

Finding the Achilles Heel in an Asset Allocation Plan

There are typically four ways you can approach an asset allocation plan to find weaknesses from a style perspective.

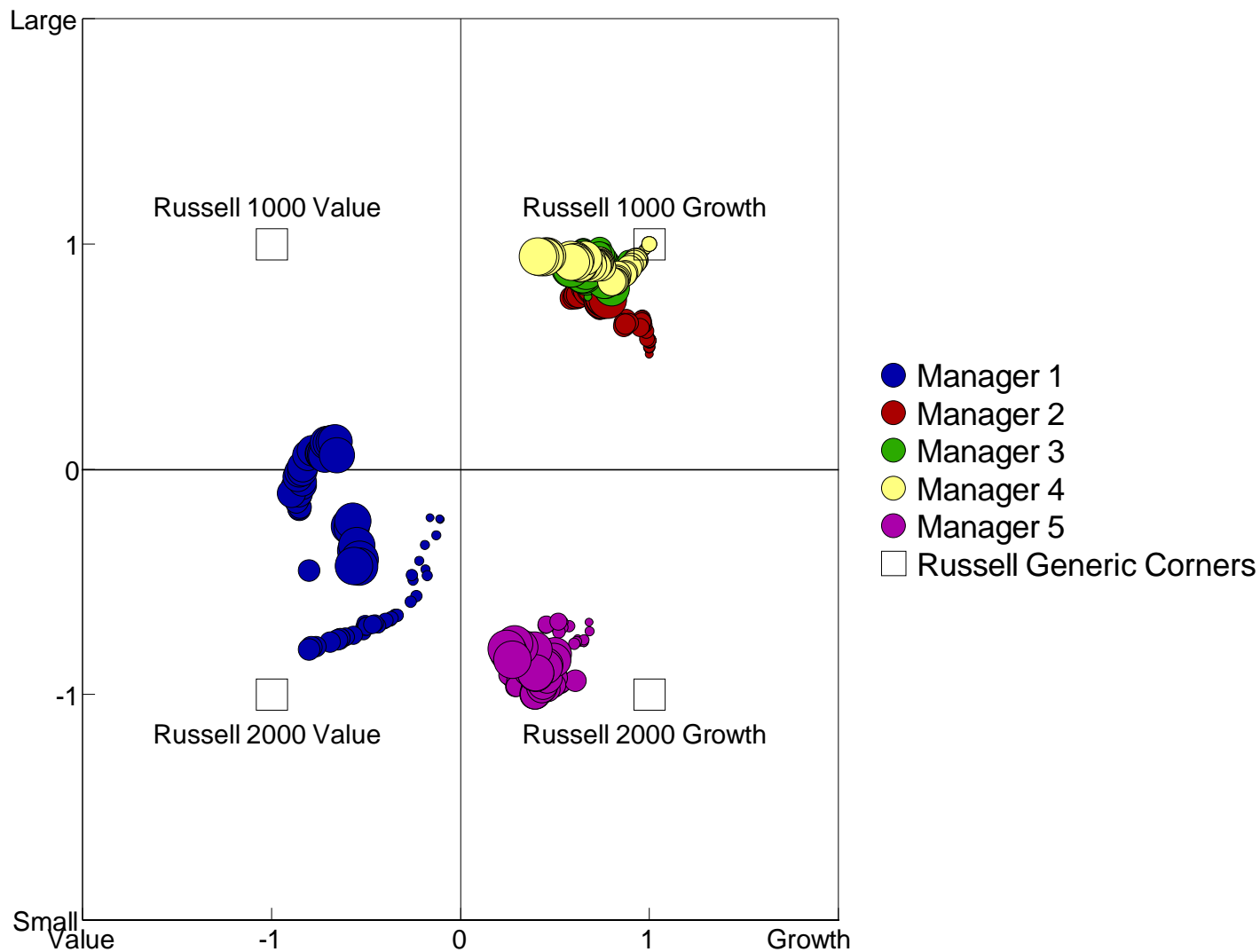
1. Overlap- Multiple managers covering the same asset class
2. Gaps- Lack of coverage of an asset class
3. Style Drift- Lack of style consistency for a particular manager
4. One-on-One Analysis- Running your managers versus theirs attempting to find the weak spots

OVERVIEW

To the right is a style map of a poorly constructed asset allocation plan. There are many opportunities to build a case as to why this is a flawed plan.

