Portfolio Diversification with Commodity Assets

Latest research, risk characteristics, asset/liability matching and performance measurement

26 & 27th May 2004, Café Royal, London - Conference

Half-Day Workshop - Commodity volatility and options markets
Managing price volatility with options: Product structures, pricing & modelling
28th May, 2004

Increased competition and market volatility is driving the focus on uncorrelated assets for maximum portfolio efficiency and improved risk/reward characteristics. You need to evaluate the opportunities and risks, drawing on the best current research to reach asset allocation decisions and to successfully manage your investment strategy and hedge liabilities.

Attendance at this major event will enable you to:

- Evaluate the fundamental factors driving rising commodity prices
- Understand the nature of inherent commodity returns
- Analyse portfolio effects and quantitative risk measures
- Review commodity backed financial investment structures
- Implement long term asset/liability matching
- Hear detailed pension and hedge fund case studies
- Review passive index strategies versus active management
- Hear practical lessons on market timing and opportunities presented by producer hedging
- Avoid being caught out by unforeseen commodity subclass correlations
- Understand the key characteristics of energy, metals and soft commodity markets
- Set appropriate performance measures and benchmark results

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• Advanced Analysis of Commodity Price Correlations and Risk Premiums
• Yield Curve Modelling for Inflation linked Securities
• Structuring Inflation Derivatives
• Managing Commodity Derivatives
• Regulatory Capital Compliance Under Basle II

If you have any training needs or would like to discuss specific areas of interest, please contact James Male on 44 (0) 207 368 9359 or email james.male@iqpc.co.uk

Who should attend?
This bespoke programme is a unique offering to guide investment professionals in their long-term asset allocation decisions. Aimed at Pension & Mutual Funds, Insurance, Asset & Investment Management, Private Banking, Commodity Professionals, Banks and Brokers.

This event with attract portfolio managers, pension managers, analysts, economists, quantitative researchers, relationship managers, traders, high net worth individuals and all those interested in new investment opportunities.

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Commodities Now is the quarterly magazine for the traded commodities markets globally. The focus is on power and energy, metals and agricultural markets and trends and developments in these industries - from technology to deregulation. Commodities Now also produces WorldPower, the annual dedicated to the power and energy markets globally. www.commodities-now.com

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8:15 Registration & coffee

8:45 Chairman’s welcome & opening address

Robert Greer, Real Return Fund Manager, PIMCO

9:00 The economic rationale for commodities: a fundamentally driven secular opportunity or market timing hazard?

• Fundamental demand for raw materials from emerging economies & the accelerator principal
• Monetary policy, long-term credit growth and low nominal yields
• Central banking balance sheet expansion & reflatoryionary policies
• Global growth measures and impact on commodity consumption
• Commodity assets vs. alternative investments, a strategic evaluation

Philipp Vorndran, Chief Strategist, Switzerland, Credit Suisse Asset Management

9:45 Analysis of investment demand drivers: which sectors will outperform?

• Strategic or tactical opportunity?
• Structural changes in key sectors
• Price vs. yield gains
• Which commodity markets to gain exposure to, for a diversification strategy

Kevin Norrish, Commodities Analyst, Barclays Capital

10:30 Understanding the nature and causes of inherent commodity index returns

• Commodity futures vs. cash commodity investment
• Index definition
• Drivers of return to long-only futures
• Return pattern in relation to stocks and bonds
• Efficient use of capital in implementation

Robert Greer, Real Return Fund Manager, PIMCO

11:15 Coffee networking break

11:45 Analysis of returns from a diversified commodity portfolio during above and below trend economic growth

• Diversification components; equities, bonds and commodities
• Hedging economic and financial asset risk
• Independence of long-run returns and long-run price trends
• Changing risk premiums
• Rate of change of inflation and asset prices
• Expected utility improvements

Jeffrey Currie, Managing Director, Commodities Research, Goldman Sachs International

12:30 Portfolio risk measures

• Portfolio efficiency with commodity allocations
• Portfolio return and volatility measures
• Model construction and stress testing

Mark Hooker, Head of London Advanced Research Centre, State Street Global Advisors

13:15 Networking lunch

14:15 A Pension fund case study; implementation of a strategic allocation to commodities

• Why commodities in the strategic allocation of a pension fund
  - Diversification
  - Inflation Hedge
  - Return/Risk Premium

• How to implement the commodity investment
  - Benchmarks
  - Instruments
  - Liquidity
  - External Asset Managers
  - PGGM's choices and experiences

• Tactical possibilities for institutional investors
  - Active Possibilities/Alpha

Jelle Beenen, Manager, Commodities & Quantitative Strategies, PGGM Investments

15:00 Index construction: economic weightings and periodic rebalancing

• Mean reversion price rebalancing
• Volatility of returns
• Period rebalancing
• Reviewing index products

Mohan Rajagopal, Head of Commodity Correlation Trading, Deutsche Bank

15:45 Coffee & networking

16:15 Commodity investment structures: active & passive exposure management

• CTA's & macro funds
• Index and commodity futures
• Swaps and derivatives
• Sensitivities and leverage analysis

Daniel Masters, President, Global Advisors LP

17:00 Generating Alpha: seeking returns in a maturing asset class

• Alpha: why bother?
• alternative approaches
• diversification of Alpha strategies

