



BNP PARIBAS | CORPORATE & INVESTMENT BANKING

New Approaches to Portfolio Optimization

Targeting Hedge Fund Returns with Transparency,
Diversification and Fee Efficiency

Serge Troyanovsky

5 June 2009

BNP Paribas: A Global Powerhouse

- BNP Paribas is one of the world's largest banks in terms of assets with total assets of over \$2.9 trillion
- Market Capitalization of approximately \$70 billion
- Strong Credit Rating – Moody's: Aa1; S&P: AA; Fitch: AA
- Extensive international network, with offices in 85 countries on six continents
- 160,000 employees worldwide with 15,000 in the US
- 16,000 corporate and institutional clients, over 20 million retail clients

Bank	S&P Rating	Moody's Rating	Assets (USD, bn)	Market Cap (USD, mm)
BNP Paribas	AA	Aa1	2,946	68,935
Wells Fargo	AA	A1	1,310	115,335
HSBC	AA-	Aa2	4,154	148,846
Deutsche Bank	A+	Aa1	3,127	41,072
Soc Gen	A+	Aa2	1,604	35,297
UBS	A+	Aa2	1,886	42,439
JPMorgan Chase	A+	Aa3	2,175	133,810
Barclays	A+	A1	3,374	35,897
Goldman Sachs	A	A1	885	73,853
Royal Bank of Scotland	A	A1	3,948	33,512
Bank of America	A	A2	1,818	94,517
Morgan Stanley	A	A2	659	39,716
Citigroup	A	A3	1,938	18,358

Source: Bloomberg – June 3, 2009



BNP Paribas: A Reliable Partner

- One of the most asked questions today is which bank offers the highest degree of safety
- Credit default spreads, which reflect a market perception of risk are often utilized in the analysis of the credit quality of the issuers

BNP Paribas among Top 10 of the "World's Safest Banks"



September 2008

Global Finance magazine has released its annual ranking of the World's Safest Banks. The World's Safest Banks were chosen on the basis of the long-term credit ratings and total assets of the 300 largest banks around the world. Ratings from Moody's, Standard & Poor's and Fitch were also used. The 10 banks at the top of the list are designated as the "World's Safest Banks".

Issuer	5-year Credit Default Spread (in bps)
Citigroup	329
Morgan Stanley	193
American Express	180
RBS	168
Lloyds TSB	150
Barclays	134
Bank of America	130
UBS	124
Wells Fargo	114
Goldman	112
UniCredit	109
Credit Agricole	95
Commerzbank	94
Soc Gen	93
JPMorgan	91
Credit Suisse	90
Deutsche Bank	85
BBVA	84
Banco Santande	82
HSBC	74
ING	74
BNP Paribas	60



Source: Bloomberg – May 11, 2009



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Best Equity Derivatives House, 2008

The Banker 2008 Investment Banking Awards
MOST INNOVATIVE IN EQUITY DERIVATIVES
Most Innovative in Equity Derivatives, 2008

Structured products Europe Awards 2008
Equity derivatives house of the year
Equity Derivatives House of the Year, 2008 - Europe

ASSET ASIAN AWARDS 2008
TRIPLE A
Equity Derivatives House of the Year, 2008 - Asia Pacific



