ALTAIR ADVISERS

2007 Fall Investment Forum
October 30, 2007

Steven B. Weinstein, *President of Altair Advisers*, opened the conference by reviewing the highlights of the third quarter investment markets: volatility in stocks, a brief summer contraction, and continuing solid returns of foreign equities, led by the emerging markets. U.S. equities posted average returns, bonds bounced back as interest rates dropped, and commodities scored the highest returns of all. Steve also discussed the results of the Altair Advisers Quarterly Manager Survey. Overall our recommended managers were optimistic because of attractive equity market valuations, an expansionary monetary policy, controlled inflation, and low unemployment. Despite this positive outlook, the managers identified several near-term concerns and risks which may present challenges ahead, including a slowdown in U.S. economic growth, a housing recession fueled by the credit fallout, and a consumer spending slowdown combined with higher energy costs.

Jason M. Laurie, *Senior Consultant, Altair Advisers*, presented a preview of Altair's forthcoming white paper on active vs. passive investing. One of the preliminary conclusions of the research is that active managers provide superior protection in down markets. Another finding is that active management often requires patience, because during complete market cycles even top tier managers may suffer through a period of underperformance. Jason also pointed out that quantitative data alone will never precisely identify persistent outperformers, emphasizing the importance of qualitative due diligence in manager selection. Finally, he illustrated that in many cases where a top tier manager fell into the bottom quartile, there was a particular event and potential cause that thorough ongoing due diligence could have flagged.

Michael H. Moskow, *senior fellow for the global economy at the Chicago Council on Global Affairs and recently retired president of the Federal Reserve Bank of Chicago*, provided some insights into the decision-making process at the Fed and his thoughts on the economy. Michael gave an insider's account of the events during August, when the credit crisis came to a head, and the response of the Fed (cutting the discount rate.) He also gave his perspective on the subsequent events in September leading up to the half-point cut in the federal funds rate (although this time as an "outsider" since he retired August 31st.) Since our conference was on the eve of another meeting of the Fed, it was an appropriate time for Mr. Moskow to provide an outlook on the economy and his thoughts on the next Fed move. He described a slower growth economy that was generally healthy, but with several risk factors, including the potential contagion effect of the sub-prime credit market meltdown, the impact of the housing slowdown on consumer spending, and the risk of a rapid decline in the dollar. He felt a quarter point cut in the fed funds rate was likely, and that is in fact what happened the very next day.