THE GREENWICH Roundtable Letter

KNOWLEDGE, VERACITY, FELLOWSHIP

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THE GREENWICH ROUNDTABLE INC.
PO Box 4019
Greenwich, CT 06831
Tel: (203) 625-2600
Fax: (203) 625-4528
rsvp@greenwichroundtable.org
www.greenwichroundtable.or

INTERDISCIPLINARY PERSPECTIVES ON RISK

Our Founder's Council held on July 26 explored the *Interdisciplinary Perspectives on Risk.* Speaking were Michael Maboussin, Senior Vice President and Chief Investment Strategist of Legg Mason Capital Management and Joseph Becker, Senior Vice President of Preparedness and Response for the American Red Cross. Moderating the panel was Ron Lake of Lake Partners.

Michael Mauboussin broke his comments into three parts: the classic distinction between risk and uncertainty; the mechanisms behind risk; and managing risk, including probabililty assessment. Risk and uncertainty are used interchangeably. Risk describes a system where we don't know what the outcome is going to be; we do know what the underlying probability distribution looks like. Uncertainty is where you don't know what the outcome is, but you also don't know what the underlying distribution looks like. Most of the systems we deal with are uncertain such as terrorism, avian flu or the financial markets.

The distinctions are important because we can model risk using probability calculus. We can't easily model uncertainty. Problems arise when we model uncertain systems using the mathematical tools of risk. This is what we do mostly in the financial markets and in other areas. What is interesting are the extreme events, the stock market crashes or the devastating hurricanes. How do these extreme events come about? Endogenous events rise within the system; exogenous risk comes from the outside. Endogenous risk is an interdisciplinary topic.

There are three frameworks to help understand endogenous risk. The first is the wisdom of the crowd. If you get a diverse group of people together to solve a problem, the group's answer will typically be better than any individual or an expert. The crowd is only wise when there is diversity. Without diversity, the system becomes fragile and can lead to large scale changes and disasters. Diffusion theory is the second framework. Technologies, ideas, illnesses all tend to diffuse following an S curve pattern. Growth rate is not stable. The third framework is network theory. The structure of a network is essential to understanding how things get transmitted. These are non-linear systems and there is a lack of proportionality. Combine a lack of linearity and a lack of proportionality and predictions are very difficult to make and cause and effect thinking is often futile. Both Long Term Capital Management and the East Coast blackout in August 2003 are examples. There were real issues that triggered the events, but the catalysts were not unusual—only the outcomes were out of the ordinary.

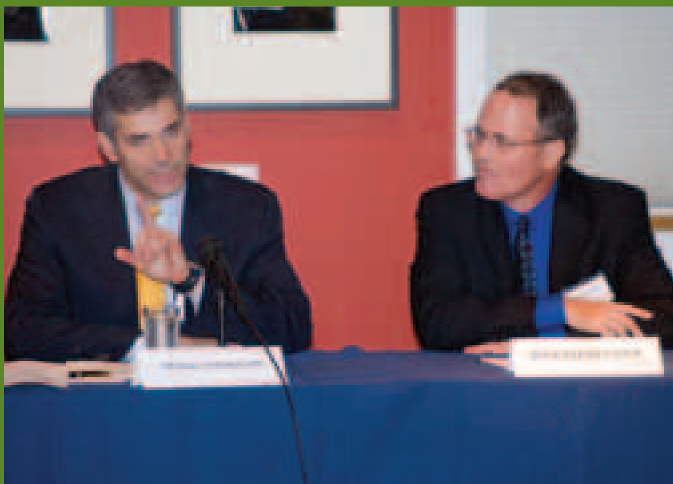
We seek to understand the cause and effect and try to fix the problem. As long as these systems exist, we are going to suffer periodic catastrophic failures. The outcomes of complex systems often have a statistical signature, a power law distribution. Large events happen infrequently and small events happen very frequently. Power laws describe a wide range of phenomenon. These statistical properties, although limited, have useful predictive ability. We are not very good at dealing with risk or uncertainty. We are still linear thinkers. We have a need to link cause and effect and we are not very good at assessing probability. We live in a world of complex systems which makes dealing with risk and uncertainty very difficult.