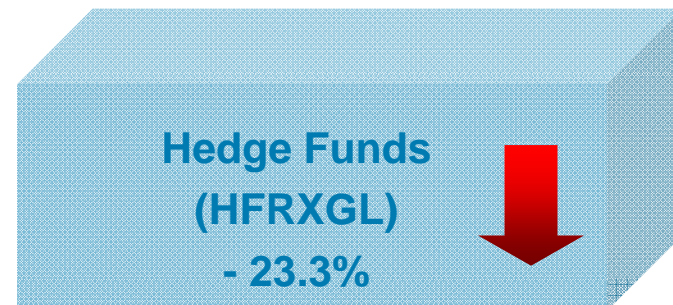
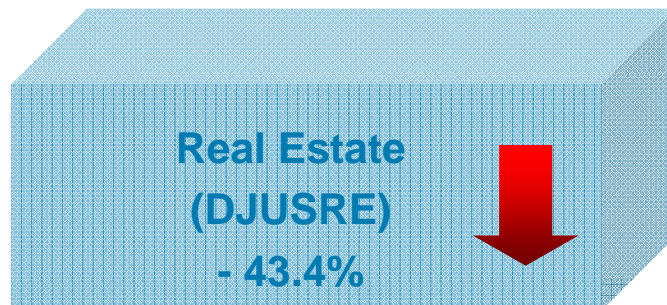
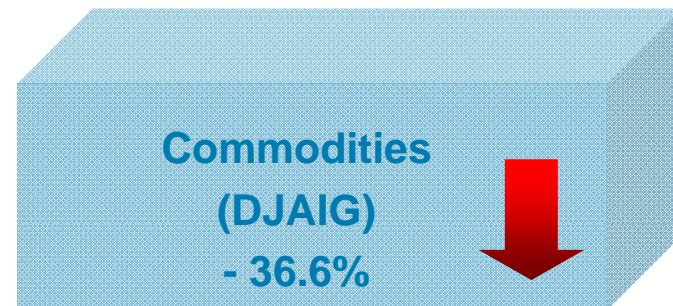
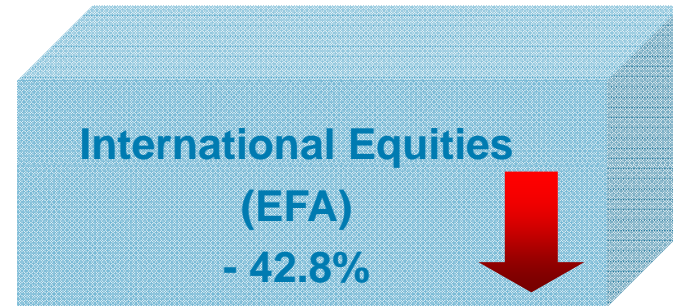
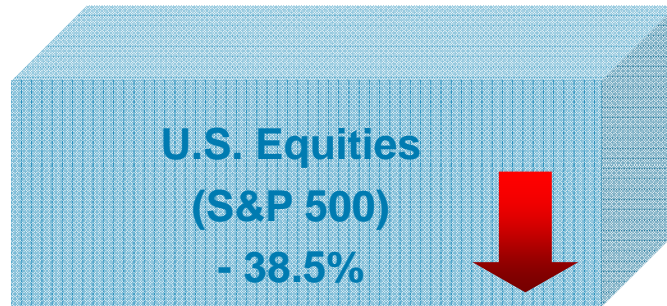
New Approaches to Portfolio Construction



Source: Bloomberg - May 29, 2009 (weekly data)



New Approaches to Portfolio Construction

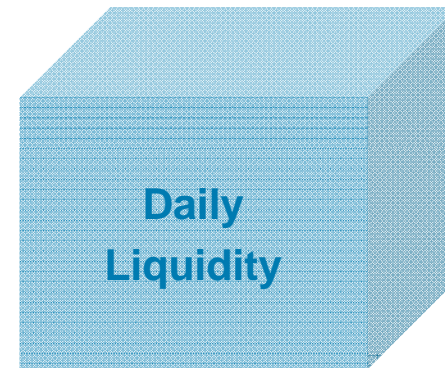
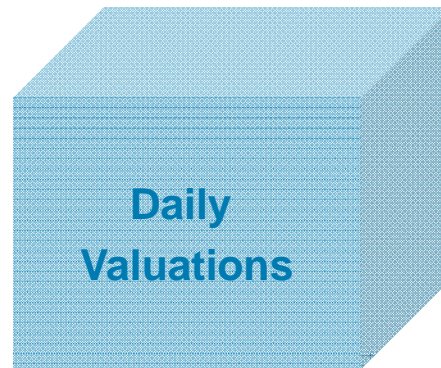
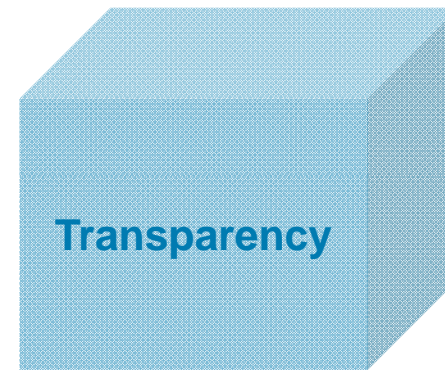
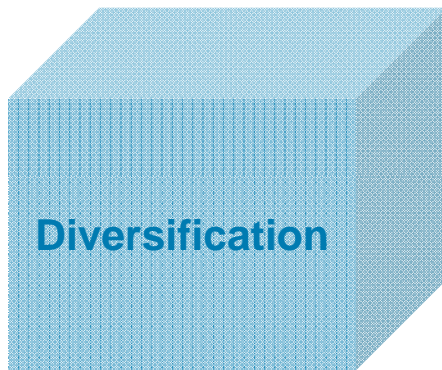