Adam De Chiara, President, Jefferies Asset Management

17:45 Chair’s summary and end of day one

Day two – 27th May

8:30 Coffee & re-registration

9:00 Chair’s opening address

Guy Isherwood, Editor, Commodities Now

9:15 Evaluation of long-term supply/demand characteristics of individual commodities

• Productive output and raw materials usage in key sectors
• Supply, demand and hedging in capital intensive production cycles
• Investment demand for precious metals as a monetary asset

• Declining energy production and global demand increase
  - development of alternative energy assets
  - sensitivity of economic activity to oil price

Nick Riley, Head of LME Sales, Refco
10:00 Practical risk management methodologies for leveraged commodity futures trading
- Portfolio construction with long and short option profiles
- Tail events in commodity price distributions
- Loss tolerance and short period fluctuations in futures markets
- Analysis of concentration risks
- Macro hedging of business shocks
- Case studies; soft spreads, paired trades & liquidity premium returns
Hilary Till, Principal, Premia Capital Management

10:45 Coffee & networking

11:15 Hedge fund case study: active portfolio management
- systematic futures trading with statistical methods
- identification and exploitation of market inefficiencies
- Omega as a risk return measure
  - pension fund perspective
  - hedge fund perspective
- ensuring realism in performance benchmarking operations
David Harding, Managing Director, Winton Capital Management

12:00 Timing investment allocations and capturing long-term opportunities
- Analysis of forward curve for timing indicators
- Creating alpha by adjusting weights of index components
- Opportunistic investing based on temporary imbalances from asymmetric hedging flows
Dan Nash & Boris Shrayer, Co-Heads of Investor Products in Commodities, Morgan Stanley

12:45 Networking lunch

14:00 Energy sector: investment strategies & composition of returns
- Long-term shift in distribution of energy prices
- Backwardated curve and positive roll yield
- Theory of storage and exposure to demand shocks
Per Tingberg, Head of Commodities, Barclays Global Investors

14:45 Base and precious metals: investment strategies & composition of returns
- Contangoed curve and negative roll yield
- Convenience yield and embedded consumption timing options
Russell Gripper, Deputy Head of Commodities, Royal Bank of Scotland

15:30 Coffee & networking

16:00 Soft commodities: investment strategies & composition of returns
- Low correlation of soft commodities with other investment vehicles
- Management of liquidity issues
- Cash & carry opportunities in soft commodities
- Political & country risks and opportunities in soft commodities
- Development of OTC and physical stock investments in softs
Jim Jenkins, President, ED&F Man Cocoa, Inc.

16:45 Performance measurement and comparisons of US vs. European return patterns
- Asset weightings and risk/return trade offs
- Diversification benefits of combined US / European exposure
- Currency effects and replication of US$ exposure with € products
- Benchmarking results
Professor Christopher Gilbert, Professor of Econometrics, University of Trento

17:30 Chair’s summary and close of conference
Are you evaluating the opportunities in commodity asset classes?

Have you access to the latest investment research and risk management methodologies?

Is this a cyclical or secular opportunity? Emerging market demand, reflationary monetary policies and the search for uncorrelated returns present a persuasive investment case that you must evaluate. Financial asset inflation increases portfolio risk and your only fundamental hedge from these risks is to diversify.

‘Portfolio Diversification with Commodity Assets’ delivers a much-demanded analysis of a major asset class that may be miss-understood, is potentially undervalued and is certainly under-owned. Risk or opportunity, your responsibility is to carefully assess the latest portfolio research to reach an informed decision on your investment stance. Should you hedge financial asset risk with tangible assets? Accessing the cutting edge research presented at this forum ensures a confident understanding of the issues.

Responding to bespoke research with senior contacts in the investment community, Finance IQ have developed a programme that addresses the key concerns of the market place and examines the activities of current participants. With a carefully selected panel of expert speakers and a thorough agenda, covering two days, this event will guarantee the efficiency and effectiveness of your portfolio strategy and risk management practice.

At this event you will hear the development of fundamental macro arguments, specific portfolio effects and risk measures and a technical review of the performance of commodity assets. Case studies drawn from active pension funds, hedge funds and asset managers ensure a practical focus so that you can avoid common pitfalls and risks.

We have gathered together the leading participants to provide insight into this market and to deliver you with a practical framework for your long-term investment strategy.

You’ll benefit from key experts including:

- PIMCO
- Goldman Sachs
- PGGM Investments
- Deutsche Bank
- Barclay Global Investors
- Credit Suisse Asset Management
- Refco

If you are evaluating alternative investment strategies you must attend this event

- New research & Decision-maker insights: An unsurpassed breadth and seniority of presenters focusing directly on the subjects that are changing businesses today so you can learn the business critical information from the practitioners leading the market
- Unbiased agenda: A 100% industry researched program enabling us to successfully focus on the vital and timely issues you need in 2004 in order to achieve your investment aims
- Effective networking opportunity: Bringing together a consistently high level investment decision makers and strategists under one roof for two days so you can share experiences and challenges with peers

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If you are interested in attending this event, please contact Martin Woodhams at 0207 773 8638, or e-mail him at martin.woodhams@barcap.com

**Excellent quality of institutions and attendees and very focused on institutions, stuck closely to the brief**

- ABP Investments

**Well organised and high calibre presentations. A good presence of major institutional investors**

- Ontario Teachers Plan

**Very knowledgeable speakers and a thought-provoking discussion, one of the better events I have attended over the years**

- Société Générale

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For further information contact: Malcolm Wall Morris, Business Development Manager

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