

# LYXOR / BRIDGEWATER CORE GLOBAL MACRO STRATEGY

LYXOR  
Asset Management  
GROUPE SOCIETE GENERALE

JUNE 2019

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# AG EN DA

- 1 PARTNERS OVERVIEW
- 2 IN A NUTSHELL
- 3 DEEP DIVE
- 4 PERFORMANCE

CHAPTER

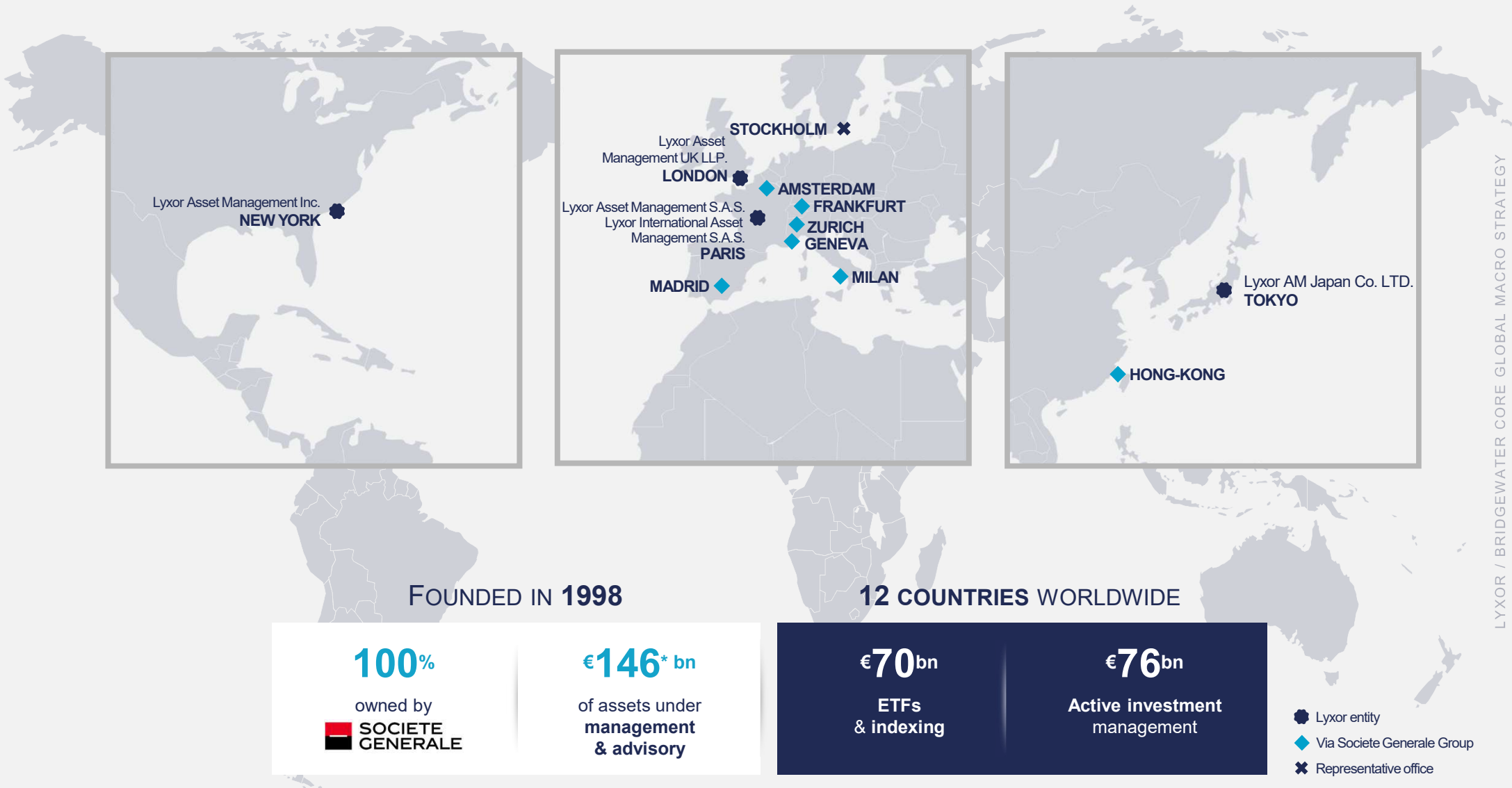
1

# PARTNERS OVERVIEW

# BRIDGEWATER OVERVIEW

- Bridgewater was founded by **Ray Dalio** in **1975**. Its sole focus is researching and trading the global markets in an effort to generate high and consistent returns for clients.
- Key to Bridgewater's success are a culture of **idea meritocracy** and constant improvement in the pursuit of pervasive excellence, and a consistency of people and process that is unique in the industry. Co-CIOs Ray, Bob Prince, and Greg Jensen have spent over two decades together.
- Bridgewater is a research-led firm, with more than **620 investment professionals** fully dedicated to **deepening its fundamental understanding of markets and economies**, and seeking to translate that knowledge into world class investment strategies.

# LYXOR OVERVIEW



LYXOR / BRIDGEWATER CORE GLOBAL MACRO STRATEGY

CHAPTER

2

# IN A NUTSHELL

# SNAPSHOT

BRIDGEWATER'S EXPERTISE IN A UCITS COMPLIANT STRATEGY



## STRATEGY

- > A **fundamental, systematic, diversified Global Macro** strategy
- > With **long, short** and **market neutral** positions
- > Combining Bridgewater's flagship investment strategies **Pure Alpha Major Markets** (since 2010) and **All Weather** (since 1996)



## STRUCTURE

- > Irish-based **UCITS** Strategy
- > **Daily** liquidity with a 1-day notice
- > Manager: Lyxor Asset Management S.A.S.
- > Investment manager: Bridgewater<sup>2</sup>



## OBJECTIVE

- > **Absolute return**
- > Expected volatility<sup>1</sup>: **9% p.a.**
- > Expected gross Information Ratio: **0.9 p.a.**
- > Expected **low correlation** with traditional asset classes

# STRATEGY'S EDGE

NAVIGATING ACROSS DIFFERENT ECONOMIC CYCLES

## KEY DIFFERENTIATORS<sup>1</sup>

- ◎ **AN EXPERIENCED MANAGER**
  - > **40+ years** of research
  - > **1,600** employees, with **620+** investment professionals
  - > Managing **USD 160+ billion** for large and sophisticated global institutional clients
- ◎ **DIVERSIFIED AND SYSTEMATIC**
  - > Based on **fundamental views**
  - > Trading **50+ markets** across **5 asset classes**
  - > Expected **low correlation** to markets and other managers
- ◎ **A UNIQUE OPPORTUNITY**
  - > Access to **Bridgewater's expertise**
  - > Through a **UCITS** structure with **daily liquidity**

