising price but shrinking size of a steak, a candy bar and an apartment not only cause pain at home, they also propel some nations to deploy their militaries to secure resources and protect their citizens from higher prices. By being alert to signals anyone can start to navigate through the turbulence of the world economy instead of being overwhelmed and surprised by it.

Hon. Dr Pippa Malmgren, Founder, DPRM Group (London)
Pippa helps companies, investors and policymakers better understand how risk and prices will move across the economic landscape, bringing together insights about markets, politics, policy and geopolitics that signal important and investable trends. She served as financial market adviser to President George W Bush and the NEC from 2001-2002, responsible for all financial market issues for the President and liaison with financial regulators including the Federal Reserve and SEC. She dealt with Enron, Sarbanes Oxley, the Anti-Money Laundering provisions of the Patriot Act and had responsibility for terrorism risks to the economy on the NEC after 9/11. She has held various senior investment management roles in London and Asia, and was a trade policy specialist with the Trade Policy Research Centre in London and the OECD in Paris. She has lectured at MIT Sloan, Oxford, West Point and Duke University Business School. Pippa is a member of PortfolioConstruction Forum's core faculty of leading investment professionals.

Your rating

☐ Awful ☐ Mediocre ☐ Good ☐ Excellent

Review later

Critical Issues Forum 3

EM: Cyclically challenged, structurally adjusting, secularly promising

Differentiation is key for emerging markets. Cyclically, countries with strong external balances and low exposure to commodities are likely to perform better in an environment of strong USD and soft commodity prices. Secularly, countries enjoying the rise of consumerism, especially those in Asia, are expected to drive local company earnings above the global norm.

Tai Hui, MD & Chief Market Strategist Asia, JP Morgan Funds (Hong Kong)
Tai formulates and disseminates J.P. Morgan Funds' view on the markets, economy and investing to financial advisers and their clients in the Asia region. Prior to joining J.P. Morgan, Tai served as the Regional Head of Research (Asia) with Standard Chartered Bank in Singapore, covering the economic and financial development of the Asia region, and delivering his analysis to corporate and institutional clients.

Your rating

☐ Awful ☐ Mediocre ☐ Good ☐ Excellent

Review later

Critical Issues Forum 4

Greece – a case study for increasing Eurozone strain

2015 will be a year of huge uncertainty about the future of the Euro. Weak growth in much of the Eurozone and persistent high unemployment in a number of countries have combined with the growing strength of political parties emerging both from the left and right to put the future of the Euro back into play. These fundamental uncertainties are further exacerbated by the growing risks of a full-fledged economic crisis in Russia, fuelled in part by Western sanctions and unanticipated weak oil prices. Despite the depreciation of the Euro, which could restore a margin of competitiveness to Eurozone exports, as well as the prospective implementation of quantitative easing by the ECB, these uncertainties are likely to pose a fundamental challenge to investing in the Eurozone this year. Only highly selective investment opportunities driven by demographics or in defensive sectors are likely to be attractive.

Charles Dallara, Exec Vice Chair of the Board of Directors, Partners Group (Washington DC)

Charles is executive vice chair of Partners Group Holding AG's board of directors and chairman of the Americas. Previously, he was MD and CEO of the Institute of Intl Finance, during which time he personally co-chaired the voluntary debt restructuring agreement between private creditors and Greece, the largest debt restructuring in history. He has held positions in the George H.W. Bush and Ronald Reagan administrations including Assistant Secretary of the Treasury for Intl Affairs, Assistant Secretary of the Treasury for Policy Development, Snr Advisor for Policy to the Secretary of the Treasury, US Exec Director of the IMF, and, concurrently, Snr Deputy Assistant Secretary of the Treasury for Intl Economic Policy, and US Alternate Exec Director at the IMF.

Your rating

☐ Awful ☐ Mediocre ☐ Good ☐ Excellent

Critical Issues Forum 5

Review later

Bond markets lock up and lock out returns

Bond markets were once the world's most liquid. Today, trading even $5 million in bonds can be difficult. With dealer balance sheets constrained, managed fund holders must recognize that funds may limit withdrawals and hold larger cash balances. High turnover ratios, fund sector allocation and other shareholders' selling decisions characterize today's fixed income market landscape and erode returns.

