The Lhabitant and Martellini Seminar

Advanced Hedge Fund Investing

London, June 24-25, 2008– The Dorchester

Alpha and Beta Benefits of Hedge Fund Investing

State-of-the-Art Tools for Hedge Fund Risk and Performance Analysis

Optimal Design of Hedge Fund Portfolios

Hedge Funds for Optimal Substitution and Risk Diversification

LDI: Including Hedge Funds in Asset Liability Management

Integrating Hedge Funds in a Core-Satellite Model

Portable Alpha and Portable Beta Strategies

Understanding and Assessing Hedge Fund Replication Offers

seminar

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The State of the Art in Hedge Fund Investing

Fuelled by massive investments on the part of funds of funds and institutions, hedge funds have grown from a cottage industry catering to the needs of private wealth to a trillion dollar business in which over 9,000 managers vie for the attention of global institutional investors.

The significance of alternative investments within institutional portfolios is imposing new responsibilities and challenges upon hedge funds, funds of funds and institutional investors.

To remain on the map in this brave new world, managers will have to control risk closely and back up their claims of value creation with quantitative reports on relative performance and factor exposure.

Since hedge funds cannot be considered in isolation, successful players will be those who are able to advise investors on how to optimally incorporate alternative complements into their core and satellite portfolios.

Evidence[1] that the average fund performance is explained mainly by passive exposure to risk factors as minor pure-alpha benefits from asset picking are offset by poor beta timing means that a disciplined approach to optimising the beta benefits of hedge funds is called for. It also suggests that fund managers who want to protect against the threat of low-fee passive vehicles and the new hedge-fund clones need to implement the latest techniques to deliver outperformance through improved selection, dynamic alpha and beta management and active style allocation.

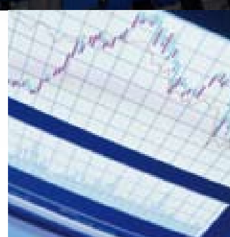
Designed and delivered by two leading experts in the theory and practice of hedge fund investing, this intensive seminar equips participants with a workable knowledge of the state-of-the-art techniques for analysing the performance and risks of alternative investments and optimising hedge fund benefits both at the fund level and for end-investors.

Presented in a highly accessible manner and drawing on the latest results of the alternative investment research conducted within the EDHEC Risk and Asset Management Research Centre, the Lhabitant and Martellini seminar appeals to fund of hedge fund managers, investment officers and administrators working for institutional investors, and consultants and key account representatives advising high net worth investors and institutions on hedge fund matters.

[1] The Right Place for Alternative Betas in Hedge Fund Performance, Géhin & Vaissié, EDHEC, June 2005.

Facts and figures about institutionalisation of the hedge fund industry

Since 2002, funds of funds and institutions are the key source of hedge fund capital.
The number of European institutional investors with hedge fund holdings has reached 51% and their average investment is 7% of assets under management (EDHEC European Alternative Diversification Practices Survey, December 2005).



Day 1

Hedge Fund Programmes: Implementation, Risk Management, Risk and Performance Reporting

Professor Lhabitant will introduce participants to the benefits of alternative investments and to the return generating processes and associated risks of the various hedge fund strategies. The session will focus on providing participants with a workable knowledge of the latest quantitative tools for performance analysis and risk management in the alternative space.

Content

- What are the benefits of hedge fund investing?
- What are the possible goals and what are the implementation options for a hedge fund programme?
- What are the risk and return properties of the various hedge fund strategies?
- What are the specific characteristics of hedge fund performance?
- What are the best practices in risk and performance reporting?
- How to apply state-of-the-art quantitative techniques to the analysis of hedge fund risks and performance
- What is extreme risk, how can it be assessed?
- What is the role of hedge funds in strategic asset allocation?
- How to integrate hedge funds in a core-satellite approach
- How much to allocate to hedge funds

Outline

Hedge Funds within Portfolios
- Benefits of Hedge Funds for Private and Institutional Investors
- Hedge Funds in Core, Hedge Funds in Satellites

Hedge Fund Investment
- Programmes and Vehicles
- Risk and Return Characteristics of Hedge Fund Strategies

Hedge Fund Performance
- The Specific Characteristics of Hedge Fund Performance
- Hedge Fund Performance Measurement Issues
- Best Practices for Reporting