Manager Style

36-Month Moving Windows, Computed Monthly
November 1993 - October 2003

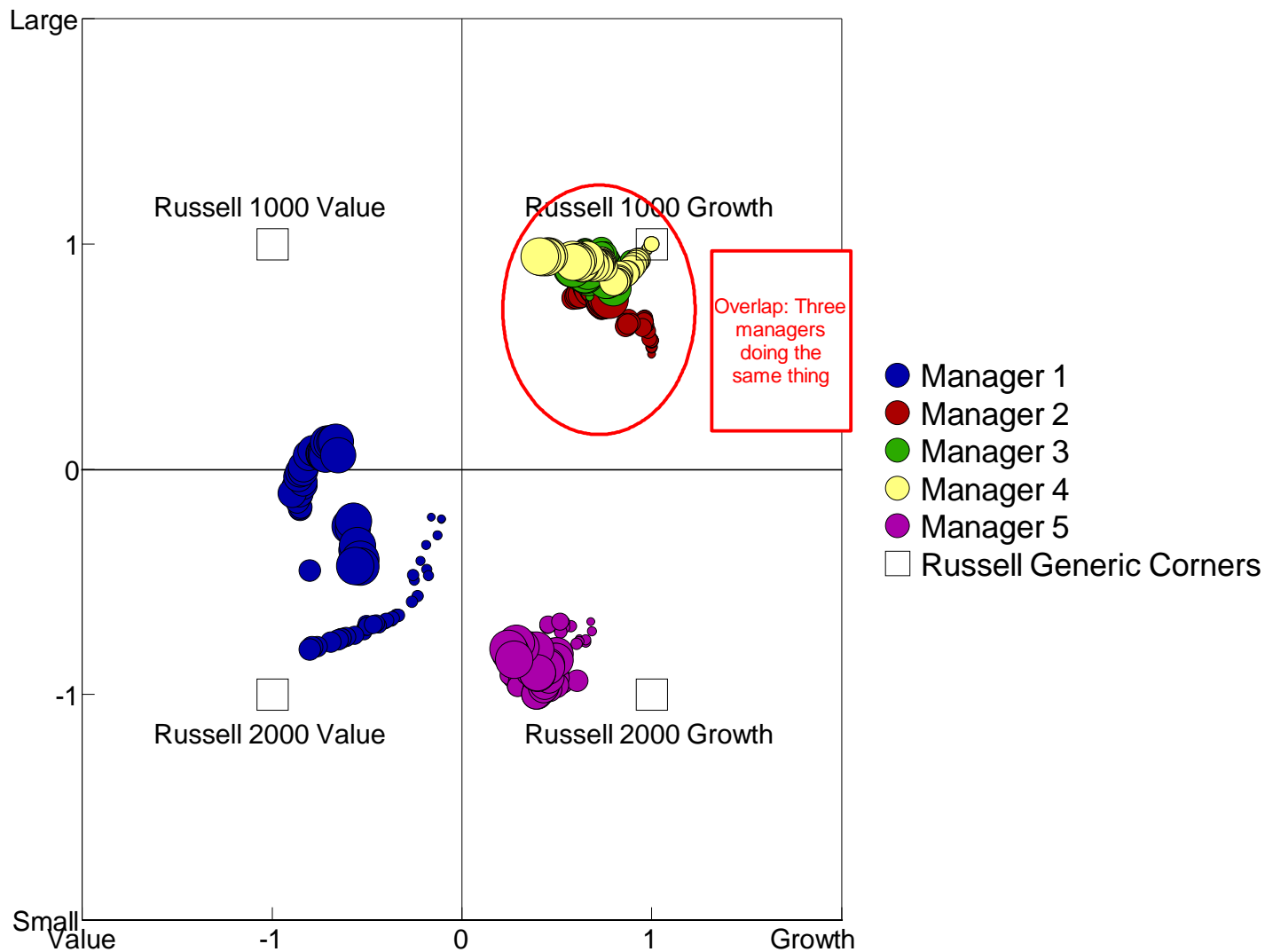


OVERLAP

This is a situation that was not uncommon during the late 1990's. People forgot about the meaning and the value of diversification, and wound up populating a certain asset class with redundant managers.

