



Style Research

GLOBAL EQUITY RESEARCH AND PORTFOLIO ANALYSIS

www.StyleResearch.com

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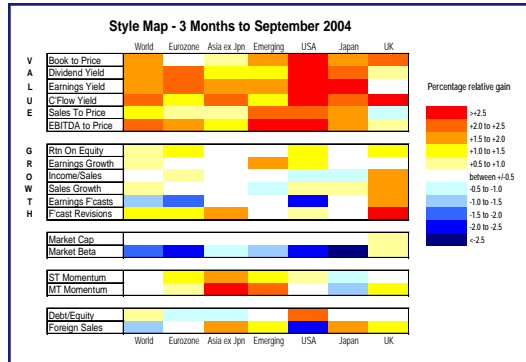
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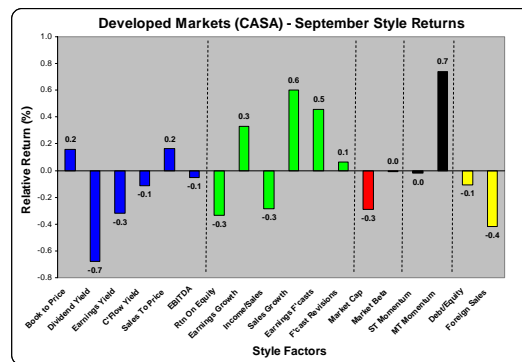
Wonderfully refreshing to have an analytic tool that helps you understand the key factors affecting a portfolio without dictating what the results mean. We find Style Research an invaluable tool in helping us better understand what makes a fund manager tick. It has seriously enhanced the quality of our interview process as well as the incisiveness of our analysis."

—James Tew
Global Head of Fund Research, Standard & Poor's

Global Style Advisor:

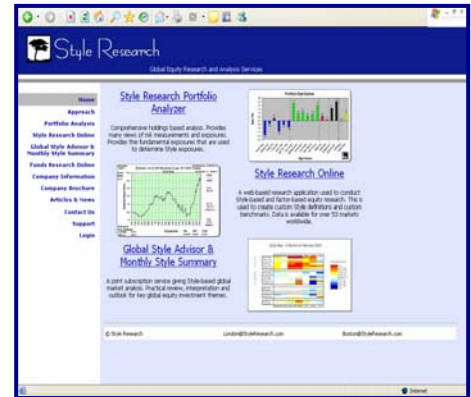


↑ The performance of Value stocks across global equity markets is still convincingly ahead of Growth stocks over 3 months. With only one exception (Sales to Price in the UK) Value factors have either performed in line with or outperformed equity markets in all major markets and regions. Also, as markets have been subject to considerable volatility over the past few months, high Beta stocks have also significantly underperformed. Curiously, despite the strong relative gains of smaller company shares over the past 3 years, there has been no noticeable Size Effect observed over the past quarter.



↑ Over a shorter time horizon, however, there are clear signs of a turn in the Style reward cycle. At the Total Developed Markets level, many Value factors have been softening since August; and last month all Value factors provided neutral to negative relative returns (on a country and sector neutral basis) while a number of key Growth factors outperformed. This pattern is being repeated in many major market regions (US, Eurozone, UK and South Africa). Expectations of stable economic activity with only moderate inflation and historically low longer term interest rates appear to be supporting Growth. With oil prices threatening and global economic and political stability under constant threat it might take some time before Growth themes become stronger.

New Website Facility



↑ The recent changes to the Style Research website are not just skin deep. Along with the updated design, a new streamlined and unified user login process has also been introduced across all Style Research products on the internet. Users can log in with their email address and password to access Portfolio Analyzer updates downloads and tutorials, Style Research Online, FTP download site, and Funds Research Online.

