



STATE STREET®

State Street Global Markets

- Manages currency for MLC (since 2000)
- Manages A\$96 billion in currency across the company at 31 December 2012
- Currency management team is located in Boston, USA
- A subsidiary of State Street Corporation

Highly sophisticated hedging strategies with a focus on performance, transparency and operational efficiency.

Why MLC has chosen State Street

MLC utilises State Street due to their focus on currency management, with strong capabilities in both research and execution. State Street's ability to target relevant risk measures when managing passive currency overlays places them as a manager of choice for MLC.

Philosophy on investing



Alex Dunegan
Managing Director,
Head of SSGM Currency
Management

State Street Global Markets' investment philosophy for hedging currencies is focused on removing the operational risks of hedging, while finding the most favourable balance between tracking error and hedging costs.

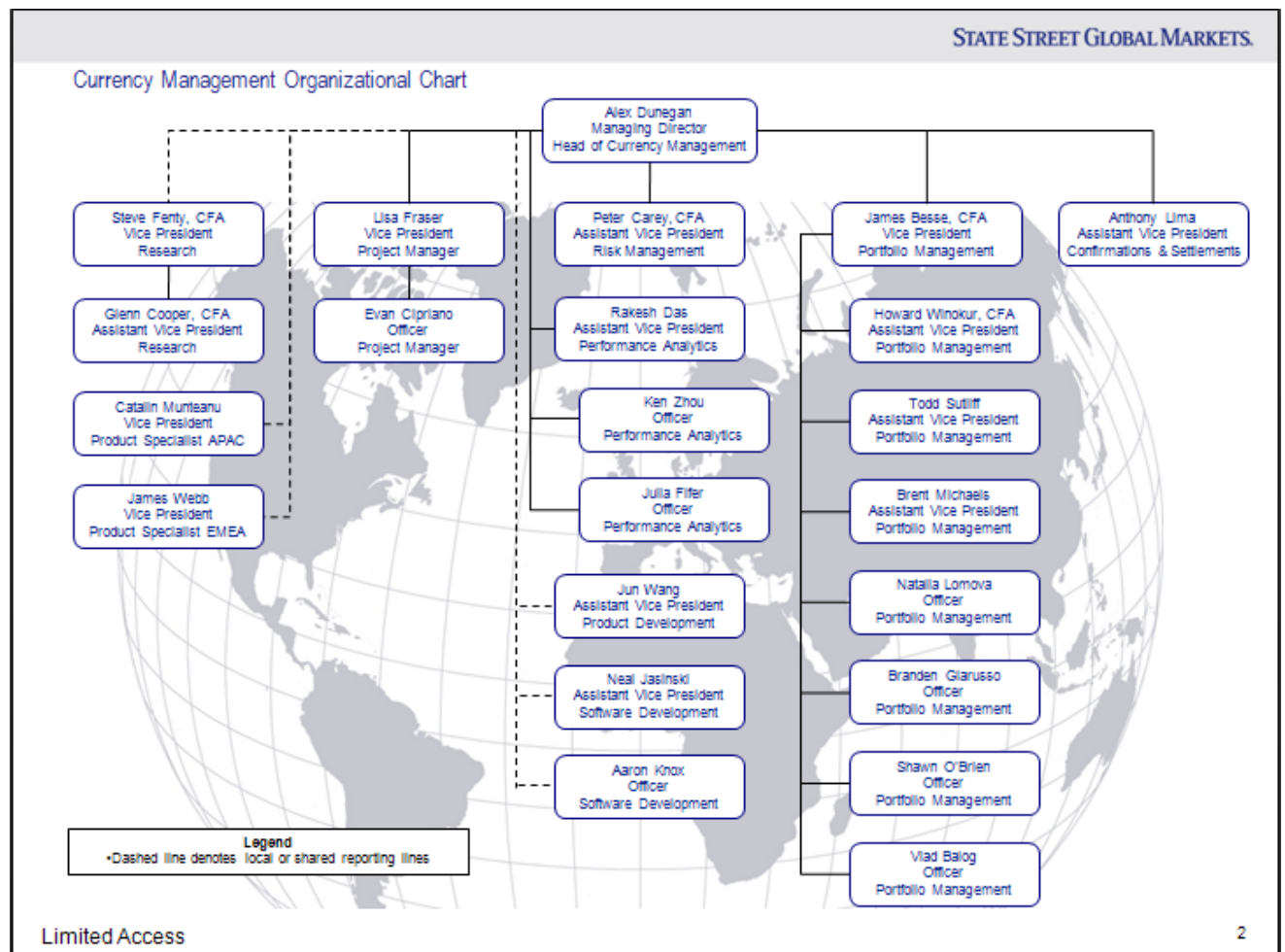
Tracking error associated with passive overlay results from underlying asset volatility, rebalance frequency, hedge filters, proxy currencies, hedging costs and contract tenor. More frequent rebalances can lead to higher hedging costs, while less frequent rebalances can lead to higher tracking error.