Joseph Becker said The American Red Cross works very closely with government, including local, state and federal agencies. Disaster plans are written very generally. It speaks to uncertainty where it is not possible to predict what the disaster scenario is going to be specifically. What uncertainty or what risk to mitigate? It is the risk of non-performance. They depend on people to respond to a disaster—the first response community. First responders will respond even if they feel they are putting themselves at risk. But this country has not experienced a large scale chemical or nuclear or biological event. The advent of an influenza pandemic is worrisome. What if volunteers and health professionals do not respond or cannot respond. How do we build systems that have redundancy built in so that we can respond in some way?

The Red Cross relies on volunteers. In Katrina, there were 240,000 volunteers. Why didn't the systems in Katrina work? "Because we didn't imagine big enough." There are all kinds of planning assumptions but if those assumptions are wrong, the systems won't work. It is essential to have flexibility and multiple assumptions.

"We don't imagine the impact on people well." The challenge is people. Do those people own the fact that they're in a disaster? Are they waiting for someone to get them out of the danger, to feed them and to care for them? No more families have a plan for survival today than they did after 9/11.

Happenings


Left to right: Michael Mauboussin, Joseph Becker


Left to right: Spencer Boggess and Ted Seides


Left to right: Robert McDonald, Ron Lake


Roel C. Campos,
Securities & Exchange Commissioner

Town Hall Meeting with SEC Commissioner

On July 20, the Greenwich Chamber of Commerce, in conjunction with the Greenwich Roundtable and Schulte Roth & Zabel LLP, held a "Town Hall Meeting" featuring Roel C. Campos, Commissioner of the Securities and Exchange Commission. Hedge fund managers and institutional investors in alternative investments were invited to lunch at the Bruce Museum to express their points of view and engage in a dialogue with Commissioner Campos. A lively discussion of the potential for the regulation of hedge funds and concerns of the investors lasted well into the afternoon. Commissioner Campos responded to the group's concerns and promised to take their views back to the SEC.

UNDERWRITTEN BY
Citigroup Private Bank

Greetings from the Greenwich Roundtable. Our session titled Issues and Outlook in Real Estate was held as a continuation of a discussion that began in 1998. Today we revisit it because of the many divergent opinions on its viability. Commercial US real estate, annualizing at 12%, has been one of the best performing asset classes in 8 years. Rising rates and overly liquefied markets make investors nervous. Jeff Citrin and John Kukral both highly seasoned real estate investors, left Cerberus and Blackstone, respectively, on the same day because of their bearishness on the future. Katherine Farley is leading a large real estate operator into the emerging markets. Bob Hunkeler of the International Paper pension fund moderated the session with an experienced limited partner's perspective. Robert.Hunkeler@ipaper.com

John Kukral, Northwood Investors

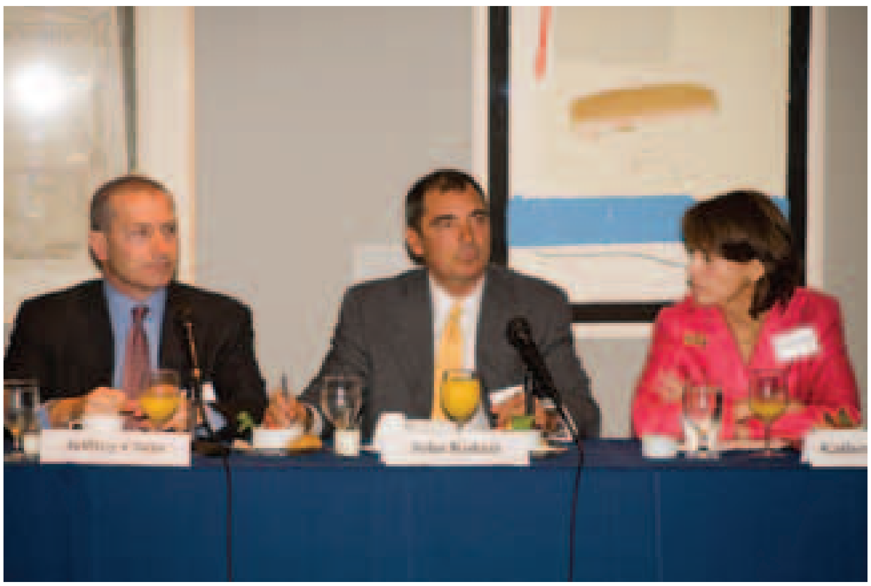
Real estate has performed well. But it's been a race between strong fundamentals and rising interest rates (which will cause cap rates to rise). Will your fundamentals and cash flow rise faster than your decrease in capital yield? We'd been buying cash flows from assets to provide 20% returns. We always focused on the downside and the markets are getting riskier. The business has changed. In 1994, few investors would commit to a private equity approach to real estate. Today, investors are flocking to the opportunity funds. Is this the top? It's hard to tell because real estate is inefficient. You can always find opportunities if you work hard. Today the leveraged buyer is out of the market. Cash flows are zero over ten years…signs of a market top. Cracks are appearing in the housing market. Prices are falling. US homebuilders' sales are down 5% and their pace is off 30%. Hotel construction is strong…another sell signal. Too much money is in the system. This is not the time for swashbucklers and grave dancers? In the past, we tried to look around corners and find value themes. Focus on the seller who is selling for the wrong reason. Buy assets at or above replacement costs. Look for a fund with reserve capital for a rainy day. We're looking for undercapitalized builders in Florida. You can always find a deal in most every sector. An unattractive sector today may be a source of value tomorrow. In general, you've got to be cautious in this environment. jkukral@northwoodinvestors.com

