

The 2004 IAFE Annual Conference

Alpha, Beta, Schmalpa

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Galaxy of Risks



(Partial listing)

Intensity of Risk Management

Low

High

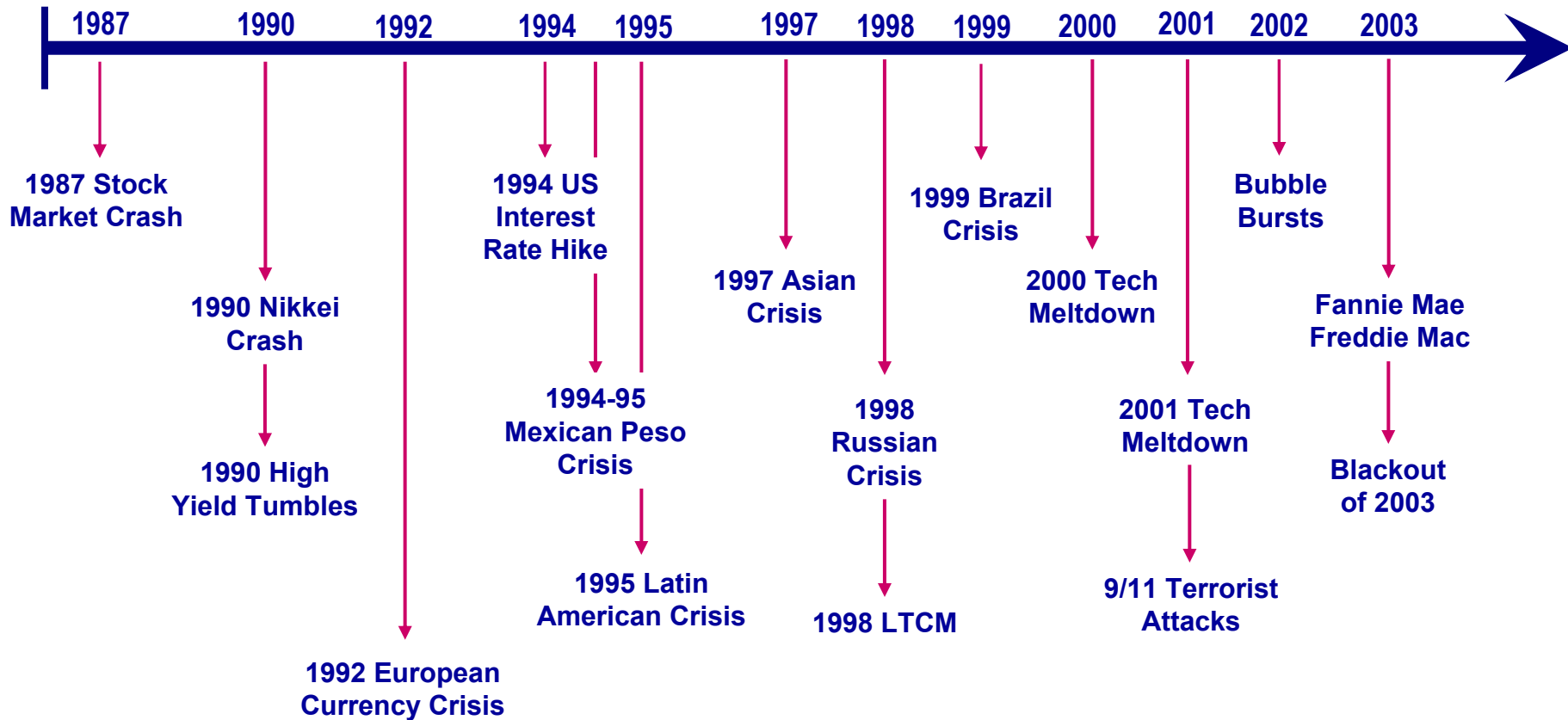


Liquid
Transparent pricing

Illiquid
Mark-to-model
Optionality
Uncertain cash flows
Concentrated
Leveraged

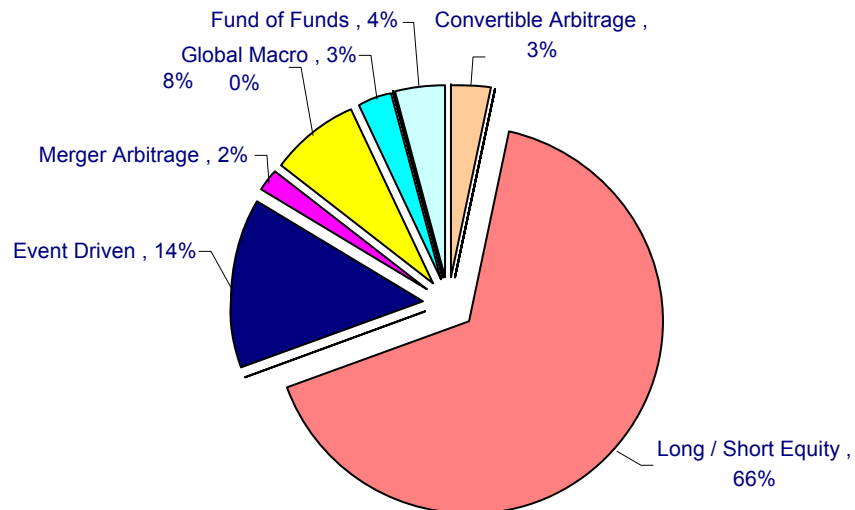


“Unexpected” Financial Shocks

