



Autumn 2009 Newsletter

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NEW PRODUCTS LAUNCHED:

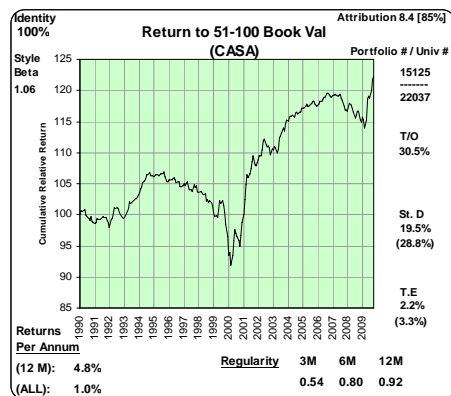
FIXED INCOME REPORTING MODULE Practical and objective holdings-based analysis of fixed income portfolios, balanced portfolios and funds of funds is now available. **Page 3**

FUND OF FUNDS BUILDER Fund of Funds can now be constructed from over 11,500 public funds and assessed against custom peer groups with comprehensive and graphic Style and Risk reporting. **Page 4**

Recent Style Reward Patterns Advise Caution

After nearly nine months of uninterrupted relative gains, and accumulated market relative performance of approximately 10% (anywhere from 5% to 13% depending on the region and the method of calculation), Value performance slowed and, in some markets, stalled in September.

Historic Market-Relative Returns of Value Stocks in Developed Markets

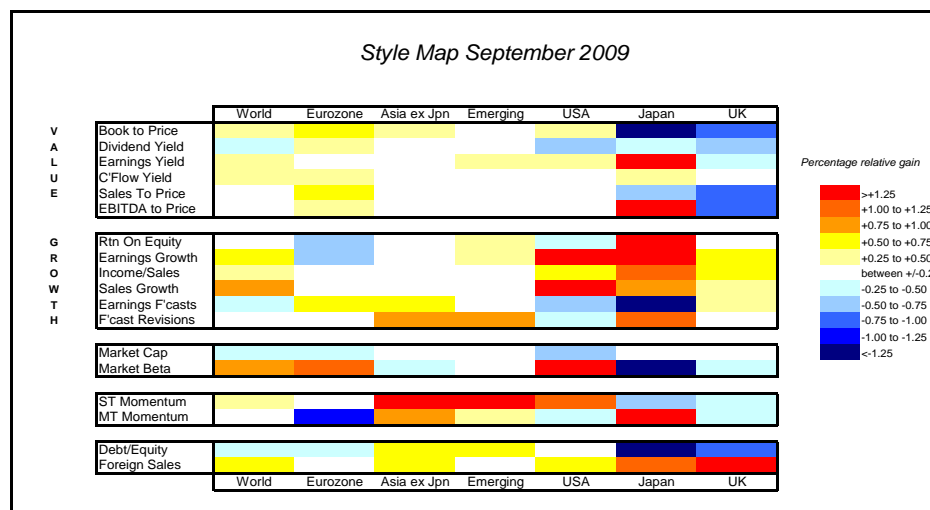


Source: Style Research Markets Analyzer

While “nothing goes up forever” and interruptions are to be expected in all but the most frenzied market activity, the current pause does give us cause for consideration and reflection.

In the context of historic Value rebounds, the recent Value advance has not been exceptional.

While this year’s Value outperformance is very modest against the rebound of 2000/1, this was a “top of the cycle” phenomenon where, as markets sharply declined, premium priced securities fell furthest leaving Value to outperform. The cycle of 1992/3 provides the more direct comparison. Following the economic



trough of 1991, by late 1992 western markets were advancing and, with economies strengthening, the rapid rise in forecast earnings growth provided the support for

Value stocks over a period of 18 to 24 months.

Superficially, 2009 looks to have been similar: markets have risen assuredly,

many of us sense improving economic sentiment; and Value stocks have enjoyed very comparable relative performance. But the differences are what matters!

