

# Day 1: Thursday, February 23

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## Registration Open

7:00a–4:00p

Regency Ballroom Registration Area,  
Convention Center, 2nd Floor

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## Breakfast Buffet

7:00a–9:00a

Great Hall 4

Sponsored by: **T. Rowe Price**



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## Welcome Address

8:00a

Regency Ballroom 1&2

## Joe Mansueto

*Chairman and Chief Executive Officer, Morningstar Inc.*

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## General Session I

8:15a–9:05a

Regency Ballroom 1&2

## The Importance of Asset Allocation—A Quarter Century of Confusion

*Roger Ibbotson, Ph.D., Founder, Ibbotson Associates, Professor of Finance, Yale School of Management, and Partner, Zebra Capital Management*

The “importance” of asset allocation continues to be one of the trickiest and more controversial subjects among financial professionals. Attempts to clarify the issues often result in more confusion. In 2011 Ibbotson’s article, “The Importance of Asset Allocation,” won the Financial Analysts Journal Graham & Dodd Award for Best Perspective article. Roger Ibbotson will pinpoint the sources of confusion, show how investment portfolios can be characterized as asset classes, style factors, and security selections, while separating active from passive bets.

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**Breakout Sessions** (Choose one)

9:15a–10:00a

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Regency Ballroom 3

**Global Economic Outlook**

*Francisco Torralba, Ph.D., Economist, Morningstar Investment Management*

It is widely believed that in September 2011 the U.S. economy slipped back into recession. Francisco Torralba offers his perspective and will discuss Morningstar Investment Management’s global economic outlook, and what it could mean for your business, the domestic economy, and financial markets.

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Diplomat Ballroom 1&2

**A Framework for Estimating the “True” Risk of Guaranteed Investment Products**

*Daniel Farkas, Investment Consultant, Morningstar Investment Management*

Guaranteed investment products—such as Stable Value Funds and annuities—are taking retirement plan lineups by storm. Yet, due to their artificially smoothed returns they do not do well in an analytical world created for mark-to-mark investments without guarantees. Daniel Farkas will discuss the methodologies for adjusting risk estimates for credit and liquidity risks embedded in guaranteed products and demonstrate their potential role in a diversified asset allocation.

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**Refreshment Break**

10:00a–10:20a

**Sponsored by: Sentinel Investments**



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## General Session II

10:25a–11:15a

Regency Ballroom 1&2

## DC Industry: Today and Tomorrow

*Charles Nelson, President, Great-West Retirement Services*

More and more participants are having to rely just on their DC plan and Social Security to get them to a comfortable retirement. Join Charlie Nelson he discusses the significant issues, opportunities, and challenges that the retirement industry faces in helping these participants prepare for a secure financial future. He also will delve into the business implications for the industry, and the huge market potential that exists for those who can help make DC retirement plans more successful.

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## Breakout Sessions (Choose one)

11:25a–12:10p

Regency Ballroom 1&2

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## Paycheck Allocation: A New Approach to Boosting Savings and Preventing 401(k) Leakage

*Matt Fellowes, Ph.D., Founder, and CEO, HelloWallet*

Workers remain \$6 trillion behind in retirement savings, despite automatic enrollment and escalation policies. Worse, over \$85 billion in 401(k) assets are prematurely withdrawn by workers every year, leaving a budding chorus of employers to question the efficacy of their programs. Former Brookings scholar Matt Fellowes will review the latest consumer savings data and propose a new, behaviorally-informed approach to increasing the financial health workers: paycheck allocation. He will also review case studies from sponsor that have successfully used this approach in a cross-section of industries.

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Regency Ballroom 3

**In Search of Skill: Morningstar Investment Management’s Approach to Selecting Great Managers**

*Bill Harding, Head of Manager Research, Morningstar Investment Management*

While most investors are familiar with Morningstar’s individual investor- and advisor-focused lenses for evaluating mutual funds, Bill Harding, the head of our manager research division, delves into the sophisticated qualitative and quantitative lenses that we use to uncover best-in-breed managers.