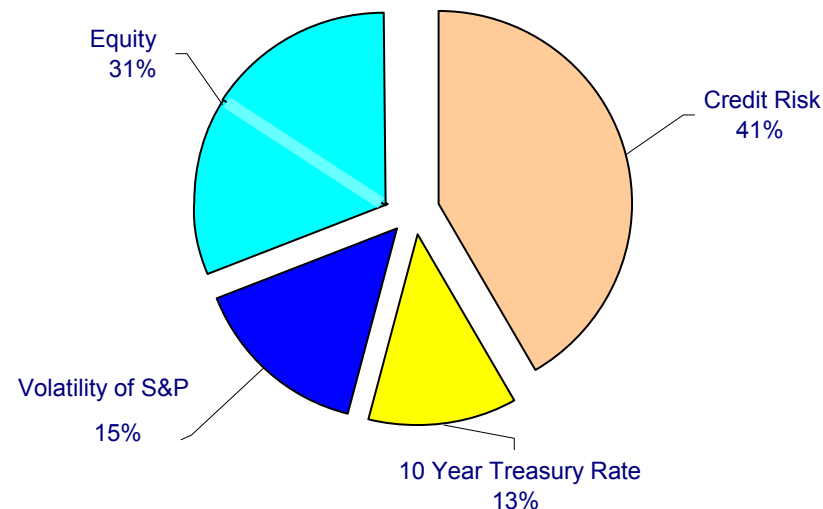


Asset Composition versus Risk Decomposition

**Asset Composition of ABC Partners L.P.
(% of Assets)**



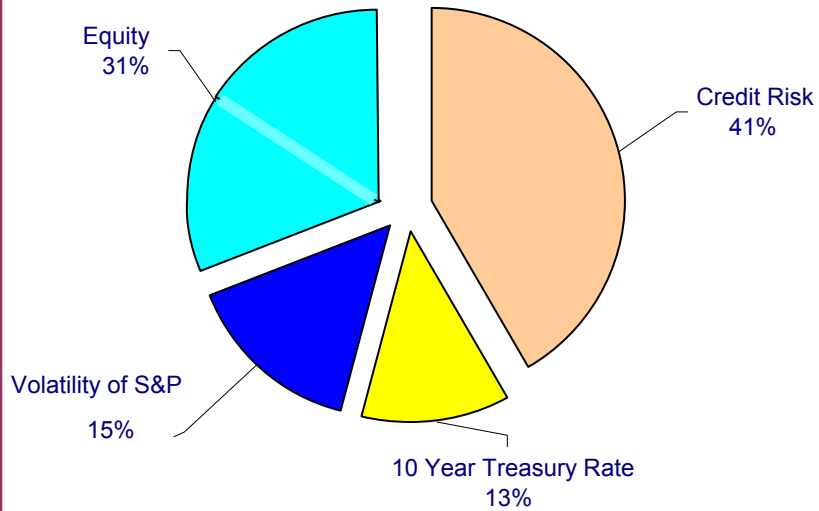
**Risk Factor Decomposition of ABC Partners L.P.
(% of Assets)**



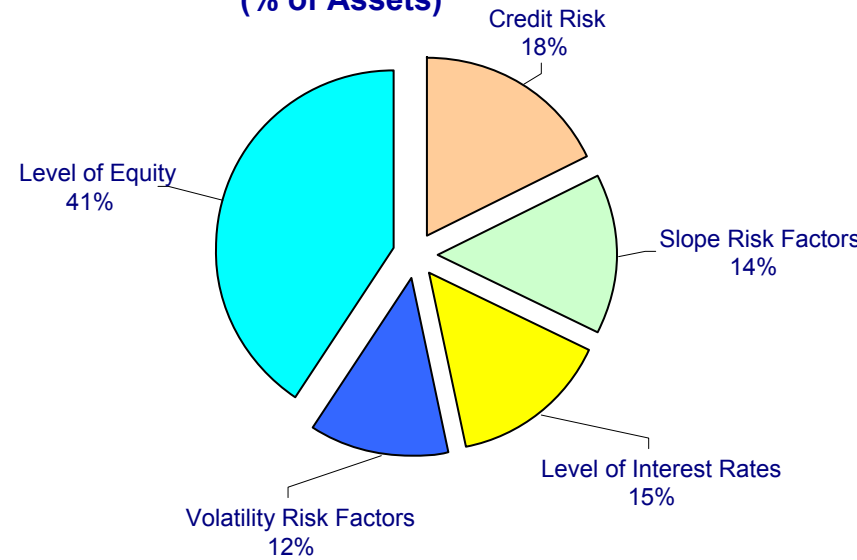
- Decomposing the portfolio's investments in risk factors as a percentage of assets, 46% of its assets are exposed