

CAAM London
Global Bond & Currency Management

The Global VaR Concept & Product Line

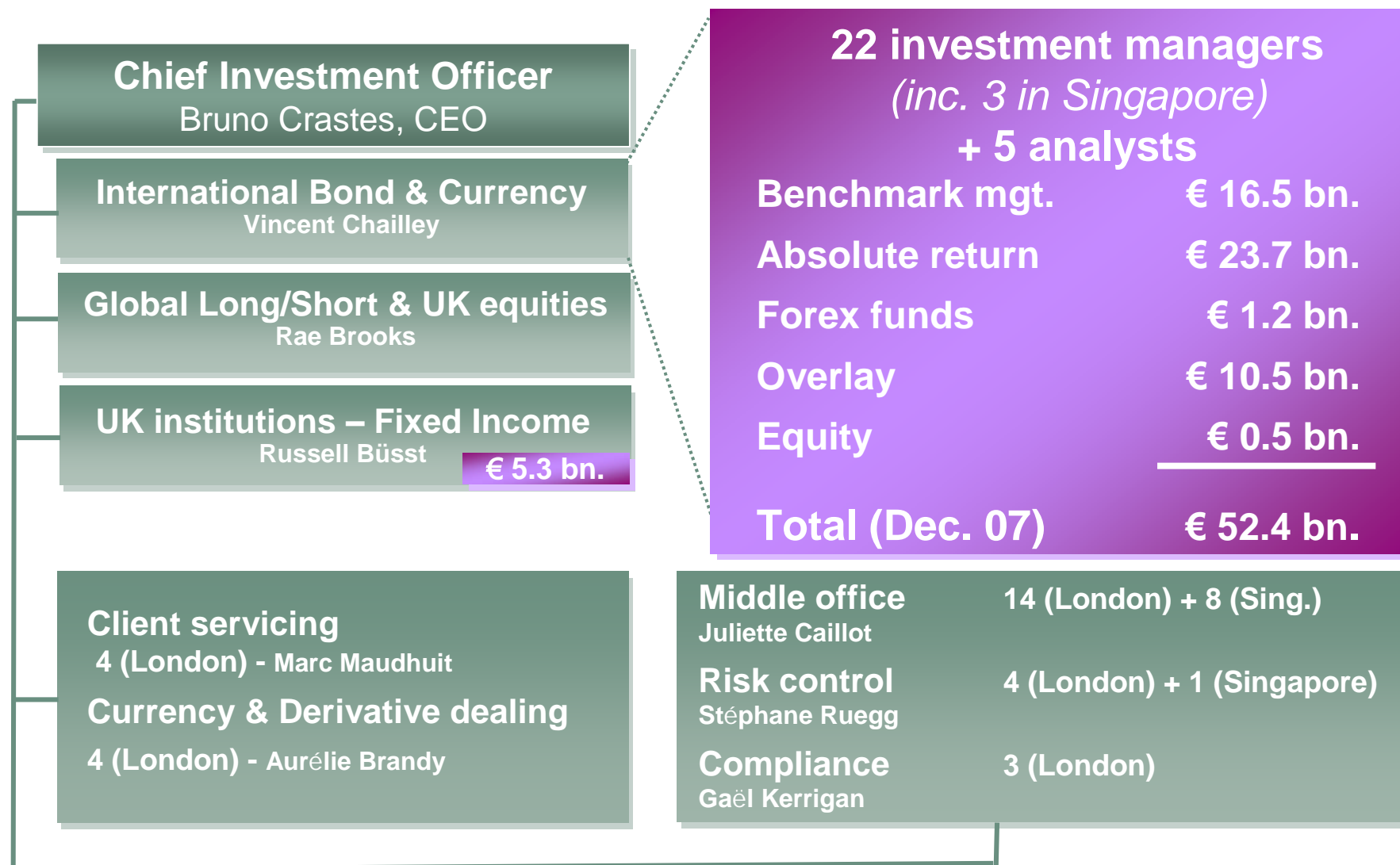


January 2008



1 Organisation & Business of CAAM

CAAM (London Branch) Investment & Support teams



CAAM (London Branch) Investment Teams

CAAM (London Branch) CEO & CIO
Bruno Crastes

GLOBAL BOND AND CURRENCY MANAGEMENT
Vincent Chailley, Head / Cedric Morisseau, Deputy Head

QUANTITATIVE MANAGEMENT

| | |
|------------------------|------------------------------------|
| <u>Carlos Galvis</u> | Quantitative management |
| <u>Raphaël Stefani</u> | Quantitative Management |
| Mervin Yeung | Quantitative Management |
| Merrick Styles | Quantitative Management (trainee*) |
| Eddie Pong | Quantitative Analyst |
| Rajeesh Purih | Quantitative Analyst |
| Vivek Mahtani | Quantitative Analyst |

CREDIT

| | |
|-----------------------|---|
| <u>Charles Zerah</u> | Emerging market bonds & currencies |
| <u>Loïc Cadiou</u> | Emerging market bonds & currencies |
| Sergeï Strigo | Emerging market bonds and currencies (trainee*) |
| Thomas Delabre | Emerging market bonds and currencies analyst |
| <u>Philippe Jauer</u> | Global corporate credit |
| Markus Krygier | Global corporate credit |

TRADING

| | |
|-------------------------|---------------------------------------|
| <u>Yves Casa</u> | Head of Forex trading |
| Lhoucine Aderdor | Currency trader assistant (trainee*) |
| Ludovic Colin | Volatility & Emerging Currency trader |
| <u>Stéphane Leclerc</u> | Head of derivative trading |
| Jeremy Touboul | Derivatives trading |
| Alain Casiraghi | Commodity futures trading |

