

JP Morgan

Foreign Currency Management

Private Banking clients of J.P. Morgan with large investments in international securities often seek to insulate their portfolio against losses from adverse currency movements. Some may wish to go further and trade in foreign currencies as an independent investment, opening the possibility for capital gains if the foreign currency appreciates in value.

Whatever their goal, investors requiring currency management often find it difficult to achieve. Foreign exchange trends and markets in forward currency contracts can be quite complex, and executing transactions successfully requires a good sense of timing and the ability to act quickly to obtain optimal pricing. Moreover, it should be understood that these markets are highly volatile and may produce substantial losses for those who participate in them. For these reasons, interested investors should consider entrusting the management of currency to a specialist, who is better equipped to control (though cannot, of course, eliminate) some of the risks inherent in currency markets.

From time to time we receive inquiries from Private Banking clients asking where they may obtain currency management services. J.P. Morgan itself, while very active in foreign currency markets, is not currently offering such services to private clients. There are, however, a number of currency management specialists in both the United States and Europe whose services would be appropriate for clients such as ours. While we are not endorsing any particular firm, we can provide information on the following four companies.

Compucom Finance Inc. (CFI)

- Managed Account Service

Through CFI's Managed Account Service, a trading relationship is established among CFI, the client and the client's bank, providing the client with an interbank forward trading line through which CFI executes trades. The firm's trading methodology concentrates positions in a limited number of foreign exchange markets on the basis of technical models for crossrates, as well as for dollar-based currency models. The strategy seeks to enable the investor to place assets in the strongest currency and liabilities in the weakest currency. This Optimal Currency Pair, as CFI terms it, is based on the idea that for any two dollar-based exchange rates there is a third market, the crossrate, which conveys information which can confirm the signals of the other two.

Minimum account balance
\$10 million (\$2 million for leveraged accounts)

Fees
0.4% annually of the foreign exchange line under management (amounts over \$25 million subject to lower fees), plus 20% of any net realized and unrealized profits accrued and deducted at the end of each semiannual period.

For further information
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FX Concepts, Inc.

- Currency as an Asset Class
- Selective Hedging Overlay
- Currency Enhanced Domestic Portfolio

Currency as an Asset Class is the firm's discretionary currency trading system, based on a proprietary system that analyzes trend and contra-trend aspects of rate movements in foreign exchange. Unless a client requests otherwise, 40% of each portfolio is based on a long-term model, 40% on a short-term model, and 20% is at the discretion of the manager/trader assigned to the account.

Selective Hedging Overlay applies specific currency hedges to enhance portfolio return and lower volatility.

The Currency Enhanced Domestic Portfolio systematically exposes the investor's portfolio to a basket of foreign currencies during weak dollar periods, to preserve global purchasing power.

Minimum account balance
\$15 million gross line

Fees
Taxable: 0.25% of gross line plus 20% of annual net profits
Tax-exempt: 0.10% of gross line plus 10% of annual net profits

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Millburn Ridgefield Corporation

- Millburn Currencies
- Systematically Activated Foreign Exchange (SAFE) Overlay

Millburn manages assets in the foreign exchange markets using multiple systematic quantitative trading models in each currency traded. The following services are based on these models.

Millburn Currencies is a widely diversified leveraged currency portfolio, in existence 12 years, that relies on various risk control techniques, including a volatility adjustment system, to govern the size of each currency position and overall commitment level.

The SAFE Overlay system is a selective currency hedging strategy tailored to underlying portfolio requirements.

Minimum account balance
Millburn Currencies: \$5 million for managed account; \$2 million for institutional fund; \$150,000 for non-institutional fund

SAFE Overlay: \$20 million

Fees
Millburn Currencies: for managed accounts and institutional funds, 2.5% per annum management fee and 25% profit share after client earns risk-free rate plus 2%
SAFE Overlay: 60 basis points

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