Jeffrey Citrin, Square Mile Capital Management

Our business was built from the bottom up on intrinsic values. We were never thematic investors who predicted the future and made big research bets. At Cerberus, real estate was a collection of assets with an intrinsic value. The carry trade is largely gone. We always look for inefficient markets. I'm a skeptic rather than a bear. There will always be opportunities. We see ourselves as problem solvers. We look for situations rather than big themes. We prefer diversity to big bets. Our defensive strategy was probably premature. Today it's essential with rising rates and the flood of liquidity. Pension funds and Middle Eastern investors seeking safe havens are creating huge flows. Value investors need to avoid the crowds and stay in the weeds. Shorting individual public companies can be difficult because most are held in REIT funds that have big dividends to maintain. Seek distress, avoid auctions and provide structured, mezzanine or bridge capital to builders and optimists. They will overpay for capital. The big opportunity funds are suppliers of equity capital to the operators. Competent developers may wish to rent capital at higher prices rather than sell equity for it. I am concerned that the system is priced to perfection. Excessive leverage and arbitrage plays will create distress. CMO pools hold hundreds of billions of residential mortgages. They haven't been tested in a downturn yet. Real estate has had its run. Unless it's properly capitalized…watch out for unanticipated events. Risk has not been priced into the market. jbcitrin@squaremilecapital.com

Katherine Farley, Tishman Speyer Properties, L.P.

We take a thematic and an intrinsic approach to real estate. The emerging markets are undergoing an historic change in their economic order. The old world order is being reshuffled. Unprecedented opportunities in real estate are available. We are not comfortable with Russia's business practices. Brazil has emerged as the powerhouse of Latin America. Mr. da Sílva has been a stabilizing force. The Fiscal Responsibility Act forced public officials to take responsibility. Their young, urban population is the fifth largest in the world. Real growth is 4-6%, inflation is under control, interest rates are falling and the middle class is growing. When their economy gets weak, their people put money into real estate. Home buying is surging. Mortgage borrowing is rising and mortgage securitization is just beginning. Developers are able to package their receivables. High-end commercial properties are scarce. Beware of inflation, rising rates and a volatile currency. Pay attention to detail. Exercise good real estate judgment. India has become one of the world's great success stories. GDP is growing at 6%, the rupee is stable, inflation is under control and its economy is stable. Its population is large, young and English speaking. Its middle class is one of the world's largest. Their most educated workers are staying home. Real estate in India is attractive because the market is fragmented. There are no nationwide developers. Most developers are small, local, undercapitalized and have no experience building to international standards. Demand is enormous and growing…specially from international corporations. Supply is very tight. Commercial tenants are renting below their quality standards. There are long waiting lists for Class A properties. Buildings are leased before they're built. Residential potential is huge. 2 percent of India's middle class own their homes versus 55% in the US. Mortgage financing is available. FDI tripled in 2004 and building restrictions have been relaxed. Infrastructure is limited. Growth has outstripped the government's ability to support it. Execution risk is the biggest risk. There is no title insurance. Title certainty is difficult. Even if your macro theme is right, your profits will disappear if your execution is flawed. China is the fastest growing economy in the world. Real GDP per capital has doubled every 9 years and will be as large as the US' by 2040. Financial and market transparency is much greater. FDI growth and consumer demand is massive. Privatization is continuing rapidly. Personal wealth creation and consumer spending is dramatic. Migration from the country to the cities is massive. Residential potential is mind-boggling. Commercial stocks have been growing at 9% for the past eleven years. Demand for Class A stock is strong. Pay attention to execution and intrinsic values. Some risks are obvious. The government is not democratic. They can strip you of your assets. Political stability should be monitored. We get comfortable with the Chinese government's awareness of their historic and strategic importance. Land is secured through ground leases. Invest with an operator who can execute successfully. Overall, these countries offer historic investment opportunities. kfarley@tishmanspeyer.com



