

FINANCE FORUM 11- 2007

The History and Application of Stochastic Portfolio Theory: Risk Management and the Search for Alpha

with David Schofield, President, International Division, Enhanced Investment Technologies LLC

Date and Time: **Friday 7 September 2007, 12.30 - 2.00 pm** (sandwich lunch provided)

Venue: **Finsia offices, Level 12, 330 Collins Street, Melbourne.**

The Melbourne Centre for Financial Studies has invited David Schofield of Enhanced Investment Technologies LLC to provide insights into the development and applications of stochastic portfolio theory in a global market, focusing on risk management capabilities and implications for the generation of alpha.

David Schofield is the London-based President of Janus Capital Group subsidiary Enhanced Investment Technologies' international division. An investment specialist, he is responsible for developing, implementing and managing the international business effort for Enhanced Investment Technologies outside the USA. Before joining Janus in 2001, David spent 15 years in investment banking, focusing on major institutional investors in Europe and the UK at Salomon Brothers, Lehman Brothers and UBS in New York, London and Frankfurt. David received a Joint Honours Masters Degree in French and German from the University of Oxford. He is also a published author.

Joint event announcements: **"Quantitative Methods in Investment and Risk Management: Sourcing new approaches from mathematical theory & the real world"**, Thursday 20th September 2007, 9am – 5pm, Melb

Melbourne Centre with Australian Mathematical Sciences Institute (AMSI) presents a cross-disciplinary practitioner-academic event aimed at developing value-adding investment strategies from mathematical techniques. Program/bookings: <http://www.melbournecentre/events> \$275 academics; \$385 others (incl GST.)

Workshop: **"Correlations and Copulas - Pushing the boundaries of risk management"**, Friday 21st September 2007, Melbourne Business School. Organised by Financial Integrity Research Network (FIRN) with Melbourne Centre and Melbourne Derivatives Research Group. Refer: <http://www.firn.net.au/events/>

This will be the 11th for 2007 in a topical series of "Finance Forums" which the Melbourne Centre arranges with the objective of improving industry-academia contacts, identifying research projects and opportunities for research partnerships. It is expected that those attending will be keen to participate in discussion. There are a **limited number of places** but no charge. If you are interested in attending, please email info@melbournecentre.com.au with subject **"Finance Forum – SPT & Risk Management"** by **noon Thursday 6 September**. (If you then discover you are unavailable, please advise us so that we can offer the place to others).

Melbourne Centre for Financial Studies
Level 12, 330 Collins Street,
Melbourne, Victoria, Australia, 3000
W: +61 3 9613 0906 Fax: +61 3 9613 0900
www.melbournecentre.com.au

The Melbourne Centre for Financial Studies is a partnership between public and private sectors, and between industry and academe. The Centre was launched with seed funding from the Victorian Government. Members of the consortium are Melbourne, Monash and RMIT Universities, and Finsia. They have joined together to enhance Melbourne's national and international reputation for excellence in financial practice, research and education. The Centre facilitates knowledge transfer between, and builds research synergies between, industry and academe by undertaking finance research, providing consulting services, and organizing research focused conferences, workshops, public lectures and other educational activities.

Enhanced Investment Technologies was founded in 1987 by Dr E Robert Fernholz, a former mathematics professor at Princeton, who remains the company's CIO today. Dr Fernholz developed the mathematical principle (Stochastic Portfolio Theory) that lies behind the process in the early 1980's. His aim was to show that – by analysing the volatility of stocks and how they move relative to an index – it's possible to create an investment portfolio that has the potential to deliver above-index returns while retaining index-like levels of risk. This unique approach to investment management involves no prediction of alpha and no specific sector or security selection decisions based on fundamentals. Instead, Enhanced Investment Technologies applies its pure mathematical investment process with all stock decisions resulting from a mathematical algorithm. It has successfully managed mathematically-based investment strategies on this basis for the past 20 years, offering one of the longest continuous records of mathematically-driven equity investment in the world.

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