The Style Research Portfolio Analyzer: New Features, Enhancements

Major enhancements have been introduced to the Portfolio Analyzer in version 4.0:

- **The SRPA Script / DLL Toolkit**—The new scripting facility enables users to run the Portfolio Analyzer from their own programs. This feature provides opportunities for full automation and scheduling of portfolio reporting functions. For further detail see *Scripting and DLL Toolkit* page 2.
- **Simplified Cash Funds**—Cash components (in any currency) can now be added as cash funds, directly to funds (and funds of funds) and benchmarks within the Market/Fund Benchmark Selection tab.
- **Historic Code Changes**—All historic SEDOL / ISIN / CUSIP security code changes have been logged in the database and will be applied automatically when loading portfolios relating to historic time points.
- **Portfolio Construction Tool**—New selection criteria are now available using weighted factor means and standard deviations within Regional and Sector filters.
- **Stock by Stock Risk Contributions**—A complete breakdown of all risk components for all stocks in the portfolio and benchmark provides individual stock contributions to benchmark-relative currency risk, market risk, sector risk,

(Continued on page 2)

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Style Research is an important tool in our investment process allowing us to analyze both markets and managers and how they change over time. The software is easy to customize and integrate with our own internal systems and the results intuitive, providing detailed evidence with which to judge fund managers' claims about their investment processes."

— Tom Joy

Chief Investment Officer
RMB International



conferences & presentations

"Style Research Analytics"
Mercer Investment
Consulting
Global Investment Forum
London, September 2004



"Style Research Analytics"
Mercer Investment
Consulting
Global Investment Forum
Dallas, October 2004



"Holdings vs. Returns
Based Style Analysis"
Performance Measurement
Forum
Madrid, November 2004



Scripting & DLL Toolkit

The new **Scripting** facility enables users to run the Analyzer from within their own programs. This feature provides opportunities for full automation and scheduling of portfolio analysis and reporting functions.

Users can create text or .xls files containing details and specifications to carry out the following batch functions:

- **Load Funds/Benchmarks**—for loading portfolios/benchmarks
- **Portfolio Construction**—to generate portfolios/benchmarks from the Analyzer database
- **Analyze Portfolio**—to analyze portfolios, Funds of Funds and for optimization
- **Load Snail Trails**—to load historic output files for Snail Trail Charting
- **Chart Snail Trails**—to generate default or customized Snail Trails

Every setting on the Style Research Portfolio Analyzer is available on the scripting facility.

Template script files can be produced from within the Analyzer and can be loaded and run from the Analyzer main screen. But, the most important feature of scripts is that the Analyzer can be started remotely from another program (using the "Shell" command) to run all scripts in a specified folder. This can also be used to schedule Analyzer operations using the Windows Scheduling system.

The **DLL** facility allows developers to connect directly to the Style Research Portfolio Analyzer database and to carry out the following batch processes:

- **Manage Portfolio**—to create new funds/benchmarks, and to read, modify, delete, copy, paste funds/benchmarks
- **Manage Translation Files**—to create and modify translation files, with the facility to access the Analyzer's full stock code identifier list for automatic stock matching
- **Manage Snail Trails**—to access Snail Trail data and properties and to access the complete analysis output data of each trail instance

The combined Toolkit enables an automated system to load and analyze portfolios and to access all output reports for use in any other program or database. For further information about the Toolkit including details about the separate pricing of this module, please contact Style Research.

New Features, Enhancements...

(Continued from page 1)

Style risk, stock risk and all cross term risks. Analysts can now establish whether a stock's contribution to risk is driven by currency, market, sector or Style features, or if it is predominantly stock specific.

- **Advanced Housekeeping**—In View/Edit stocks (View/Manage - Funds & Benchmarks then right click on a selected fund or benchmark) it is now possible to Copy / Paste stocks between two or more funds or benchmarks (using multiple open windows).

Style Research Tutorials Available

Tutorials for the Portfolio Analyzer are now available from the www.StyleResearch.Com website. These interactive teaching programs cover:

- **Holdings-Based Analysis Tutorials**
Loading Funds/Benchmarks
Analyzing Portfolios
- **Returns-Based Analysis Tutorials**
Loading Returns and Analyzing Funds
- **Snail Trail Analysis**
Loading Snail Trails
View/Manage Snail Trails
Chart Snail Trails (default reports)
Chart Snail Trails (custom-made report)



Each tutorial shows how a user progresses, screen by screen, through each process and also offers commentary on the various choices offered and the significance of each option. Tutorials can be accessed by logging on as a Style Research Portfolio Analyzer user.

