

CZECH FINANCIAL ACADEMY

Upcoming Seminars:

**INDEX INVESTING
INDEX FUNDS, ETF'S, SYNTHETICS
AND STRUCTURED PRODUCTS**

October 12 - 13, 2010

**FINANCIAL INSTRUMENTS
AND MARKETS**

October 14 - 15, 2010

Registration Deadline: September 27, 2010

2+2

- **Indexation vs. Active Management**
- **Full Replication, Stratified Sampling and Tracking Error Minimization**
- **Investing in Index Funds**
- **Using Index Futures for Synthetic Investments**
- **Investing in Structured Index Products**
- **Exchange-Traded Funds**
- **Investment Strategies with ETFs**

2+2

Index tracking or passive investment is now well established as a sensible form of investing. Today, indexing can be applied to almost anything and provides investor with a very cost-efficient way of obtaining exposure to equities, bonds, commodities, real estate and other asset classes.

The purpose of the seminar is to give you a thorough introduction to the concept of "indexing" and a good and practical understanding of indexing tools and strategies.

We start with a general introduction to indexing. We contrast with "active management" and compare the relative historical performance of the two approaches to investing. We also give an overview of available indexing strategies and tools and summarize their advantages and limitations.

We then take a close look at how "vanilla" and more advanced indexation strategies can be implemented using dynamic strategies, index funds, exchange-traded funds (ETFs), index futures and structured products – with and without principal guarantees. Strategies include "classic" index tracking through full replication, stratified sampling and tracking-error minimization as well as more "active" (or hybrid) strategies such as core-satellite investing and enhanced indexing.

We explain how the "cash drag" can be minimized in synthetic replication strategies with index futures, and how index strategies with down-side protection and/or exotic pay-off profiles can be constructed as structured products. We also explain how ETFs are increasingly used to gain exposure to special investment strategies that have been codified into indexes. Such strategies include the use "inverse", or "upside down", index EFTs, "leveraged" index ETFs and swaps-based ETFs.

Finally, we discuss the explicit and implicit risks of using indexation products, including the counterparty risk which is inherent in derivatives-based ETFs.

TUESDAY, OCTOBER 12

09.00–09.15

Welcome and Introduction

09.15–12.00

Index Investing – General Introduction

- What is "Index Investing"?
- Motivations for Index Investing
 - Are markets efficient or not?
- Passive vs. Active Investing – Historical Returns and Costs
- Overview of Index Investing Tools and Strategies

"Classic" Index Tracking

- Full Replication of Index
- Stratified Sampling
- Tracking Error Minimization
- Rebalancing Strategies
 - Constant Mix
 - CPPI
- Investing in Traditional Index Funds
 - Types of index funds
 - UCITS-compliant funds (EU)
 - Historical returns of index funds
- Small Exercises

12.00–13.00

Lunch

13.00–16.30

Synthetic Index Investing

- Advantages/Limitations of Synthetic Investing
- Overview of Instruments for Synthetic Indexation
 - Index futures and swaps
 - Commodity futures and swaps
- Minimizing Cash Drag with Equity Index Futures
 - Cost-of-Carry and the fair futures price
 - Replicating the index with cash + futures
 - Comparing the returns of cash and synthetic investment

- Synthetic Commodity Investing with Commodity Futures
 - The importance of the "roll yield"
- Global Diversification with Synthetic Index Investing
- Synthetic Index Funds

WEDNESDAY, OCTOBER 13

09.00–09.15

Brief recap

09.15–12.00

Structured Index Products

- Principal Guaranteed Index Products
- Index Structures with "Exotic" Pay-Off Profiles
 - Performance lock-in structures
 - Structures with barriers (Knock-Out/Knock-In)
- Quanto (Currency Hedged) Indexation Structures
- Small Exercises

Exchange-Traded Funds (ETFs): Mechanics and Markets

- What is an "Exchange-Traded Fund"?
- Mechanics of ETFs – How they work
- ETFs Compared to Mutual Funds
- Types of ETFs
- "Live" Sightseeing Tour of the ETF Markets
- Current Use of Exchange-Traded Funds by European Investment Professionals

12.00–13.00

Lunch

13.00–16.30

Investment Strategies with ETFs

- Asset Allocation with ETFs
- Enhanced Indexing Strategies
 - Enhanced cash
 - Index construction enhancements
 - Exclusion rules