Left to right: Jeff Citrin, John Kukral and Katherine Farley

Please join me in expressing our gratitude to the Citigroup Private Bank, David Cattrell and Clark Winter for underwriting today's symposium. Clark, David and his colleagues in the New England region are strong supporters of our mission. Being the world's largest bank, they frequently tap their deep bench of human capital to provide us with knowledgeable experts. Today Clark warned us about the dangers of expatriation, the end of the carry trade and the perils of poor execution. Clark.winter@citigroup.com

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Unconventional Return Streams and Esoteric Credit Strategies

Greetings from the Greenwich Roundtable. Our session titled *Unconventional Return Streams and Esoteric Credit Strategies* was held as we finally got a chance to dig deeper into the more inefficient loan markets. Though we've touched briefly on these sub-strategies in the past, today was dedicated to credits that are either shunned by traditional lenders or overlooked by the mainstream. We also examined sophisticated techniques that extract value from the interplay between structure and credit. Jerry Cudzil specializes in exotic credits in the aviation industry. Dan Zwirn runs a highly competent business by lending to illiquid markets. Mike Rosenberg is a seasoned financial engineer who specializes in extracting returns from levered bank loans. Romita Shetty organized and moderated an outstanding discussion on a very interesting, unconventional opportunity set. romita.shetty@gcm.com

Jerry Cudzil, DiMaio Ahmad Capital LLC

2006 saw two distinct credit environments. The first was January 3rd to May10 th where stock and bond indexes rose and volatility was low. The second was May 11th to date where stock and bond returns collapsed and volatility is high. May 10th was the last Fed rate hike and the Fed is now more dependent on data. This brings more volatility. Hedge fund returns become more correlated as volatility decreases. They are chasing the same opportunities. We focus on aviation finance, which is not linked to the markets or volatility. This field started with single plane financing and evolved into multi plane securitizations by 2001. Today aviation assets have appreciated where asset rich and credit poor carriers need access to capital. Stable, uncorrelated returns are available. Some sub-traunches have appreciated 20-30%. The market continues to misprice gap to recovery and undervalue collateral. If there is a default, you own the collateral. Isolate the unsecured collateral. If you understand the value of the secured collateral, all you bear is collateral risk. Understand the liquidity value of the collateral. Aviation demand is increasing. Load factors are at all time highs. Existing collateral is tough to get. Thus valuations have plenty of support. Understand your negotiation leverage and the strategic importance of the airplane to the airline. Sometimes they need an illiquid asset to fly on their most profitable Asian route. They don't have flexibility to negotiate and suppliers of capital have a strong negotiating position. Understand the structural features of the deal. There are senior deals and sub traunch deals which give you the right to control the process…the right to force a liquidation, a renegotiation or a transfer of assets. Let's talk about two deals. Regional jets from a strong airline backed one transaction where asset values were moving lower. If values drop too low, you can tap into the carrier for capital. Never invest in a poor asset with a weak airline. The transaction had terms that created a par recovery that yielded 9 percent. This could be levered 3 to 10 times on an asset that recovers to par. Spare parts are hard to understand and very important to the airline. An airline can't operate without its spare parts, even in bankruptcy, which puts you in a strong negotiating position. If an airline fails to pay on its spare parts, after 90 days under the bankruptcy code, you can take control of the asset. Above all, do your homework. Understand the collaterals of the deal, the values of the collateral, the liquidity, and the collateral's strategic importance. Going forward, opportunity exists throughout the cycle. jerry.cudzil@dacfunds.com

Left to right: Jerry Curzil, Michael Rosenberg, Dan Zwirn

Dan Zwirn, D. B Zwirn & Co.