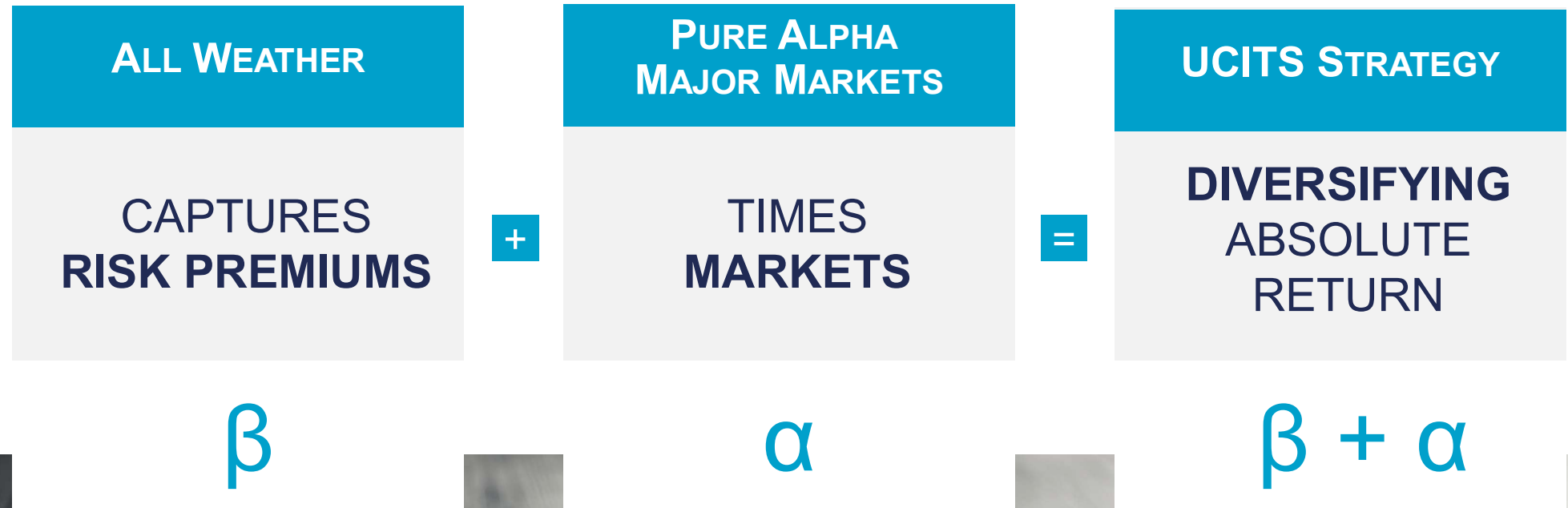
## MAIN RISK FACTORS

- ◎ **ACHIEVEMENT OF INVESTMENT OBJECTIVES**
  - > **No assurance** that the strategy will achieve its investment objective
- ◎ **VOLATILITY**
  - > **Strategy price** can move up and down
- ◎ **LEVERAGE**
  - > Leverage creates an opportunity for higher return but concurrently **may increase the exposure to capital risk**



# VALUE PROPOSITION

A BLEND OF BRIDGEWATER'S INVESTMENT MANAGEMENT EXPERTISE INTO A UCITS STRUCTURE



CHAPTER

3

# DEEP DIVE

# INVESTMENT PHILOSOPHY

## FUNDAMENTAL

Understand **cause** and **effect linkages** that make up the economic and market machine

## SYSTEMATIC

Translate fundamental understanding into **explicit rules**

## DIVERSIFIED

Diversify across **many unrelated** return streams

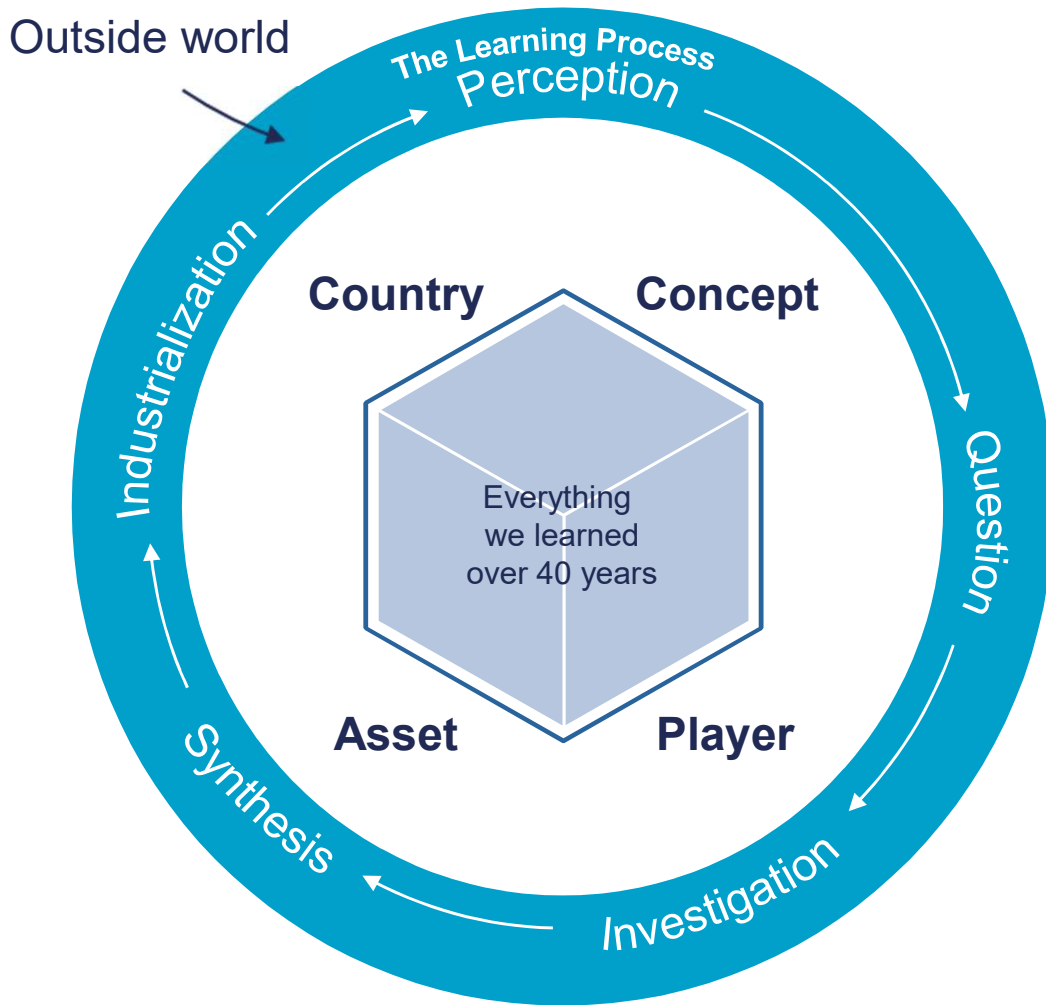
**TIMELESS  
& UNIVERSAL**

**DEBATED  
& STRESS-TESTED**

**BALANCED RISKS**

# RESEARCH PROCESS

40+ YEARS OF ACCUMULATED INSIGHTS



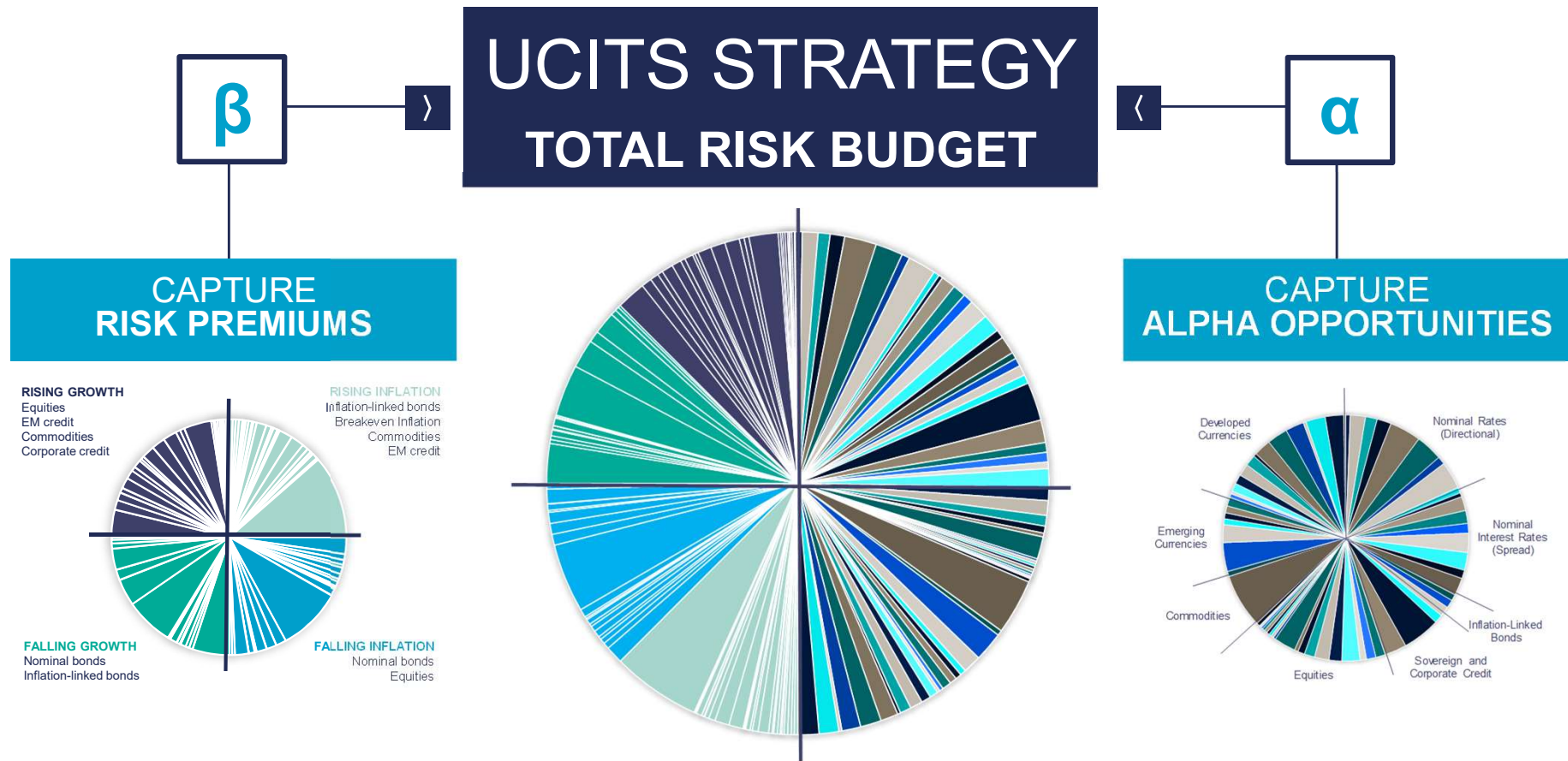
- |                 |                    |                  |
|-----------------|--------------------|------------------|
| <b>1</b>        | <b>2</b>           | <b>3</b>         |
| <b>BUILDING</b> | <b>PRESERVING*</b> | <b>IMPROVING</b> |