CASH MANAGEMENT

| | |
|-----------------------|-------------------------|
| <u>Philippe Jauer</u> | Head of Cash management |
| Marc Plans | Cash manager |
| Christophe Chapuis | Cash manager |
| Matthew Fairclow | Cash manager |
| Patricia Rimes | Cash manager |

SINGAPORE GLOBAL BD & CCY MGT

| | |
|---------------------|--|
| <u>Patrick Chia</u> | Head of Singapore Global Bond & Currency mgt |
| Hervé Hanoune | Investment manager |
| Jean-Baptiste Roux | Investment manager (trainee*) |
| Pascal Dubreuil | Emerging corporate bond analyst (trainee*) |

RÉDIT AGRICOLE
SSET MANAGEMENT

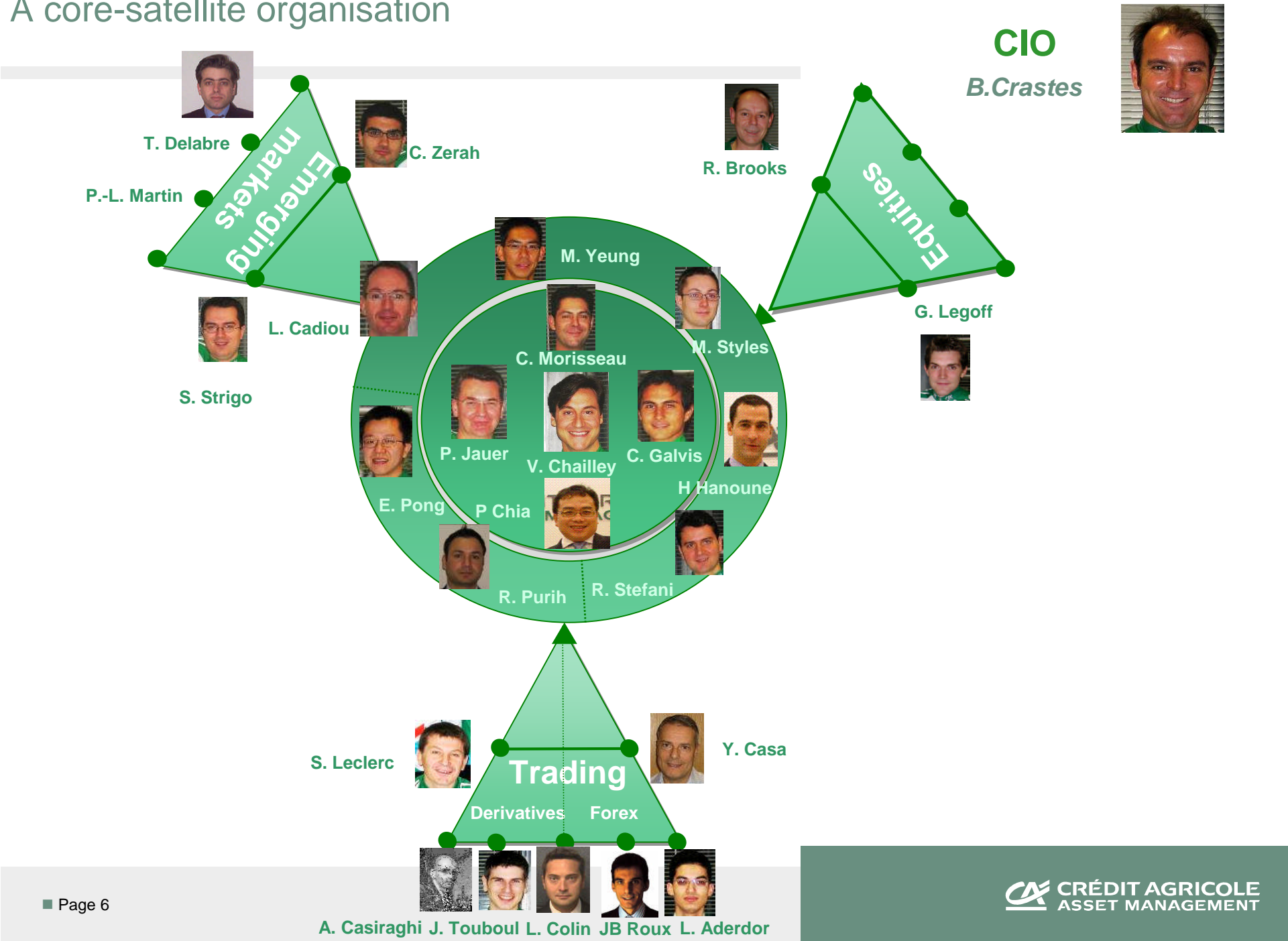
CAAM (London Branch) Support Teams





2 Presentation of CAAM London Branch

A core-satellite organisation



Absolute Return Management : Beta vs. Alpha management

Traditional management

- **Benchmark-oriented**
→ Beta management
- **Minimization of costs**
- **Limited diversification**
- **Accounting reading**
→ **Asset allocation**