Liquidity around the world is still high. This drives our thinking in how we find opportunity. Our business relies on being a business. We must disintermediate the intermediaries and negotiate privately. In a world awash in liquidity, there becomes an inverse correlation between size of the opportunity and risk adjusted return. If you can source, analyze and service a lot of smaller, privately negotiated opportunities, you create a sustainable competitive edge. Hedge fund structures contain several obstacles such as limited lock-ups, limited mandates and fee structures that limit the availability of capital. We look to the models of British merchant banks such as Jardine Fleming and some families such as the Hunts or Bass'. They didn't care about strategy drift or lock-ups. They simply aimed to maximize their return per unit of risk and protect their principal. We built an investment vehicle that eliminated a vehicle that eliminates moral hazard. We are chasers of global illiquidity. Our competitors are commercial financiers such as Goldman, Cargil or GE Capital…who put their partners' money here. We look at all asset classes and analyze the chains of value for their choke points. We look at special situation corporate lending, real estate lending, and non-performing loan portfolios. We look at leasing textile machinery to China from the Deep South as well as slot machines and HVAC systems to Indian gaming facilities. We will buy any aircraft engine or any plane, anywhere, and liquidate it. We are analyzing earthmover tire leasing because they are illiquid. We engage in all manners of structured finance. We also do consumer finance ranging from residential mortgages to sub-prime auto loans. We have bought credit card bills, utility bills, telephone bills and a pool of parking ticket receivables. We avoid borrowers who are over capitalized and under resourced. We seek small bits of disproportionate returns over risk. We believe there are tremendous barriers to entry to these strategies. There are three keys to overcome the barriers. First is flexibility of mandate. Some opportunities are impossible to put in offering memoranda. It is difficult to predict tomorrow's pocket of illiquidity. Second, duration of capital is critical. If you are providing last-ditch liquidity to the marketplace, you'd better not need last-ditch liquidity yourself. If our investors need to redeem, their capital is side-pocketed until it liquidates. We can never be forced to sell. Third, a proprietary world-class sourcing and servicing infrastructure is critical. We have over 17 offices in 13 countries with 250 people. It's hard work. We like situations where the other guy simply needs our money. Good underwriting leads to good workouts and immunizes our portfolio to the credit cycle. Residential mortgages are interesting. Loan to values are greater than they should be and their structures are often irresponsible. We may buy raw mortgages and foreclose. To the extent that you can analyze raw mortgages within traunches there are value discrepancies. Recently we bought residential mortgages in Mexico held by their RTC equivalent. We worked with our servicing operations to buy these loans at huge discounts to value. Look for general partners with strong infrastructure and operations. This is a business rather than a fund. We have 30 people analyzing the risks of our assets. We file hundreds of tax returns; deal with very complex structures amongst scores of tax regimes. The FSA, the SEC, FSC, SEBI, and 13 other agencies regulate us. Financial control is important when you deal with thousands of positions. Understanding where the cash is flowing is vital. At any given time, we are involved in several lawsuits. Esoteric assets and private transactions often have us dealing with unsavory characters. Protecting our rights is important. Look for conflicts. Do they have an agency or investment banking business? Look at valuation. Non-standard investing has seen scores of lender blow-ups. We believe the next source of blow-ups will come from hedge fund lenders. Look for transparency. We allow our investors to examine everything we do. We have nothing to hide. We set aside reserves and get independent, third party valuations on everything. We never want that valuation up to us. Evaluate esoteric lenders as a business rather than as a fund. Make sure they are not only doing interesting things but also doing them the right way. Dzwirn@dbzco.com

