

## Manager profile

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### Company overview

Overlay Asset Management (OAM) is a wholly owned subsidiary of BNP Paribas Investment Partners (BNPP IP) and has been since 2001. BNPP IP represents the asset management offering of BNP Paribas, combining the strength of a large firm with the focus of specialist expertise. OAM was established in Geneva in 1998 by H elie d'Hautefort and was awarded its first active currency overlay mandate of US\$450 million in 1999. It has grown steadily to having total assets under management of over US\$23 billion as at March 2010. OAM employs 36 employees in four countries to provide currency expertise to more than 30 clients based in 13 countries.

OAM is dedicated to providing currency management services to institutional investors, including currency alpha programs as well as active and passive currency hedging services. Its core competency is based on proprietary quantitative models developed within the firm's research team.

### Investment philosophy and style

OAM's investment philosophy has the following features.

#### **Transparent and systematic investment approach**

OAM believes a clear and understandable investment process will deliver more predictable results and allows clients to easily assess manager performance.

#### **Diversified multi-strategy approach**

Aiming to deliver more consistent performance across different market environments, OAM utilises a portfolio of models based on different investment insights, objectives and time horizons.

#### **Rational decision making process**

Based on objectives, data-based research which is embedded into quantitative models and will deliver consistent results and aid transparency.

#### **Strict risk control environment**

Focus on 'safety first'.

#### **Maintaining a client-centric focus**

### Investment universe and eligible instruments

The following currencies are accessible through the Developed Markets Diversified Program : AUD, CAD, CHF, EUR, GBP, JPY and USD.

These seven currencies represent approximately 97% of the developed market currency trading volume. The program takes active positions on 16 potential currency pairs based on these seven currencies.

The program deals with mainly FX Spot, FX Forwards, and FX Swaps. Vanilla FX Options are occasionally used for hedging or efficient portfolio management purposes, and cash management instruments are utilised in funded mandates.

## Investment process

The objective of the Developed Markets Diversified Program is to generate attractive risk-adjusted absolute returns through active position taking, in a universe of highly liquid currencies. Overlay Asset Management's predominant investment style is quantitative and systematic; we use mathematical models to generate trading signals based on the collective, practical investment insights of the key investment professionals.

The Developed Markets Diversified Program relies on three distinct systematic currency strategies, or modules, each with a different, but complementary investment insight. The three strategies are:

- Momentum Module
- Semi-Contrarian Module
- Interest Rate Differential Module

## Target risk level

OAM expects the Multi-Strategy Program to deliver 20-25% volatility but a target risk level anywhere between 2% and 25% can be delivered.

## Expected information ratio

OAM expects the Diversified Program to deliver an information ratio of 1.0 or better, over a medium term investment period of three to five years.

The Developed Markets Diversified Program can be accessed via a managed account, where the target risk, target return and other factors can be customised to meet the investor's specific needs.

The end result of its investment process is a highly quantitative and systematic investment approach, based not only on computerised trading models, but also on human insights. To ensure consistent risk-adjusted returns across different market environments, OAM applies a portfolio of models with different horizons, philosophies and objectives.

It strives to use a stable investment philosophy and model framework and has done so for more than a decade. However, in order to ensure long term performance in a dynamic environment, models are continuously monitored and evaluated for improvements. This means that while its core investment philosophy remains unchanged, it will constantly seek to improve its investment process within this framework.

## Reason Advance selected OAM

We like OAM's clear and systematic investment approach which is combined with a rigorous risk/control framework which we feel is positioned to deliver attractive and consistent risk-adjusted returns to investors. We also favour OAM's currency management decisions which are based on a sound and rational quantitative framework (of objective data-based currency management strategies) with minimal human interpretation.