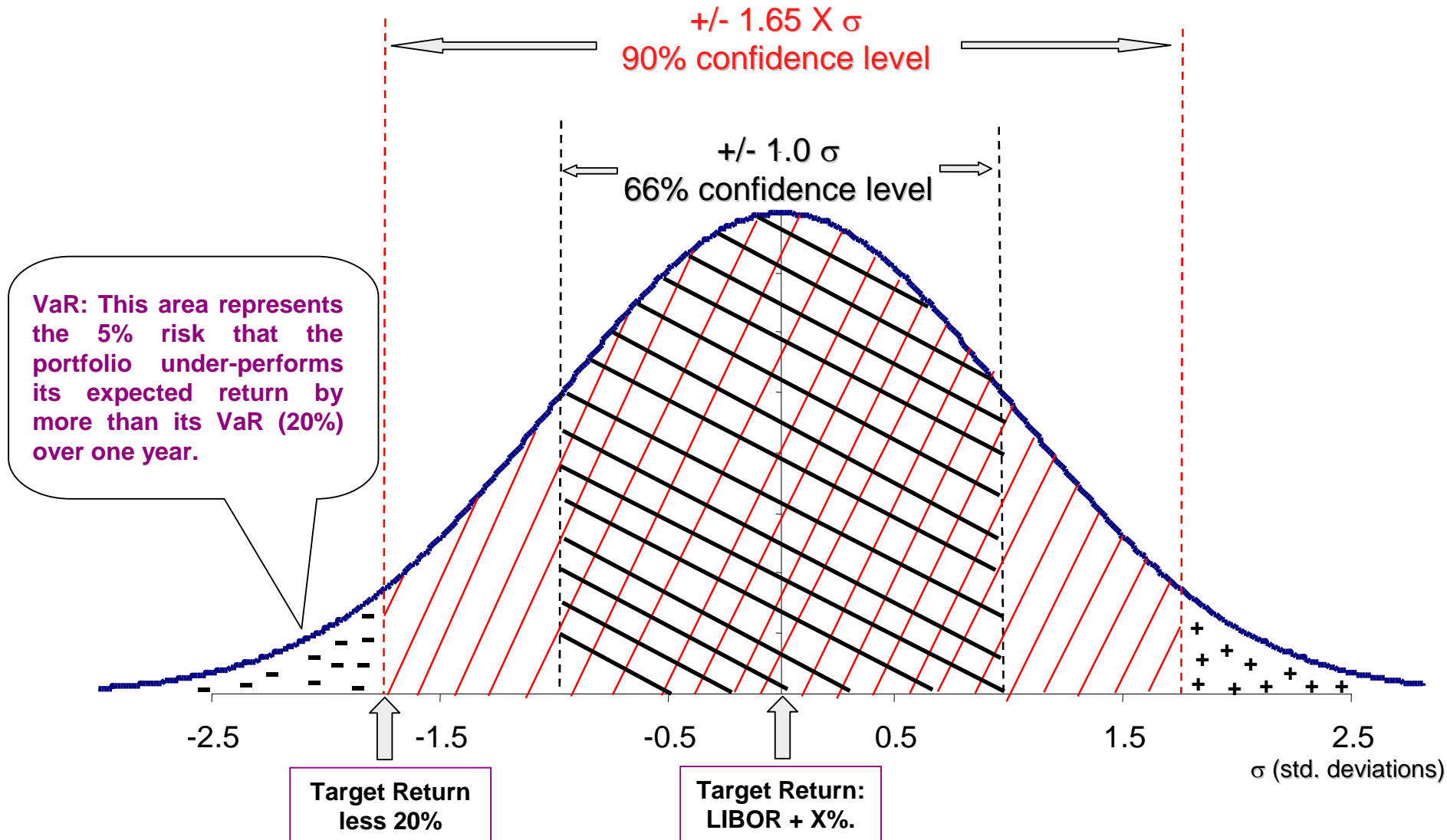
Alternative management

- **Performance-oriented**
→ Alpha creation
- **Maximization of revenues**
- **Maximum diversification**
- **Financial reading**
→ **Risk allocation**

■ **Beta versus Alpha Management :**

Two radically different management approaches

Definition of Value at Risk – VaR 20 Fund



Source : CAAM



3 Philosophy & Investment Process

Philosophy and investment process

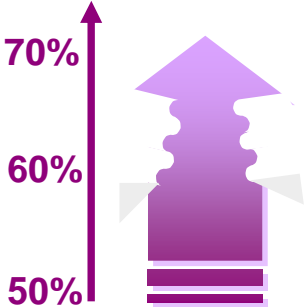
”Over the long term, a portfolio manager cannot rely on prediction alone...”

Global Alpha

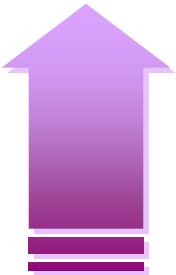
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Individual alpha
Individual skills

Organisation
Adding up individual skills



- Limited to 60-65% success-ratio
- Vulnerable when under pressure
- Consumes resources exponentially