Manager Style

36-Month Moving Windows, Computed Monthly
November 1993 - October 2003



DEVELOP THE STORY

One may ask why this is important. Using StyleADVISOR, you can build graphs to show why this flaw is a fatal one. In this instance, the returns of all three redundant managers are plotted against each other to illustrate a lack of diversity. It is a simple way to get the point across.

Manager Performance

Single Computation

November 1998 - October 2003

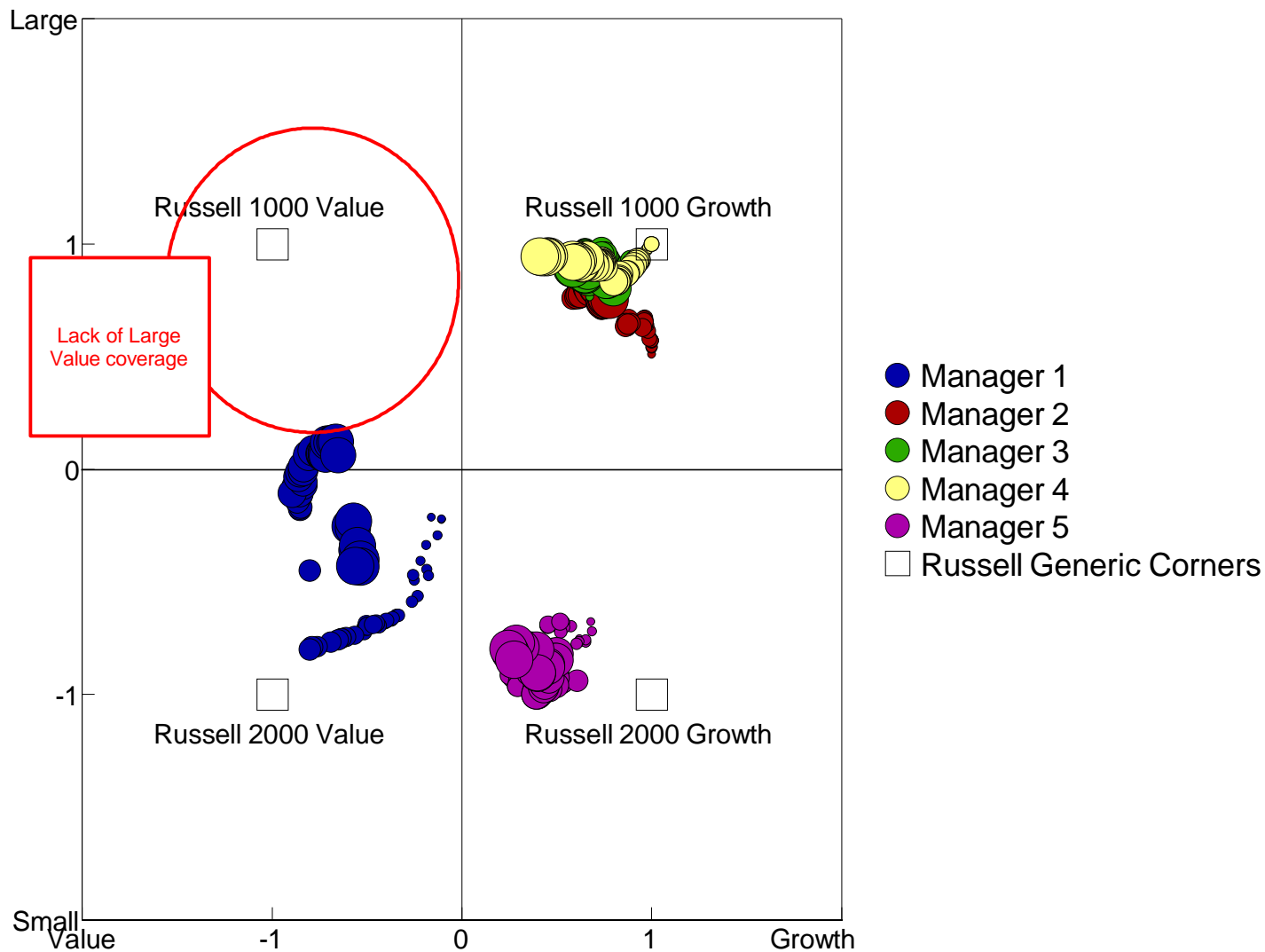


GAPS

A style map can be just as useful to show what elements are missing. In this case, there is no Large Value option.