Investment process

In a traditional passive strategy, MLC's strategic hedging policy defines the target ratio to apply to foreign currency exposures (0-100%). They apply this target hedge ratio to the portfolio exposures, which determines the amount of currency to be hedged. They work within a band, which is either defined as a percentage (ie, +/- 5%) of target hedge ratio or an absolute value. These trade filters are employed to eliminate trades resulting from noise. Hedges are then established by selling forward foreign exchange (FX) contracts (typically one to three months in duration) equivalent in the amount determined by the strategic policy, while purchasing the equivalent amount of base currency. All trades carried out in the period between the creation of the value date and up to two weeks prior to the actual value date will be executed to settle on the value date. Within a two-week period preceding the value date, a closing trade is executed to offset existing open positions. Simultaneously, new forward contracts are entered into with a new value date (typically one to three months forward). This process is referred to as rolling forward. The proceeds from this roll forward are realised in the form of cash flows on each of these periodic value dates.

Additionally, risk control can be enhanced using more sophisticated techniques such as a Minimum Variance Hedge Ratio (MVHR) strategy or an Optimal Passive Overlay strategy. Within the context of the MVHR, the risk that the basket of currency exposures introduces to the overall portfolio is evaluated to determine a single policy hedge ratio, typically different than the more traditional 0%, 50% or 100% hedge that many institutions apply. Finally, and most efficiently, State Street is able to implement an Optimal Passive hedge that evaluates the relationship of the underlying assets, individual foreign currencies and the cost of hedging to determine the optimal hedge ratio by currency pair. For both the MVHR and the Optimal Passive Hedging strategies, once the hedge ratio has been determined, the process is the same as described above for the traditional passive overlay strategy.

Currency management organizational chart



Investment people

Currency Management & Implementation Bios (listed alphabetically)

Vlad Balog

Officer, Portfolio Management

State Street Global Markets Currency Management, Boston

Year joined firm: 2010

Year joined industry: 2010

Mr Balog joined the Currency Management team at the beginning of 2013 as a Portfolio Manager, responsible for trading, rebalancing, and managing client portfolios. He had previously worked in State Street custody as a fund accountant as well as in the Currency Management back office as an intern. Mr Balog holds a BSBA with concentrations in Finance and Entrepreneurship from Northeastern University.

James Besse, CFA

Vice President, Portfolio Management

State Street Global Markets Currency Management, Boston

Year joined firm: 2004

Year joined industry: 2000

Mr Besse began as an intern with State Street Global Markets in February 2004 and joined the Currency Management team full-time in June 2004. As part of the group, he is responsible for the management, trading, and reporting of the currency overlay program with a focus on emerging market currencies. Mr Besse also provides database management and systems development support for the team and holds a BS in Biology from the University of Massachusetts. In June 2004, he earned his MBA from the Carroll School of Management at Boston College. Mr Besse is a CFA charterholder.

Peter Carey, CFA

Assistant Vice President, Performance Analytics

State Street Global Markets Currency Management, Boston

Year joined firm: 2008

Year joined industry: 2008

Peter Carey joined State Street Global Markets in September 2008 while completing the second year of his MBA program at Boston College. He is currently responsible for performance measurement and reporting for the currency management business and assists with various research and development initiatives. Prior to State Street, Peter had also had experience in both the management consulting and actuarial industries. In addition to an MBA specialized in Finance, Peter also holds a bachelors degree in Business Economics from Brown University and is a CFA charterholder.

Evan Cipriano

Officer, Project Management

State Street Global Markets Currency Management, Boston

Year joined firm: 2010

Year joined industry: 2010

Mr Cipriano joined State Street Global Markets in 2010, initially as a part of the Transition Management sales team. In July of 2012, he joined the Currency Management team, where he manages client on-boarding projects. Mr Cipriano holds a BA in economics from Northeastern University.

Glenn Cooper, CFA

Assistant Vice President, Portfolio Solutions Strategy

State Street Global Markets Currency Management, Boston

Year joined firm: 2006

Year joined industry: 2006

Mr Cooper joined State Street Global Markets in July 2011. He is responsible for implementation research, strategy, and product development across the Portfolio Solutions businesses. In this capacity, he collaborates with State Street's institutional clients to design customised strategies and provides quantitative analyses to support the sales effort. Mr Cooper is also involved with model development and on-going research. He previously worked for State Street Global Advisors focusing on the passive equity business after beginning his career at State Street Global Services in 2006. Mr Cooper holds a BS degree in Finance from Virginia Tech and is a CFA charterholder.