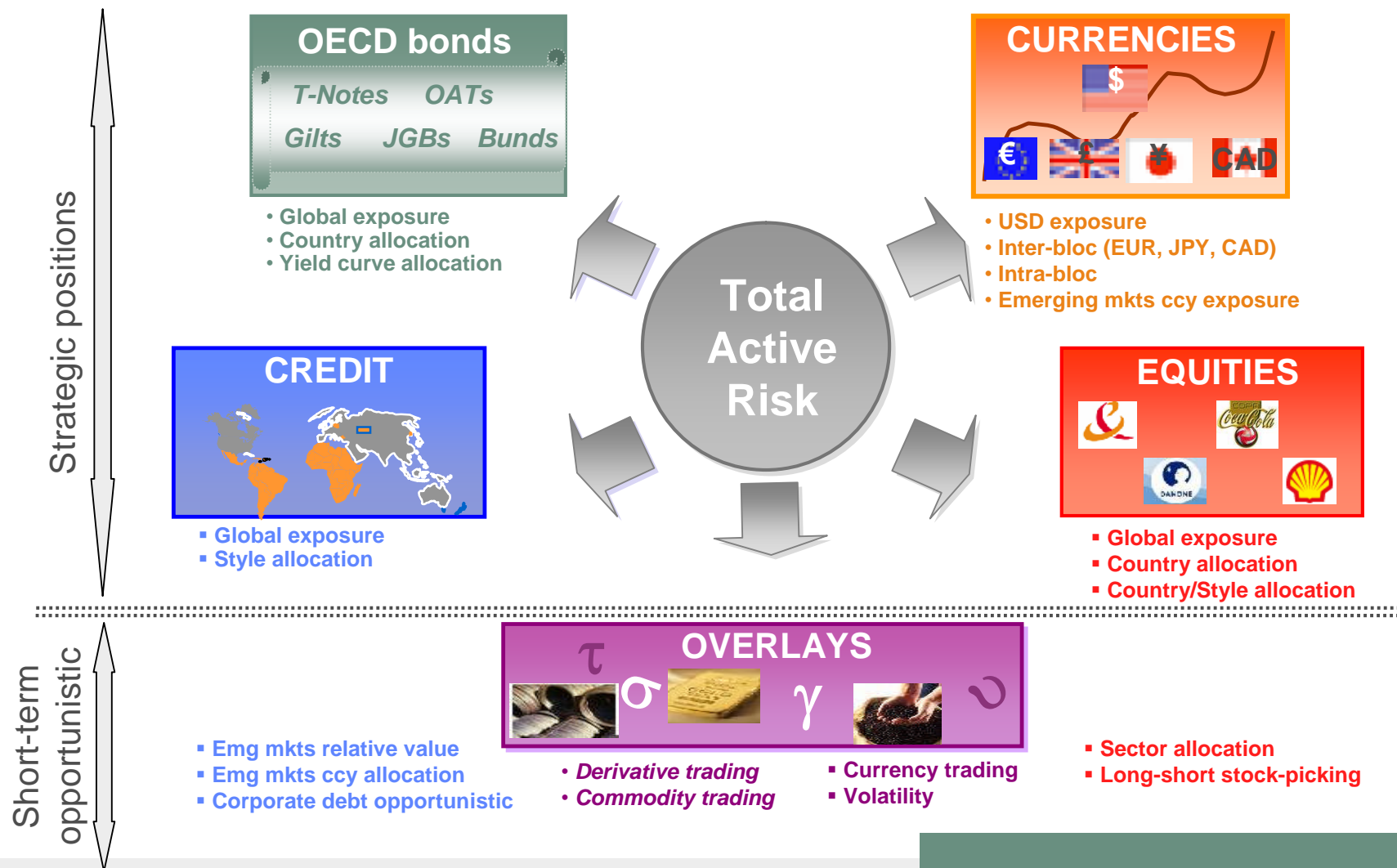


- Maintains the quality from the decision to the position
- Releases pressure from the manager
- Size makes it harder

Philosophy and investment process

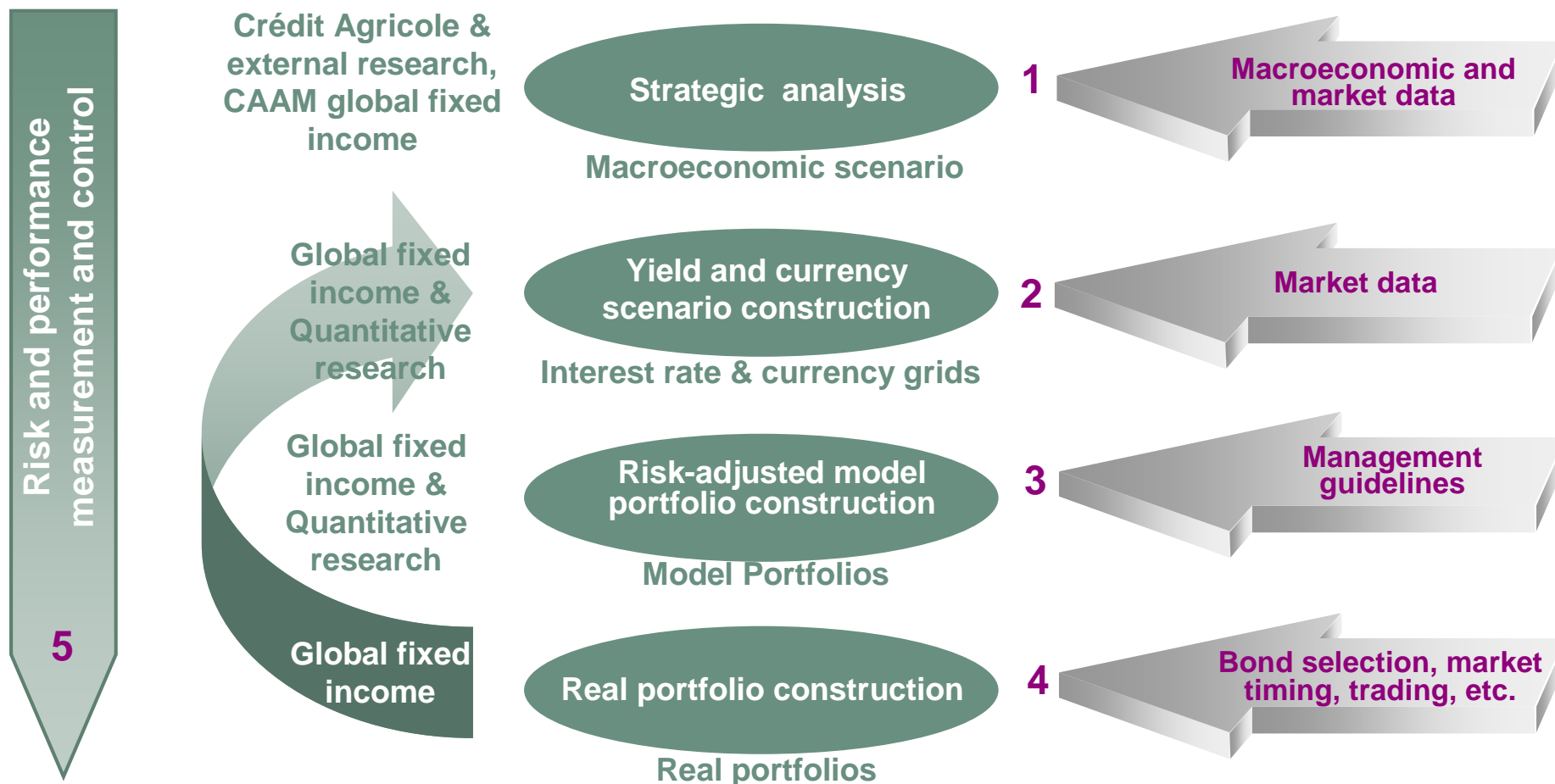
Multiply skills...