to the equity markets (31% to the level of the S&P and Nasdaq, and 15% to the volatility of the S&P).
- The second component in the exposure of the portfolio is credit with 41% of the portfolios asset exposure and lastly 13% of the portfolio's assets are exposed to the 10 Year Treasury rate.

Risk Decomposition of Three Fund of Funds

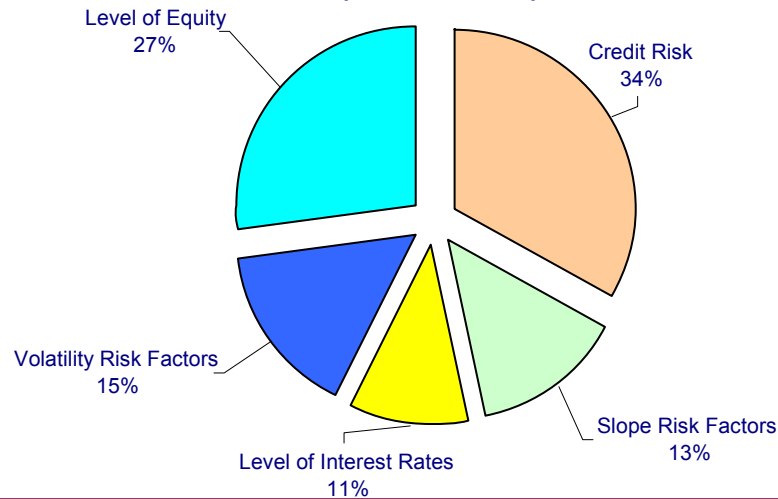
FOF Portfolio 1 (% of Assets)