Michael Rosenberg, Polygon Credit Management LP

We focus on structured credit market, collateralized debt obligations and their cash securitizations. Driving this is the disintermediation of the banking system. Traditional lenders are shedding risks to more efficient holders. They are motivated by pressures from Basel II standards, return on capital, regulatory capital and equity holders. Opportunity comes to lenders who are willing to own the residual risks. What began with credit cards and auto loans has moved to more mainstream and corporate credits. Before, the CDO market was used to create arbitrage vehicles and to create funding vehicles for issuers. The CDO market has grown. Now, it gets the same low cost funding as traditional markets. Our cost to borrow is less than the banks. Ancillary fees from the Street are dropping too. For the residual lender, the CDO market provides cheap long term financing. The capital markets are willing to lend long term funding under a cash flow methodology where collateral matters rather than price fluctuations. Not all asset classes are appropriate for cash flow securitizations. We focus on leveraged bank loans. We break down the components of risk other than expected loss. We isolate default risk. We mitigate our other risks through our liability structure. A typical bank loan is LIBOR plus 250 bps. Empirically the expected loss, default less recovery, is less than 50 bps. 200 bps of risk premium is still embedded due to illiquidity, tax premiums, and short-term price volatility. We don't care whether the loan's price moves up or down. We care whether the loans are money good. In contrast, high yield bonds are expected to lose 200 bps on a 300 bps spread. First we focus on the asset class. Then we focus on the structure itself to deliver uncorrelated returns. When interest rates rise or when credit spreads widen, we make money. Controlling the structure is imperative. Our model is much different than the traditional bank lender. We don't have the same regulatory friction or the same brick and mortar costs. We don't have the gap risk of lending long term with short-term funds. We make a pure underwriting decision rather than using loans as a loss leader for other lines. We have lots of optionality as markets change. We like middle market lending because of its illiquidity and its supply demand imbalances. You're able to charge more because there is less supply. Europe is more disciplined and just beginning to syndicate its markets. Church financing is very interesting. Local banks won't lend because no one wants to foreclose on their local church. Empirically, few churches have ever defaulted because their congregations won't let them. mrosenberg@polygoninv.com

Please join me in expressing our gratitude to RBS Greenwich Capital and Romita Shetty. Romita's introduction to the Roundtable was in January 2003 where she first spoke on structured finance. Today she runs that firm's structured credit group. Community-wise, Romita and her colleagues at RBS are longtime supporters of many local institutions. Commercially, Greenwich Capital has a long history of original thinking in the credit and fixed income markets. romita.shetty@gcm.com

Weather Related Investment Strategies

UNDERWRITTEN BY
Bank of America

Greetings from the Greenwich Roundtable. Our session titled *Weather Related Investment Strategies* is our first look at what seems to be a growing influence on the public markets. What agricultural investors have always known and what we all saw last year in the wake of Hurricane Katrina: the ability to accurately interpret meteorological insights may indeed become an important source of profits. Richard Sandor is quite simply, a financial pioneer. Matt Rogers is an engaging and highly respected meteorologist. Marty Malinow is a weather underwriter who is backed by the fabled White Mountain Insurance Company. Ken Shewer moderated another fascinating session in his series on the hard asset classes. km@kenmar-us.com

Dr. Richard Sandor, Chicago Climate Exchange

Wealth creation has changed. Going forward, it will lie in the commoditization of air and water…our most precious resources. 7 billion people can no longer assume air and water are free resources. The countries, the companies and the innovators who control this will hold the value proposition of the century. It all started with acid rain and the commoditization of sulphur dioxide rights. Today the SO2 market is bigger than the US wheat crop. The mother of all commodities is carbon. The EU ETS carbon market created out of the Kyoto Protocol is already at $50 billion. This pilot market in Europe is already bigger than the entire US agricultural market. This will become a seriously big market when the US and China begin playing. China's sulphur crop is 23 million tons, which is creating disease around the world. The planet cannot continue its unambiguous growth without allocating air and water. I run the Chicago Climate Exchange where a group of US companies privately comply with Kyoto. If this group were a country, they'd be bigger than Great Britain. We monitor, verify and trade on a virtual exchange that trades $75 million per day and 1.5 million tons of carbon last year. This is a cap and trade program. Our members agree to reduce their greenhouse gases by 6% of their 2000 emissions. Then they sell any excess reductions on the exchange. Dupont cut emissions from 90 to 30 million tons. At $4-ton, this became a hidden asset by changing the way they make nylon. Our exchange is driven by weather, heating degree-days, relative prices of substitute fuels, national GDP and several bills in Congress and state capitals. Corporations are changing their business models to recognize the new carbon-constrained world. Craig Venter just raised $150 million to design genes to eat pollutants. The entrepreneurs are responding. The carbon asset class is emerging. Environmental regulations are getting tougher. This will create a secular bull market. Today we can use capitalism to solve some big social problems. China is exporting its pollution to the world…60% of Lake Michigan's mercury level comes from China. Will the markets create an arbitrage here? Yes. There is a bet to be made that this will be stopped. Spreads will be phenomenal. East coast demographics and weather have changed. Insurance markets are irrational. A category 3 hurricane can wipe out Manhattan. This is a fat-tail risk that can't be insured. rsandor@chicagoclimateexchange.com

