

Multi-Currency Accounts & Foreign Currency Hedging



Agenda

- Fortrend Client Profile
- Calculating FX Exposure
- Fortrend Multi-Currency Account Features
- Hedging Strategies
- Profit / Loss / Breakeven Scenarios
- Implementing a Strategy





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FORTREND
SECURITIES



Example Client Profile

- +40 y.o., business owner or professional
- Children at expensive private schools
- \$500k equity in family home, leveraged
- \$250k investments: beach house, flat, shares, stamps etc. possible leverage
- \$250k Self Managed Super Fund in Australia shares



Problem

- No asset allocation to global growth blue chip
- No asset allocation to international markets (98%)
- All investments are in A\$
- Franking credits cause the share portfolio to be Austral centric and income focused
- No exposure to global growth industries such as Tech, Entertainment, Pharma, Food, Aerospace etc



Solution

- Build exposure to the types of assets you can not buy in Australia, which compliment Australian assets.
- Place 10% of your assets in long term global growth portfolio.



Fortrend Multi-Currency Account Features

1. Deposit Australian Dollars into your account
2. Hold A\$ in your account & earn interest
3. Place order to sell A\$ and buy US\$
4. Hold US dollars in account until 'Microsoft' reaches target price
5. Place order to **buy** 'Microsoft'



Fortrend Multi-Currency Account Features

- Same applies to European and Japanese currencies and stock markets
- You can hold up to 25 different currencies in your account at one time, and you can **trade currencies!**
- Simply call your advisor and place the order



\$100,000 Global Portfolio

<u>Company</u>	<u>% US sales</u>	<u>% Euro sales</u>
Dow	60%	36%
Boeing	72%	9%
Disney	78%	15%
McDonald's	34%	35%
Pfizer	56%	37%
Nestle	32%	33%
Unilever	43%	22%
<u>Average</u>	<u>54%</u>	<u>28%</u>



Your FX Exposure

- Your US dollar exposure is A\$54,000, or 5.4% of your net worth
- Fortrend helps you manage currency fluctuations



Hedging Strategies

- *Your Problem:* You need global growth, but you think the US\$ will fall against the AUD. You have A\$54,000 equivalent exposure to the US\$.
- *Fortrend Solution:* Hedge your US\$ exposure by selling US\$ and buy A\$ for delivery in 12 months.

This is called “booking a forward rate”



Recommendation

- Need to take a view on A\$ - will it rise or fall?
- If you think A\$ will drop from current levels, remain unhedged and benefit from portfolio currency gain
- If you think A\$ will rise above current levels, buy a forward hedge to eliminate portfolio currency loss














Spot Rates

<HELP> for explanation, <MENU> for similar functions.

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Wed 8/23

KEY CROSS CURRENCY RATES

											
	USD	EUR	JPY	GBP	CHF	CAD	AUD	NZD	HKD	NOK	SEK
SEK	7.2032	9.1967	6.1865	13.621	5.8224	6.4728	5.4777	4.5733	.92615	1.1421
NOK	6.3068	8.0521	5.4165	11.925	5.0978	5.6672	4.7960	4.0042	.81089	....	.87555
HKD	7.7776	9.9301	6.6798	14.707	6.2867	6.9889	5.9145	4.9380	....	1.2332	1.0797
NZD	1.5751	2.0109	1.3527	2.9783	1.2731	1.4153	1.1977	....	.20251	.24974	.21866
AUD	1.3150	1.6789	1.1294	2.4866	1.0629	1.1817	....	.83490	.16908	.20851	.18256
CAD	1.1129	1.4208	.95577	2.1043	.89953	....	.84627	.70655	.14308	.17645	.15449
CHF	1.2372	1.5795	1.0625	2.3393	....	1.1117	.94079	.78547	.15907	.19616	.17175
GBP	.52885	.67521	.45420	....	.42747	.47522	.40216	.33577	.06800	.08385	.07342
JPY	116.44	148.66	....	220.17	94.116	104.63	88.543	73.925	14.971	18.462	16.164
EUR	.7832467268	1.4810	.63310	.70381	.59561	.49728	.10070	.12419	.10873
USD	1.2768	.85885	1.8909	.80831	.89859	.76045	.63490	.12857	.15856	.13883