- Trading enhancements (algorithmic trading)
- Portfolio construction enhancements
- Core-Satellite Investing with ETFs
 - Static and dynamic core-satellite approach
 - Traditional and relative CPPI Approach
 - Controlling the risk of tactical bets with dynamic core-Satellite portfolios of ETFs
- "Upside-Down" Investing with Inverse and Leveraged ETFs
- Creating Absolute Return Funds with ETFs

Risks of Using Indexation Products

- Explicit Risks (Market risk)
- Implicit Risks (Counterparty and Operational Risks)

Evaluation and Termination of the Seminar



- **Recent Developments in Global Financial Markets**
- **Equity Markets and Instruments**
- **Fixed Income Markets and Instruments**
- **Money and FX Markets**
- **Listed and OTC Derivatives**
- **Regulatory Changes and the New Infrastructure**
- **Structured and Leveraged Finance**

2+2

The purpose of this seminar is to give you a good, practical and all-round understanding of global financial markets and of their instruments.

We start with a general overview and discussion of recent developments in the global financial markets, including trends such as globalization, credit crisis, European debt and currency crisis, new regulation etc.

We then take a closer look at equity markets. We present and describe different types of equity instruments, and we explain how these instruments are used in corporate financing. We also explain, how they are traded in the primary and secondary markets, and we discuss their risk and return characteristics from the investor's perspective.

After this, we turn to look at fixed-income markets. We explain the differences between "money markets" and "capital markets", and we give examples of instruments traded in these markets. We also look at the instruments' role in public and corporate financing, and we describe their investment characteristics.

Further, we explain developments in the global money and FX markets and explain the importance of these markets in international financial intermediation. We also discuss how the "subprime" crisis and the liquidity crunch that it caused have affected the functioning of money markets, in particular the interbank market.

We then give a thorough introduction to derivatives markets. We explain the main characteristics of derivative instruments, and we discuss the differences between listed and OTC instruments. We also discuss the (proposed) regulatory changes and the move to centralized trading and clearing. We present and describe instruments such as futures, options, swaps, credit derivatives, and we explain their uses in trading and risk management.

Finally, we look at developments in the markets for structured and leveraged finance. We present structures such as "asset-backed securities", "Collateralized Debt Obligations", "synthetic and hybrid securitizations", and "leveraged loans", and we explain their uses from both a financing and an investing perspective. We also explain their role in the "subprime" crisis.

THURSDAY, OCTOBER 14

09.00–09.15

Welcome and Introduction

09.15–12.00

Recent Developments in Global Financial Markets

- Brief History of Market Developments
- Overview of Types of Financial Instruments and Markets
- The Global Financial Crisis and the European Debt Crises
- Regulatory Reform and the Changing Financial Landscape

Equity Markets and Instruments

- Main Characteristics of Equity Instruments
- World Equity Markets
- The Role of Equity Instruments in Corporate Financing
- How Equities are Traded
 - Primary and secondary markets
 - Case study: "High Frequency Trading" and Its market impact (the "Flash Crash" etc.)
- Risk and Return Characteristics of Equity Investments
 - Historical performance
 - P/E, P/BV and other important ratios
 - Measuring equity risk in a portfolio context
- Practical Case Studies and Exercises

12.00–13.00

Lunch

13.00–16.30

Fixed Income Markets and Instruments

- Main Characteristics of Fixed Income Instruments

Overview of Global Fixed Income Markets

- Treasury bills and government bonds
- CP's and corporate bonds
- Agency securities
- Convertibles and other hybrid instruments
- How Fixed-Income Instruments Are Traded
 - Primary and secondary markets
- Risk and Return Characteristics of Fixed-Income Instruments
 - Historical performance
 - Interest rate risk, inflation risk
 - Credit risk, sovereign risk, prepayment risk and liquidity risk
 - Measuring risks in a portfolio context
- Case Studies and Exercises

FRIDAY, OCTOBER 15

09.00–09.15

Recap

09.15–12.00

Money and FX Markets and Instruments

- Global Money and FX Markets
- Types of Instruments
 - Deposits, T-Bills, CP's, CD's
 - Spot, forward and forward-forward transactions
- How the crisis has impacted the money and FX markets
- The Future of the Euro
- Measuring and Managing FX Exposure

