

WORKING WITH...
PLATO INVESTMENT
MANAGEMENT



DELIVERING CONSISTENT INNOVATION & SUPPORTING SUCCESSFUL INVESTMENT

Plato Investment Management ('Plato') is an Australian owned quantitative boutique fund manager within the Pinnacle Investment Management Group that applies a disciplined and active quantitative management approach to Australian Equities. The company was founded by Dr Don Hamson and Mr Ian Macoun in September 2006 with the aim of delivering consistent investment outperformance over rolling three to five year periods. Plato has an experienced investment team committed to rigorous research and innovation in its quantitative methodologies, and they have chosen **Barra Aegis, Barra Optimizer and the Barra Australia Equity Model** as their portfolio construction tools.

Transparent solutions 'critical' in the landscape of our new marketplace

Managing Director of Plato, Dr Don Hamson and his team selected Barra products as they help provide the transparency needed to make good assessments around risk and investments. "Quantitative investing means you are able to define a process and able to go back in and test that it works – and test whether those procedures help you become successful."

Barra Aegis is specifically designed to help you actively manage your equity risk against your expected returns. You can build, test and refine your own expected returns and back-test your "long-short" equity strategies in a scalable way, and compare your different portfolio variations to their benchmarks over time.

"We use the software to do detailed simulations over fifteen years; we run

them exactly how we run the portfolio. There are a whole host of assumptions that are complex so you have to be accurate in the way that you specify your simulations. With Barra, you have the flexibility to perform realistic simulations by setting real life parameters, such as a liquidity constraints in your optimizations."

"In terms of back-testing, these strategies work in a very realistic fashion. Following the learning experience of the 2008/09 global crisis, we've built new techniques into our process and we can be confident that the changes do improve performance."

"We've had many experiences that have demonstrated that Barra makes a real difference."

"Barra has added some enhancements into its Australian model that help us with multiple investment horizons and limits of the risk models, and improves

our timeliness. And the residual alpha – has been a positive feature especially in controlling the risk in more volatile markets. The new adjustment launched in 2008/2009 worked and really helped us identify where our risk was."

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We've had many experiences that have demonstrated that Barra makes a real difference.

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Dr Don Hamson
Managing Director of Plato
Investment Management



Supporting staff with local Australian team

Local support meant a lot to Plato and they found what they needed with the Barra team at MSCI. "One of the most convincing significant factors, was that they had local support here in Australia. Other suppliers don't have local support and that isn't what we need. We have Barra support staff who can literally drop into the office."

"This work we do is fairly technical, and given that a couple of my staff were initially new to the industry it was even more important to have local support."

Supported with trusted and respected Research

Research plays an important role within Plato and MSCI alike and Don considers the company's research to be innovative and helpful. "I thought the recent research paper, *Constraining Shortfall*, was quite interesting and a different

way of identifying and understanding the impact of risk. *Constraining Shortfall* identified how to adapt mean-variance optimization to produce active portfolios with less exposure to extreme losses than normal optimized portfolios. This is done by constraining the shortfall beta of the optimal portfolio as shortfall beta measures the sensitivity of a portfolio to periods of extreme stress.

"It was a unique way of looking at portfolio risk – short-fall and gain performance – and quite innovative." Additionally, Don was impressed with the paper, *Refining Portfolio Construction by Penalizing Residual Alpha* that introduced a way to mitigate the misalignment between alpha and risk factors that creates unintended bets in optimized portfolios. "It provided a very different way of assessing stock risk within a portfolio."

Getting the answers they need with MSCI Events

MSCI holds a vast number of focused webinars on an on-going basis. They range from product training to topical industry issues. "Our team has participated in training webinars with the Barra team in San Francisco and also with the local account management teams. We're a pretty heavy duty user. We understand the basics so we're looking for the next

new thing and we find value in what's on offer from Barra. We're a quantitative investment house and we think similar to the way that Barra does: staying up in the market and understanding the changes that are happening."

The MSCI Research Conferences provide an update on ground-breaking research and thought-leadership in the industry, delivered by some of the best minds in equity analytics. "I get a lot out of the Research Conferences. There are always new ideas around complex topics and I get to meet my peers. What I enjoy the most is the sharing of ideas."

"Barra people like to have discussions and it's refreshing that they are not always trying to sell products. Barra people are very open about answers because they are helping us, not competing with us. They just provide the answers that help us improve our business."

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Dr Don Hamson
Managing Director of Plato
Investment Management



Moving Forward

"We've certainly enjoyed the support we've received from the Barra team and we look forward to continuing to work together."