...*Statistical and objective diversification provide risk-reduction and return normalization*



Philosophy and investment process

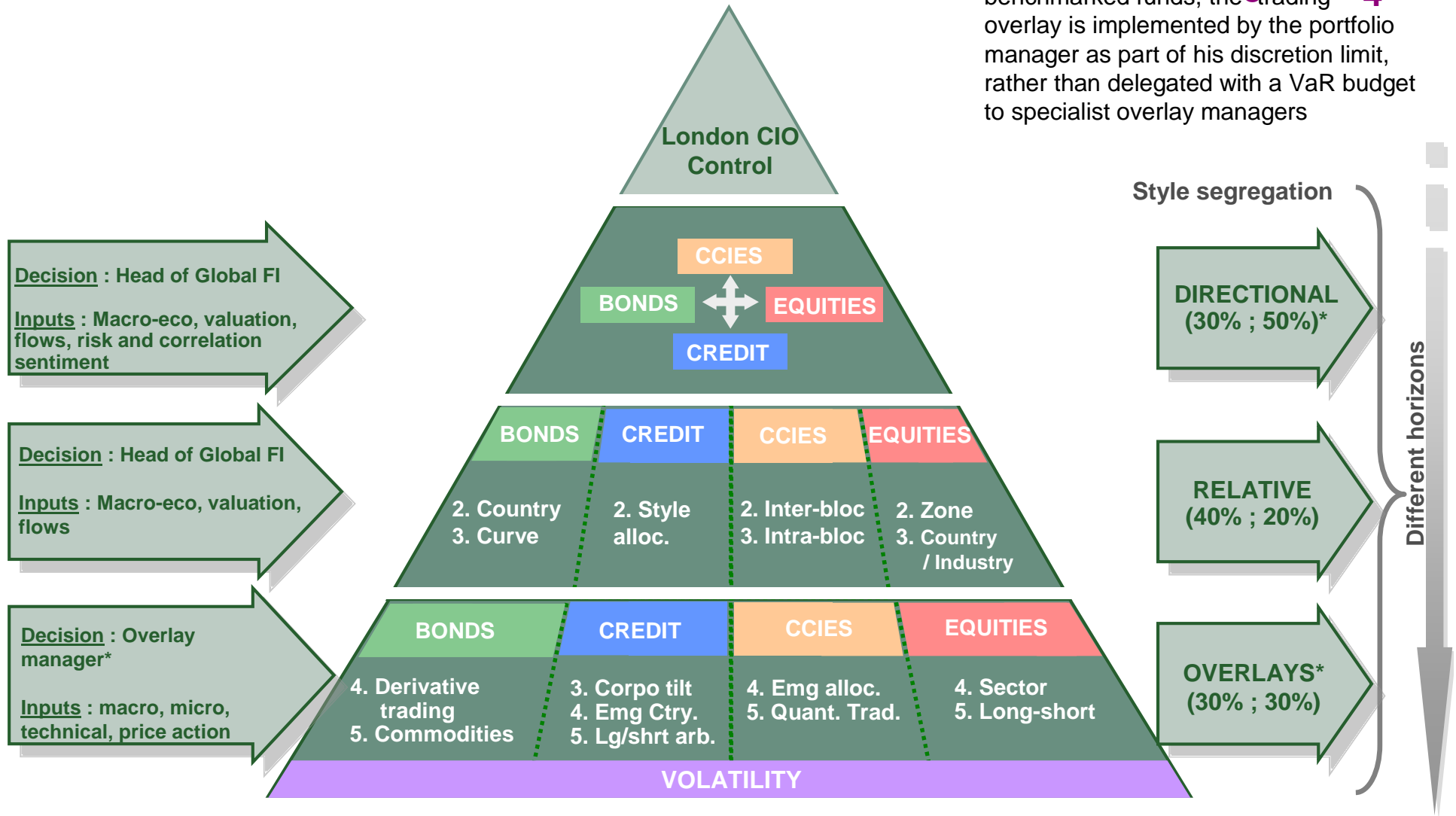
A 5-step investment process ...



