



## Currency Risks in Global Portfolios

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## Currency Risks

- Where are currency risks in Global Portfolios?
  - Risks in International Equity Portfolios
  - Risks in International Bond Portfolios
  - Other asset classes
- Where else?
  - Risks in Active Management of Currencies

## Risks in Equity Portfolios

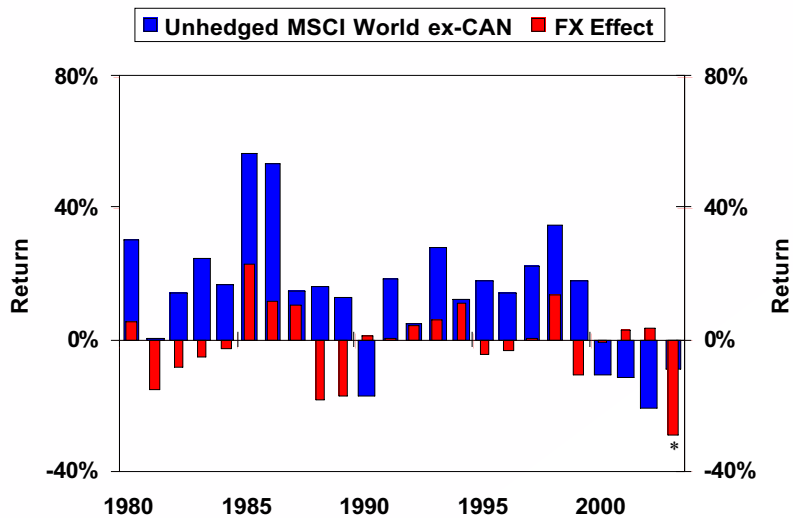
- Do Currencies “matter” for the international equity investor?
  - From Jan-1980 through Jun-2003, MSCI World ex-CAN has returned 13.33%.\*
  - -0.15% of that has come from Currency effects\*\*
  - So???
  
- What about the risk?
  - The Currency effect has had just over 7% tracking error over that same span.

\* Annualized unhedged returns

\*\* FX effect = Unhedged MSCI World ex-CAN return - Hedged MSCI World ex-CAN return

Source: MSCI, First Quadrant

## Risks in Equity Portfolios



\* 2003 figures are through June and annualized.

Source: MSCI, First Quadrant