Source: Bloomberg, calendar year returns for 2008

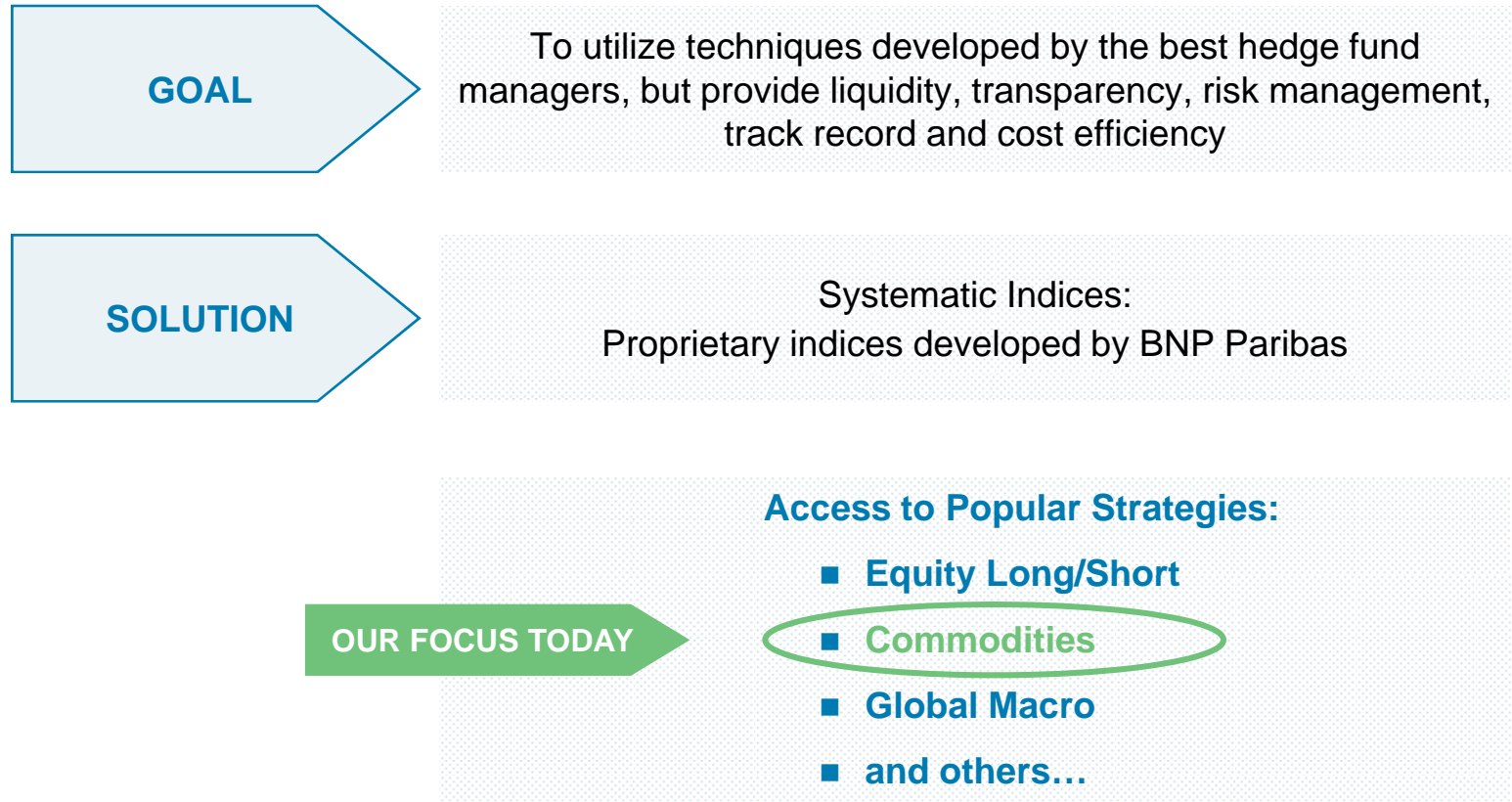


New Approaches to Portfolio Construction

- Key themes have emerged – need for diversification, market neutral returns, transparency, liquidity and **risk management** – all in a well structured portfolio



Systematic Indices: An Alternative to Hedge Funds



How do you invest in Commodities?