Making decisions

...and a single decision-maker per source of performance

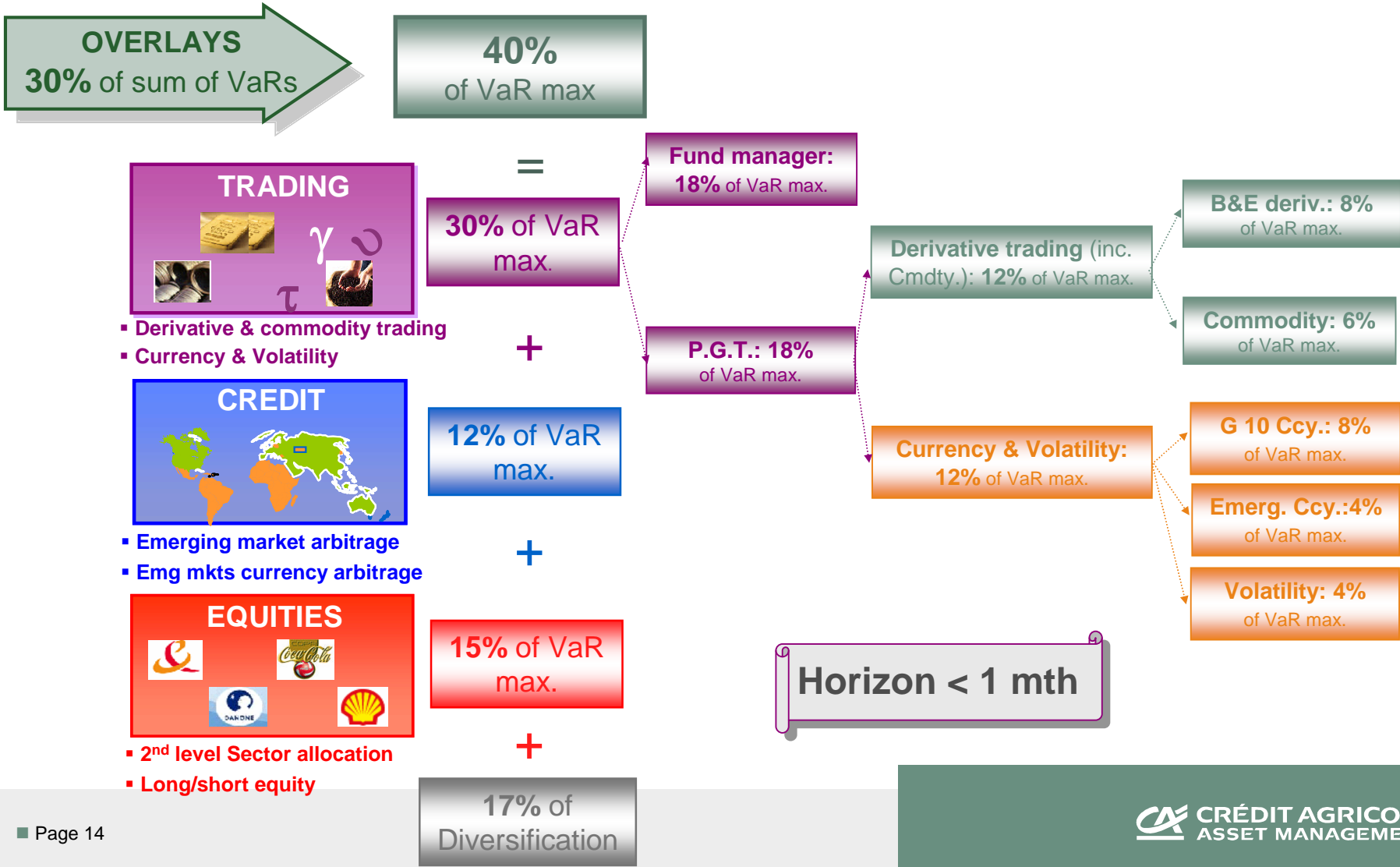
* In the case of mandates & index-benchmarked funds, the "trading" overlay is implemented by the portfolio manager as part of his discretion limit, rather than delegated with a VaR budget to specialist overlay managers



Making decisions: Overlay management *risk allocation*

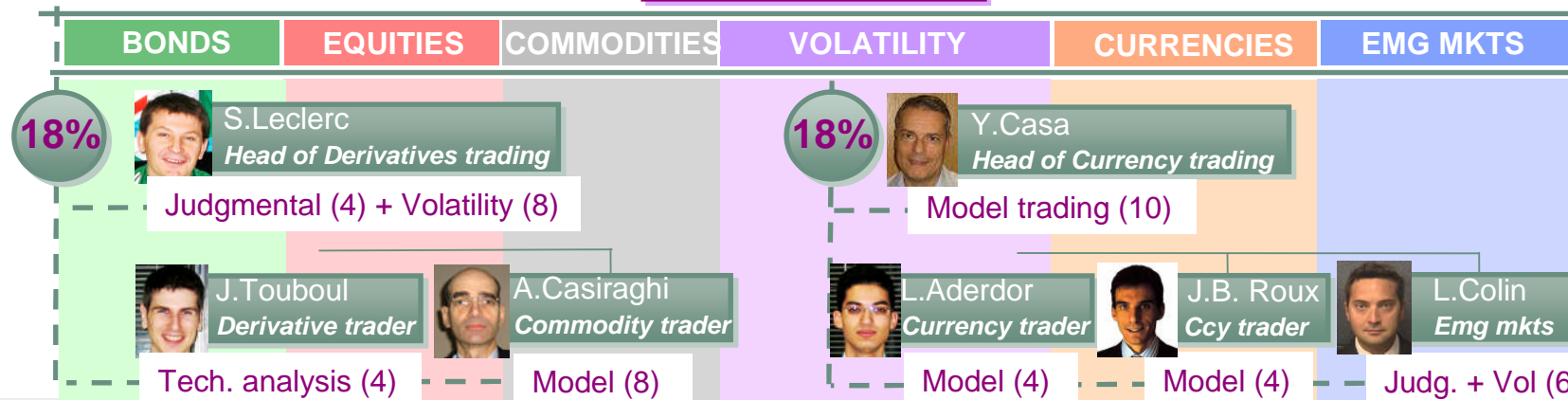
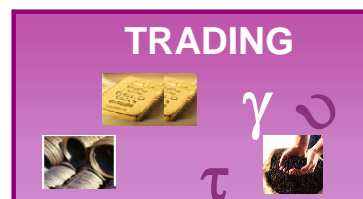


Objective diversification for more opportunities and better robustness



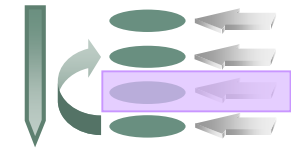
Making decisions: Overlay management

Decision makers



Investment Process : Translate views into positions

(translate skill into positions)