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Diplomat Ballroom 1&2

**Target Date Glide Path Instability**

*Jeremy Stempien, Senior Consultant, Morningstar Investment Management*

In 2011 Jeremy Stempien from our retirement division co-authored a paper that explored how target date providers often change the glide paths within their fund families over time—often with little warning or reason. In this session Jeremy will shed light on the ever-changing glide paths of the largest providers and introduce a new metric that will help plan sponsors monitor glide path stability.

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**Lunch**

12:15p–12:45p

Great Hall 4

**Sponsored by: Stewart Capital Advisors**



# Day 1: Thursday, February 23

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## Keynote Address

12:45p–1:45p  
Great Hall 4

## United States Then, Europe Now

*Thomas J. Sargent, Winner of the 2011 Nobel Prize in Economic Sciences, Professor of Economics and Business at New York University*

Under the Articles of Confederation, the central government of the U.S. had limited power to tax. That made it difficult for it to service large debts that the government had incurred during the War of Independence, with the consequence that debt traded at deep discounts.

That situation framed a U.S. fiscal crisis of the 1780s. A political revolution—for that was what our founders scuttling of the Articles of Confederation in favor of the Constitution of the United States of America was—solved the fiscal crisis by transferring authority to levy tariffs from the states to the federal government. The Constitution and Acts of the First Congress of the United States in August 1790 gave Congress authority to raise enough revenues to service a big government debt. In 1790 the Congress carried out a comprehensive bailout of state government's debts, another part of a grand bargain that made creditors of the states become advocates of ample federal taxes. That bailout created unwarranted expectations about future federal bailouts that a costly episode in the early 1840s corrected. Aspects of these early U.S. circumstances and choices are reminiscent of the European Union today.

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## Breakout Sessions (Choose one)

2:00p–2:45p

Regency Ballroom 1&2

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## Morningstar's Global Fund Analyst Ratings

*John Rekenhaller, Vice President, Research, Morningstar, Inc.*

Morningstar's Fund Analyst team recently introduced forward-looking fund ratings to complement its purely historical and data-driven Star Ratings. John Rekenhaller will explain the methodology behind these new ratings and compare and contrast them to the historical Star Ratings.

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Regency Ballroom 3

**The ‘Myth’ of Factor—Based Asset Allocation**

*Maciej Kowara, Ph.D., CFA, Senior Research Analyst, Morningstar Investment Management*

In recent years asset managers have suggested that factor based asset allocation is inherently superior to asset allocation based on asset classes. Maciej Kowara proves mathematically that neither approach is inherently superior to one another and provides intuitive examples.

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Diplomat Ballroom 1&2

**Valuation—An Approach That Works**

*Daniel Needham, CFA, Managing Director and CIO, Ibbotson Australia*

Adding value through dynamic or tactical asset allocation is extremely difficult. Daniel Needham from our Australian team examines the shortcomings of many popular short-term models, finding that longer term valuation metrics and models—such as CAPE, the q-ratio, the GMO model, and John Hussman’s model—are more likely to add long-term value.

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**Breakout Sessions** (Choose one)

2:50p–3:35p

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Regency Ballroom 1&2

**Demystifying Risk Parity: Theory and Case Studies**

*Wai Lee, Ph.D., Managing Director, Neuberger Berman*

Most analysis of risk parity treats it as a heuristic and compares backtests of different allocation methods with less emphasis on investment rationale. This study investigates risk parity under different settings, highlights its potential utility, and provides insights into when this methodology may be expected to perform better by conducting path independent controlled simulation experiments. Case studies with different measures of risks will also be discussed.

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Regency Ballroom 3

## **Selecting and Using a Target Date Benchmark**

*Tom Idzorek, CFA, Global Chief Investment Officer, Morningstar Investment Management*

Now that a wide range of target maturity benchmarks from established benchmark creators are available, the challenge for today's target date fund stakeholder is to select the most appropriate one given the fund family they are trying to benchmark. In the first part of this presentation, Tom Idzorek will introduce key qualitative aspects to consider when selecting a target maturity benchmark family as well as three simple quantitative measures for determining the "goodness of fit" between a fund family and a target maturity benchmark family. In the second half of the presentation, assuming that both a target date fund family and a target date benchmark have been selected (rightly or wrongly), Tom will explore the appropriate use of a target date benchmark, including a concrete example of how to benchmark a target date fund or fund family.