Much of the recent market performance and the apparent improvement in sentiment is simply a consequence of coordinated global fiscal and monetary support pumping liquidity into securities markets and fueling record market rises. And this is where the potential problem lies. While the recovery in the banking sector and rising markets may have encouraged optimism in financial centres, economic prospects further afield are not yet so encouraging. It is worthwhile considering if the recent increase in Value stocks might simply have been a Pavlovian response to rising markets (with conditioned expectations of improving economic conditions and rising profitability).

If, as now seems likely, reduced governmental aid for banking sectors slows the flow of funds to securities markets and budget restraints reduce the scale of fiscal support to major economies, the Value advance could be caught wrong-footed as markets and economies come to be viewed in a more sober light.

For further background please refer to the current Style Research Global Style Perspectives and Monthly Style Summary, or contact:

London@StyleResearch.com

Market Relative Returns of Value during Value Rebounds

	Country Adjusted Returns			Country and Sector Adjusted Returns		
	2009	2000/1	1992/3	2009	2000/1	1992/33
Developed Markets	11%	36%	12%	7%	19%	9%
Eurozone	13%	34%	7%	11%	7%	6%
APAC x Japan	9%	21%	11%	6%	7%	6%
Emerging Markets	6%	21%	15%	6%	7%	5%
United States	7%	34%	10%	7%	17%	10%
Japan	5%	55%	8%	6%	30%	5%
United Kingdom	13%	25%	17%	6%	11%	7%

Based on the performance of high Book to Price shares through the period of the rebound

Fixed Income Reporting Module Launched

We are delighted to announce the launch of the **Fixed Income Reporting Module**. Fully integrated into the **Style Research Portfolio Analyzer**, the module extends the coverage and functionality of our holdings based reporting to fixed income instruments in 24 currencies. As well as the analysis of portfolios of fixed income securities, the module accommodates mixed portfolios or funds of funds including bonds, equities and cash.

Mirroring our output for equity based portfolios, the new fixed income reports

cover portfolio level aggregate exposures, breakdowns by user selected factors, and ex ante risk estimates and decomposition. The analyses are designed for any professionals interested in studying, communicating and monitoring the structure and characteristics of funds with investments in the fixed income markets.

An example of the fixed income 'Front Page' is shown in Fig. 1. Characteristics at the portfolio and benchmark level include aggregate active exposures to currency, credit, sector and interest rate sensitivities. These positions may be examined in greater detail (for example by credit ratings) in the distribution charts further down the page. In subsequent reports, separate tabs decompose things further into combinations of factors. Fig. 2 shows an example of a breakdown into credit by currency for portfolio weights and contributions to duration. As well as displaying these for absolute and relative contributions, the tables are colour coded so that the key 'hotspots' stand out.

Expected risk is assessed using a framework developed with the assistance of financials models provided by Barrie & Hibbert Ltd. Based on state of the art interest rate and credit modelling, and calibrated to current economic conditions, this approach leads to distributions of expected returns for various asset classes. In our framework, fixed income securities are classified into credit and duration combinations within sector, within economy, and these are then matched with the return expectations to give portfolio level return distributions and risk estimates.