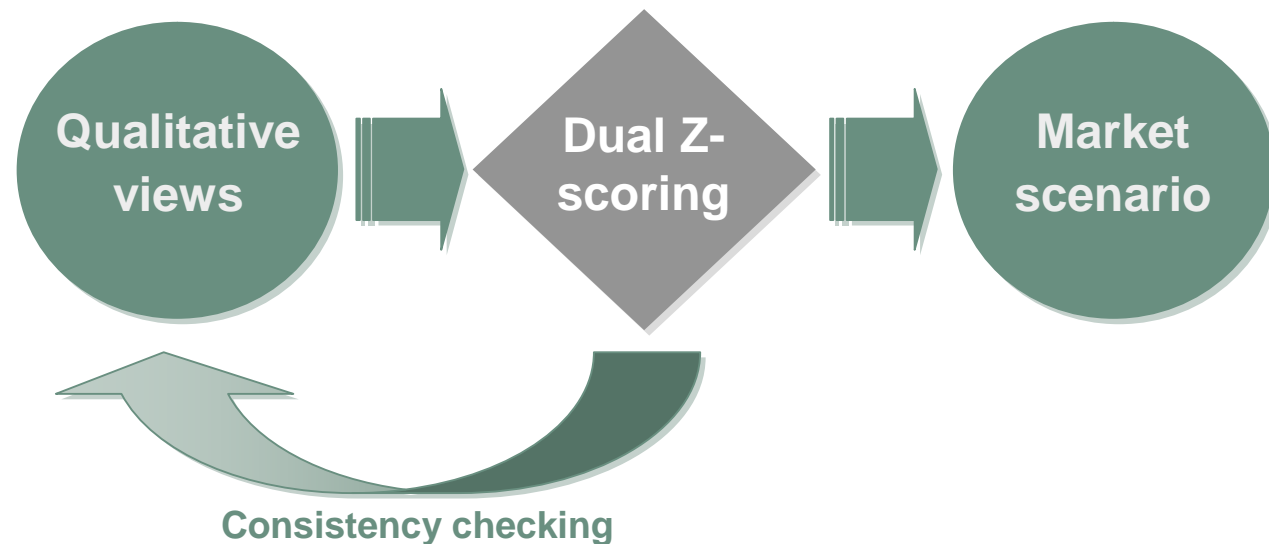
In a broad investment universe, a human being cannot accurately and consistently consider correlations and volatility

Qualitative views

- OECD bonds**
 - Duration: -
 - US & Jap. vs EMU: =
 - Flattening US: ++
 - Swap spreads: -/2

- Emerging bonds**
 - Latam (Brazil): -
 - Argentina : +
 - Central Europe : +/-
 - Russia : +

- Currencies**
 - USD exposure: +
 - EUR & JPY blocs: -
 - Commodity-bloc: +
 - etc.