The firm's understanding of the cause-effect linkages that govern markets and economies

- > **CHALLENGE**  
expectations with reality
- > **IMPROVE**  
from mistakes
- > **NEVER FORGET**  
the things you have learned

# A BLEND OF BRIDGEWATER'S EXPERTISE

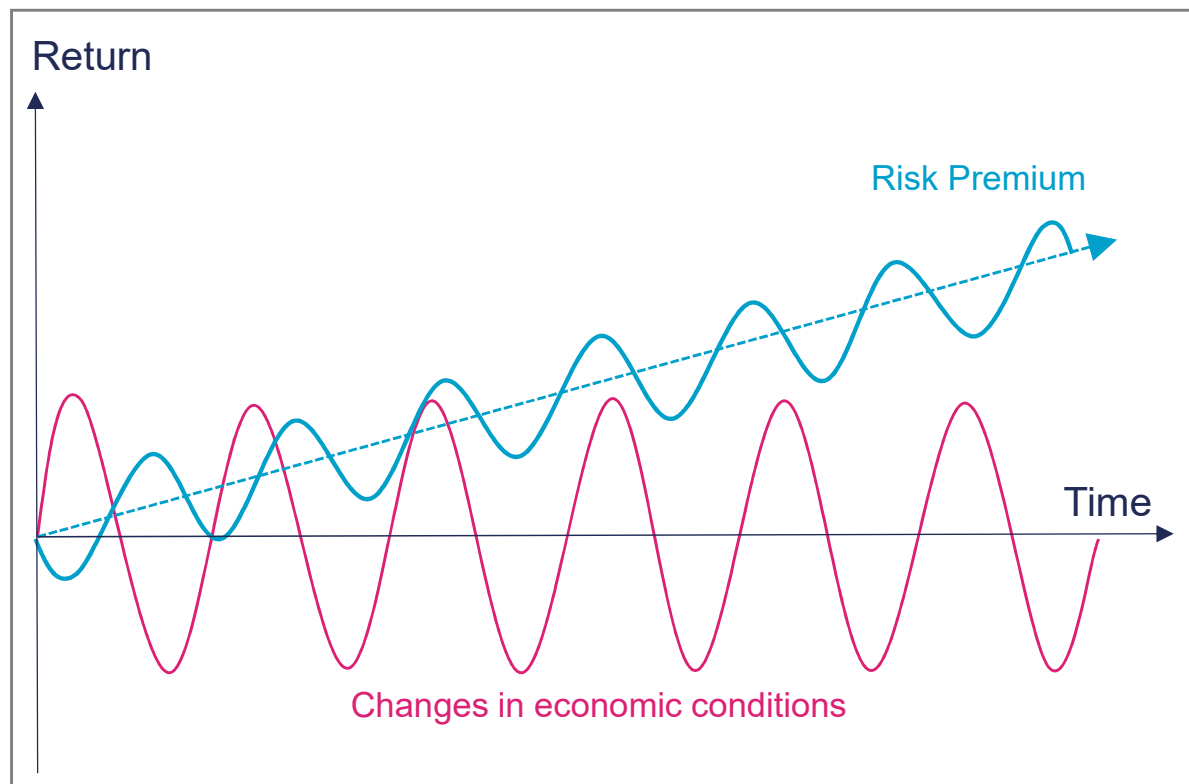
CAPTURING BOTH RISK PREMIUMS AND ALPHA OPPORTUNITIES



# CAPTURE RISK PREMIUMS (1/3)

BASED ON A DEEP FUNDAMENTAL UNDERSTANDING OF HOW ASSETS WORK

## TAKING RISK COMPENSATES INVESTORS OVER TIME



## FUNDAMENTAL OBSERVATION

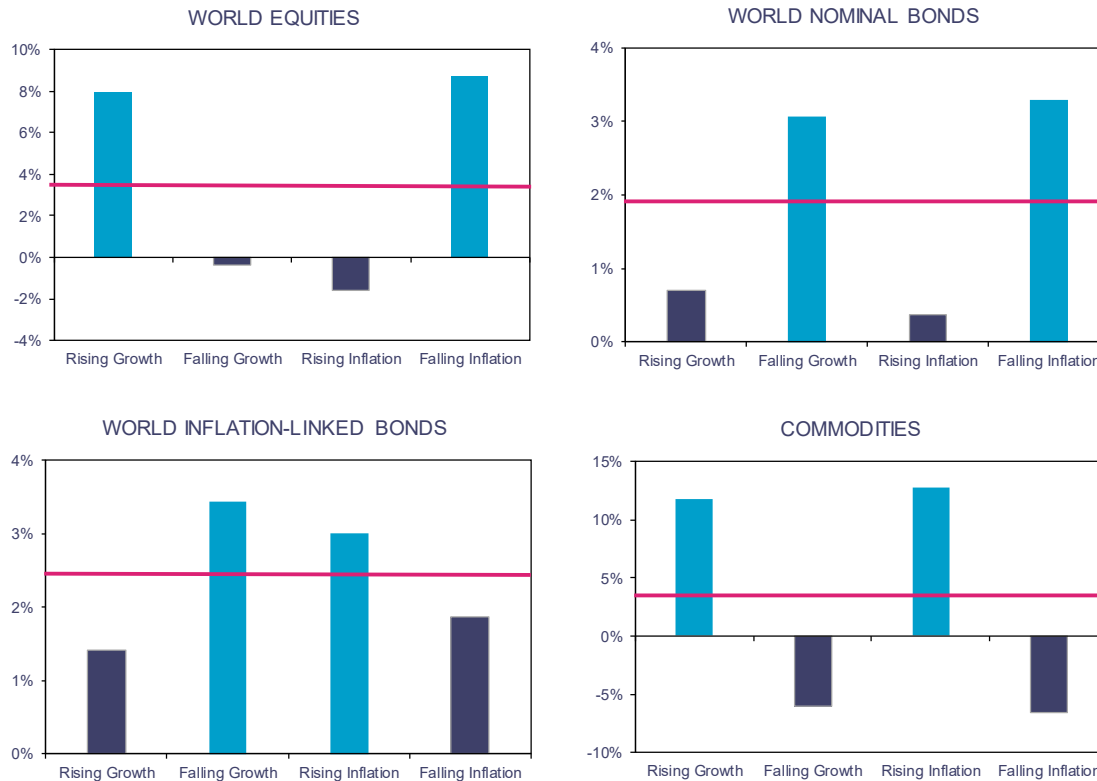
1. Investors are compensated for taking risk over time
2. All asset classes do not compensate for the risk at the same time