- One of the most common ways to get a broad investment in commodities is by investing into a **benchmark index**, such as DJ AIG Commodities index or S&P GSCI Commodities index

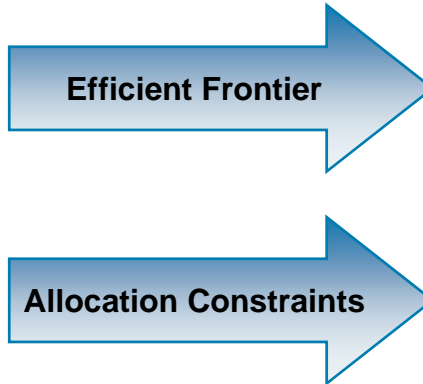
Considerations:

- Benchmark commodity indices take long positions across all commodities – and therefore are unable to take **defensive** positions in bear markets
- There is no mechanism to take advantage of the **dispersion** of returns among commodities
- The roll mechanism is done on a monthly basis – always into the **next available future**, even if it is overpriced
- Billions of institutional money has already been invested in these standard benchmark commodity indices and therefore the roll could present a **challenge** (and a potential for arbitrage)
- The fully available commodity curve going across several expiries is **not utilized**
- Standard commodity indices have a **static** methodology, which **does not adopt** to changing market conditions

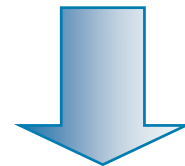


Millenium Long/Short Commodities Index Mechanism

Crude Oil	Lead
Brent	Gold
Natural Gas	Silver
Gas Oil	Corn
Heating Oil	Soybeans
Gasoline	Wheat
Aluminum	Sugar
Zinc	Live Cattle
Nickel	Cotton
Copper	