Manager Style

36-Month Moving Windows, Computed Monthly
November 1993 - October 2003



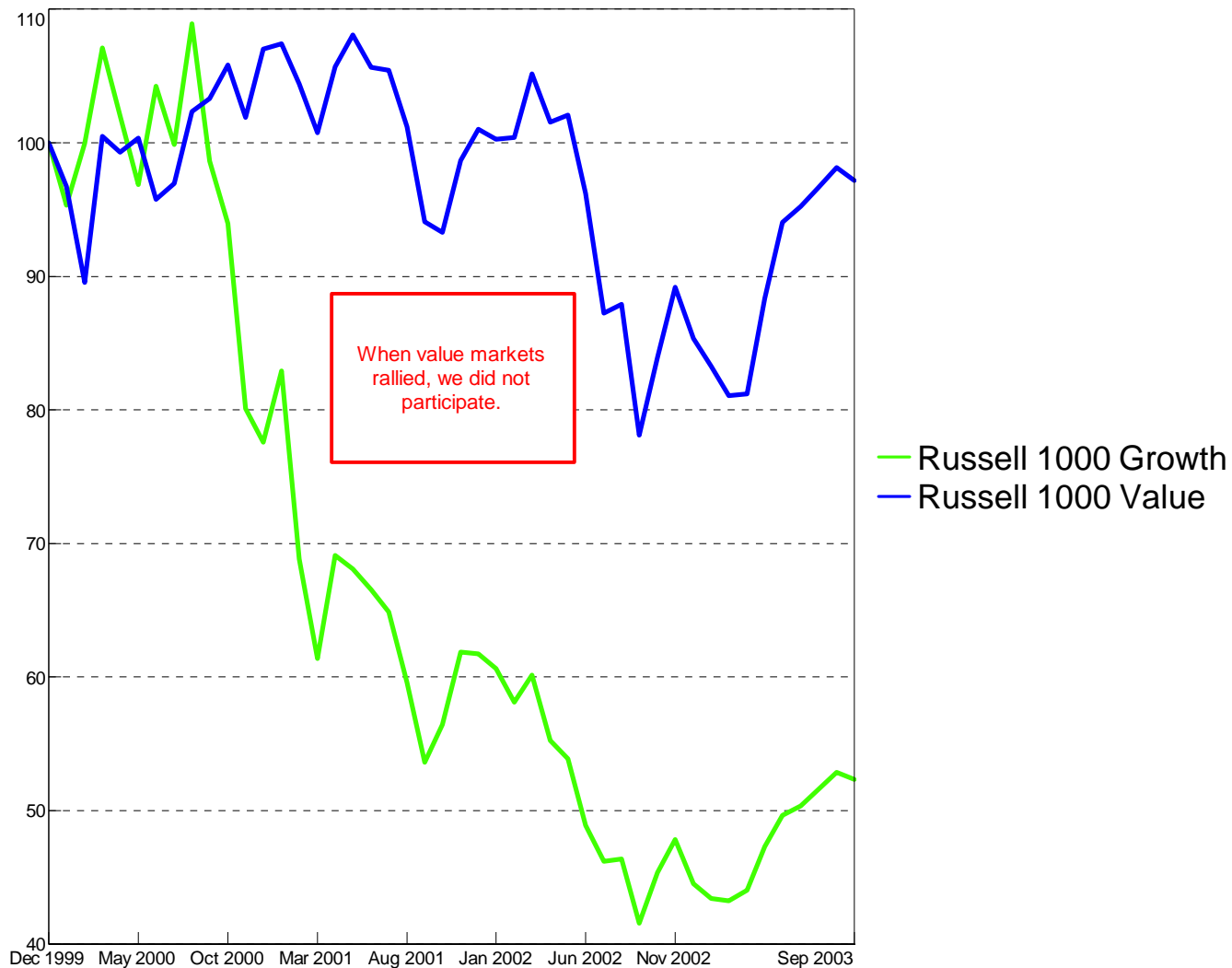
DEVELOP THE STORY

Again, you can use StyleADVISOR to illustrate why this is important. The graph to the right shows how severely growth corrected, and how nice it would have been to have had value available during the bear market.