# CAPTURE RISK PREMIUMS (2/3)

BASED ON A DEEP FUNDAMENTAL UNDERSTANDING OF HOW ASSETS WORK

## ASSET RETURNS ARE DRIVEN BY INFLATION AND GROWTH SURPRISES

Annual excess returns of asset classes from 1970 to present



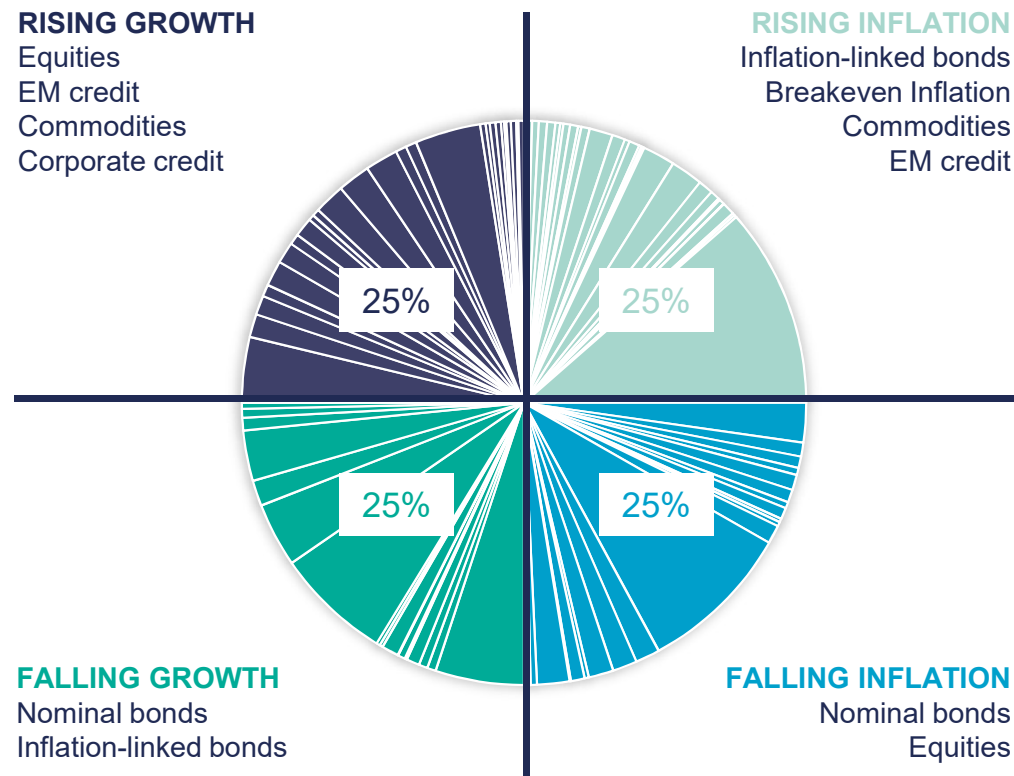
## FUNDAMENTAL UNDERSTANDING

1. Growth and inflation are dominant drivers of asset returns
2. Each asset has a fundamental relationship to these drivers

# CAPTURE RISK PREMIUMS (3/3)

BASED ON A DEEP FUNDAMENTAL UNDERSTANDING OF HOW ASSETS WORK

## STRATEGIC ASSET MIX'S TOTAL RISK BUDGET



### ENVIRONMENTALLY BALANCED

By neutralizing exposure to changes in **GROWTH & INFLATION**

### EXPECTED CONSISTENT PERFORMANCE

Through shifts in the economic environment

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GROWTH

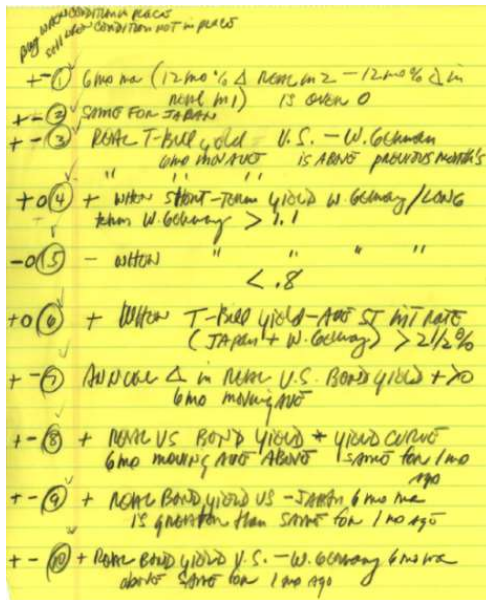


# CAPTURE ALPHA OPPORTUNITIES<sup>(1/2)</sup>

BY APPLYING FUNDAMENTAL INVESTMENT RULES SYSTEMATICALLY

## EXPLICIT

Investment decision rules

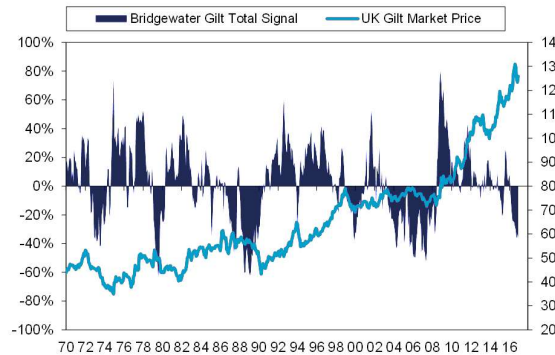


Writing down ideas on 1980 Bond System



## STRESS TEST

Through time & countries

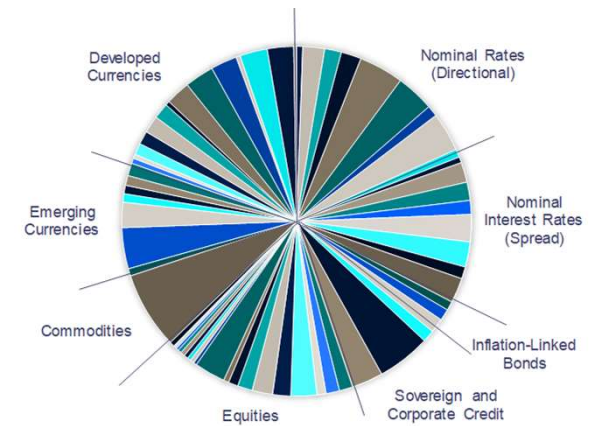


Today's bond system applied to the UK



## DIVERSIFY

For a wider set of Alpha opportunities



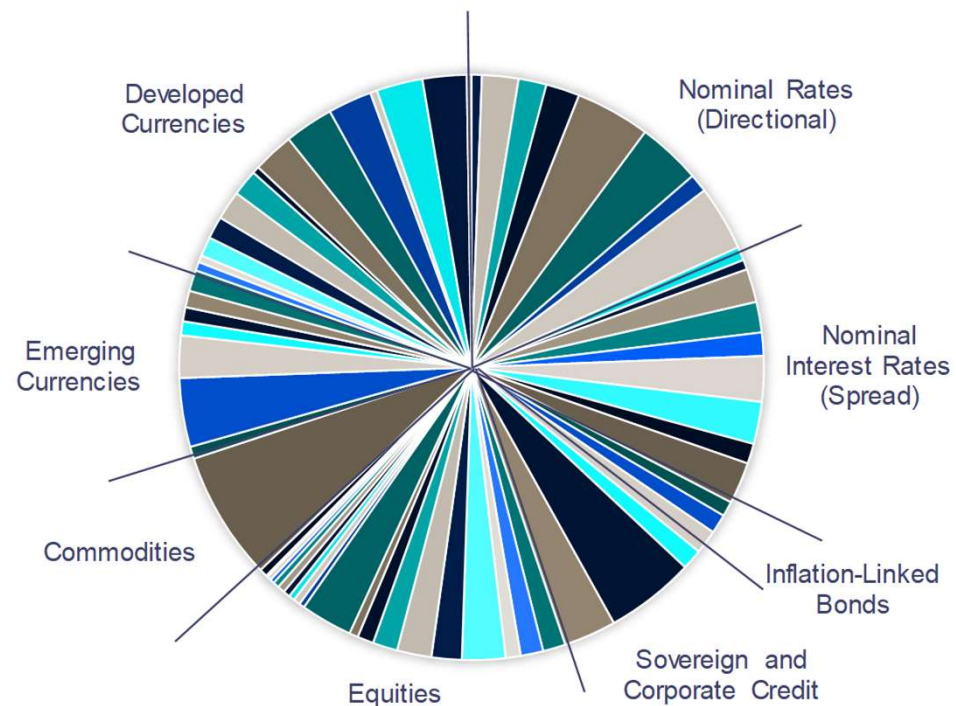
Active trading portfolio

These charts are for illustrative purposes only. The first two charts are meant to show an example of how Bridgewater's active views are formulated. The middle chart is created using back testing of Bridgewater's systems and does not reflect performance of any strategy. The pie chart is meant to demonstrate the diversification of opportunities within the Lyxor/Bridgewater Core Global Macro Strategy. Actual implementation of the strategy will vary and this does not and will not represent every market, asset class, or instrument in which the strategy will trade.

