

# ALGO RISK FOR HEDGE FUNDS

## Integrated risk management and portfolio modeling

Algo Risk is the industry's leading risk management and portfolio modeling solution for the buy side. Leveraging a consistent and asset-neutral methodology, the solution provides users with the capability to optimize risk and return across all investment strategies. An easy-to-implement solution, Algo Risk is designed to support intelligent risk taking with proven tools that help firms enhance performance, generate shareholder value, and adapt to evolving business needs.

Algorithmics

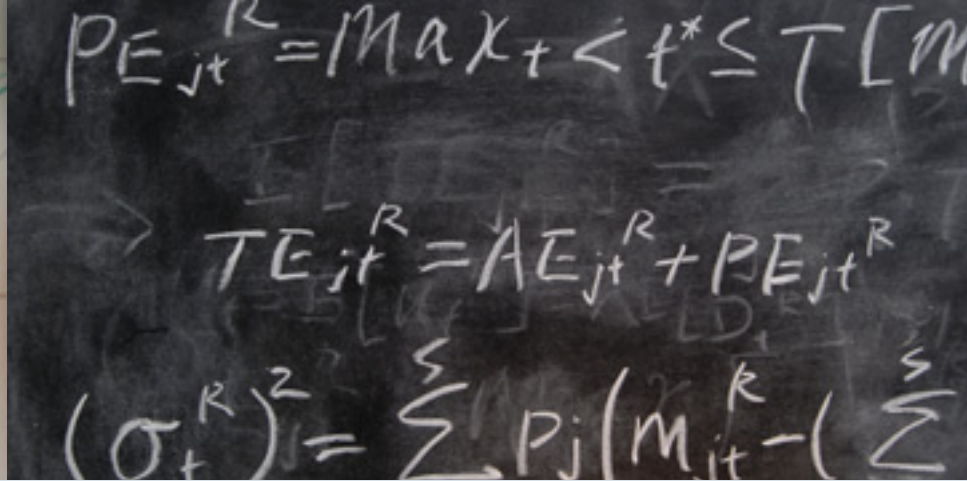


With an aggressive approach to risk/reward strategies, hedge funds and their managers require immediate and accurate insight into investment decisions. Offering real-time access to portfolio and risk analytics, Algo Risk provides users with an environment to dynamically identify concentrations of risk categorized by risk factor, strategy, and portfolio grouping at the enterprise or position level. Algo Risk can help firms acquire a clear and consistent picture of risk and evaluate all long-short and long-only investment strategies.

## Advanced analytics and analysis for the buy side

Algo Risk provides traders, portfolio managers, risk managers, and quants with a comprehensive portfolio modeling environment to measure, monitor, manage, and optimize risk and return in real time. The solution supports a wide range of advanced portfolio and risk analytics, valuation methodologies, scenario generation techniques, and optimization algorithms that allow the solution to serve as the foundation for a hedge fund's portfolio construction and risk oversight processes.

The underlying risk architecture covers all asset classes, risk factors, and investment strategies, and thus, can span all holdings and markets where a hedge fund may trade. Algo Risk supports all arbitrage and macro strategies including relative value, event driven, equity long-short, and tactical trading strategies. Risk can be reported on both an absolute and a relative return basis and monitored with respect to a comprehensive limits management infrastructure.



## KEY BENEFITS AND FEATURES

### Enables real-time portfolio and risk analytics

Algo Risk is designed to supply real-time portfolio analytics, exposure management capabilities, as well as risk analytics to the front office via a user-friendly, web-enabled interface. Risk profiles can be updated throughout the day to ensure that a hedge fund always has an accurate picture of risk, allowing users to assess the impact of a new deal on a portfolio's existing risk profile. Risk may be assessed on a standalone basis, allocated to specific risk factor classes, or measured with respect to the contribution of an individual position/fund's risk to that of the overall group.

### Provides comprehensive investment strategy support

Algo Risk supports all investment styles including relative value, event driven, equity long-short and tactical trading, both from a 'buy and hold' perspective as well as from the perspective of a dynamically rebalanced portfolio. Any risk analysis can be assessed at various levels, including 'fund of funds', an individual fund, a virtual aggregation (grouped by credit rating, issuer, sector, etc) and individual positions.

### Supports advanced risk measurement and management

Algo Risk provides hedge funds with an extensive array of simulation-based risk analytics, ranging from probabilistic measures (such as VaR, directional VaR and expected tail loss) to stress testing measures (such as user-defined risk factor shocks, numerical sensitivities and historical replays). The solution also offers a comprehensive range of analytical sensitivity measures (such as multi-dimensional betas, durations/convexities, option greeks, PV01s) spanning all required systemic and specific risk factors.

### Delivers sophisticated portfolio modeling capabilities

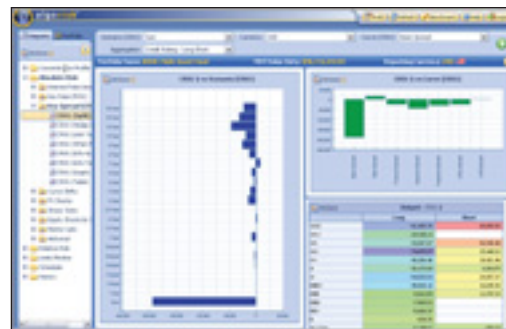
Algo Risk includes a variety of portfolio construction analytics including what-if and hedge analyses, as well as both parametric and scenario-based optimization. A comprehensive portfolio modeling environment allows hedge funds to actively take directional bets on market relationships, and/or to maintain market neutrality across desired systemic factors.

### Adapts to evolving business requirements

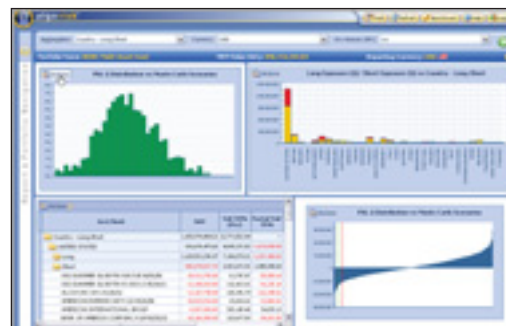
Algo Risk is packaged with a comprehensive library of pricing functions, scenario generation models and risk analytics. In addition, Algo Risk's extensible architecture enables a hedge fund to respond quickly to the incorporation of new asset classes, investment strategies and risk methodologies via its structured product modeling capability, or by imbedding proprietary models through integration with third-party pricing libraries.

### Offers multiple delivery options

Algo Risk is available as an in-house implementation or as an online, subscription-based service, in both a standard ASP and a managed service model. These flexible deployment options are designed to meet a firm's unique business requirements.



A credit spread analysis report displaying impact by financial sector spread as aggregated by credit rating and long-short exposure.



A report showing VaR and contribution VaR by country and long-short exposure.

## About Algorithmics

Algorithmics is the world's leading provider of enterprise risk solutions. Financial organizations from around the world use Algorithmics' software, analytics, and advisory services to help them make risk-aware business decisions, maximize shareholder value, and meet regulatory requirements. Supported by a global team of risk experts based in all major financial centers, Algorithmics offers proven, award-winning solutions for market, credit, and operational risk, as well as collateral and capital management. Algorithmics is a member of the Fitch Group.



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