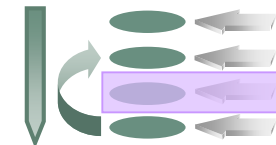
Complete quantitative market forecasts

The computer double-checks and quantifies the scenario

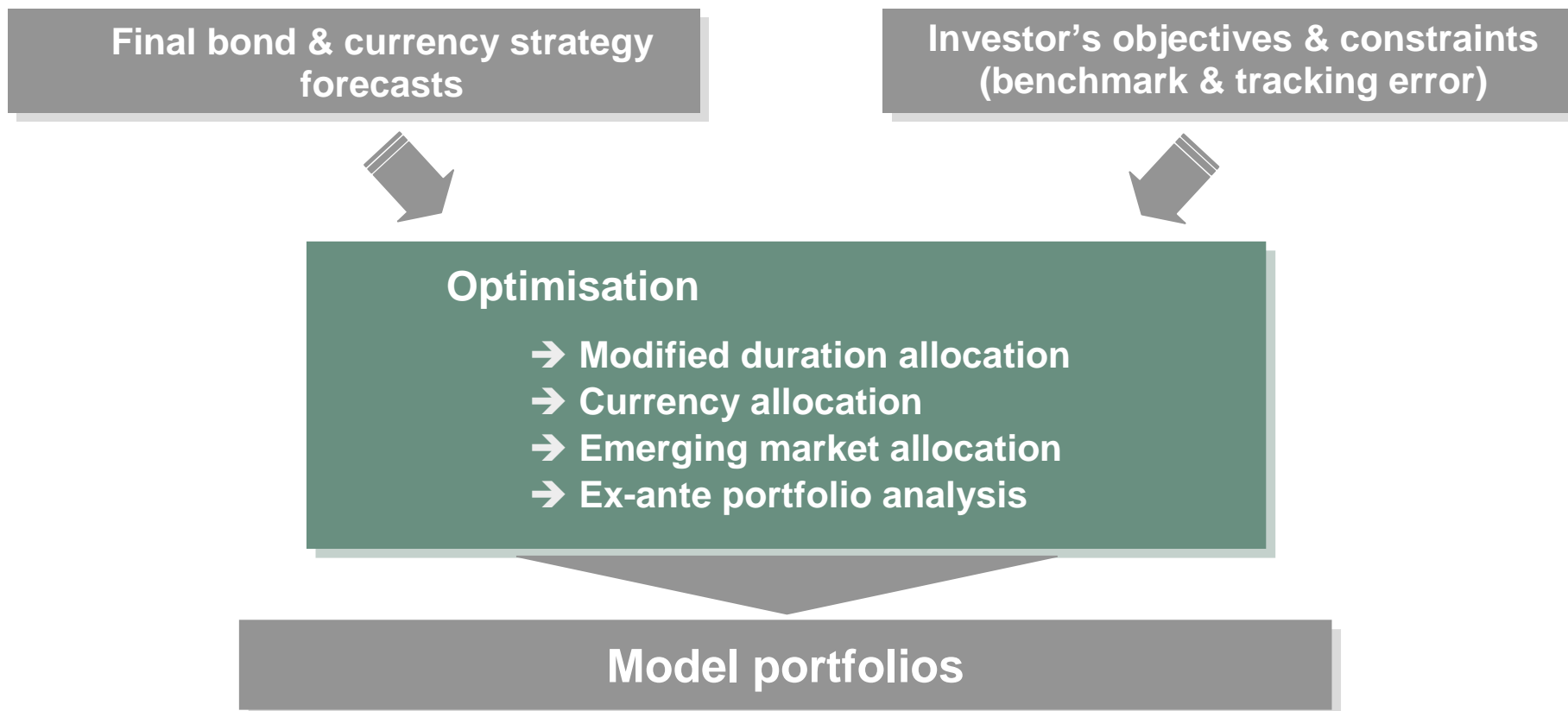


MAXIMUM CONSISTENCY

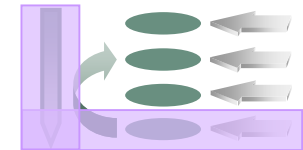
Investment Process : Translate views into positions (translate skill into positions)



**Constraints are introduced at the very end of the process
so that portfolios benefit from all the markets views**



Investment Process : Day-to-day management (optimize performance and absorb shocks)



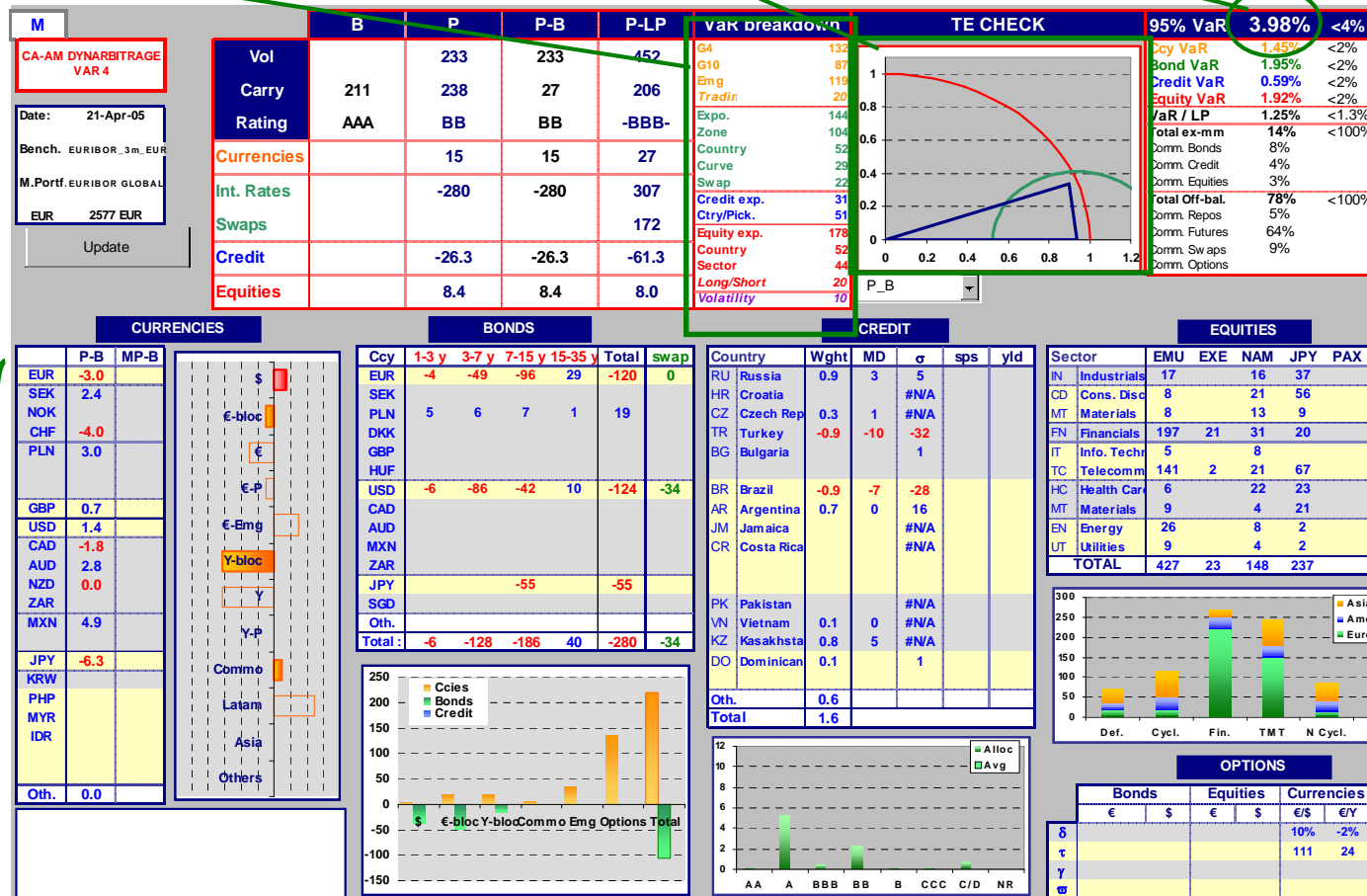
Dynamic risk monitoring...

...Instant-update & global risk monitoring is key for consistency and reactivity

Active control of strategic vs. tactical risk

Contribution to global risk measured real-time along every source of performance

Aggregated risk measured real-time thanks to a global variance-covariance matrix based on JPM RiskMetrics technology



2 full-time developers:

E.Pong



R.Puri



Real-time position monitoring on all asset classes