Scott Weiner, Managing Principal, Payden & Rygel (Los Angeles)
– Brought to you by Grant Samuel Funds Management

Scott is a managing principal of Payden & Rygel and a member of the Executive Committee. He is also a member of the global investment policy committee which directs investment strategy and monitors the risk controls for the firm and clients. Previously, he was a senior strategy member of the investment arm of First Interstate and prior to that with Goldman Sachs as a strategist in the 1980s, developing the expertise in the mortgage market.

Your rating

☐ Awful ☐ Mediocre ☐ Good ☐ Excellent

Critical Issues Forum 6

Review later

☐

The US stands out in a low growth world

The global economy continues to face meaningful headwinds to growth for the next three to five years. However, 2015 could offer an upside surprise versus the lethargy of recent years given the swoon in oil prices, largely on the back of the US energy renaissance. While cheaper oil benefits the US, Europe, Japan and China which are all net importers, the US is the biggest near-term and medium-term beneficiary. In spite of this near-term lift, it is important to remain cognisant of the medium-term challenges of de-leveraging, widening inequality and structural reforms that limit growth in developed markets. The US is the most advanced in addressing these challenges, in spite of having more work to do.

Ronald Temple, MD & Portfolio Manager/Analyst, Lazard Asset Mgmt LLC (New York)
Ron is a Portfolio Manager/Analyst on the Global Equity Select team and large cap US equity team at Lazard Asset Management. He is also Co-Director of Research and has primary research coverage of the financials sector.

Your rating

☐ Awful ☐ Mediocre ☐ Good ☐ Excellent

Critical Issues Forum 7

Review later

EM in a rising $ world: Vulnerabilities but no systemic risk

Emerging markets will face a more challenging economic and financial outlook over the next few years as they face headwinds from weaker global growth, the rising dollar and their own weak reform efforts over the previous decade. Countries such as Brazil, Turkey, the Ukraine and Venezuela are vulnerable to a crisis but systemic risk across the emerging world is lower than before the Asian crisis.

Jeremy Lawson, Chief Economist, Standard Life Investments (Edinburgh)
Jeremy is responsible for both economic forecasting and long-term asset return projections, primarily for OECD economies. He has worked in both public and private sectors. In Australia, he worked at the RBA as a senior economist and as a policy advisor to Kevin Rudd in the lead up to the 2007 election. In the international arena, he worked at BNP Paribas in New York, the OECD and the Institute for International Finance as a senior economist.

Your rating

☐ Awful ☐ Mediocre ☐ Good ☐ Excellent

Review later

Critical Issues Forum 8

India's transformation: a compelling fixed income opportunity

In 2014, India underwent a rapid transformation in both political and economic domains. This has partly been driven by significant political reforms resulting from the appointment of the new RBI governor and a favourable election outcome of a new PM. Both appointments have boosted investor sentiment and provided investors with a sense of stability that has not been known with investing in India for many years. As Indian capital markets develop, the macro picture improves, inflation is brought under control, and the economy continues to grow, India's credit and rates markets present a compelling opportunity for global fixed income investors.

Neeraj Seth, MD & Head of Asian Credit, BlackRock (Singapore)
Neeraj is a member of Asia Pacific Fixed Income within BlackRock's Alpha Strategies Investment Group. He is the lead portfolio manager for the Asian credit absolute return and benchmark active strategies and is the co-PM for the BGF Asian Tiger Bond Fund. Prior roles include Snr VP with R3 Capital Partners, a similar role with Lehman Brothers, and Associate Partner with McKinsey & Company.

Your rating

☐ Awful ☐ Mediocre ☐ Good ☐ Excellent

Review later

Critical Issues Forum 9

Time to think “yes” Japan, not “ex” Japan

In a global equity market where upside potential is limited through full valuations, Japan offers stock specific opportunities, fuelled by improvement in capital efficiency. Few opportunities are available today where discounts to intrinsic value outweigh downside risks. Shrouded in years of depressed economic conditions, Japan is poised to break through the clouds, driven more by necessity than ever before. Japanese corporations are an important piece of the puzzle as increasingly they embrace return on equity and increase their focus on shareholder value. In a land of tremendous disbelief, this presents an opportunity.

