

Why Subscribe to HIMIPref™?

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There is often reluctance on the part of institutional money-managers to subscribe to analytical services. This reluctance can often be traced to distrust of black-boxes or a feeling that the money-manager's competence might be called into question (either internally or externally) if the subscription is suggested.

This note addresses these issues and presents a business case in favour of subscribing to HIMIPref™. Potential users are encouraged to utilize it, in whole or in part, in preparing proposals at their firms.

Vital Advice

Preferred shares can make an excellent substitute for corporate bonds in taxable portfolios. As discussed in the publication *Why Invest in Preferred Shares* (available online at www.himivest.com/WhyPreferred.pdf) the after-tax return to an investor in Ontario's highest marginal tax-bracket has historically been about 50bp higher through an investment in preferred shares vs. corporate bonds – with return figures calculated using index values and therefore ignoring the potential for excess returns in what remains a highly inefficient marketplace.

An assessment of portfolio management possibilities for High-Net-Worth individuals is not complete without at least some consideration of preferred shares.

Independent Advice

The preferred share marketplace is a relatively tiny portion of the capital markets. With preferred shares being intermediate between common stocks and debt, having the characteristics of debentures but trading like equities, there is only marginal utility of having a specialist in either field examine the market. Hence, advice that is available to Portfolio Managers is almost always sponsored and controlled by the sell-side, a prospect that leads many managers to shun the sector.

Hymas Investment Management Inc. (HIMI), the developer of HIMIPref™, is independent. There is no axe to grind, there is no sponsorship of the firm by the issuers, there is no need to clear out inventory, there are no underwriting fees to be earned. No fees are earned by HIMI as a result of client trading.

Cost-Effective Advice

HIMIPref™ is available to users 24 hours per day – every day. With a subscription fee of \$500 per month for ICPM's, full-time, professional, specialist advice is available to users at a very small fraction of the cost of hiring even the most junior of analysts.

Consistent Advice

HIMIPref™ is a quantitative system. The market is examined daily and relative valuations of the issues are determined in accordance with a set criteria that is examined and tested continually. Emotion plays no part in the analysis: each factor contributing to the system's evaluation of the issues has been found to have useful predictive power in the past – and HIMI insists that each factor possess a rationale that can logically be expected to have such predictive power.

A recommendation produced by HIMIPref™ is based on how well fundamental predictive factors have produced outperforming results result over a wide variety of market conditions.

Verifiable Advice

HIMIPref™ does not simply accept portfolio inputs and output a mysterious trade recommendation. The system has been defined so that users may drill down from the 'top-level' numbers into the fundamental intermediate calculations to determine just why a particular conclusion has been drawn from the data.

Fundamental Advice

HIMIPref™ does not use technical analysis. Each fundamental factor has a fundamental meaning – yield, for instance, or the relationship of a particular issue to the yield curve – and may be discussed in polite society without fear of ridicule.

Customizable Advice

Different clients may have different objectives in their portfolio – they may also have different biases in their risk-aversion. Portfolios may be set up on HIMIPref™ with different constraints on their holdings, different tax schedules, different commission rates ... a plethora of options are available to the Portfolio Manager. All portfolios on the system will have their potential trading individually analyzed and each recommendation will bring the full resources of HIMIPref™ to bear on the problem of trade selection.

Tested Advice

HIMI has a small unit trust, Malachite Aggressive Preferred Fund, which has used the recommendations produced by HIMIPref™ to achieve extraordinary (and audited!) returns since its inception in March, 2001.

Respected Advice

HIMIPref™ was conceived, developed and programmed by James Hymas, CFA, a successful quantitative Portfolio Manager, whose vision of the programme was based on a desire for a quantitative system that allowed easy inspection of its inner workings by users who might not necessarily be intimately acquainted with its programming – or of any programming!

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