

FINANCE FORUM 7 - 2007

An Introduction to Stochastic Portfolio Theory:

The Importance of Diversity

with Dr Adrian Banner, Director of Research, Enhanced Investment Technologies, LLC

Date and Time: **Tuesday 29th May 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 the Director of Research for Enhanced Investment Technologies LLC, Australian expatriate Dr Adrian Banner, to provide an introduction to stochastic portfolio theory with particular reference to the role of diversity.

Australian mathematician Dr. Banner joined Enhanced Investment Technologies in August of 2002. He received his Ph.D in Mathematics from Princeton University and holds a M.Sc. and B.Sc. in Mathematics from the University of New South Wales. Dr. Banner has delivered lectures on the stability of market capitalization at a number of academic and professional conferences. Dr. Banner continues to teach at Princeton University, where he is also a part-time Lecturer in the Department of Mathematics. Enhanced Investment Technologies is a subsidiary of US-based Janus Capital Group Inc. with offices outside the US in London, Melbourne, Hong Kong, Tokyo and Milan.

Event announcement: *The Melbourne Centre is currently developing a conference on applications of mathematics and statistics in finance. If you would like to express an interest in being involved, please email info@melbournecentre.com.au*

This will be the 7th 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 is a **limited number of places** but there is no charge. If you are interested in attending, please email info@melbournecentre.com.au with subject "*Finance Forum – Stochastic Portfolio Theory*" by noon **Monday 28th May**. (If you then discover you are unavailable, please advise us so that we can offer the place to others).

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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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