# CAPTURE ALPHA OPPORTUNITIES<sup>(2/2)</sup>

BY APPLYING FUNDAMENTAL INVESTMENT RULES SYSTEMATICALLY

## ACTIVE TRADING VIEWS BOTH DIRECTIONAL & RELATIVE VALUE



## EXPECTED CONSISTENT PERFORMANCE

By trading a highly **DIVERSIFIED** mix of unique active strategies, that are structurally unrelated

Source: Bridgewater Associates LP, Lyxor Asset Management SAS.  
For illustrative purposes only. The pie chart is meant to demonstrate the diversification of opportunities within the Lyxor/Bridgewater Core Global Macro Strategy. Actual implementation of the strategy will vary and this does not and will not represent every market, asset class, or instrument in which the strategy will trade.

# RISK MANAGEMENT (1/2)

RISK CONTROLS PRESENT AT ALL STAGES OF THE PROCESS

## PHILOSOPHY

### CONSERVATIVE

- > **Recognize** that there will be times when Bridgewater is wrong
- > **Expect and prepare** for surprises

### FUNDAMENTAL

- > **Deep understanding** of market drivers
- > **Balancing** multiple perspectives – **No bias**

### SYSTEMATIC

- > Assess **multiple markets**
- > Rigorous **stress-testing**
- > **Performance** monitoring

### DIVERSIFIED

- > Diversified risk budget
- > Explicit **risk limits** to avoid concentration

## INVESTMENT PROCESS

### AT THE POSITION / GROUP OF POSITION LEVEL

- > **VAR** capping
- > **COVAR** capping to prevent similar positions from dominating the portfolio's outcome

### AT THE TOTAL PORTFOLIO LEVEL

- > **VAR** targeting & capping
- > **GROSS LEVERAGE** capping
- > **LIQUIDITY** monitoring
- > **COUNTERPARTY** risk monitoring

# RISK MANAGEMENT (2/2)

RISK CONTROLS PRESENT AT ALL STAGES OF THE PROCESS

## COVAR CAPPING PROCESS EXAMPLE

■ Before Capping  
 ■ After Capping

Bucket Covar Shares at a Point in Time



Market Leverages at a Point in Time

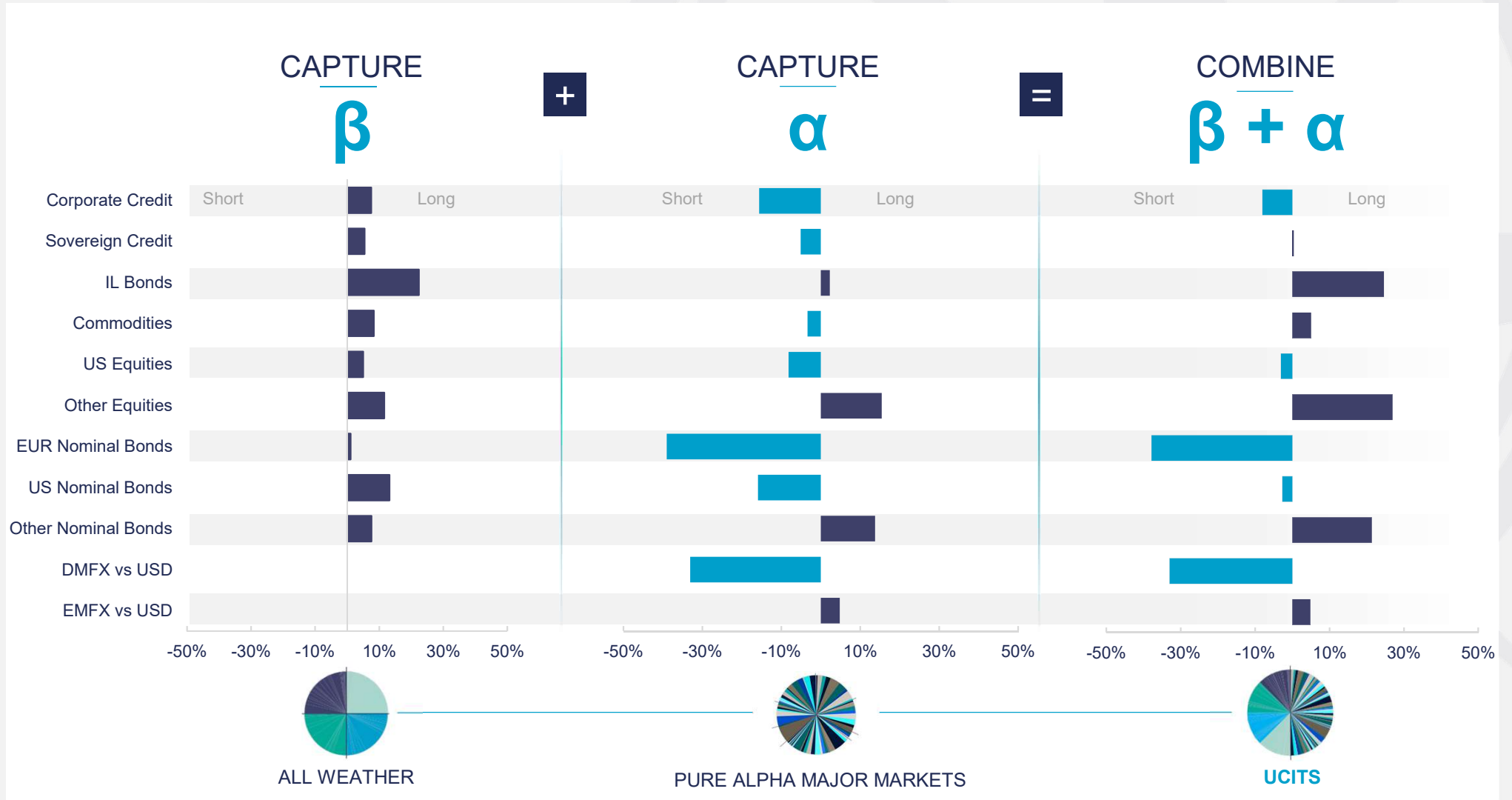


## SYSTEMATICALLY

1. IDENTIFY potential concentrations
2. EVALUATE them against pre-specified risk limits
3. ADJUST the composition of portfolio to maintain diversification

# COMBINE INTO A UCITS STRATEGY

FOR A DIVERSIFIED INVESTMENT SOLUTION



LYXOR / BRIDGEWATER CORE GLOBAL MACRO STRATEGY

CHAPTER

4

# PERFORMANCE

# STRATEGY'S OBJECTIVES

EXPECTED  
GROSS  
EXCESS RETURN\*

~8%

EXPECTED  
VOLATILITY

~9%

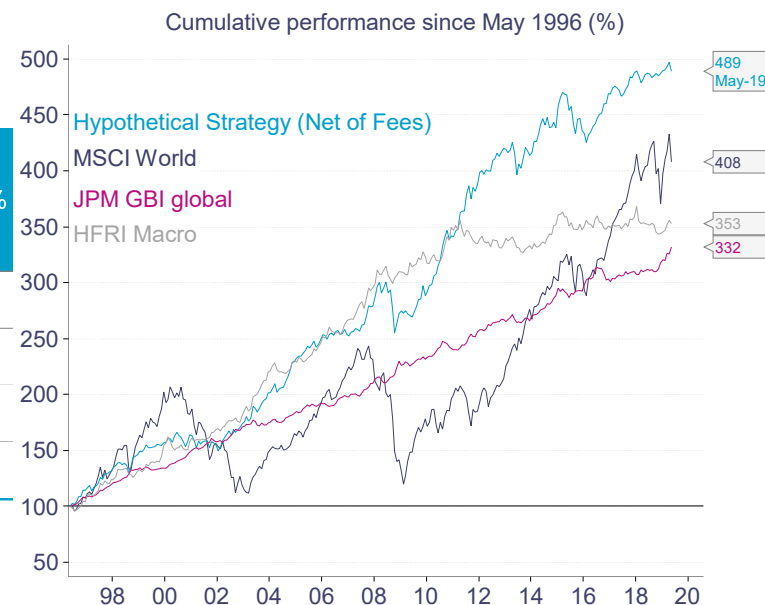
EXPECTED  
GROSS  
INFORMATION  
RATIO

0.9

# CONSISTENT PAST PERFORMANCE

## HYPOTHETICAL STRATEGY COMPARED TO OTHER ASSET CLASSES SINCE MAY 1996

	12-month return (%)	Annualised 3-year return (%)	Annualised return (%)	Annualised volatility %	Information ratio	Max Drawdown %
Hypothetical Strategy (Net of Fees)	0.59	3.60	7.15	6.84	1.04	-15.22
MSCI World	1.10	9.42	6.31	14.04	0.45	-50.77
JP Morgan Hedged USD GBI Global	6.78	2.85	5.36	3.07	1.75	-4.03
HFRI Macro	0.01	0.36	5.64	5.68	0.99	-8.02



