

Auriel launches dynamic currency hedging programme with US\$1.1bn institutional mandate win

LONDON, 7 December 2010 – Auriel Capital Management LLP, the London-based investment management firm, has launched a dynamic currency hedging programme for institutional investors with the backing of a US\$1.1bn mandate from a US corporate pension plan.

The strategy is designed to reduce the volatility of institutional investors' foreign currency exposures while profiting from medium and long-term movements across foreign exchange markets. Implemented as a customised overlay, the programme aims to outperform a passively hedged benchmark of overseas currency exposures. It employs Auriel's quantitative and qualitative risk controls in addition to a systematic portfolio construction process to reduce currency risk relative to static hedging.

Through a systematic, multi-factor approach, Auriel's programme seeks to add value above a static hedge by exploiting relative valuation opportunities in developed and emerging currencies. It can be altered to suit various time horizons, risk tolerances and existing exposures across currency markets.

The programme utilises a suite of proprietary models encompassing fundamental, risk aversion and technical factors to determine the optimal hedge ratio for a foreign currency pair at a given point in time. With a holding period of approximately one month, the strategy provides a cost-effective alternative to passive hedging with the potential to add value through active views.

Anoosh Lachin, Managing Partner, Auriel Capital Management LLP, says: "With over 25 years of combined currency management experience, Auriel's foreign exchange team has designed a strategy offering a more robust approach to managing currency risk.

Dynamic currency hedging allows investors to take the decision to reduce currency volatility without having to make an explicit call on the current value of their home currency. The success of dynamic hedge is ultimately driven by the quality of the investment manager's views rather than the strength of the client's home currency relative to foreign currencies at the point of implementation."

Asif Noor, Portfolio Manager, Auriel Capital Management LLP, says: "There are two significant potential benefits to dynamic hedging. It can achieve better downside protection without sacrificing the potential for positive returns. Additionally, through dynamic hedging trustees can make the decision to control foreign exchange risk without having to pay undue attention to the timing of their decision."

- Ends -

Investor & Media contact:

Joe Palombo

Auriel Capital Management LLP

+44 (0)207 258 8850

joe.palombo@aurielcapital.com.

About Auriel Capital Management LLP

Auriel Capital Management LLP is a London-based investment management firm specialising in foreign exchange and global macro strategies. Auriel is authorised and regulated by the Financial Services Authority (FSA No. 400027) and is an SEC registered investment advisor (SEC No.: 801-65136). In addition to this new mandate, Auriel manages over US\$206m* in active global macro and currency strategies on behalf of institutional investors worldwide.

**As at 1st December 2010. Auriel's client accounts are a combination of fully funded and unfunded mandates. Assets under management are calculated as follows: Actively managed currency accounts are standardised to 10% volatility. Actively managed global macro accounts are standardised to 15% volatility. Dynamic hedging mandates are scaled to 1% volatility. Passively managed hedges are not counted for AUM purposes.*