Derivative Markets and Instruments

- General Introduction to Derivatives and their Characteristics

Types of Derivates Instruments and Markets

- Forwards vs. Options
- Listed vs. OTC Markets
- Futures and Options Markets
 - Mechanics of futures and options
 - Practical examples of equity, index, currency and bond futures and options
 - How futures and options are traded
 - Using futures and options for hedging

12.00–13.00

Lunch

13.00–16.30

Derivative Markets and Instruments (continued)

- OTC Markets
 - FRAs, swaps, caps, floors and swaptions
 - Credit derivatives
 - The move to standardization and centralized clearing
 - ISDA "Big Bang" protocol
 - Using OTC derivatives in risk management and financial engineering
- Case Studies and Exercises

Structured and Leveraged Finance

- Asset-Backed Securities, CLO's and CDO's
- Synthetic and Hybrid Securitizations
- Leveraged and Hybrid Loans
- Case Study: The Goldman Sachs Abacus Deal

Evaluation and Termination of the Seminar

Terms and Policies of the Czech Financial Academy

CZECH FINANCIAL ACADEMY

The Czech Financial Academy is a joint venture between the consultancy companies MONECO and BASISPOINT that offers a comprehensive programme of English-language seminars, trainings and practical workshops lectured by qualified tutors. Our objective is to provide the industry professionals with advanced financial know-how and up-to-date analytical methods and skills.

SEMINAR VENUE

All Czech Financial Academy seminars are held at the international four-star Mövenpick Hotel in Prague at Mozartova 1 (Mozart Street). Accommodation is not included in the seminar price, but we are happy to offer hotel reservations at discounted prices for our clients.

TUITION LANGUAGE

Seminar tuition is in English language, as are all manuals, training software etc. Therefore, in order to benefit from participation, at least a passive knowledge of English, including common financial phrases and related terminology, is required.

REGISTRATION

Clients who decided to participate, should submit us in advance a registration for a particular seminar (letter, fax, internet etc.). Subject to availability, the participant will then receive a confirmation of participation. The number of participants is always strictly limited in order to secure an effective and focused learning environment.

SEMINAR PRICES

The quoted seminar prices are per person and include all the training manuals, lunches and refreshments, certification diploma in English and selected software solutions used at the seminar. The price does not include hotel accommodation. Quoted prices are exclusive of local V.A.T. "Bundle" prices represent the total fee for participation in mutually related seminars (i.e. "Models 3+2, 2+3, 2+2, 1+3, 3+1, 1+2+2 and 2+2+1"). "Bundle" prices are provided in the Calendar of the Czech Financial Academy Seminars.

DISCOUNTS

Bulk discounts are offered when submitting an application for the participation of more than one person. A 10% discount is offered when at least two participants from one company register for a seminar or one participant registers at once for two or more seminars. The discounts do not apply for "bundle" prices, as these already represent discounted prices.

INVOICING AND PAYMENT

An invoice for the seminar price will be sent to the participants no later than 3 weeks prior to the beginning of the seminar. **Full payment of the invoice must be made before the start of the seminar as a precondition of participation.**

TERMS OF CANCELLATION

If for whatever reasons a registered participant is unable to attend, a substitute delegate may be appointed to participate instead. For cancellations received 20 days or more before the beginning of the seminar, a 10% cancellation fee of the full price will be invoiced i.e. 90% of the price is refunded. **For cancellations received less than 20 days prior to the beginning of the seminar, the full price is payable i.e. no refund will be provided. All cancellations must be in writing.** The organizers of the Czech Financial Academy reserve the right to cancel the individual participation or cancel the entire seminar or part of it for whatever unspecified reasons, including possible force majeure. In this case, the price paid will be refunded in full or in part, accordingly.

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REGISTRATION FORM

**Registration Deadline:
September 27, 2010**

• Index Investing – Index Funds, ETF's, Synthetics and Structured Products	<input type="checkbox"/>	October 12 – 13, 2010	€ 1,500	€ 2,500 ²⁺² <input type="checkbox"/>
• Financial Instruments and Markets	<input type="checkbox"/>	October 14 – 15, 2010	€ 1,500	

COMPANY

Name:

Approving Manager:

Person responsible for training:

Address:

Tax Registration No.: VAT Identification No.:

PARTICIPANTS

1. Title: Name: Phone:
Mr/Mrs/Ms
E-mail: Position:

2. Title: Name: Phone:
Mr/Mrs/Ms
E-mail: Position:

3. Title: Name: Phone:
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E-mail: Position:

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