FoF Portfolio 2 (% of Assets)

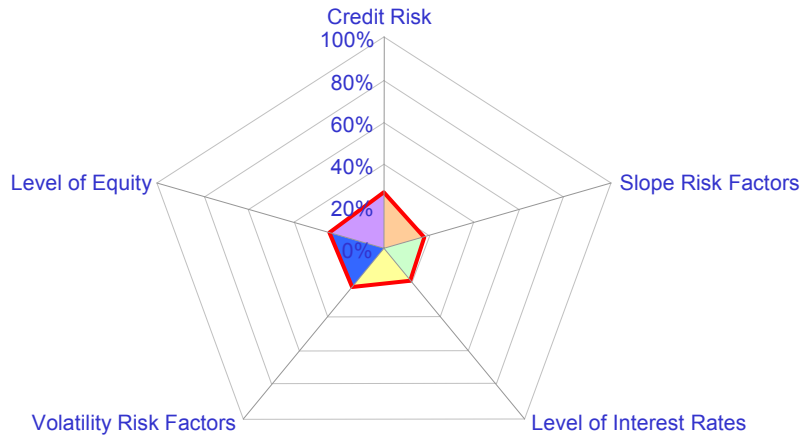


FoF Portfolio 3 (% of Assets)

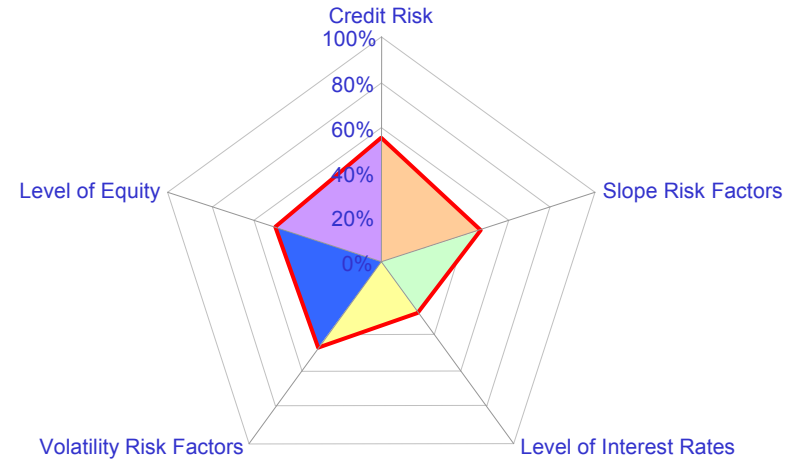


Comparing The Profile Of The Three Fof Portfolios With Fofs That Have More Than 2 Years Of History And \$50 MM In Assets

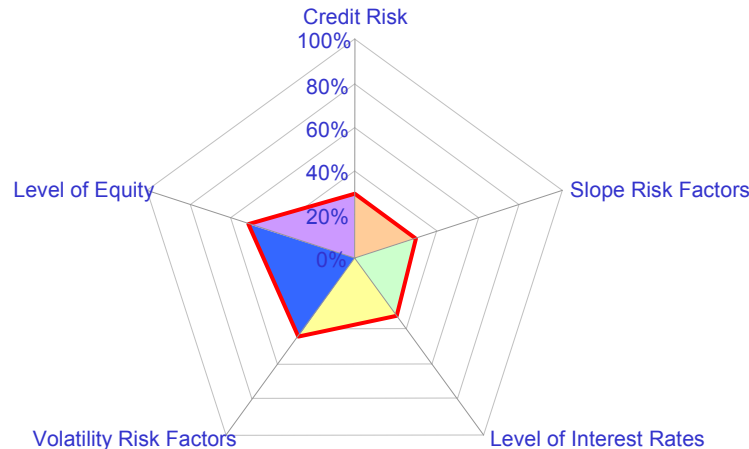
**Comparison of Risk Profile of FoF 1
With ~222 Fofs***