John Hock, Founder & CIO, Altrinsic Global Advisors (New York)
– Brought to you by NAB Asset Management
John is a portfolio manager/analyst with primary research responsibility for the financial sector. Prior to founding Altrinsic, he was Snr VP, Portfolio Manager, and member of the Investment Strategy Committee at Hansberger Global Investors. Earlier, he was a vice president and senior analyst in the Global Securities Research and Economics Group at Merrill Lynch, where his analysis focused on overseas equities.

Your rating

☐ Awful ☐ Mediocre ☐ Good ☐ Excellent

Review later

Critical Issues Forum 10

Break-up of the Eurozone is inevitable

A currency union absent of full political union is inherently unstable. Disequilibria between members cannot be solved through currency (or interest rate) fluctuations. Rather, individual members are required to manipulate nominal and real wages to maintain competitiveness. However, Eurozone political union is not on the table. After the first country exits, markets will attack the next most vulnerable. The dominos will fall one by one – investment in weaker countries should be avoided.

Bruce Campbell, Investment Chairman, Pyrford International (London)
– Brought to you by BMO Global Asset Management

Bruce has over 40 years' experience in the international investment industry. After graduating from Melbourne University in 1969, he managed the investment operations of an Australian-based general insurance company for 12 years and then founded the predecessor company to Pyrford in Melbourne in 1982. In 1987, he moved the investment operations to London and in 1991 headed the buy-out of the investment management subsidiary. Bruce remained as CEO and CIO until December 2010 at which time he took up the role of Investment Chairman. This is a full-time position with overall responsibility for Pyrford's investment activities.

Your rating

☐ Awful ☐ Mediocre ☐ Good ☐ Excellent

Review later

Critical Issues Forum 11

Babies – the key secular trend that will drive portfolio returns

The turn in population growth has been the dominant secular trend of the last 30 years which suppressed growth, inflation, volatility, interest rates and caused an explosion in debt which culminated in the GFC. While demographics will still dominate into the future, energy and automation are quickly rising to be just as important with significant implications for portfolios.

Vimal Gor, Head of Income & Fixed Int, BT Investment Management (Sydney)

Vimal joined BT Investment Managemet in 2009 as part of the Multi Strategies team. In 2010, he moved to the Income Strategies team and later that year was appointed Head of Income & Fixed Interest. He is also responsible for leading the process and strategy of the sovereign and credit funds. He previously worked at Aviva Investors in London where he was responsible for the management of the global bond portfolios within the sovereign team.

Your rating

☐ Awful ☐ Mediocre ☐ Good ☐ Excellent

Review later

Critical Issues Forum 12

Navigating the fourth D is essential for performance

Global economies are being held back by deleveraging. Demographic changes in the form of more dependents and fewer workers are another drag. Policymakers are distorting asset pricing with their radical cures. And then there is the fourth D confronting investors; the disruptions wrought by technological change. Cash cows, thoroughbred stocks and roll-ups are best placed in a world challenged by the four Ds.

Kate Howitt, Portfolio Manager, Fidelity Worldwide Investment (Sydney)
Kate is a portfolio manager in Fidelity's Australian equities investment team. She was promoted to the position in 2007 to manage Australian-benchmarked portfolios. Previously, she was a research analyst for three years covering banks, insurers and diversified financials. Prior to that she was an analyst/portfolio manager with AMP Capital covering financials, food and retail. Kate was a consultant with Boston Consulting Group before she started her career in funds management.

Your rating

☐ Awful ☐ Mediocre ☐ Good ☐ Excellent

Critical Issues Forum 13

Review later

In a race without a hare, the US holds the cards in 2015

In 2014, we witnessed the return of market volatility. Low interest rates, low economic growth and low inflation characterise the outlook for the global economy in 2015, an environment that should favour risky assets such as stocks and high yield bonds over traditional safer assets such as government bonds. The other key themes driving markets in 2015 include the actions of major central banks, and relatively higher growth and interest rates in the US whilst Europe and Japan will struggle. This scenario represents a challenging investment regime with potentially significant return and volatility characteristics. Investors should consider portfolio positioning before the fact.

