Fastmarkets Risk Solutions

presented by

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Introduction

This presentation is a description of a risk solutions consulting engagement with Fastmarkets.

The engagement will consist of several consultations and a set of risk measurement and risk management deliverables.

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fastmarkets.com/products/risk-management

Fastmarkets risk solutions: what we do

Discuss risks

VaR modeling and scenario hedging analysis

Identify financial products available from various market makers and exchanges

Financial product futures, swaps and options provided

Payout diagrams for in-depth understanding of payout provided

Interactive hedging education: Risk before, during and after

Evaluate and discuss: ISDA vs. long-form confirmation and operational setup

Scope of work and deliverables

Measuring risk

Scope of deliverables

Initial consultation

Initial consultation

- Detail how the combination of physical and financial purchases can benefit commercial operations
- Describe price risk and the general impact on returns
  - Discuss the tools used to evaluate and mitigate risk
  - Futures over-the-counter the counter hedging
  - The nuances of futures contracts
  - Value at Risk (VaR) of commodity price risks
  - Conditional Value at Risk of commodity price risks
  - Sharpe Ratio of company returns with commodity price risk
- Describe financial hedging products
  - Describe payout
  - Discuss the risk management process

Scope of deliverables

Second consultation
and first deliverables

Second consultation

- Discuss risk parameters
- Describe prices that comprise the potential greatest risks
- Discuss the risk mitigation process
- Detail physical commodity purchases and sales
- Describe the first deliverables, including hedging and financial products

First deliverables

- Value at Risk and cVaR on price exposure
- VaR with hedges
- Correlation price exposure
- Historical and forecast volatility
- Detail physical commodity purchases and sales exposure
- Describe the first deliverables, including hedging and financial products with examples

Scope of deliverables

Third consultation
and ongoing deliverables

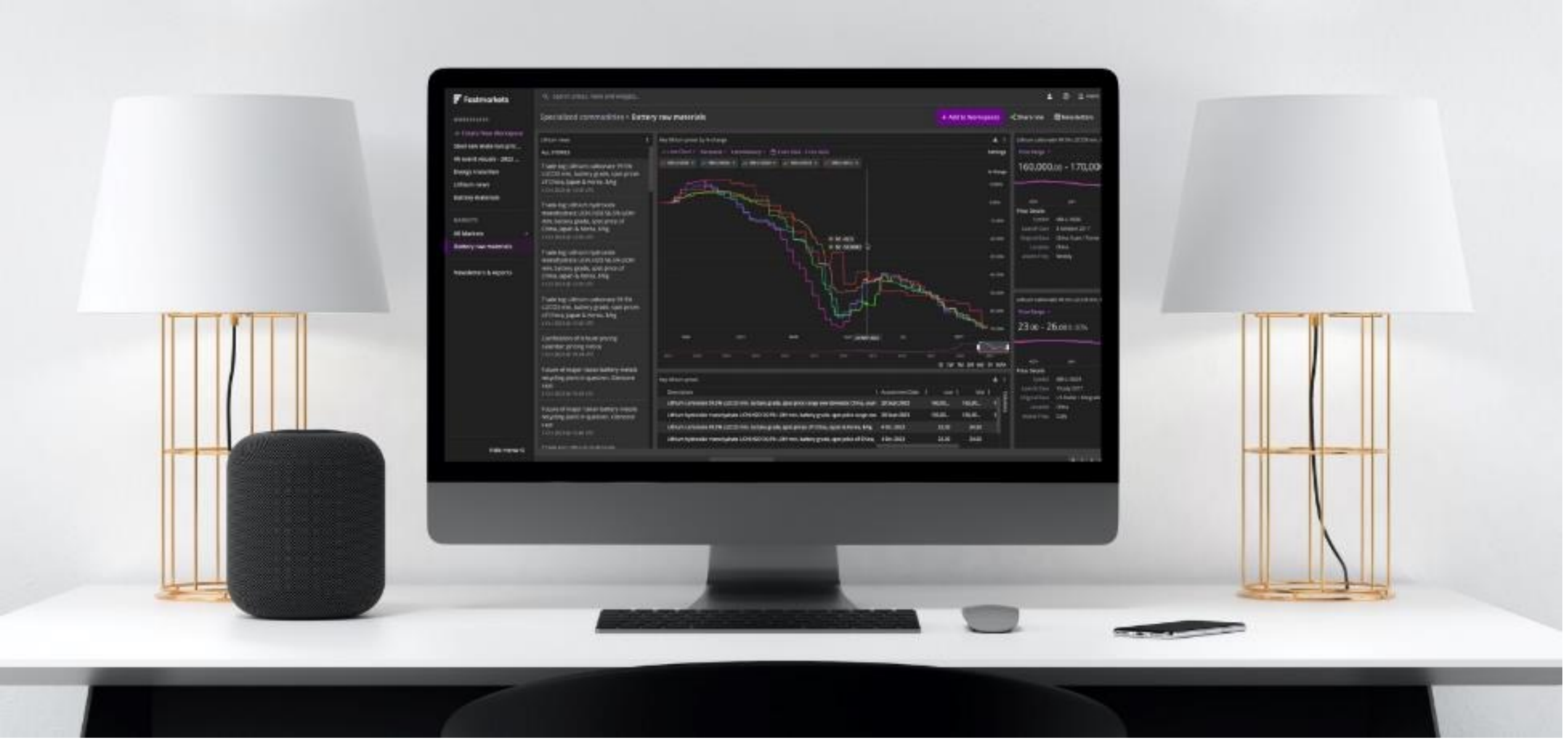
Third consultation

- Discuss hedging and actionable hedging tools
- Discuss pricing on potential hedges
- Describe the role of the Market Maker (for OTC transactions and discussion of ISDA or confirmations)
- Discuss potential ongoing price risk management and operational setup