Please refer to Slide 29 for the definitions of the indices used. Source: Bridgewater Associates, LP, Lyxor Asset Management SAS. As of May 2019

The performance information presented herein does not represent the results of an actual strategy. The Hypothetical past performance shown since June 1996 ("Hypothetical Strategy Past Performance") is rebalanced monthly and based on a combination of two strategies managed by Bridgewater Associates LP ("Bridgewater"): (i) the performance history for 50% of investment in the All Weather strategy in US dollar gross of fees originally at 10% volatility scaled to 11% volatility for the Hypothetical Strategy (that seeks to harvest risk premiums – cf. slides 14 to 16) dating back to June 1996 ("Reference Strategy 1"), (ii) the retreatment of the performance history from June 1996 to October 2010 for 50% of investment in the Pure Alpha Major Markets strategy in US dollar gross of fees originally at 14% volatility scaled to 11% volatility for the Hypothetical Strategy (that seeks to time market – cf. slides 17 to 18) ("Reference Strategy 2"), (iii) the performance history since November 2010 for 50% of investment in the Pure Alpha Major Markets strategy in US dollar gross of fees originally at 14% volatility scaled to 11% volatility for the Hypothetical Strategy (that seeks to time market – cf. slides 17 to 18) ("Reference Strategy 3"). The Pure Alpha Major Markets strategy inception in November 2010. Prior to November 2010, returns of the Reference Strategy 2 are simulated based on the performance of the Pure Alpha strategy, a similar strategy as Pure Alpha Major Markets, also managed by Bridgewater but with some differences detailed as follows: the Pure Alpha strategy have been further modified to remove the returns from markets that were capacity and liquidity constrained in the Pure Alpha strategy to more closely reflect the Pure Alpha Major Markets strategy. Pure Alpha Major Markets trades markets within the Pure Alpha strategy, encompassing approximately 2/3 of the pure Alpha risk budget with a slight emphasis on longer-term trading strategies although Pure Alpha Major Markets draws upon the most liquid components of the Pure Alpha strategy and trades in markets that are not capacity constrained. Bridgewater expects Pure Alpha and Pure Alpha Major Markets to exhibit a high degree of correlation with similar returns over time. Where shown, performances of the Hypothetical Strategy are presented net of fees using a 1.5% fixed fee and a 15% performance fee charged yearly. Hypothetical Strategy Past Performance is for illustration purposes only. Results of the Hypothetical Strategy Past Performance have certain inherent limitations. Hypothetical Strategy Past Performance is not representative of an actual or expected performance record due to, among other reasons, the different regulatory structures, fees, expenses, impact of subscriptions and redemptions and investment currencies. Unlike an actual performance record, simulated performance does not represent actual trading or the costs of managing a portfolio. Also, since the trades have not actually been executed, the results may have under or over compensated for the impact, if any, of certain market or economic factors, such as lack of liquidity or the impact of subscriptions and redemptions in a fund. Hypothetical Strategy Past Performance in general is also subject to the fact that it is designed with the benefit of hindsight. The inclusion of simulated past performances based on Pure Alpha Major Markets strategy, Pure Alpha strategy and All Weather strategy does not constitute an offer to solicit nor an offer to sell any securities or interest in the Pure Alpha Major Markets strategy, Pure Alpha strategy and All Weather strategy or interest in any Bridgewater or Lyxor fund or program. No part of this discussion or the material shown herein may be (i) taped, repeated, copied, or duplicated in any form by any means or (ii) redistributed to the public or the press in any way without the prior written consent of Bridgewater and Lyxor Asset Management. THE FIGURES RELATING TO HYPOTHETICAL PAST PERFORMANCE AND PAST PERFORMANCE REFER OR RELATE TO PAST PERIODS AND ARE NOT A RELIABLE INDICATOR OF FUTURE RESULTS. THIS ALSO APPLIES TO HISTORICAL MARKET DATA.



# PERFORMANCE TABLE

## HYPOTHETICAL STRATEGY PAST PERFORMANCE

Hypothetical Strategy (Net of Fees)