Erik L. Knutzen, CIO Multi-Asset Class Portfolios, Neuberger Berman (New York)

Erik is responsible for driving the asset allocation process on a firm-wide level, as well as engaging with clients on strategic partnerships and multi-asset class solutions. Previously, he was CIO with NEPC, LLC, overseeing a group of more than 45 investment professionals, including dedicated research teams focused on Alternative Investments, Traditional Strategies and Asset Allocation with $800bn in assets under advisement. He has over 25 years of experience in the financial services industry, including nine years at Putnam Investments.

Your rating

☐ Awful ☐ Mediocre ☐ Good ☐ Excellent

Critical Issues Forum 14

Review later

☐

Great Debate
Motion 1: Overweight international equities, underweight Australian equities
Motion 2: Overweight bond funds, underweight cash

In this simulated Investment Advisory Board meeting, our day's Faculty debates and votes on the first of two critical issues from across the range of cyclical, structural and secular issues discussed during the day – and the implications for portfolios. Delegates vote on the issue too, before and after considering the Investment Advisory Board's views (as well as use the meeting as a role model for their own investment committees). The second motion will be debated and voted on online following Markets Summit.

Markets Summit 2015 Investment Advisory Board

Graham Rich, Managing Partner & Publisher, PortfolioConstruction Forum (Sydney) – Chair
Tai Hui, MD & Chief Market Strategist Asia, JP Morgan Asset Management (Hong Kong)
Charles Dallara, Exec Vice Chair of the Board of Dir, Partners Group (Washington DC)
Scott Weiner, Managing Principal, Payden & Rygel (Los Angeles)
Ronald Temple, MD & Portfolio Manager/Analyst, Lazard Asset Management (New York)
Jeremy Lawson, Chief Economist, Standard Life Investments (Edinburgh)
Neeraj Seth, MD & Head of Asian Credit, BlackRock (Singapore)
John Hock, Founder & CIO, Altrinsic Global Advisors (New York)
Bruce Campbell, Investment Chairman, Pyrford International (London)
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Kate Howitt, Portfolio Manager, Fidelity Worldwide Investment (Sydney)
Erik L. Knutzen, MD & CIO Multi-Asset Class Portfolios, Neuberger Berman (New York)
Joe Bracken, Principal, Tempo Asset Management (Sydney)
Tracey McNaughton, Head Investment Strategy, UBS Global Asset Management (Sydney
Nick Langley, Co-CEO & Co-CIO, RARE Infrastructure (Sydney)
Rob Mead, Head of Portfolio Management Australia, PIMCO (Sydney)
Thomas Poullaouec, MD & Head Strat/Research Asia Pac, State Street Global Advisors (HK)

Your rating

☐ Awful ☐ Mediocre ☐ Good ☐ Excellent

Critical Issues Forum 15

Review later

Signals revisited

Pippa picks up where she left off in her opening keynote. The Markets Summit 2015 Faculty has discussed and debated many signals during the day. Pippa ties the program proceedings together, summarising her key takeouts, and their implications for portfolios.

Hon. Dr Pippa Malmgren, Founder, DPRM Group (London)

Pippa helps companies, investors and policymakers better understand how risk and prices will move across the economic landscape, bringing together insights about markets, politics, policy and geopolitics that signal important and investable trends. She served as financial market adviser to President George W Bush and the NEC from 2001-2002, responsible for all financial market issues for the President and liaison with financial regulators including the Federal Reserve and SEC. She dealt with Enron, Sarbanes Oxley, the Anti-Money Laundering provisions of the Patriot Act and had responsibility for terrorism risks to the economy on the NEC after 9/11. She has held various senior investment management roles in London and Asia, and was a trade policy specialist with the Trade Policy Research Centre in London and the OECD in Paris. She has lectured at MIT Sloan, Oxford, West Point and Duke University Business School. Pippa is a member of PortfolioConstruction Forum's core faculty of leading investment professionals.

Your rating

☐ Awful ☐ Mediocre ☐ Good ☐ Excellent

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MARKETS SUMMIT

DUE DILIGENCE FORUM SESSION WORKSHEETS

Due Diligence Forum 1

Review later

Australia's New Neutral: Low interest rates for even longer

Five years after the global financial crisis, many economies are still feeling after-effects; debt overhang, reregulation, challenging demographics and patchy growth, to name a few. With the introduction, re-introduction and extension of QE across multiple regions, it is becoming increasingly difficult to know which of these characteristics are cyclical, secular or structural in nature. Lower 'neutral' monetary policy rates across the developed world will continue to serve as an important anchor for the secular valuation of all asset classes. This New Neutral for policy rates means that lower risk-free returns will become part of the investment landscape for years to come.