Left to right: Ken Shewer, Kevin O'Brien Matt Rogers, Steve McMenamin, Richard Sandor, Dan Braun and Martin Malinow

Martin Malinow, Galileo Weather Risk Management Ltd.

My mother doesn't understand what I do. I tell her we sell businesses the weather they need to be successful. Weather has a price. Theme parks will buy options for dry sunny weather. It's a risk management driven market where businesses will pay real money for these products. What is financial weather risk? It is the variability in an observable weather index such as temperature or snowfall that is correlated to the variability in a company's earnings. A weather risk management product is a derivative contract, an insurance contract or a security whose performance is linked to the underlying weather index. It is designed to mitigate weather volatility. For example, Con-Ed may buy a call option against a cumulative temperature index to hedge against a warm winter. Koch Industries, Enron and the Southern Company pioneered the market in 1997. Anywhere weather can be modeled and companies need more predictability, we can create a weather risk management product. Last year the market transferred $45 billion in product. And it's growing exponentially. The market has 3 segments. The primary market has hedgers like energy, entertainment, agricultural or construction firms who buy product from dealers. The secondary market has traders where dealers go to buy product either privately or on the Chicago Mercantile Exchange. The tertiary market is an investor market where reinsurance companies and hedge funds are opportunistic providers of capacity to the dealer community. Syndication, static hedging and Greek alphabet methods are 3 typical ways to manage risk. The opportunity for investors is that weather-related returns are not correlated to stock and bond markets. 50 years of weather data produce forecasting models that are much more predictive than some trend following or long-short strategies. There is no way for a trader to influence or corner the market. Historical distributions are stable and predictive. Taking weather risk pays well…much better than the reinsurance market. The weather risk market is much broader and diversified. There is a secular trend for greater risk management. People are looking to shed non-core weather risks. There is a greater awareness of weather risk and their hedging techniques. How do you invest? Some hedge funds such as Tudor or D.E. Shaw trade weather as an extension of their commodity research. There are specialized catastrophe or insurance linked funds such as Nephila or Coriolis that provide capacity to the market. Then there are fund-of-funds such as RMF and 47 Degrees North who have a lot of experience investing in this space. Short terms investors are limited. Medium term investors can get $100 million in capacity by working with a capacity provider to help transfer risk. Longer-term investors can earn good returns with little competition in the form of project finance such as wind and electricity projects. When you're shorting God, fat-tailed events are managed by establishing a limit. A hedger sets limits from historical weather events…at points where the most pain has been felt in the past. mmalinow@galileoweather.com

Matt Rogers, MDA Federal Inc.

I'm a meteorologist who supports the practitioners. We predict the weather. There are a lot of us who support the financial markets. I started in 1994 when natural gas was the big weather story. Today we are seeing the carbon market story unfold. Last winter it was too cold in Europe to comply with Kyoto. A drought in Scandinavia will prevent the hydroelectric dams from generating electricity. Forecasting is a humbling business. You're only as good as your last forecast. But you can improve your odds by understanding the risks and the skill levels. The science has greatly improved in the last 10 years. Today we can predict the 7-10 day period thanks to your tax dollar. Governments are pouring money into equations and the processing power. Forecast skill deteriorates with time. Science has improved to help us account for the chaos in the forecast. Ask a weather forecaster his level of confidence. Weather should be a debatable topic with several outcomes rather than one definitive prediction. You should have multiple sources of information and a filter for your decision makers such as an in-house meteorologist. Be skeptical. Confidence is correlated to skill. Higher confidence leads to greater skill. Consistency and consensus build confidence. Look for both if you have a tough weather decision. There is less chaos if both are present. Forecasters who trade the markets are risky…a huge conflict of interest. Avoid the disaster-casters who look for extreme events to move the markets. The Atlantic Multi Decadal Oscillation is telling us to expect an active hurricane season in August and September. Florida may see more hits than the Western Gulf. For next winter, watch El Nino in the Pacific as it drives warm moist air across the US. Today traders are nervous about whether hurricanes will materialize. Some climatologists worry about melting ice caps and their effect on the salinity of the Gulf Stream. I worry about the droughts. Matt.rogers@mdafederal.com