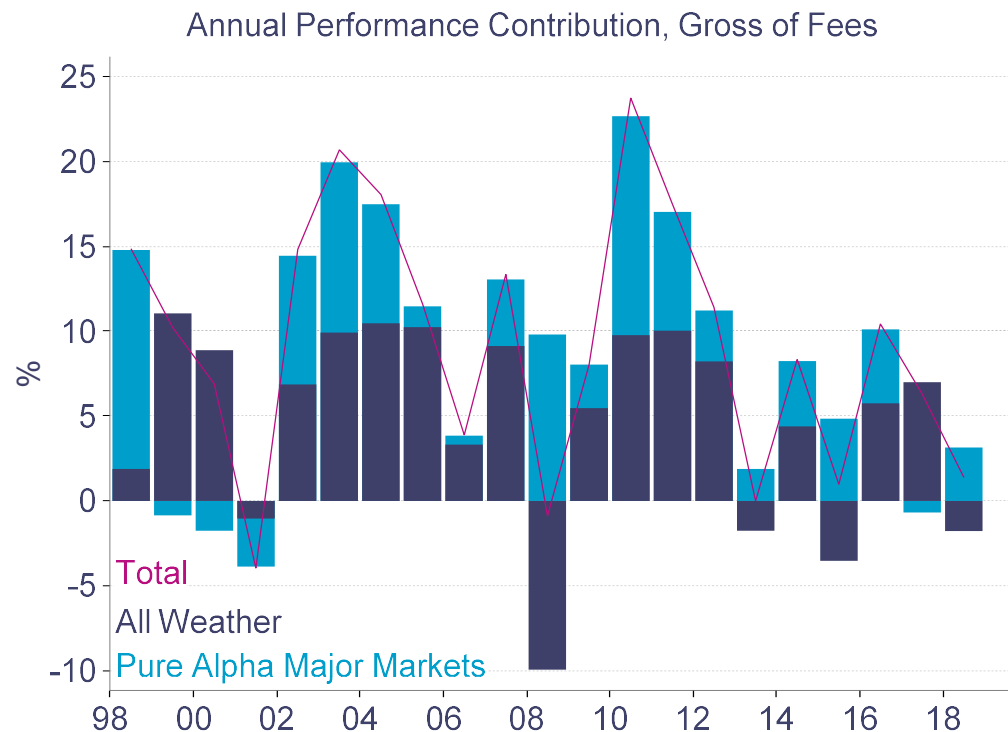
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2019</b>	0.55%	0.10%	0.62%	0.81%	-1.62%								<b>0.44%</b>
<b>2018</b>	0.33%	-0.84%	-1.31%	0.57%	0.96%	0.23%	-0.17%	-0.65%	0.34%	0.44%	-0.43%	0.40%	<b>-0.14%</b>
<b>2017</b>	-0.06%	1.10%	0.40%	-0.33%	-0.45%	-1.10%	0.37%	1.00%	0.58%	1.74%	-0.22%	0.94%	<b>3.99%</b>
<b>2016</b>	-0.63%	-1.82%	1.60%	0.63%	1.15%	0.50%	1.14%	0.72%	0.24%	1.85%	0.05%	1.93%	<b>7.55%</b>
<b>2015</b>	4.42%	1.74%	0.98%	-0.40%	-0.13%	-2.92%	0.79%	-3.57%	-1.83%	2.94%	0.18%	-2.44%	<b>-0.54%</b>
<b>2014</b>	0.56%	2.51%	-0.07%	1.57%	1.94%	1.19%	-1.22%	1.54%	-2.07%	0.15%	0.95%	-1.15%	<b>5.95%</b>
<b>2013</b>	-0.22%	-0.67%	0.52%	1.70%	-2.24%	-4.71%	2.44%	-0.93%	2.24%	2.33%	-0.81%	-0.90%	<b>-1.49%</b>
<b>2012</b>	2.74%	0.45%	-0.88%	1.04%	-0.31%	0.00%	2.45%	0.27%	1.29%	-0.73%	1.00%	0.72%	<b>8.29%</b>
<b>2011</b>	-0.25%	1.46%	0.54%	4.17%	0.40%	0.00%	4.13%	1.97%	-3.02%	2.77%	-0.95%	1.64%	<b>13.38%</b>
<b>2010</b>	1.17%	1.98%	0.21%	2.70%	0.44%	2.40%	1.88%	3.60%	2.55%	1.73%	-2.40%	1.08%	<b>18.62%</b>
<b>2009</b>	0.77%	-0.71%	0.86%	-1.07%	-0.53%	-0.50%	1.81%	1.58%	2.39%	0.02%	4.28%	-3.02%	<b>5.82%</b>
<b>2008</b>	2.87%	3.39%	1.14%	-3.11%	1.56%	1.85%	-3.24%	0.81%	-5.97%	-7.57%	3.36%	3.37%	<b>-2.35%</b>
<b>2007</b>	-0.57%	1.34%	0.27%	0.93%	-0.31%	-0.55%	2.08%	0.32%	2.64%	3.49%	-0.22%	0.18%	<b>9.92%</b>
<b>2006</b>	1.85%	-0.23%	-1.38%	1.71%	0.47%	-0.80%	1.36%	0.33%	-1.32%	0.34%	1.32%	-1.62%	<b>1.98%</b>
<b>2005</b>	1.32%	0.72%	0.03%	1.10%	0.96%	1.71%	-0.56%	1.10%	1.31%	-2.13%	0.93%	1.72%	<b>8.45%</b>
<b>2004</b>	0.04%	1.93%	2.00%	-3.70%	1.58%	0.40%	0.33%	2.30%	2.25%	2.56%	3.06%	0.49%	<b>13.87%</b>
<b>2003</b>	1.08%	2.71%	-2.22%	1.49%	5.85%	-0.88%	-1.88%	1.93%	2.20%	1.55%	0.69%	2.73%	<b>16.06%</b>
<b>2002</b>	-3.50%	2.29%	3.71%	1.74%	1.93%	1.74%	-2.33%	3.25%	-1.51%	1.09%	1.42%	1.85%	<b>12.02%</b>
<b>2001</b>	-0.28%	-2.63%	-4.37%	4.12%	-1.72%	1.35%	0.43%	0.00%	-3.84%	3.60%	-0.72%	-1.11%	<b>-5.42%</b>
<b>2000</b>	0.44%	1.94%	-0.06%	-1.95%	3.60%	1.95%	-1.46%	-1.31%	-2.30%	-2.86%	3.13%	3.63%	<b>4.53%</b>
<b>1999</b>	2.09%	-0.30%	1.28%	2.88%	-1.63%	-0.04%	0.49%	0.05%	1.43%	-0.18%	-0.37%	1.46%	<b>7.29%</b>
<b>1998</b>	2.63%	1.16%	1.83%	0.00%	-1.09%	0.69%	-1.01%	-5.51%	5.21%	5.49%	0.74%	0.96%	<b>11.18%</b>
<b>1997</b>	1.71%	2.03%	-4.12%	3.11%	1.00%	1.74%	4.36%	-1.24%	4.17%	-0.34%	1.39%	0.50%	<b>14.93%</b>
<b>1996</b>						2.64%	-0.67%	1.89%	4.75%	0.10%	5.21%	-0.15%	<b>14.44%</b>

Please refer to Slide 29 for the definitions of the indices used. Source: Bridgewater Associates, LP, Lyxor Asset Management SAS. As of May 2019

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# PERFORMANCE CONTRIBUTION

## ALPHA AND BETA ANNUAL CONTRIBUTION (GROSS OF FEES)

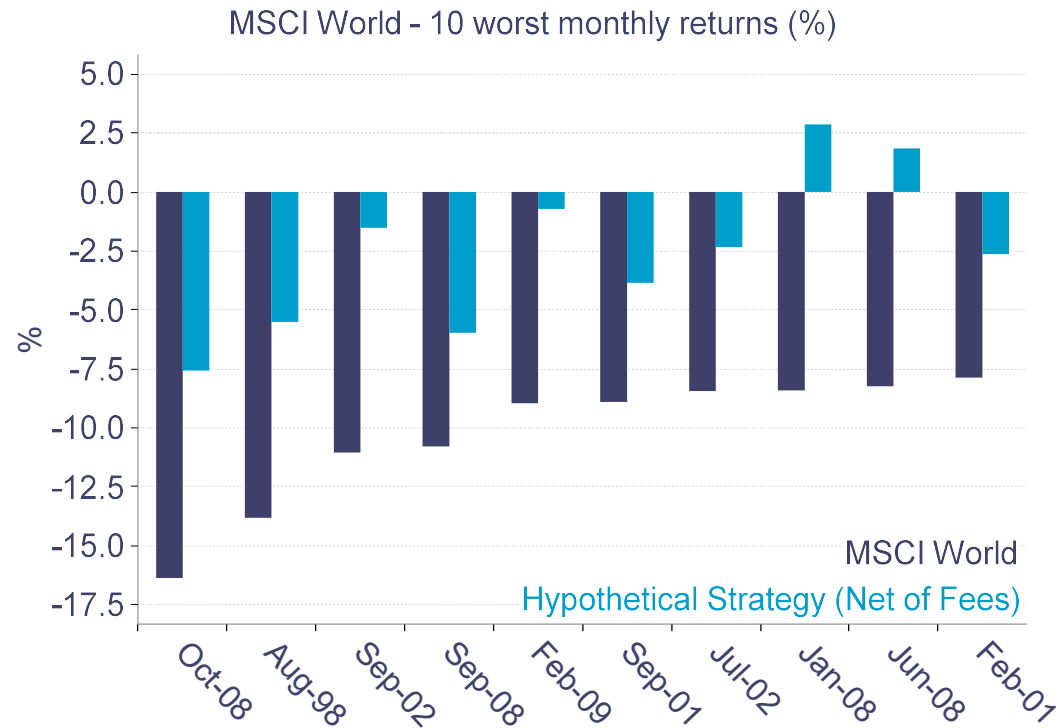


Please refer to Slide 29 for the definitions of the indices used. Source: Bridgewater Associates, LP, Lyxor Asset Management SAS. As of May 2019