Rob Mead, Head of Portfolio Management Australia, PIMCO (Sydney)
In addition to his role as a managing director in PIMCO's Sydney office, Robert is head of portfolio management in Australia and head of Asia-Pacific credit portfolio management. Previously, he was a portfolio manager in Munich and head of PIMCO's European investment grade corporate bond team. Prior to joining PIMCO in 2003, he was global head of investment grade credit research and head of non-US high grade fund management at Citigroup Asset Management in London.

Your rating

☐ Awful ☐ Mediocre ☐ Good ☐ Excellent

Due Diligence Forum 1 | Debt – Australia

Due Diligence Forum 2

Review later

☐

Limbo lower – real rates are at a structurally lower level

Like a limbo stick that has shifted down, lower real rates implies the efficient frontier across all asset classes has shifted down leaving expected returns structurally lower. Investors will now need to work harder to get the returns they are after. Navigating the lower limbo stick will require more unconstrained investing, greater consideration of the chosen benchmark, and a greater focus on downside risk management.

Tracey McNaughton, Head Investment Strat, UBS Global Asset Management (Sydney)

Tracey was appointed Head of Investment Strategy in Australia & New Zealand in October 2013. In this role, she has responsibility for Australian economic and investment research and is a member of the Australian Investment Committee. She was previously Senior Investment Specialist at Colonial First State Global Asset Management, and prior to that worked in the UK for Baillie Gifford as a fixed income portfolio manager, and as Senior Economist at BT Financial Group.

Your rating

☐ Awful ☐ Mediocre ☐ Good ☐ Excellent

Due Diligence Forum 3

Review later

The great US equity bull market is finished

The US market has outperformed all other equity markets by over 8% annually for over five years and, in 2014, for Australian investors, it outperformed the average equity market by 18%, a remarkable achievement. Much of this outperformance has come from a weak US$ helping exports, a QE program supporting buy-backs and weak wages growth artificially boosting profits. The end of many of these supports means that US will disappoint going forward. Global equity investors need to be far less US-centric to capture better returns.

Joe Bracken, Principal, Tempo Asset Management (Sydney)
– Brought to you by Challenger

Previous to establishing Tempo in 2014, Joe was Head of Macro Strategies at BT Investment Management, responsible for managing global absolute return and active beta funds and overseeing a range of international equities and diversified funds. Previously, he was with ABP, one of the world's largest pension funds with over $240bn in assets under management, where he was a founding member of the Global Quantitative Strategies group. Prior to that, Joe was a Vice President, Equity Research for J.P. Morgan Securities.

Your rating

☐ Awful ☐ Mediocre ☐ Good ☐ Excellent

Due Diligence Forum 3 | Equities – Global

Due Diligence Forum 4

Review later ☐

Oil price moves are a cyclical risk, adding volatility to markets

One of the most important events of 2014 for investors was the dramatic collapse in the oil price. A short-term recovery appears unlikely and, more importantly, the long term equilibrium price is now likely to be lower. This will have both cyclical and structural impacts - for example, lower oil prices are hitting a number of producing countries budgets hard (Russia being the most widely reported) while Brazilian equities are down due to weaker oil prices. Overall, portfolios must be repositioned for increased volatility.

Nick Langley, Co-CEO & Co-CIO, RARE Infrastructure (Sydney)
Nick is a founder, Co-CEO and Co-CIO with RARE Infrastructure. As a Senior Portfolio Manager, he is involved in assessing and critiquing research on all strategies and ensuring the smooth operation of the firm. Prior to founding RARE in 2006, Nick spent 11 years in the infrastructure sector including four years as a Principal of AMP Capital's Infrastructure Funds Management team, two years with UBS in New York and, prior to that, with ABN AMRO in Sydney.