Rakesh Das

Assistant Vice President, Head of Performance Analytics
State Street Global Markets Currency Management, Boston
Year joined firm: 2010
Year joined industry: 2006

Mr Das is currently responsible for performance analytics for the Currency Management business and also works on research and development initiatives. Mr Das joined State Street Global Markets in March 2010 while completing the second year of his MBA program at Boston College. He graduated from business school with a dual specialization in Asset Management and Corporate Finance, and also holds a bachelor's degree in Electrical Engineering from National Institute of Technology, India. Prior to joining State Street, Mr Das held investment banking internships with JPMorgan and ABN AMRO and was employed as an IT Consultant with IBM.

Alex Dunegan

Managing Director, Head of Operations
State Street Global Markets Currency Management, Boston
Year joined firm: 2004
Year joined industry: 2000

Mr Dunegan is responsible for the firm's currency management business. Since he joined State Street, he has led efforts in trading infrastructure development, product development, research, and operations. Mr Dunegan holds a Masters in Finance from Boston College, a Masters in Computer Science and Bachelors in Mathematics from Emory University.

Steven Fenty, CFA

Vice President, Head of Strategy
State Street Global Markets Currency Management, Boston
Year joined firm: 2007
Year joined industry: 2007

Mr Fenty is responsible for implementation research, strategy, and product development across the Currency Management, Transition Management and Exposure Solutions businesses. In this capacity, Mr Fenty collaborates with State Street's institutional clients to design and implement custom risk-management and alpha generation strategies. He holds a BS degree in Operations Research and Industrial Engineering from Cornell University and is a CFA charterholder.

Julia Fifer

Officer, Performance Analytics
State Street Global Markets Currency Management, Boston
Year joined firm: 2011
Year joined industry: 2011

Ms Fifer joined State Street Global Markets in August 2011 and is part of the performance analytics team. She is responsible for developing and managing performance decomposition models and for producing customized analyses for clients. She began her career at State Street as an intern in June 2010 and also completed a year-long rotational program during which she focused on investment advisory research. Ms Fifer holds a B.A. in Economics from Harvard University. She is also a CFA Candidate for the Level III exam.

Lisa Fraser

Vice President, Project Management
State Street Global Markets Currency Management, Boston
Year joined firm: 2001
Year joined industry: 2001

Ms Fraser joined the Currency Management team in June 2008 as project manager, responsible for the successful on-boarding of all new clients. Ms Fraser joined State Street in June 2001 and held various positions within the company's investment services business. In March 2004, she joined State Street Global Markets as part of the Global Account Development team, and in May 2006 she began working with State Street Global Markets in the Portfolio & Risk Management Group, where she was also responsible for preparing customized analyses for clients. She holds a BSc from Heriot-Watt University with a concentration in mathematics.

Branden Giarusso

Officer, Portfolio Management
State Street Global Markets Currency Management, Boston



Year joined firm: 2006

Year joined industry: 2006

Mr Giarusso joined State Street Global Markets in November 2011. He began his career at State Street in 2006 as a member of the Corporate Cash team within the Institutional Investor Services division. He managed a fund group as well as centralised fixed income and pricing teams. He is currently responsible for rebalancing, trading, and managing client portfolios. Mr Giarusso holds a BA degree in History from Boston University.

Neal Jasinski

Assistant Vice President, Product Development

State Street Global Markets Currency Management, Boston

Year Joined Firm: 2012

Year Joined Industry: 1989

Mr Jasinski joined State Street Global Markets' currency management division in February 2012. He is responsible for the development of portfolio management, trading and reporting applications, researching and developing new product innovations, and offering customised research analyses to clients. Neal holds a Masters degree (MSCIS) from Bentley College.

Aaron Knox

Officer, Product Development

State Street Global Markets Currency Management, Boston

Year Joined Firm: 2007

Year Joined Industry: 2007

Mr Knox joined State Street Global Markets' currency management division in February 2007. He is responsible for the development of portfolio management, trading and reporting applications, researching and developing new product innovations, and offering customised research analyses to clients. Aaron holds a Bachelor of Science degree from Rose-Hulman Institute of Technology.

Anthony Lima

Assistant Vice President, Confirmations and Settlements

State Street Global Markets Currency Management, Boston

Year joined firm: 2005

Year joined industry: 2005

Mr Lima joined State Street Global Markets in October of 2005. As a member of the Currency Management group, he is responsible for all back office operations, in addition to providing support to the business development efforts. Mr Lima holds a BS in Economics from Northeastern University.

