

Morningstar® Institutional Conference: A Pan-European Event

16–17 March 2017, Hotel Okura, Amsterdam

Wednesday 15 March (Pre-Conference)

19:30–23:00 **Welcome Reception with Drinks and Buffet Dinner** *Hotel Okura*

Thursday 16 March

08:00–09:00 **Registration and Breakfast in Exhibit Hall**

09:00–09:10 **Welcome Address** *Daniel Needham, CFA,
President and Chief Investment Officer
Investment Management Group, Morningstar*

09:10–09:50 **Opening Keynote – Building a Better Fund Management Industry** *Saker Nusseibeh, CEO, Hermes Investment
Management*

The investment industry is frequently criticised by both the press and regulators. While some of this criticism is undoubtedly unfair, it nevertheless has resulted in reputational damage that discourages investors and impedes their ability to reach investment goals. We therefore all have a responsibility to improve the reputation of our industry by raising standards of practice and transparency. Saker Nusseibeh, CEO of Hermes Investment Management and founder of the 300 club, is a tireless campaigner for better standards of practice within the investment management industry and we are delighted that he will address these themes at the start of our conference.

09:50–10:30 **Manager Patience, Active Share and Fund Performance** *Dr. Martijn Cremers, Professor of
Finance, The University of Notre Dame*

Our new research indicates that among high Active Share portfolios, only funds with patient investment strategies on average outperform over 2% per year. Funds trading frequently generally underperform, including those with high Active Share. Our results suggest that equity markets provide opportunities, especially for patient active managers, perhaps because of the limited arbitrage capital devoted to patient and active investment strategies.

10:30–11:10 **A Fundamental Approach to Value Investing** *Isabel Levy, Managing Director – Chief
Investment Officer, Founder, Metropole
Gestion*

In recent times, value investing has often been reduced to a quantitative process with many investors using a selection of key ratios and metrics to pick stocks. While these metrics can be helpful when sifting through a large number of potential holdings, an over-reliance on quantitative measures can easily lead to an investor drawing the wrong conclusion and consequently exposing the portfolio to the danger of 'value traps'. In this session, Isabel Levy will explain how she uses fundamental industrial analysis to avoid value traps and identify the fair value of European equities.

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11:10–11:40

Coffee Break in Exhibit Hall

11:40–12:20

The Role of ESG in Long-term Investment

While ESG focused investing has become increasingly popular among institutional investors, this popularity appears to be driven by primarily non-investment factors, such as the preference of asset-owners and regulators. Mats Anderson, former CEO of the Fourth Swedish National Pension Fund (AP4) takes a different view. He believes that the inclusion of ESG criteria is an essential component of successful long term investing. Mats will share the reasoning behind this view and how these ideas can be applied by institutional investors in Europe.

Mats Andersson, Vice Chair, Global Challenges Foundation, Former CEO, AP4

12:20–13:00

Uncovering Value in Emerging Market Equities

Having once been the most popular of asset classes, emerging market equities have become increasingly shunned by investors in recent years as returns have lagged those of the US and other developed market equities. This combination of lower returns and investor apathy has led to emerging market equities becoming one of the cheapest asset classes in an environment where value is hard to find. While this value may be evident at an aggregate level, investors face the challenge of accessing this value within a diverse universe where non-investment factors are often a key driver of short term returns. Hilde Jenssen, Lead Product Strategist of Skagen Funds and former manager of the Kon-Tiki fund, will help us navigate these challenging waters in search of genuine value opportunities.

Hilde Jenssen, Lead Product Strategist, Skagen Funds

13:00–14:00

Lunch In Exhibit Hall

14:00–14:40

Stream 1: Securities Research—Five Factors Driving Financials

Morningstar's take on the major factors influencing performance of financial companies, including our outlook for interest rates, the effects of potential regulatory changes, and developments in financial technology.

James Sinegal, Senior Equity Analyst, Financials, Morningstar

Stream 2: Asset Research—Liability Driven Investing Misapplied: building more efficient portfolios for retirees

Liability-driven investing often represents a fundamental improvement over more common and myopic portfolio optimization techniques, such as mean-variance optimization—which can result in significantly different portfolios. In this presentation, we provide insight on the application of liability driven investing to the creation of appropriate asset allocations for individual investors seeking to pay for a soft liability, such as retirement. We provide thoughts on how to model the systematic characteristics of the retirement liability and demonstrate how its characteristics are very different than more traditional modeling approaches.