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Current Spot Rate is 0.76045
(08/24/06)

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Australia 61 2 9777 8600
Hong Kong 852 2977 6000 Japan 81 3 3201

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Forward Rates

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KEY CROSS CURRENCY FORWARDS

											
	USD	EUR	JPY	GBP	CHF	CAD	AUD	NZD	HKD	NOK	SEK
SEK	7.0481	9.1611	6.3460	13.368	5.8923	6.4028	5.3114	4.3828	.9145	1.1376
NOK	6.1959	8.0533	5.5787	11.752	5.1798	5.6285	4.6692	3.8528	.8040	....	.8791
HKD	7.7067	10.017	6.9390	14.617	6.4429	7.0011	5.8078	4.7923	....	1.2438	1.0934
NZD	1.6081	2.0903	1.4480	3.0502	1.3444	1.4609	1.2119	....	.2087	.2596	.2282
AUD	1.3270	1.7248	1.1948	2.5169	1.1094	1.2055	....	.8252	.1722	.2142	.1883
CAD	1.1008	1.4308	.9911	2.0879	.9203	....	.8296	.6845	.1428	.1777	.1562
CHF	1.1962	1.5547	1.0770	2.2687	....	1.0866	.9014	.7438	.1552	.1931	.1697
GBP	.5272	.6853	.4747	....	.4408	.4790	.3973	.3279	.0684	.0851	.0748
JPY	111.06	144.36	....	210.65	92.850	100.89	83.697	69.063	14.411	17.925	15.758
EUR	.76946927	1.4592	.6432	.6989	.5798	.4784	.0998	.1242	.1092
USD	1.2998	.9004	1.8967	.8360	.9084	.7536	.6218	.1298	.1614	.1419

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**The 12 month forward rate is 0.7536, or 99.1% of the spot rate.
Its cheaper to buy AUD if you take delivery in 12 months**

Strategies

- Profit
- Flexibility
- Loss
- Breakeven



Hedging Strategy - Profit

- You own US\$ assets, but you do not want US\$ exposure
- Sell US\$40,700 for delivery in 12 months at 0.7536 will buy you A\$54,000
- If the A\$ goes to 80c you can:
- Sell A\$54,000 and receive US\$43,200 and make a US\$2,500 profit



Hedging Strategy - Flexibility

- You are contracted to receive A\$54,000 in 12 months
- The spot rate rises to 80c after six months
- You can enter into an offsetting hedge to neutralize the current position
- Sell A\$54,000, and buy US\$ for delivery in 6 months



Hedging Strategy - Loss

- You own US\$ assets, but you do not want US\$ exposure
- Sell US\$40,700 for delivery in 12 months at 0.7536, which will buy you A\$54,000
- If the A\$ goes to 70c you can:
- Sell A\$54,000 and receive US\$37,800 and realize a US\$2,900 loss. You should be making a profit on your stocks



Hedging Strategy - Breakeven

- The FX rate today is 0.7604
- You buy A\$54,000 at a forward rate of 75.36 for delivery in 12 months
- In 12 months if the spot rate is 75.36, you breakeven



Implementing a Strategy

1. Work with your advisor to construct a global growth portfolio that suits your needs
2. Open an account at Fortrend and deposit A\$100,000
3. Sell A\$100,000 and buy foreign currencies
4. Buy a basket of global growth stocks using foreign currencies
5. Fortrend calculates the US\$ exposure, say 54%
6. Place order to buy A\$54,000 and sell US\$ for delivery in 12 months



10 Year AUD / USD Exchange Rate

AUDUSD ↑ **.7603** - **.0026** WLBN .7602/.7604 AN Curncy **GPO**
At 22:16 Op .7628 Hi .7631 Lo .7599 Prev .7628 Value 8/25/06
Bar Chart **USAD Curncy** 1/11
Range **1/ 1/96** - **8/18/06** Period **W** Weekly
Upper Chart: **1** Bar Chart Moving Averages **34 200**

1) News

High (12/06/96) 0.8214

Average 0.6652

Low (04/06/01) 0.4775



Conclusion

- Work with your advisor to construct a global growth portfolio that suits your needs
- Buy global growth stocks using Fortrend's multi-currency account
- If necessary, protect value of assets from currency fluctuations using forward rates