Please join me in expressing our gratitude to Bank of America's Prime Brokerage unit and Steven Winter. B of A PB is a wonderful underwriter. Providing us with the creative freedom to explore topics that broaden our understanding, Mr. Winter has underwritten most of our symposiums on the hard asset classes. Today his colleague, Kevin O'Brien, promised to spread these insights into the plan sponsor and institutional community where their benefit may have a larger impact. steven.winter@bofasecurities.com and kevin.o'brien@bankofamerica.com

GOOD DEEDS

Greenwich Roundtable Salutes Philanthropic Members

At our program on Contemporary Philanthropy in December 2005, moderator Marc Goodman of Kenmar Group, Inc. said "the group that evening had gathered because they were fortunate enough to be doing well, and that 'we all want to do good.'"

Several members of The Greenwich Roundtable have distinguished themselves with their dedication to philanthropic causes. The Roundtable is proud to be associated with these people and would like to bring their fine work to the attention of our members and friends.

Edward Netter, Chairman and CEO of Geneve Corporation is President of the Board of Directors of the Alliance for Cancer Gene Therapy (ACGT), an organization "committed to building alliances between philanthropic individuals and organizations, and medical and academic institutions, to promote gene therapy research to combat cancer…ACGT identifies, funds and monitors innovative research that meets a rigorous set of scientific standards and has the potential, in the foreseeable future, to treat cancers of all types."

ACGT awards grants to researchers in all areas of cancer research. According to Ed Netter, "The road to discovery is long and slow, requiring patience, belief in what can be and the vision to make it happen. As gene therapy pursues the natural course of an emerging science, and technological advances contribute to the ability to produce results, significant gains will surely follow."

Hugh Culverhouse, head of Culverhouse Limited and Palmer Ranch owner and his wife, Eliza, plan to donate 90 acres of land in Sarasota County, Florida to the YMCA. The acreage will create a place on Palmer Ranch for outdoor public recreation and will be designed by the Culverhouses, the YMCA, Palmer Ranch homeowners and Sarastoa County. According to Eliza Culverhouse, they envision "peaceful enjoyment," perhaps including jogging trails, camping and youth education programs, including gardening classes.

Paul Tudor Jones, head of Tudor Investment has become a hero to the Tanzania government. Jones, owner of Grumeti Reserves Ltd. in Tanzania, has paid full trophy fees to the government while promoting photo safari's for tourists and supporting an anti-poaching campaign in western Serengeti for the last four years. "From a technical point of view, this American investor deserves praise and other investors should borrow a leaf from him for helping the country boost its wildlife populations," Ludewa MP, Professor Raphael Mwalyosi said. In addition, Jones has arranged for several rhinos to be translocated from Kenya to the "rhino-less" Grumeti Game Reserve which has lost its indigenous rhino population to poachers.

Grumeti Reserve and Paul Tudor Jones have also announced that Singita, the world renowned eco-tourism and leisure operation will partner with them in the further development of the Grumeti Reserves, the 340,000 acre safari destination bordering the Serengeti National Park. Jones purchased a minority interest in Singita's management company to help foster eco-tourism efforts in the region. "I have personally invested in Singita to ensure that we continue to fulfill our commitments to the people of Tanzania," Jones said.

Spring Symposia (morning sessions) and Founders Council (evening sessions)

As last minute changes do occur, our schedule can change at a moment's notice. Below is a tentative list of dates. Do not plan on being at the Museum without receiving an invitation. RSVP@GreenwichRoundtable.org

October 19, 2006

November 16, 2006

December 14, 2006

Founders Council - November 29, 2006

January 18, 2007

February 15, 2007

March 15, 2007

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The Greenwich Roundtable

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The Greenwich Roundtable
PO Box 4019
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