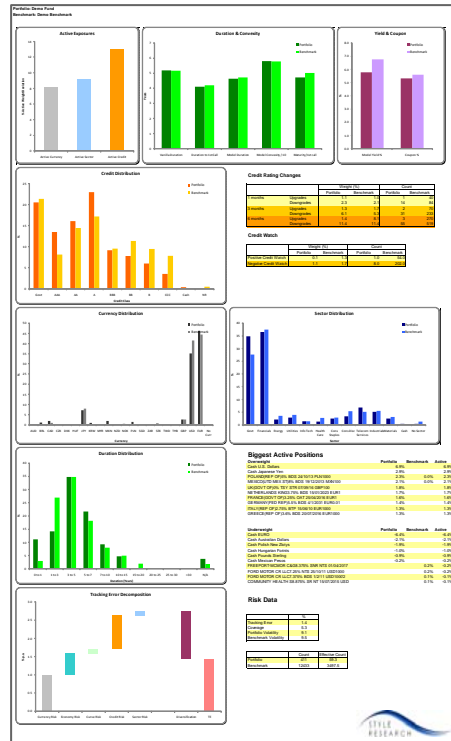


Fig 1. Fixed Income Front Page

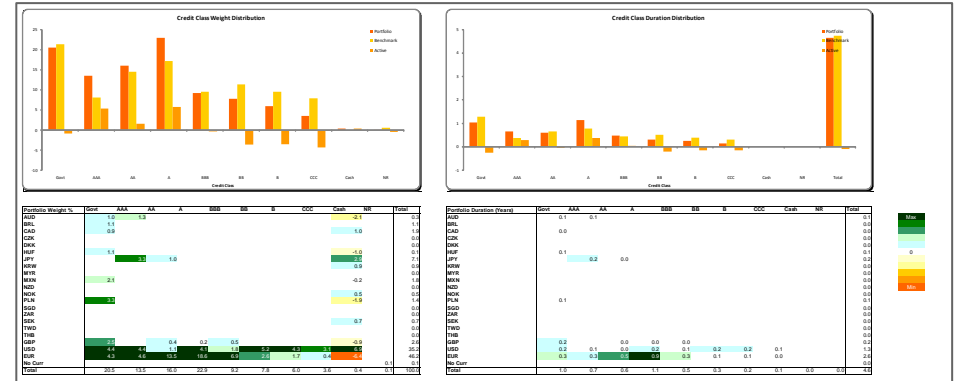


Fig 2. Credit by Currency Breakdown

For mixed asset portfolios or fund composites, the 'Balanced Front Page' (see Fig. 3) summarizes the overall asset allocation, currency and sector distributions and total portfolio expected tracking error. And additional tables display more data, such as seniority or country of issuer as well as the underlying fundamental and rating information.

The Fixed Income Reporting Module is a major extension to the facilities within the Style Research Portfolio Analyzer. Investment managers can gain intuitive independent proof statements of their investment processes across equities and bonds, and can clearly demonstrate how their investment views are reflected in portfolios. Consultants, fund of fund managers, advisors, and investors can gain deeper understanding of manager strategies, Styles and investment Risk, improve diligence and monitoring processes, and also achieve more meaningful communications with their managers, clients and prospects.

Please contact Style Research for further information or to arrange a demonstration.

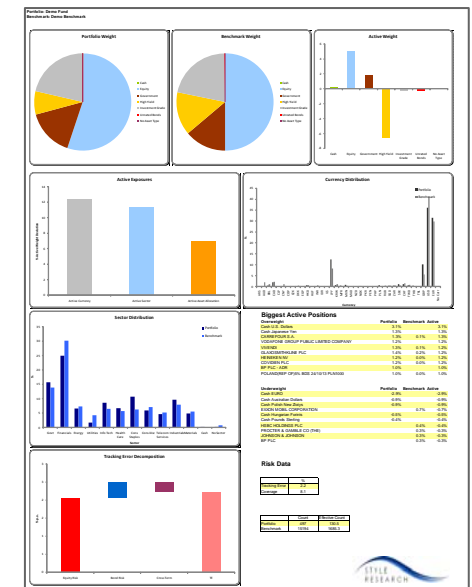
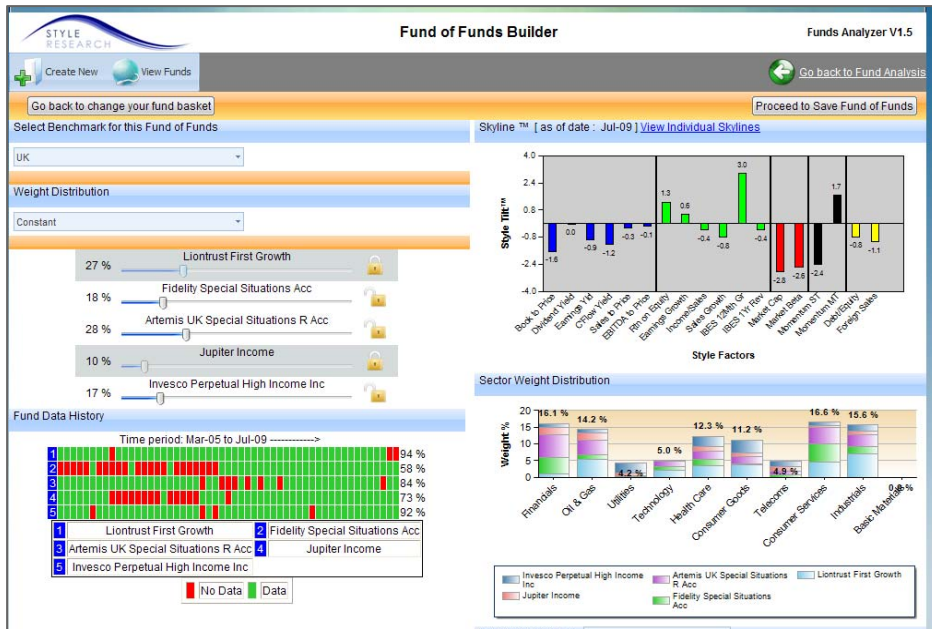