The performance information presented herein does not represent the results of an actual strategy. The Hypothetical past performance shown since June 1996 ("Hypothetical Strategy Past Performance") is rebalanced monthly and based on a combination of two strategies managed by Bridgewater Associates LP ("Bridgewater"): (i) the performance history for 50% of investment in the All Weather strategy in US dollar gross of fees originally at 10% volatility scaled to 11% volatility for the Hypothetical Strategy (that seeks to harvest risk premiums – cf. slides 14 to 16) dating back to June 1996 ("Reference Strategy 1"), (ii) the retreatment of the performance history from June 1996 to October 2010 for 50% of investment in the Pure Alpha Major Markets strategy in US dollar gross of fees originally at 14% volatility scaled to 11% volatility for the Hypothetical Strategy (that seeks to time market – cf. slides 17 to 18) ("Reference Strategy 2"), (iii) the performance history since November 2010 for 50% of investment in the Pure Alpha Major Markets strategy in US dollar gross of fees originally at 14% volatility scaled to 11% volatility for the Hypothetical Strategy (that seeks to time market – cf. slides 17 to 18) ("Reference Strategy 3"). The Pure Alpha Major Markets strategy inception in November 2010. Prior to November 2010, returns of the Reference Strategy 2 are simulated based on the performance of the Pure Alpha strategy, a similar strategy as Pure Alpha Major Markets, also managed by Bridgewater but with some differences detailed as follows: the Pure Alpha strategy have been further modified to remove the returns from markets that were capacity and liquidity constrained in the Pure Alpha strategy to more closely reflect the Pure Alpha Major Markets strategy. Pure Alpha Major Markets trades markets within the Pure Alpha strategy, encompassing approximately 2/3 of the pure Alpha risk budget with a slight emphasis on longer-term trading strategies although Pure Alpha Major Markets draws upon the most liquid components of the Pure Alpha strategy and trades in markets that are not capacity constrained. Bridgewater expects Pure Alpha and Pure Alpha Major Markets to exhibit a high degree of correlation with similar returns over time. Where shown, performances of the Hypothetical Strategy are presented net of fees using a 1.5% fixed fee and a 15% performance fee charged yearly. Hypothetical Strategy Past Performance is for illustration purposes only. Results of the Hypothetical Strategy Past Performance have certain inherent limitations. Hypothetical Strategy Past Performance is not representative of an actual or expected performance record due to, among other reasons, the different regulatory structures, fees, expenses, impact of subscriptions and redemptions and investment currencies. Unlike an actual performance record, simulated performance does not represent actual trading or the costs of managing a portfolio. Also, since the trades have not actually been executed, the results may have under or over compensated for the impact, if any, of certain market or economic factors, such as lack of liquidity or the impact of subscriptions and redemptions in a fund. Hypothetical Strategy Past Performance in general is also subject to the fact that it is designed with the benefit of hindsight. The inclusion of simulated past performances based on Pure Alpha Major Markets strategy, Pure Alpha strategy and All Weather strategy does not constitute an offer to solicit nor an offer to sell any securities or interest in the Pure Alpha Major Markets strategy, Pure Alpha strategy and All Weather strategy or interest in any Bridgewater or Lyxor fund or program. No part of this discussion or the material shown herein may be (i) taped, repeated, copied, or duplicated in any form by any means or (ii) redistributed to the public or the press in any way without the prior written consent of Bridgewater and Lyxor Asset Management. THE FIGURES RELATING TO HYPOTHETICAL PAST PERFORMANCE AND PAST PERFORMANCE REFER OR RELATE TO PAST PERIODS AND ARE NOT A RELIABLE INDICATOR OF FUTURE RESULTS. THIS ALSO APPLIES TO HISTORICAL MARKET DATA.

# LIMITING DRAWDOWN

## DURING MARKET TURBULENCE PERIODS



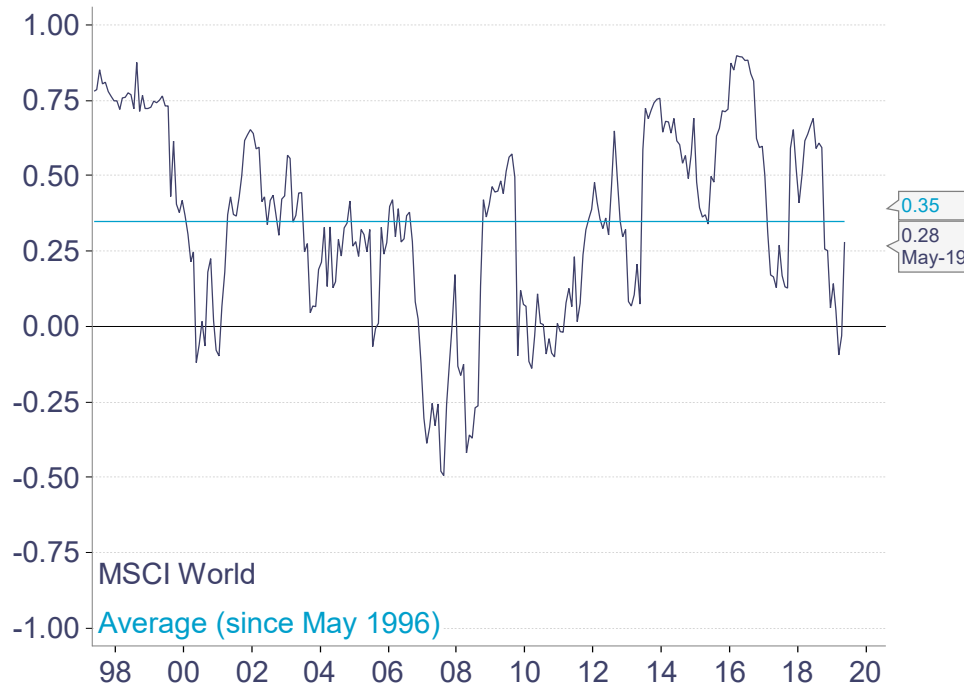
Please refer to Slide 29 for the definitions of the indices used. Source: Bridgewater Associates, LP, Lyxor Asset Management SAS. As of May 2019

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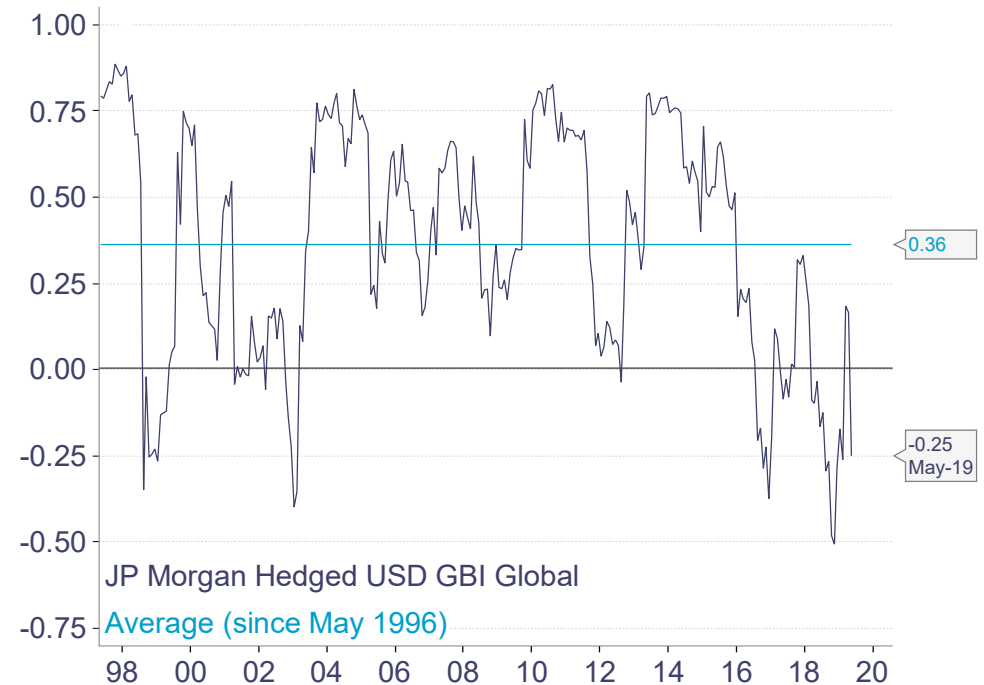
# WITH DIVERSIFICATION BENEFITS

## MODERATE CORRELATION OF THE HYPOTHETICAL STRATEGY (NET OF FEES) TO TRADITIONAL ASSET CLASSES

12M correlation to equities  
(based on monthly returns (%))



12M correlation to bonds  
(based on monthly returns (%))



Please refer to Slide 29 for the definitions of the indices used. Source: Bridgewater Associates, LP, Lyxor Asset Management SAS. As of May 2019

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- **JP Morgan GBI global Hedged USD Index (JHDCGBIG Index):** a core developed market subset of the flagship GBI-Aggregate Index which is an all encompassing global government bond index tracking the performance of liquid and investable local government bond markets that are accessible by the international institutional investor base.
- **HFRI Macro (Total) Index USD:** Investment Managers which trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets. Managers employ a variety of techniques, both discretionary and systematic analysis, combinations of top down and bottom up theses, quantitative and fundamental approaches and long and short term holding periods. Although some strategies employ RV techniques, Macro strategies are distinct from RV strategies in that the primary investment thesis is predicated on predicted or future movements in the underlying instruments, rather than realization of a valuation discrepancy between securities. In a similar way, while both Macro and equity hedge managers may hold equity securities, the overriding investment thesis is predicated on the impact movements in underlying macroeconomic variables may have on security prices, as opposes to EH, in which the fundamental characteristics on the company are the most significant and integral to investment thesis.

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