

## Top Sources of Manager Skill

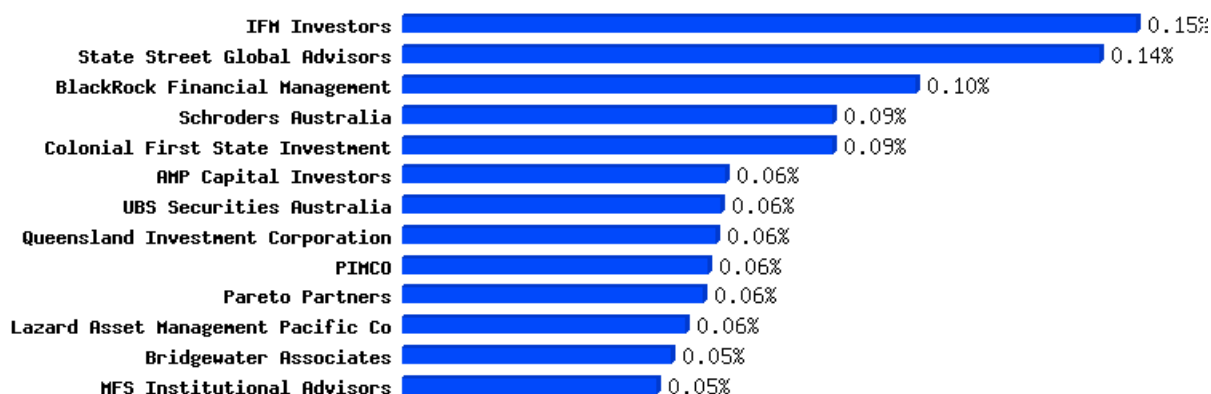
**GIA**, the online portfolio analysis tool, provides new insights into investment risks, as it explicitly takes into account the role of **Manager Skill** in investment portfolios.

We are currently analysing the investment portfolios of over 20 large institutional investors, representing over \$500 billion of superannuation and other assets.

Recognising that investment risks are materially more stable and predictable than returns, GIA focuses on sources of investment risk. Portfolio Theory tells us that to earn a return higher than the cash rate, it is necessary to take investment risk - by having an exposure to either market risk or manager skill.

What the GIA analysis is showing is that **up to 1/3<sup>rd</sup> of the investment risks** in an investment portfolio comes from manager skill. Our industry studies indicate that the typical balanced/growth superannuation fund has 3 - 4% gross manager risk, out of a total investment risk ranging from 12 - 18%.

While there are many questions that we aim to answer with GIA, one that we have not been able to consider answering previously is, "who are the largest providers of manager skill". Our current findings are set out in the chart below.



The GIA analysis system is available to registered users at [www.prigia.com](http://www.prigia.com). GIA is provided free to Institutional Investors.

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