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# Nestlé in the USA – A Case Study

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- Pension Trust AUM - \$2.5 billion
- Portable Alpha program implemented August 2005
- Includes alpha managers:
  - Hedge Funds of Funds
  - Market Neutral Managers
  - GTAA Managers
- Overlay approximately \$500 million
- Centralized Risk Manager (CRM)

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## Objective - lower fund volatility

- Reduce equity exposure
- Increase real asset exposure
- Obtain more return from alpha strategies in lower return environment
- Port non-directional hedge for alpha on to S&P 500
- Hire a CRM manager
- Expand to include other alpha managers

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<b>Overlay - \$400 mil</b> <b>S&amp;P 500 futures</b>
<b>Margin - \$40 mil</b> <b>S&amp;P 500 futures</b>
<b>Bundled - \$20 mil</b> <b>S&amp;P 500 futures</b>
<b>Bundled - \$30 mil</b> <b>Non-US Bond swap</b>

<b>Portfolio - \$400 mil</b> <b>Portable Alpha strategies</b>
<b>Margin - \$40 mil</b> <b>Cash</b>
<b>Bundled - \$20 mil</b> <b>Market Neutral</b>
<b>Bundled - \$30 mil</b> <b>Hedge Fund</b>

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## Next steps

- **Expand CRM role**
  - **Equitize equity manager cash**
  - **Establish securitized liquidity pool**
  - **Automatic rebalancing**
  - **Extend duration to match liabilities**

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<b>Overlay - \$200 mil</b> <b>Equity futures</b> <b>Overlay - \$200 mil</b> <b>S&amp;P 500 swap</b>
<b>Margin - \$20 mil</b> <b>S&amp;P 500 futures</b>
<b>Cash Pool - \$50 mil</b> <b>Securitized</b> <b>Equity Futures</b>
<b>Securitize Manager Cash</b> <b>Index Futures - \$15 mil</b>
<b>Bundled Products</b> <b>\$50 mil</b>

<b>Portable Alpha</b> <b>strategies - \$400 mil</b>
<b>Cash - \$20 mil</b>
<b>Cash - \$50 mil</b>
<b>Equity Manager Cash -</b> <b>\$15 mil</b>
<b>Bundled Products</b> <b>\$50 mil</b>

**CRM:**  
**automatic**  
**rebalancing**