Thomas Idzorek, Head of Investment Research and Development, Morningstar

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Stream 3: Manager Research — Have Non-traditional Bond Funds Delivered?

Fuelled by anxiety over rising rates, non-traditional-bond funds exploded in the years immediately following the financial crisis, promising to achieve bond-like returns while insulating investors from traditional bond market interest-rate risk. In the process of these funds exchanged interest-rate risk for other types of risk. We'll discuss whether these funds have delivered on their promises and the challenges that lie ahead.

Miriam Sjoblom, Director, Fixed Income Ratings, Global Manager Research, Morningstar

14:40–15:20

Stream 1: Securities Research — Morningstar's Sustainability Ratings

One year after Morningstar launched Sustainability Ratings for 34,000 funds, interest in ESG-related measures for investment products has continued to soar. We will evaluate the application of sustainable investing metrics by banks and asset managers and the interest-level of the advisers and end-investors they serve. In addition, we will show our latest research insights into the ESG component of investing and give an update on how Morningstar sees Sustainability Ratings, ESG Indexes and other metrics evolve.

Steven Smit, Head of Sustainability, Morningstar

Stream 2: Asset Research — A Valuation-driven Approach of Capital Market Research

Valuation driven investment is typically associated with single asset class strategies. However, it can equally be applied to multi-asset investing. To do this successfully an investor must adopt a consistent and robust approach to assessing risk and expected return across the asset class spectrum. Developing such a process has been a key area of focus and research within Morningstar's global Asset Allocation team. In this session, Tanguy De Lauzon will share the results of our research and our latest thinking in this area.

Tanguy de Lauzon, Head of Capital Markets & Asset Allocation, EMEA Investment Management group, Morningstar

Stream 3: Manager Research — Mind the Gap! The impact of European fund investors' behaviour

The Mind the Gap paper published by Morningstar's manager research team in 2016 explores how European investors use mutual funds by analysing the differences between open-end funds' reported returns and the actual money-weighted returns that investors receive. Bad timing tends to be a drag on investors' returns over time, and this session will help us understand how large the "Behaviour Gap" is in Europe, and in what type of funds is it most prominent.

Matias Möttölä, Associate Director, Multi-Asset and Alternatives, Morningstar

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15:20–15:50	Coffee Break in Exhibit Hall	
15:50–16:30	<p>In Conversation with Jeremy Grantham – Investing against a background of climate change</p> <p>With climate change is moving faster than scientists thought possible, investment and progress will have to be much more extensive than generally understood. Jeremy Grantham, renowned investor and founder of GMO is a passionate advocate of the need to engage with this issue, believing that “the world needs a heroic global effort, the scale of which has never been seen in human history”. To explore his views further and consider the impact of climate change on long term investing, we will be hosting a live video interview with Jeremy from Boston. The interview will be conducted by Jon Hale, Head of Sustainability Research at Morningstar.</p>	<p><i>Jeremy Grantham, Co-founder, Chief Investment Strategist, GMO</i></p>
16:30–17:15	<p>Being Risk Savvy</p> <p>Investing is inevitably a balance of return and risk. While the former tends to gain the most attention, a thorough understanding of the latter is arguably a more important determiner of success. Unfortunately, many professional investors have a poor understanding of risk and struggle to convey concepts of risk and uncertainty to clients and end investors. Consequently, investors are ill-equipped for the investment journey and can end up making poor decisions and harming their long term financial wellbeing. Gerd Gigerenzer will help us address this challenge by sharing his insights in this area. Prof. Gigerenzer is Director at the Max Planck Institute for Human Development, Director of the Harding Center for Risk Literacy in Berlin and one of the foremost thinkers and communicators in the field of risk.</p>	<p><i>Prof. Gerd Gigerenzer, Director, Max Planck Institute for Human Development, and Harding Center for Risk Literacy</i></p>
17:15–17:30	Closing Remarks	<p><i>Dan Kemp, Chief Investment Officer, EMEA, Investment Management group, Morningstar</i></p>
17:30–19:00	Drinks Reception in the Exhibit Hall	
19:00–23:00	Seated Dinner in the Conference Hall	