Fig 3. The Balanced Front Page

Fund of Funds Builder Launched

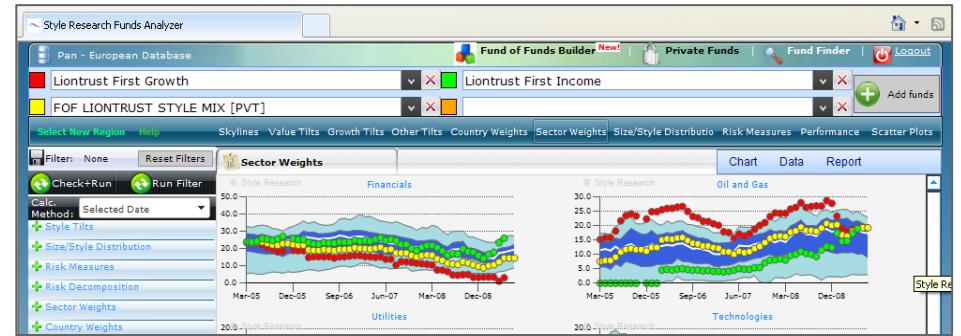
The Style Research Funds Analyzer now contains a new Fund of Funds Builder module enabling users to construct their own fund of funds portfolios, using any of the 11,500+ products in the database, and to view the these funds of funds within any of the existing regions.

For further information, please contact Style Research in London on +44 (0)20 7467 5500 or at London@StyleResearch.com.



▲ The first stage involves selecting the products for inclusion in the fund of funds and their respective weights. This process generates a Style Skyline and Distribution charts for the combined portfolio to give an immediate representation based on the latest available data.

The weights can be set to constant or can vary through the analysis period. After the composite portfolio is constructed, the new fund of funds is then analyzed and represented through time within any market and against any regional peer group.



▲ In this simple example, two funds from Liontrust were used to construct an equally weighted fund of funds. The constructed fund of funds is then plotted and reviewed just like any other product in the database.

Coming Soon within the Style Research Funds Analyzer:

Fund Profiles

Style Research will soon be launching a one page Fund Profile report for each fund in the database. These snapshot Profiles bring together key fund research and analysis within a concise summary designed specifically for fund review and client reporting.

Liquidity

The liquidity analysis, a popular report in the Style Research Portfolio Analyzer software, will very soon also be available for each fund in the Funds Analyzer data base.

S&P Ratings

Style Research will soon be including qualitative ratings from S&P for funds in our European database. Users will also have direct access to S&P research reports on over 1,600 rated products.



New Find Stocks Facility—Tips and Tricks

Version 7 of the Portfolio Analyzer saw the introduction of a revamped Find Stocks window, covering both the Equity and Bond universes. Basic functionality should be easy to grasp. Here we describe some of the more advanced features.

1. The search criteria can include the <, >, <> and = symbols, examples include:

a. “> 0” in the Price and Market Value columns excludes all equities with a missing Price or Market Value.

b. “> SAP” in the Company Name column, returns all equities where the company name is alphabetically greater than “SAP”. In this example 14,086 equities are returned from SAP AG to ZNode Technologies!

c. “<> null” in the Rating column, returns all bonds that have a rating. This type of search can be used in all columns that have missing values.