Quantitative Tools for Hedge Fund Risk and Performance Analysis
- Risk Measurement with VaR Techniques
- Understanding and Assessing Extreme Risk
- Operational Risk Modelling
- Measuring Alpha: Style Analysis and Classification

Hedge Fund Investment
- Revisiting the Benefits and Risks of Hedge Fund Investing
- Hedge Funds in Strategic Allocation: HFs as a Separate Asset Class, HFs vs. Traditional Asset Classes, HFs as Substitutes for Traditional Asset Classes
- How much to Allocate to Hedge Funds: Benefits and Limitations of Traditional Portfolio Construction Techniques and Alternative Approaches

Day 2

Advanced Hedge Fund Investing

Professor Martellini will present a novel approach to hedge fund investing and detail the associated techniques that allow the benefits of alternative investment to be optimised. Since these methods are compatible with the core-satellite model and can be implemented within an Asset Liability Management framework, this session will prove particularly relevant for managers and advisers catering to the needs of institutional investors.

Content

- What are the alpha and beta benefits of hedge fund investing?
- What are the possible roles of hedge funds in the core portfolio?
- How to maximise the beta benefits of hedge funds
- How to select hedge fund strategies and take into account higher moments to achieve optimal diversification
- What are the benefits of hedge funds in an ALM framework?
- How can hedge funds be used as optimal substitution vehicles
- How to implement dynamic management of the alpha and beta risk budgets
- How to extend the Black-Litterman approach to make active hedge fund style allocation decisions
- How to package hedge fund alphas for institutional investors
- How to align core and satellites and implement portable alpha and portable beta strategies
- How to assess hedge fund replication offers

Outline

Why Invest in Hedge Funds?
- Alpha Benefits: a Good Reason to Invest in Hedge Funds
- Beta Benefits: a Better Reason to Invest in Hedge Funds
- Hedge Funds and the Core-Satellite Approach

Hedge Funds in the Core – Maximising the Beta Benefits of Hedge Funds
- Return Enhancement versus Risk Reduction Benefits
- Hedge Funds as Diversification as opposed to Substitution Vehicles
- Hedge Funds in Asset Management versus Hedge Funds from an Asset Liability Management Perspective

Beta Benefits of Hedge Funds – Optimal Risk Diversification from an Asset Management Perspective
- Selecting Hedge Fund Strategies
- From Covariance to Co-skewness and Co-kurtosis Benefits
- Challenges in Optimal Beta Management

Beta Benefits of Hedge Funds – Optimal Risk Diversification from an Asset Liability Management Perspective
- A Brief History of ALM
- Benefits of Non-Linear Exposures
- Hedge Funds in ALM

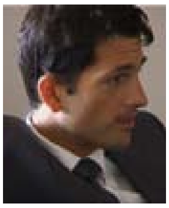
Beta Benefits of Hedge Funds – Optimal Substitution
- Optimal Use of Alternative Beta Sources
- Dynamic Management of Beta and Alpha Risk Budgets
- An Example of Application

Beta Benefits of Hedge Funds – Adding Active Style Allocation Benefits
- Evidence of Predictability in Hedge Fund Returns
- An Extension to the Black-Litterman Approach
- Application to Active Hedge Fund Style Allocation Decisions

Beta Benefits of Hedge Funds - Hedge Fund Replication
- Factor-based models versus payoff distribution approach
- Hedge fund clones: what works and what does not
- Replicating factor bets and/or risk management roles
- Robustness of hedge fund replication models

Putting the Pieces Together
- Aligning Satellite and Core Portfolios' Factor Exposures: Manager Optimisation versus Completeness Portfolio Approach
- From the Delivering to the Packaging of Hedge Fund Alphas
- Portable Alpha and Portable Beta Strategies

Seminar Leaders



Lionel Martellini is Professor of Finance at EDHEC and the Scientific Director of the EDHEC Risk and Asset Management Research Centre. Recent centre outputs co-authored by Professor Martellini include: *The Benefits of Hedge Funds in ALM* and *Investing in Hedge Funds: Adding Value through Active Style Allocation Decisions*. Professor Martellini has worked as a consultant in the fields of alternative investment, fixed income and derivatives. He has been closely associated with the development of the EDHEC Alternative Investment Indexes and has served as an advisor to funds of hedge funds. Professor Martellini's research has been published in prestigious academic and practitioner journals such as the *Review of Financial Studies* and the *Financial Analysts Journal* and *Management Science*. He sits on the editorial board of the *Journal of Portfolio Management* and the *Journal of Alternative Investments*. Professor Martellini has co-authored reference texts on fixed-income management and alternative investment and is regularly invited to deliver presentations at leading academic and industry conferences. He holds graduate degrees in business administration, economics, statistics and mathematics, as well as a PhD in Finance (Haas School of Business UC Berkeley).