Your rating

☐ Awful ☐ Mediocre ☐ Good ☐ Excellent

Review later ☐

Due Diligence Forum 5

Greenspan 2.0: the Bernanke Boom will bust

Since Q4 2014, oil prices have plunged, currency markets are at war and intraday volatility of stock indices is disturbing. A crisis mode has started. The sources can be easily identified: the end of Quantitative Easing which supported an artificial equity rally; structural imbalance in the European Union; excess oil supply; a changing growth composition within Emerging Markets. There are usually two truths with any boom-bust cycle; bull markets end in tears and the source of the bust is not immediately obvious. Asset allocators must mitigate risks before this next crisis inevitably hits.

Thomas Poullaouec, MD & Head Strategy and Research Asia Pacific, State Street, (HK)
Thomas is a MD of SSgA Asia and head of Strategy & Research in Asia-Pacific for the Investment Solutions Group. Actionable solutions include tactical multi-asset allocation, tail risk solutions, and exposure management. Previously he was SSgA's Head of Portfolio Strategists in Asia ex Japan, with a particular focus on asset allocation, currency and alternative strategies.

Your rating

☐ Awful ☐ Mediocre ☐ Good ☐ Excellent

BlackRock/ PortfolioConstruction Forum

CIMA Scholarship

For Retail Research Analysts/Consultants

IMCA australia

investment management consultants association

BlackRock Investment Management and PortfolioConstruction Forum are pleased to invite applications for the 2015 Certified Investment Management Analyst (CIMA) Program scholarship. CIMA is Australia's only internationally-recognised course and designation which specifically addresses the unique demands and requirements of the investment consultant and researcher professions. CIMA has become the mark of an investment research professional.

Valued at approximately $7,000, the scholarship is offered to specifically enable retail and multi manager investment research analysts or consultants participate in the CIMA Program. Applications are open to analysts, consultants and portfolio managers from within financial planning firms and family offices, retail fund research houses, platforms, and manage-the-manager fund managers.

CIMA is the core program of the Investment Management Consultants Association australia (IMCA).

About the CIMA Program

The CIMA Program follows a rigorous post-graduate education curriculum and has three components: an independent study program (Qualification), a residential program (Education) and final Certification exam. You must complete the three components consecutively to attain the CIMA license. It is recommended that candidates allow 3 months, or about 75 hours, to prepare and study for the Qualification exam, and a further 3 months study for the residential program and the certification exam.

Qualification: This self-paced program is provided on-line and requires an extensive amount of reading, completing topic quizzes and test exams in preparation for a multiple-choice question exam in mid-July 2015. Participants must successfully complete this exam with a 70% pass rate to qualify to undertake the residential education program.

Education: This intensive residential course is conducted over five days at the H C Coombs Centre for Financial Studies in Kirribilli (Sydney) by academics from University of Technology, Sydney and other practitioners who are leaders in their fields. The program brings together key theoretical and practical knowledge directly relevant to the role of investment consultants, researchers and investment specialists. It also offers a series of in-depth seminars. This session runs from 27 September to 2 October 2015.

Certification: This four hour exam with 100 multiple choice questions is conducted at IMCA-approved testing centres following a candidate's successful completion of the Education program.

More information about CIMA is on-line at www.imca.org.au

Applications must be received by 5.00pm Monday, 30 March 2015.

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MARKETS SUMMIT

Cafe Menu

Tuesday 17 February 2014

MORNING TEA
- Bacon, lettuce and tomato panini
- Raspberry and chocolate mini lamingtons

LUNCH FOOD STATIONS
Pasta Mia Station:
  - choose a pasta - Tortellini, Penne, or Angel Hair Pasta
  - choose a sauce - Marinara, Alfredo, Chicken Pesto sauce

Deli Station:
  - choose a quiche - Lorraine or Roast Veg & Ricotta
  - choose a selection of salad
    - Classic Ceasar
    - Roasted baby beetroot, pine nuts, organe, goats cheese & spinach
    - Rocket, pear and parmesan
    - Roast pumpkin, corinder, preserved lemon and quinoa salad

Sushi & Rice Paper Roll Station:
  - Assorted nori & sushi rolls with vegetarian options available
  - A selection of chicken, tuna and beef rice paper rolls

On tables:
- Portion controlled cookies
- Whole fruit

AFTERNOON TEA
- Mini carrot cup cakes
- Sultana packs

Please help yourself to more than one food station - portions are smaller so you're able to try more than one.

Please also help yourself to cold drinks from the fridges, and tea and coffee.

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