X Risk Control

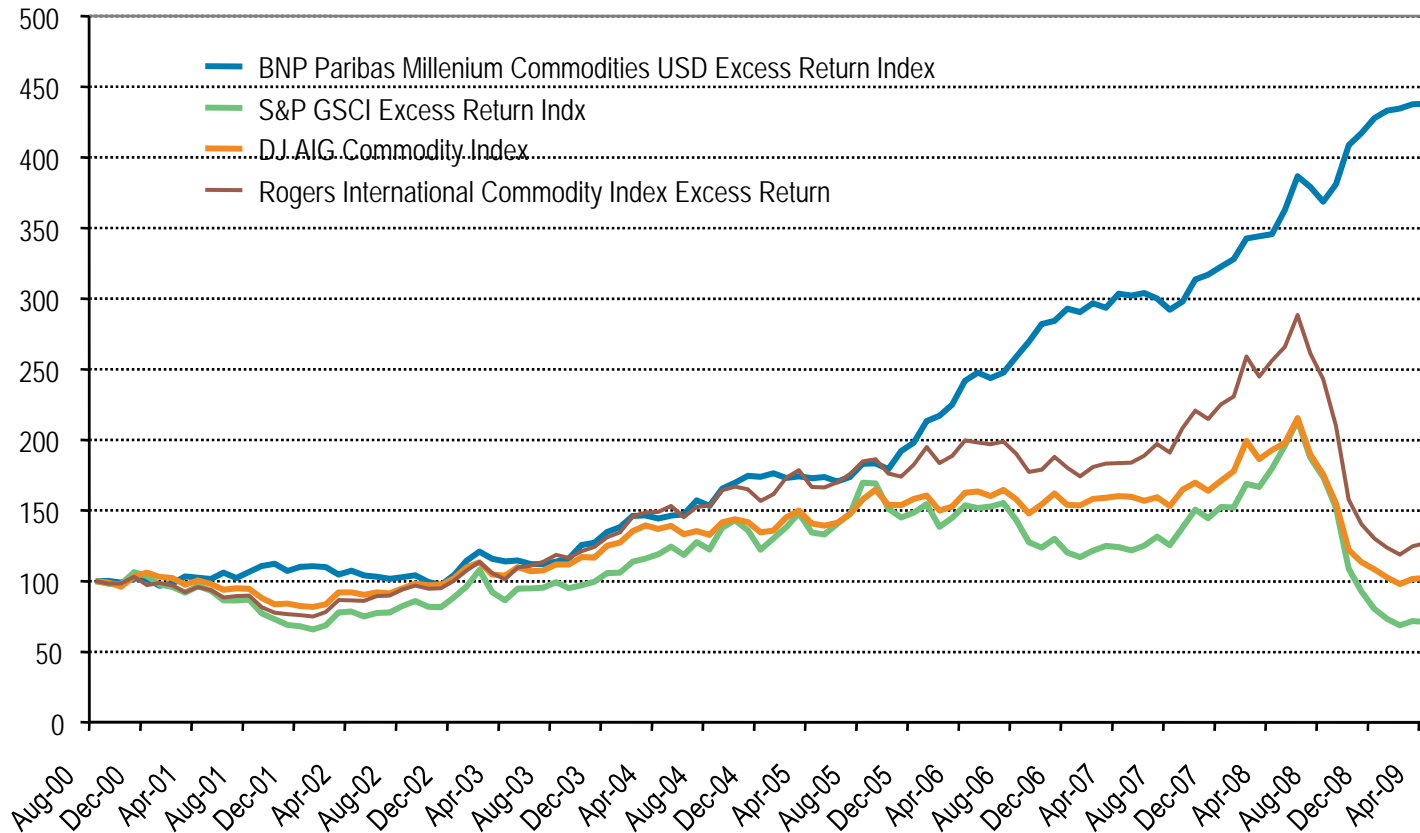


- Systematic allocation strategy
- Taking advantage of dispersion across 19 commodities
- Moderate risk – target volatility of 10%
- Daily valuation and risk control



Hypothetical Historical Performance

- BNP Paribas Millenium Long/Short Commodities Index utilizes both long and short positions in targeting a portfolio with the highest expected return



Historical results are not indicative of future performance

Source : Bloomberg, as of April 30, 2009



Hypothetical Historical Performance

Year	Millenium Long/Short Commodities Index ("BNPIMCUE")	S&P GSCI Index ("SPGSCIP")	DJ AIG Commodity Index ("DJAIG")	Rogers International Commodity Index ("RICIGLER")
2000 (*)	1.49%	3.61%	5.96%	-2.94%
2001	8.51%	-34.31%	-22.32%	-21.92%
2002	-5.36%	29.92%	23.86%	32.16%
2003	29.41%	19.48%	22.66%	30.84%
2004	28.97%	15.65%	7.64%	19.57%
2005	13.89%	21.61%	17.54%	16.44%
2006	47.88%	-19.07%	-2.71%	-1.25%
2007	10.12%	26.81%	11.08%	24.87%
2008	32.61%	-47.29%	-36.61%	-42.14%
2009 (**)	2.40%	-11.52%	-5.69%	-2.63%
Annualized Return	18.59%	-3.86%	0.25%	2.78%
Volatility	11.09%	25.04%	17.45%	19.06%
% Positive Months	69.2%	51.0%	53.8%	59.6%
Best month	9.73%	14.78%	12.08%	12.35%
Worst month	-4.78%	-28.25%	-21.34%	-24.93%
Correlation with Underlying Asset		21.74%	21.18%	14.86%

Historical results are not indicative of future performance

Source : Bloomberg, as of April 30, 2009
 (*) From August 31, 2000 to December 29, 2000
 (**) From December 31, 2008 to April 30, 2009



Delivering to investors

**Millenium Commodities Long/Short
Can be delivered to clients in a variety of investments**



Certificate of Deposit – with FDIC insurance (*)

Principal Protected Notes issued by BNP Paribas (AA/Aa1)