François-Serge Lhabitant is Associate Professor of Finance at EDHEC Business School, Professor of Finance at the University of Lausanne and Chief Investment Officer at Kedge Capital. Professor Lhabitant is responsible for the investment management of the Kedge Capital Funds and investment mandates operated by the Kedge Group. Before joining Kedge, he was a senior executive at UBP where he was in charge of the quantitative analysis and the management of dedicaced hedge fund portfolios. Prior to that, Professor Lhabitant was a director at UBS Private Banking Division and Global Asset Management where he developed quantitative models for hedge fund analysis and performance measurement. At EDHEC Business School, Professor Lhabitant teaches the Hedge Funds, Commodities and Managed Futures course within the MSc in Risk and Asset Management programme and contibutes to the work of the EDHEC Risk and Asset Management Research Centre. His research has been published in refereed academic and practitioner journals such as the *Journal of Alternative Investments*, *European Finance Review*, and the *Journal of Risk finance*. He is a member of the Scientific Committee of the AMF, the French financial markets regulatory body. Professor Lhabitant has authored a large number of articles on finance and economics in industry publications as well as several books on alternative investments and emerging markets including several Hedge Fund bestsellers. His latest reference text is the Handbook of Hedge Fund (Wiley Finance). He is a seasoned keynote speaker at top industry events. Professor Lhabitant holds graduate degrees in engineering, banking and finance and a PhD in Finance from the Ecole des Hautes Etudes Commerciales of the University of Lausanne).

Seminar Advanced Hedge Fund Investing

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Attendance Options and Fees
June 24: Hedge Fund Programmes with François Serge Lhabitant.
June 25: Advanced Hedge Fund Investing with Lionel Martellini.
Two day course: €3,500 + VAT where applicable.
Fees include documentation, refreshments, lunch and drinks.

THREE EASY WAYS TO REGISTER

By email: **AMeducation@edhec-risk.com**
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With over 110 permanent professors and researchers and some 4,700 students spread over three campuses in Lille, Nice and Paris, the EDHEC Group is the largest provider of business education in France and one of the leading business schools in Europe. EDHEC Business School has been offering management training and development programmes since 1906 and is a member of the select group of academic institutions worldwide to have earned the triple crown of international accreditations (AACSB, EQUIS, AMBA).

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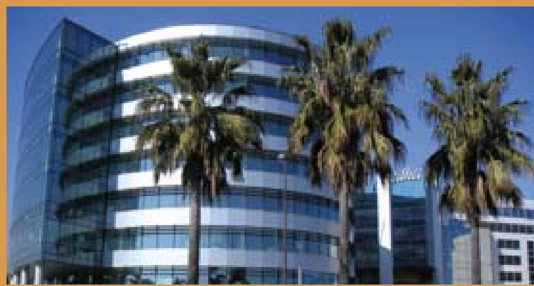

EDHEC Business School set up the Risk and Asset Management Research Centre to conduct world-class academic research and highlight its applications to the industry. The centre's team of 35 researchers carries out six industry-sponsored programmes focusing on asset allocation and risk management in the traditional and alternative investment universes. In keeping with its mission, the centre systematically seeks to validate the academic quality of its research through publications in leading scholarly journals, implements a multifaceted communications policy to inform investors and asset managers on state-of-the-art concepts and techniques, and develops business partnerships to launch innovative products.

To optimise exchanges between the academic and business worlds, the Risk and Asset Management Research Centre maintains a website devoted to asset management research for the industry: www.edhec-risk.com, circulates a monthly newsletter to over 145,000 practitioners, conducts regular industry surveys and consultations, and organises annual conferences for the benefit of institutional investors and asset managers.

EDHEC has also created a consultancy, EDHEC Investment Research, and an executive education arm, EDHEC Asset Management Education. EDHEC Asset Management Education helps investment professionals to upgrade their skills with advanced risk and asset management training across traditional and alternative classes.

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