Ongoing deliverables

- Discuss

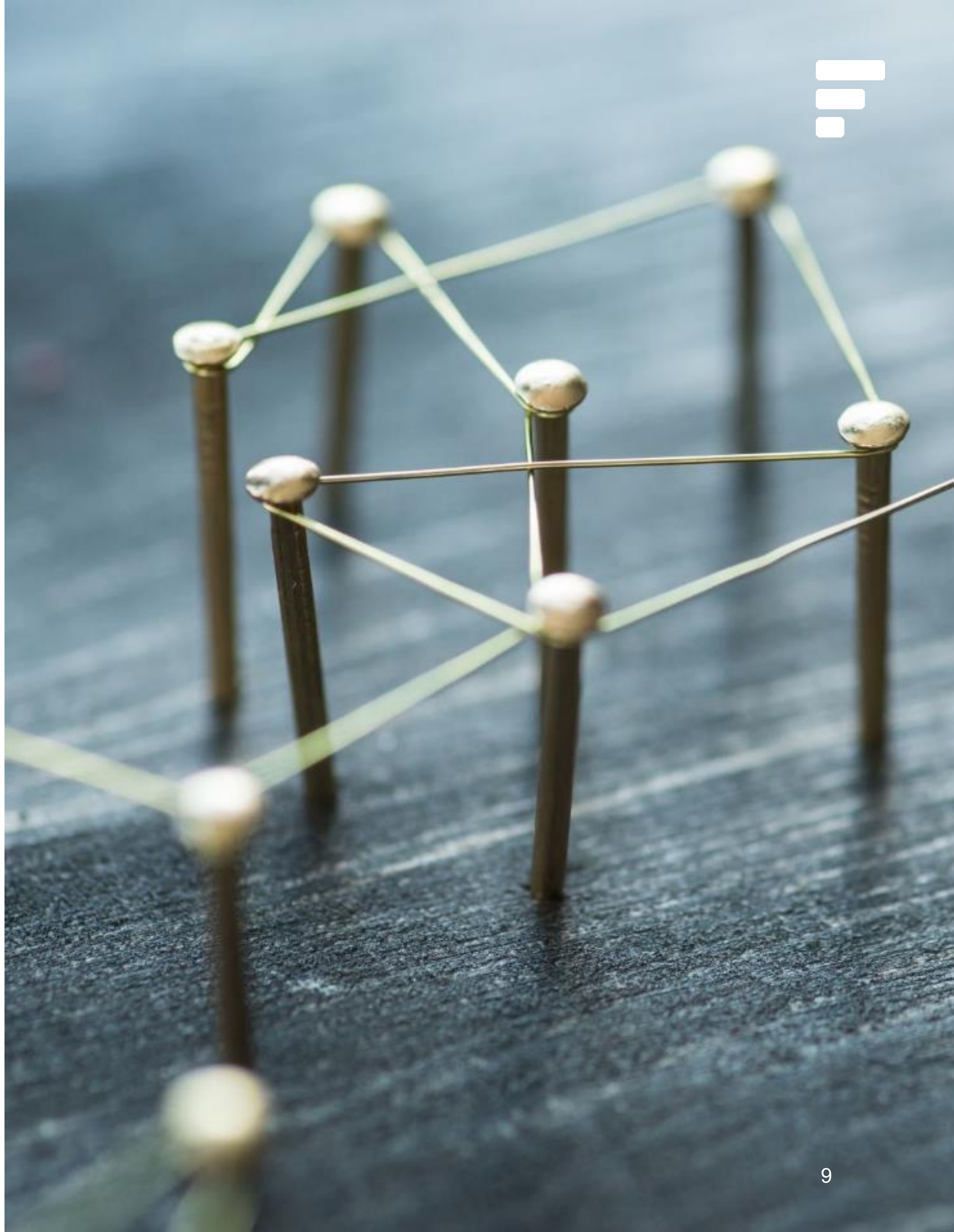
Note – Fastmarkets does not recommend particular products or engage in financial promotions. Our service is for information purposes only.



Value at Risk using Fastmarkets' prices

- Trading desks and portfolio managers commonly use **Value at Risk (VAR) Analysis** to determine outsized risk of loss during a defined period
- Fastmarkets' market-reflective price data facilitates:
  - An analytical approach to calculate VaR
  - The ability to calculate correlations and volatilities to run simulation VaR
- There are several assumptions used to calculate a VaR analysis
- Understand your Expected Shortfall (ES)

Risk management and operational setup



Ongoing deliverables

How to setup a risk management operation

- ISDA
- Confirmation
- Hedge Accounting
- Systems
- Operations
- Execution

How to continuously manage risk

- Discuss

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