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08:15–08:45	<p>Pre-conference Session:</p> <p>Seven Investment Principles to Help you Overcome Behavioural Biases</p> <p>All investors are subject to behavioural biases. Left unchecked, these biases can lead to poor investment performance. Over 30 years of fund manager research, Morningstar has observed that the best investors are able to overcome these biases by sticking to simple investment principles used that encourage good investor behaviour. In this session, Dan will outline the seven investment principles used by great investors and demonstrate how to incorporate these principles into a multi-asset investment process.</p>	<p><i>Dan Kemp, Chief Investment Officer, EMEA, Investment Management group, Morningstar</i></p>
08:15–08:55	<p>Registration and Breakfast in Exhibit Hall</p>	
08:55–09:00	<p>Welcome</p>	<p><i>Dan Kemp, Chief Investment Officer, EMEA, Investment Management Group, Morningstar</i></p>
09:00–09:45	<p>Investing for the Long-term in US Equities</p> <p>Investing has increasingly become confused with attempts to predict short-term movements in asset prices. This trend has been reinforced by the increasing pressure on professional investors to produce consistent superior returns over short periods. As returns are unpredictable over the short term, the current emphasis short term performance prioritises luck over investment skill and can be harmful to the outcome for the asset owner. In this environment Christopher Davis of Davis Advisers stands out as a genuine long term investor. In this session, Christopher will show how combining valuation insights and the compound growth that accompanies long holding periods can deliver superior returns for clients over the time periods that are most relevant for them.</p>	<p><i>Christopher Davis, Chairman, Davis Advisers</i></p>
09:45–10:25	<p>A Conversation About Value</p> <p>A clear philosophy is essential to the success of any investment strategy. While many such investment philosophies exist, Morningstar has adopted 'valuation driven investing' as a core investment principle. In this conversation, Daniel Needham, President and Chief Investment Officer of Morningstar's Investment Management group, and Kunal Kapoor, Chief Executive of Morningstar Inc. will explore what this principle means, why we adopted it and how it is applied across Morningstar's global business.</p>	<p><i>Kunal Kapoor, CEO, Morningstar Inc.</i> <i>Interviewed by: Daniel Needham, President and Chief Investment Officer, Investment Management group, Morningstar</i></p>
10:25–10:55	<p>Coffee Break in Exhibit Hall</p>	

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10:55–11:35

Finding Special Situations in a Post-Brexit UK

While Britain's exit from the EU remains in its early stages, the impact of 'Brexit' is already having a significant impact on capital markets and valuations of UK equities. Consequently, many market participants appear to be myopically focused on macro-economic and political considerations. However, genuine investment opportunities are seldom born of these high-level forecasts but rather emerge from deep fundamental analysis of individual opportunities. Nowhere is this more evident than in 'special situation' investing. Derek Stuart, manager of the Artemis UK Special Situations fund is one of the UK's most experienced and successful practitioners of special situations investing and is therefore, ideally suited to explaining this approach to investment and how it can be used in the current environment to identify long term investment opportunities away from the noise of the Brexit negotiations.

*Derek Stuart, Co-founder and Fund Manager,
Artemis Funds*

11:35–12:20

Finding Value in Bonds

Valuation driven investing is typically associated with equities, yet in an environment of low yields and rising interest rates, it is increasingly important to consider valuation when operating in fixed income markets. In this session, renowned global fixed income manager, Michael Hasenstab, will explore how to apply a valuation driven approach to global fixed income investment and consider some of the challenges of that approach.

*Michael Hasenstab Ph.D., Executive Vice President,
Portfolio Manager, Chief Investment Officer, Templeton
Global Macro, Franklin Advisors, Inc.*

12:20–12:30

Conclusions and Takeaways

*Dan Kemp, Chief Investment Officer, EMEA,
Investment Management Group, Morningstar*

12:30–14:00

Lunch and End of Conference