Mercer Investment Consulting Global Investment Forum

On September 16, October 13 and October 14, Style Research delivered major presentations at Mercer Investment Consulting Global Investment Forums in London and Dallas. These presentations highlighted research relating to the significance of Style and recent Style phenomena across global equity markets and focussed on the use of Style Research services in both manager research and active equity management environments.

If you would like to receive a copy of the slides supporting this presentation, please contact Style Research in London or Boston.



more info

For more information on any topic listed below, please click:

[Style Research Portfolio Analyzer](#)

[Style Research Online](#)

[Funds Research Online](#)

[More Topics...](#)



Additional articles & papers:

[Four Faces of Style](#)

[Style Over Substance](#)

[Avoiding Style's Risk Traps](#)

[Style and Style Analysis from a Practitioner's Perspective](#)

[Style and the Euro](#)

[Style and Style Factors Within and Across Europe](#)

[Spring '04 Newsletter PDF Version](#)



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In the world of active management a strong dose of objectivity is invaluable to building better portfolios, cross checking biases and understanding risk. Style Analysis is an excellent tool to understand the risk imbedded in a portfolio and pose questions in a logical format. We have found it to be user friendly and a valuable source of reflection that is both manager and client 'friendly'.”

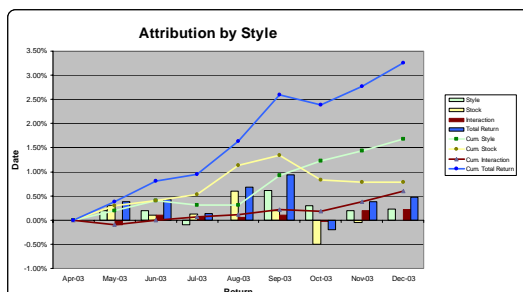
—Bill Barron
Deutsche Asset
Management Ltd



Performance Analysis

The Style Research Performance Analysis and Attribution module will be introduced in Version 5.0 of the Portfolio Analyzer (December 2004 release).

This new module will allow flexible performance attribution, enabling fund performance to be attributed in the way that best matches each manager's investment philosophy. Two attribution methodologies will be provided:



↑ The classic **Brinson methodology** where performance is described in terms of Selection effects (to Markets, Sectors or Styles), Stock effects and the interaction between the two. In the sample output chart, the bars show the monthly attribution of returns to Style and Stock decisions, while the lines show the cumulative returns attributions.

Date	Sector	Active Return (Basis Points)				
		Currency	Market	Sector	Style	Stock
30/11/2003	Basic Industries	-4.2	-2.0	0.9	-0.9	-15.8
	Cyclical Consumer Goods	-1.3	-0.7	0.2	0.0	-2.5
	Cyclical Services	37.3	-0.5	0.7	-0.7	124.3
	Financials	-36.1	-10.4	-7.4	1.2	-97.4
	General Industrials	-10.8	-2.2	1.9	-1.2	14.9
	Information Technology	-8.9	-0.9	-0.3	1.3	-41.0
	Non-Cyclical Consumer Goods	1.2	-2.8	2.1	2.8	-16.0
	Non-Cyclical Services	-3.2	0.0	0.0	0.0	-79.3
	Resources	-0.1	0.0	0.0	0.0	-10.6
	Utilities	-0.5	-1.5	1.1	0.0	-0.4
30/11/2003 Total		-26.5	-21.0	-0.7	2.5	-123.8

↑ **Hierarchical attribution** incorporating Market, Sector, Style and Stock contributions, presented in a manner parallel to the risk attribution analysis in the Style Research Portfolio Analyzer. Additionally, the hierarchical performance attribution permits flexibility in the order and membership of the hierarchy. For example a global fund manager who manages according to global sectors and Styles (in that order) and not according to markets, can configure the analysis hierarchy, eliminate markets from the analysis, and attribute performance accordingly, i.e. by Sector Allocation, Style Allocation and Stock Selection. It is even possible to specify what the Style definition criteria might be.