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Diplomat Ballroom 1&2

## **Next Generation Fund of Funds Optimization**

*James Xiong, Ph.D., CFA, Senior Research Consultant, Morningstar Investment Management*

Most institutional portfolios are built using a two-step process: an asset allocation optimization followed by a fund-of-funds optimization. In recent years the traditional Markowitz asset allocation optimization has been enhanced to account for return distributions that don't follow the standard bell curve. Yet, there is an even greater need for a fund-of-funds optimization framework that accounts for the non-normal returns associated with investment strategies, especially alternative strategies. James Xiong introduces the framework for a next-generation fund-of-funds optimizer that accounts for these non-normal qualities that will help investors determine the optimal amount to allocate to each manager. Additionally, he will demonstrate the usefulness of skewness and kurtosis in predicting mutual fund performance.

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**Refreshment Break**

3:35p–3:55p

**Sponsored by: Principal Fund Distributors**



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**General Session III**

4:00p–4:55p

Regency Ballroom 1&2

**Economic Outlook for 2012**

*William A. Strauss, Senior Economist and Economic Advisor, Federal Reserve Bank of Chicago*

The “Great Recession” of 2008 and 2009 ended in the middle of 2009 with significant economic impacts. The economy experienced outsized losses in the housing, manufacturing and job markets. Yet, what should be a robust recovery is not occurring, nor expected. Consumers are saving at an increased pace, limiting the growth of consumer spending. Credit conditions, while significantly improved from what existed during the recession, remain relatively tight and will act as a headwind to growth. William Strauss will look at the performance of the overall macro economy with specific attention paid to key economic sectors and indicators.

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**Dinner Buffet and Cocktails**

6:00p–8:00p

South Palm Court (Outdoor)

## Day 2: Friday, February 24

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### Breakfast Buffet

7:00a–9:00a  
Great Hall 4

Sponsored by: Invesco



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### General Session IV

8:00a–8:55a  
Regency Ballroom 1&2

#### What Investors Really Want: Lessons from Behavioral Finance

*Meir Statman, Ph.D., Glenn Klimek Professor of Finance, Santa Clara University*

We want more from our investments than profits equal to risks. We want to nurture hope for riches and banish fear of poverty. We want to win, be No.1, and beat the market. We want to feel pride when our investments bring gains and avoid regret when they inflict losses. We want the status conveyed by hedge funds and the virtue conveyed by socially responsible funds. We want financial markets to be fair, but we search for an edge that would let us win. We want to leave a legacy for our children when we are gone. And we want to leave nothing for the tax man.

An understanding of investors' wants and a distinction between wants and errors matters to all investment professionals, from money managers, to plan sponsors, and to financial advisors.

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### Breakout Sessions (Choose one)

9:00a–9:45a

Diplomat Ballroom 1&2

#### Morningstar's Global Fund Analyst Ratings

Repeat from Thursday

Regency Ballroom 1&2

#### In Search of Skill: Morningstar Investment Management's Approach to Selecting Great Managers

Repeat from Thursday

Regency Ballroom 3

#### Valuation—An Approach That Works

Repeat from Thursday

# Day 2: Friday, February 24

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**Refreshment Break**

9:45a–10:00a

**Sponsored by: William Blair**

*William Blair*

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**Breakout Sessions** (Choose one)

10:00a–10:45a

Regency Ballroom 3

**Global Economic Outlook**

Repeat from Thursday

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Diplomat Ballroom 1&2

**Selecting and Using a Target Date Benchmark**

Repeat from Thursday

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**General Session V**

11:00a–11:55a

Regency Ballroom 1&2

**Economic & Market Outlook**

*Liz Ann Sonders, Chief Investment Strategist, Charles Schwab & Co., Inc.*

Liz Ann Sonders will give an update on the state of the markets and conduct a lively discussion on the forces that are expected to shape our economic and market landscape. She will focus on the global economy, inflation, housing, jobs and the markets, including investor sentiment and behavior.

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**Closing Remarks**

11:50a–12:00p