Manager Performance

Single Computation

January 2000 - September 2003

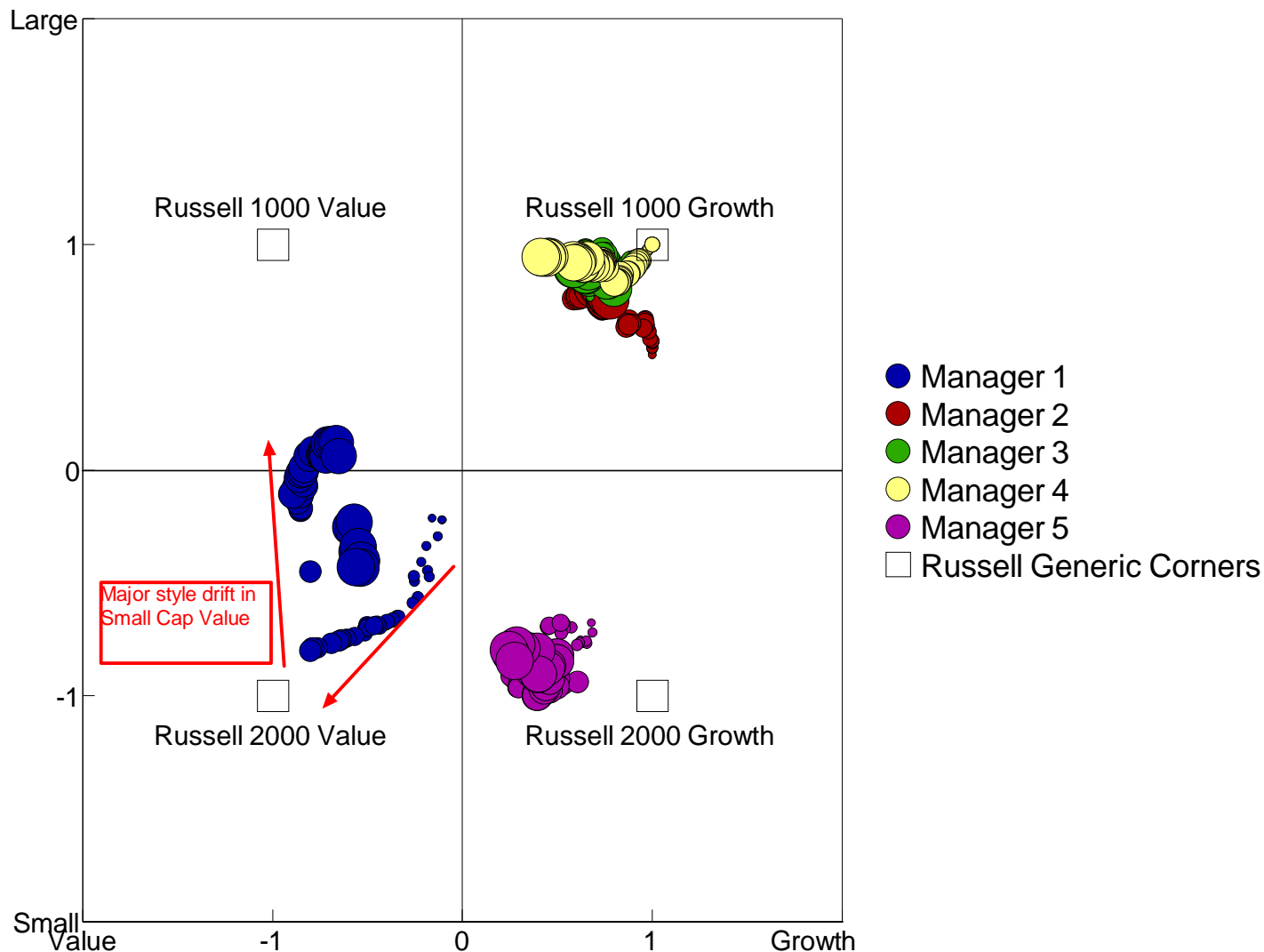


STYLE DRIFT

A plan may be flawed due to no fault of the person who assembled it. It could be that one of the individual manager has gone chasing after returns in a different asset class.

Manager Style

36-Month Moving Windows, Computed Monthly
November 1993 - October 2003



Zephyr StyleADVISOR

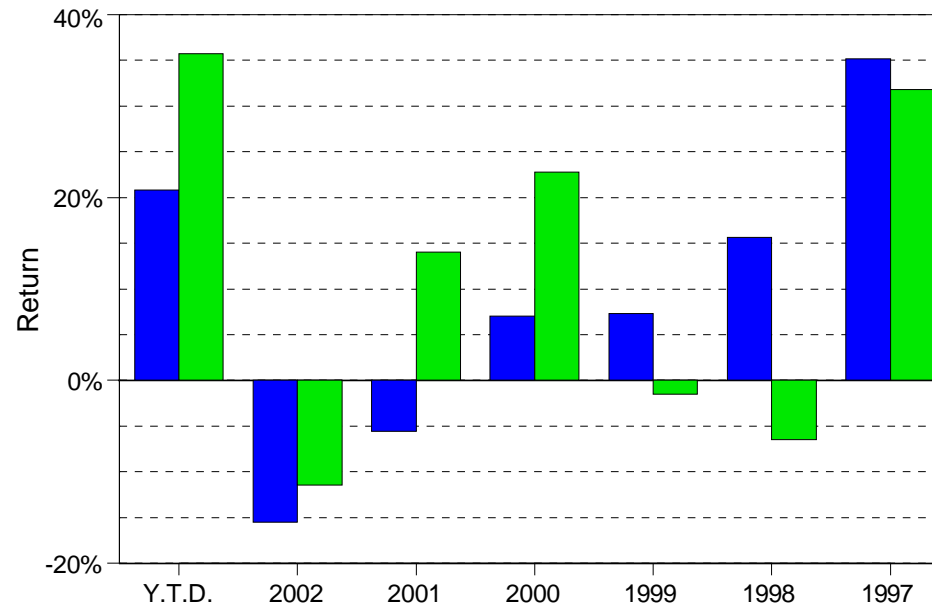
Zephyr StyleADVISOR: Zephyr Associates, Inc.

DEVELOP THE STORY

A different way to illustrate the importance of diversification. Here we look at the wide gaps between LC Value and SC Value over the last several years. A manager must be very good or very lucky to capitalize on these shifts- otherwise the investor could be hung out to dry.

Calendar Year Return

November 1993 - October 2003



■ Russell 1000 Value
■ Russell 2000 Value

Moving away from small value was a big mistake.

Calendar Year Return

November 1993 - October 2003

	Y.T.D.	2002	2001	2000	1999	1998	1997
Russell 1000 Value	20.84%	-15.53%	-5.59%	7.02%	7.34%	15.63%	35.18%
Russell 2000 Value	35.71%	-11.42%	14.02%	22.80%	-1.49%	-6.45%	31.78%

SUMMARY

The fourth and final tactic would have your proposed managers square off against their current managers. In such as case you would likely use the "Manager Analysis" template or a similar such template you may have created. Find the weak spots in a fund's performance, and then build the story around that.

No plan is ever perfect. StyleADVISOR's vast array of statistics, unparalleled flexibility, and ease of use allows you to find and exploit your competitors weaknesses and win business.