For both methods, full decomposition is provided, by Market, Sector and Style.

For further information about the Performance Analysis and Attribution module, including details about pricing, please contact Style Research.

Style Research & Brockhouse Cooper in Distribution Agreement

A distribution agreement was effected this summer authorizing Brockhouse Cooper to sell Style Research products to institutional investors and investment managers in North America, Europe, and South Africa.

Brockhouse Cooper is an international investment broking and consulting firm providing global securities trading and global research and consulting services to institutional investors around the world. Founded in 1968, Brockhouse Cooper has offices in Montreal, Boston and Johannesburg.

As an existing client of Style Research, Brockhouse Cooper had been using the Style Research Portfolio Analyzer in their investment consulting practice as part of their investment manager search and selection process. Brockhouse Cooper also offers their clients manager monitoring services that incorporate Style Research analysis.

“We need to be able to validate style biases and risk expectations. Style Research allows us to do this on a consistent framework for global and domestic managers, and gives us results which are easy to communicate to our clients. We have been very impressed by Style Research, and are excited about helping to bring their products to a broader market.”

—Ralph E.W. Loader
Chief Executive Officer
and Director of Research & Consulting
Brockhouse & Cooper, Inc.



New Summary Page Scheduled for December '04



Style Research is a powerful analytical tool with user friendly graphical and data interfaces. It is useful for idea generation, validation of an investment management processes, style analysis, and understanding the behaviour of the investment managers and the markets over time."

—Josef Odili
SEI Investments
(Europe) Ltd.



We have been using the Style Research suite of application for years. It gives us clear insights into the breadth of stock selection opportunities within style factors and our current positioning to those factors."

—Peter Simmons
UBS Global Asset
Management



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Style Research Portfolio Analysis is much more than just the Style Skyline. Our new Front Page, to be included in Version 5.0 of the Portfolio Analyzer (December 2004 release) will provide a succinct yet comprehensive portrayal of a fund's key high level Style and Risk characteristics. The new Portfolio Analysis Summary page includes:

- **Basic Style Skyline**, showing the basic benchmark-relative Style tilts, taken from the Standard Style Skyline in the main body of the analysis output.
- **Sector Decomposition Analysis**, including Coverage analysis, taken from the main output.
- **Style Distributions**, showing the proportions of the portfolio and benchmark invested in the basic Styles, taken from the Standard Style Distributions.
- **Stock Selection Risk**, showing the stock specific risks, or bets, taken within Large Value, Large Growth, Small Value and Small Growth stocks.
- **Risk Attribution**, showing the Tracking Error estimate together with a high level decomposition of the Tracking Variance and the Persistence Ratio, taken from the main output.
- **Major Risk Contributors**, identifying those securities contributing the most risk.
- **Liquidity Analysis**, indicating the time required to liquidate the portfolio or trade back to the benchmark, based on a initial notional value of \$100 million, but linked to the relevant tables and graphs, and values specified in the main body of the analysis output.

And, as all other pages in Style Research reports, the Excel format will support Cut / Paste editing and reformatting for specialized report preparation.

New Funds Research Online →

Funds Research Online, our free web-based service to the funds analysis industry, has recently been extended to include key funds domiciled within the United States. This Returns-Based Style Analysis facility now provides comprehensive analysis of over 4,000 domestic and internationally invested funds, domiciled in the United States and Europe.

The online analysis includes the traditional Style Horizons (with the important rolling *goodness of fit* measures) together with a full decomposition of the performance impact of manager decisions on Style allocations and Stock Selection as well as a large number of salient risk and return assessment graphics and statistics.

Funds can be searched and selected using a variety of criteria, and the service now also permits filtering on funds benchmarked against particular indices. Further significant developments are planned for this service over the months ahead.