Natalia Lomova

Officer, Portfolio Management

State Street Global Markets Currency Management, Boston

Year joined firm: 2010

Year joined industry: 2007

Ms Lomova joined the State Street Global Markets in 2010, initially on the FX Middle Office team, and prior to that holding an equity portfolio administration position at BlackRock. She then joined the Currency Management team at the end of 2011 as a Portfolio Manager, responsible for rebalancing, trading, and managing client portfolios. Ms Lomova graduated Northeastern University with a BS degree in Finance and International Business.

Brent Michaels

Assistant Vice President, Portfolio Management

State Street Global Markets Currency Management, Boston

Year joined firm: 2008

Year joined industry: 2008

Mr Michaels joined State Street Global Markets in September of 2008. He began his career at State Street in the Professional Development Program, a one-year rotational training program. He then joined the Currency Management Group in September of 2009, undertaking various independent projects to help improve and ensure the quality of business processes. Mr Michaels currently works as a Portfolio Manager, as a Portfolio Manager, responsible for rebalancing, trading, and managing client portfolios. Mr Michaels holds a BBA in International Business from the University of Georgia and an MBA in Finance from Brandeis University.

Catalin Munteanu

Vice President, Business Development

State Street Global Markets Currency Management, Tokyo

Year joined firm: 2002

Year joined industry: 2002

Mr. Munteanu is based in the Tokyo and is responsible for the development and growth of Currency Management in the Asia/Pacific markets. He holds a Bachelor of Law degree from Hitotsubashi University in Tokyo and is a Registered Representative in Japan Class 2 with the JSDA.

Shawn O'Brien

Officer, Portfolio Management

State Street Global Markets Currency Management, Boston

Year joined firm: 2012

Year joined industry: 2008

Mr O'Brien joined the Currency Management team in November 2012 as a Portfolio Manager, responsible for rebalancing, trading, and managing client portfolios. Prior to joining State Street Global Markets, he worked at State Street Global Advisors as an Associate in the Equity Portfolio Administration group. Mr O'Brien holds a BS in Finance from Merrimack College and is a Candidate in the CFA Institute Program.

Todd Sutliff

Assistant Vice President, Portfolio Management

State Street Global Markets Currency Management, Boston

Year joined firm: 2004

Year joined industry: 2004

Mr. Sutliff joined State Street Global Markets in March 2010. He began his career at State Street in 2004 joining their investment services (IS) group. During his tenure in IS Mr. Sutliff had experience in custody, fund accounting and fund administration roles. Most recently he was responsible for managing several client relationships to facilitate their audit and financial reporting processes. Mr. Sutliff holds a BA in Economics from Union College (NY) as well as an MBA from Boston University.

Jun Wang

Assistant Vice President, Product Development

State Street Global Markets Currency Management, Boston

Year Joined Firm: 2012

Year Joined Industry: 2007

Mr Wang joined State Street Global Markets' currency management division in July 2012. He is responsible for the development of portfolio management, trading and reporting applications, architecting new platforms, and offering customised research analyses to clients. Mr Wang was majored in system engineering and holds a Ph.D. degree from Boston University.

James Webb

Vice President, Business Development

State Street Global Markets Currency Management, London

Year joined firm: 2011

Year joined industry: 1996

Based in London, Mr Webb is responsible for the development and growth of the Currency Management business in the EMEA region, and the ongoing relationship management for new and existing clients. He joined in August 2011 from BNY Mellon where he held a similar position within the FX Sales team. He previously worked at Northern Trust, and has held a variety of roles including Business Analyst and product development within Asset Servicing and Fund Services. He has fifteen years of experience in international finance covering accounting, operations and management, risk, project management, and sales and relationship management.

Mr Webb has also presented on currency hedging solutions and practices at industry seminars and to regulators, trustees, and Auditors.

Howard Winokur, CFA

Assistant Vice President, Portfolio Management

State Street Global Markets Currency Management, Boston

Year joined firm: 2003



Year joined industry: 2003

Mr Winokur joined State Street Global Markets in July 2010. He began his career at State Street in 2003 and has experience within the investor services group as well as managerial experience in the fixed income group at State Street Global Advisors. He is currently responsible for rebalancing, trading, and managing client portfolios. Mr Winokur holds a BS degree in Finance and Accounting from Syracuse University and an MBA from Boston University. Mr Winokur is also a CFA charterholder.

Ken Zhou

Officer, Performance Analytics

State Street Global Markets Currency Management, Boston

Year joined firm: 2011

Year joined industry: 2007

Mr Zhou recently joined the Currency Management team and is working in the Performance Analytics team responsible for performance decomposition for the various funds and asset classes that Currency Management is responsible for. He holds an MA in finance from Brandeis University and a BEng in Electrical Computer Engineering from Cornell University. He is also CFA Candidate level III Candidate.

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