2. The check box *Use OR for filtering* applies the OR logical operator to all the search criteria entered in the **Search Bar** for example:

a. “Belg Lux” in the Country column produces a list of all equities in Belgium or Luxembourg

b. “> 2040” in Maturity Date column and “Y” in the Perpetual column lists all bonds which are either perpetual or mature after the year January 1st 2040.

3. Clicking on a column heading sorts the

list ascending by that column, clicking again reverses the sort order.

4. The order of the columns in the Find Stocks window can be changed. Right click and select “Change Column Order” to access this facility. Once set these setting will be saved and used for all subsequent sessions.

5. Entering text in the search box causes the text to turn red. After a short delay the text turns blue and the filter is applied. The timing of this delay can be adjusted from the *Help>Change Search Timer Delay* menu item.

Style Research Company Name	Country	Sector	Share Type	Price	Market Value (mill)	Currency
@PLAN INC.	USA	Technology	Common			US Dollars
@POS.COM INC.	USA	Technology	Common			US Dollars
0373849 B.C. LIMITED	Canada	Basic Materials	Common			Canadian Dollars
110 MEDIA GROUP INC.	USA	Technology	Common			US Dollars
12 TO 20 PLUS INC. (Dead)	USA		Common			US Dollars
12 TO 20 PLUS INC. (Dead)	USA	Industrials	Common			US Dollars
141 CAPITAL INC. (Dead)	USA	Financials	Common			US Dollars
1608557 ONTARIO INC.	USA	Health Care	Common			US Dollars
1700 GROUP PLC	UK	Industrials	Ordinary			UK Pounds
180 CONNECT INC.	Canada	Technology	Common			Canadian Dollars
180 CONNECT INC.	USA	Technology	Common			US Dollars
1-800 CONTACTS INC.	USA	Consumer Services	Common			US Dollars
1-800-ATTORNEY INC.	USA	Consumer Services	Common			US Dollars
1-800-ATTORNEY INC. (Dead)	USA	Consumer Services	Common			US Dollars
1ST INDEPENDENCE FINANCIAL GROUP INC.	USA	Financials	Common			US Dollars
1ST NET TECHNOLOGIES INC.	USA	Technology	Common			US Dollars
1ST SOFTWARE CORPORATION LIMITED	Singapore	Oil & Gas	Ordinary			Singapore Dollars

eVestment Alliance—Update

Style Research continues to strengthen its Strategic Partnership with eVestment Alliance following the launch earlier this year of the Style Research module within the eASE Analytics platform. Style Research has now analyzed around 4,000 separate products each quarter from December 2004 across eVestment's institutional equity universes. Portfolio analyses are also run against a range of benchmarks tailored to each eVestment Alliance Universe. As a result, the Style Research module now contains practical holdings-based Style and Risk insights for over 230,000 individual portfolio analyses.

eVestment Alliance is now integrating all of this information directly into the Reporter and Advanced Query modules on the eASE Analytics Platform. This will allow eVestment users to assess products against peer groups, make direct comparative analyses, and search and filter for products and managers. This will complement the comprehensive individual portfolio analyses available from eVestment's 'Fast Facts' reports.

For more information about eVestment Alliance, visit www.evestment.com, or contact eVestment directly at:

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Style Research Names Winner Of World Citizen Scholarship

We are very pleased to announce that this year's winner of the Style Research World Citizen Scholarship, for study in the London Business School MBA Programme, is Thomas Traldi.

Thomas, a Masters of Science graduate of both Università di Modena e Reggio Emilia, in Italy and the University of Birmingham, in the United Kingdom, has already had extensive experience as a hydrogeologist for environmental consultancies in the UK and Australia and intends to continue working in this field, following his MBA, to develop innovative environmental products with a social impact. In his own words: "The provision of clean water in an environmentally sustainable way is one of the most pressing environmental and social challenges that humanity will have to face in the next decades." We wish Thomas every success in the LBS MBA programme and with his future career ambitions.