**Comparison of Risk Profile of FoF 2
With ~222 Fofs***

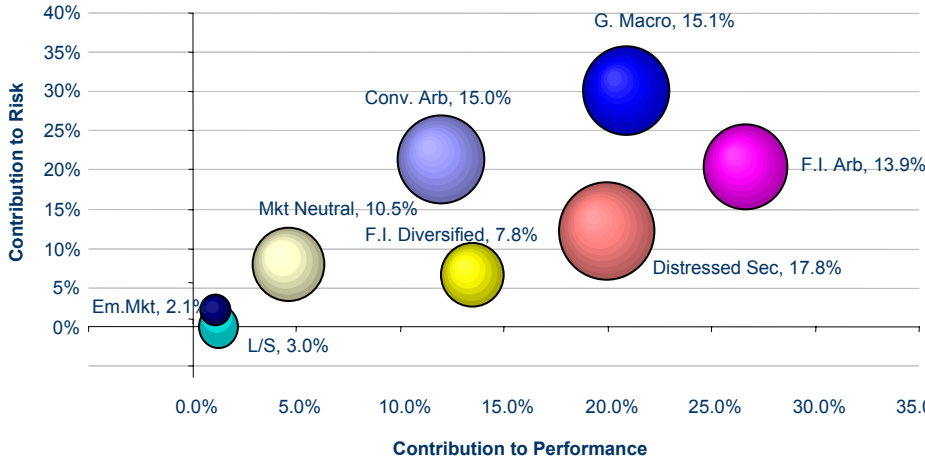


**Comparison of Risk Profile of FoF 3
With ~222 Fofs***

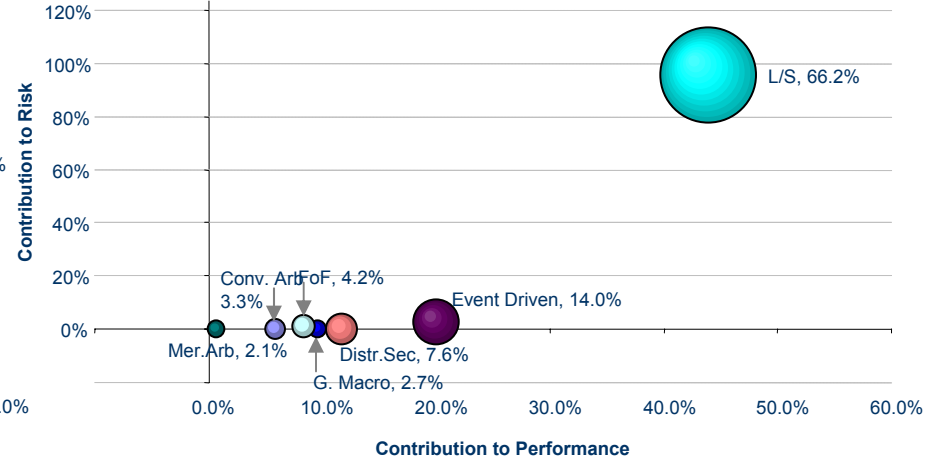


Aggregate Risk / Return Contribution of the FoF Portfolios by Strategy and Asset Allocation for the 3Q02-3Q03 Period

Risk & Performance Contribution by Strategy for FoF Portfolio 1
(Size of Bubble = Asset Allocation)



Risk & Performance Contribution by Strategy for FoF Portfolio 2
(Size of Bubble = Asset Allocation)



Risk & Performance Contribution by Strategy for FoF Portfolio 2
(Size of Bubble = Asset Allocation)