Accelerated Return Notes – with enhanced upside

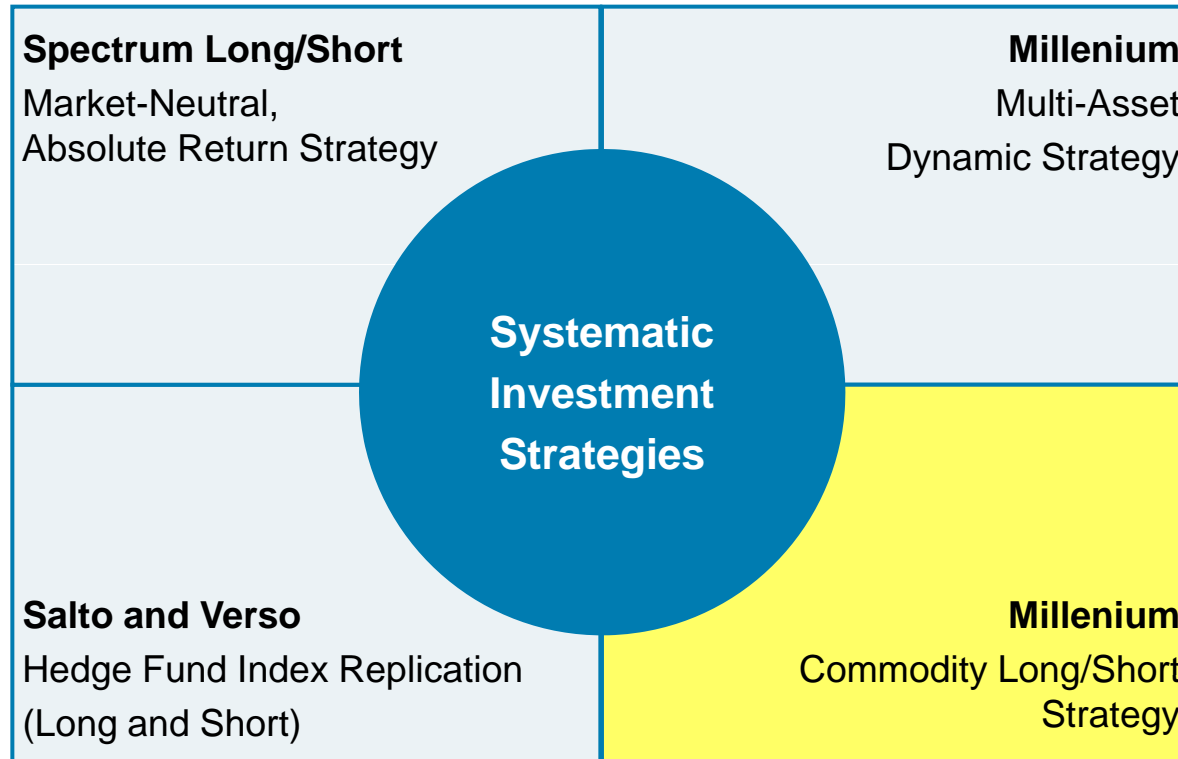
Warrants – providing non-recourse leverage

() BNP Paribas may not be the issuer of CDs*



Delivering a full range of systematic strategies

- BNP Paribas has developed a number of innovative solutions designed to deliver portfolio solutions with **liquidity, transparency** and **fee efficiency**



“BNP Paribas is one of the most innovative and creative firms out there in terms of finding solutions to reduce risk in portfolios without having to sacrifice performance”

Structured Products Americas 2009 – Index Innovation Award



Hedge Funds vs. Systematic Strategies – Summary

	Hedge Funds	Systematic Investment Strategies
Fraud Risk	Yes	No
Liquidity	Monthly, Quarterly	Typically Daily
Lock Up Periods	Yes	No
Management Type	Discretionary	Systematic
Style Consistency	Not Assured	Assured
Fees	2 / 20 from the returns	Direct returns
Track Record	Pro Forma	Historical Simulation based on actual data
Risk Management	Vague Target	In many cases specific Volatility Target



Our Team



Serge Troyanovsky
Director, Global Equities &
Commodity Derivatives Group
Head of US Distribution



Franck Bertoneche
Global Equities & Commodity Derivatives Group,
Structured Notes, Derivatives and
Index-Linked Products Sales



Peter Wan
Director for Fixed Income & FX
Structured Products



Irene Liu
Director and Product Manager
for Fixed Income Structured Notes
in the Americas



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