


Fixed Interest Engine

Heuristic Investment Systems provides decision support systems, front office portfolio management systems and investment strategy resources to the investment community.

The Fixed Interest Engine is a front office system, focusing on the investment manager, equipping them with the tools required to manage portfolios with confidence and efficiency and to meet their clients expectations.

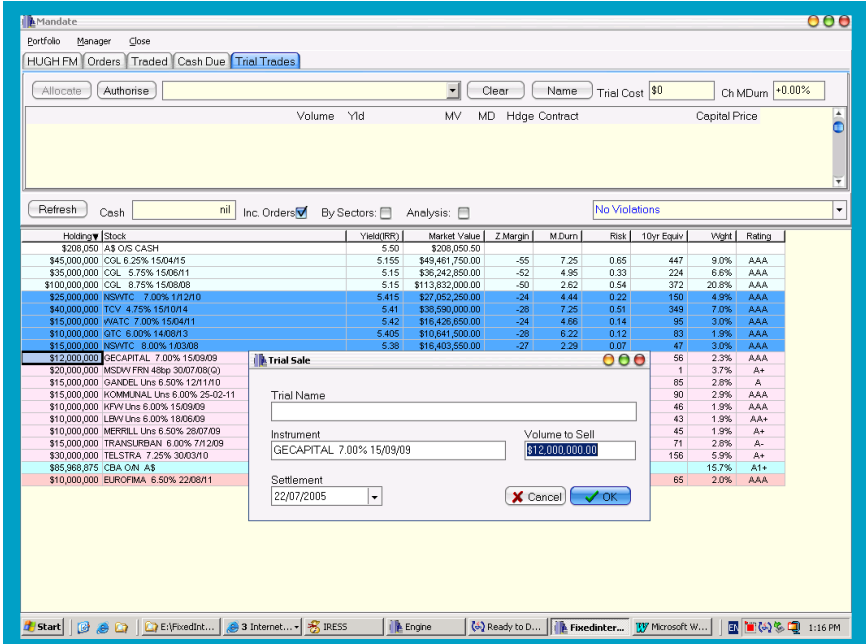
From 'what if' analysis, pre trade compliance and trading, to portfolio analysis, performance tracking and attribution, the Fixed Interest Engine helps the investment manager understand and control portfolio and compliance risks.

Heuristic Investment Systems' objective is to value and provide analytical tools for the universe of securities available in the Australian market, including hybrids.

Heuristic Investment Systems believes in providing investment technology as a service, aiming to fit the system to meet client requirements and to generate efficiencies for the client.

Portfolio analysis

- Compare portfolios to benchmark using customised analytics matrices.
- Calculate trades required to 'hedge' portfolio exposures.
- Undertake 'what-if' trial trades and view the impact on portfolio risk.
- For hybrids calculate IRR's and yield and margin to swap, yield-to-worst, grossed up yields.
- Trade repo's efficiently.
- Conduct pre-trade compliance with mandate and strategy targets and mitigate costly compliance errors and omissions.
- Calculate and monitor performance daily.
- Chart security yield and margin history using the database of yields.



The screenshot displays the 'Mandate' window in the Fixed Interest Engine software. The 'Trial Trades' tab is active, showing a table of securities with columns for Holdings, Stock, Yield (IRR), Market Value, Z Margin, M.Dum., Risk, 10yr Equiv, Wght, and Rating. A 'Trial Sale' dialog box is open, showing details for a trade of GECAPITAL 7.00% 15/09/09 with a volume to sell of \$12,000,000.00 and a settlement date of 22/07/2005.

Holdings	Stock	Yield(IRR)	Market Value	Z Margin	M.Dum.	Risk	10yr Equiv	Wght	Rating
\$208,050	A\$ O/S CASH	5.50	\$208,050.50						
\$45,000,000	COL 6.25% 15/04/15	5.155	\$49,481,750.00	-55	7.25	0.65	447	9.0%	AAA
\$35,000,000	COL 5.75% 15/06/11	5.15	\$36,242,850.00	-52	4.95	0.33	224	6.6%	AAA
\$100,000,000	COL 6.75% 15/08/09	5.15	\$113,852,000.00	-50	2.62	0.54	372	20.6%	AAA
\$25,000,000	NSWTC 7.00% 11/2/10	5.415	\$27,052,250.00	-24	4.44	0.22	150	4.9%	AAA
\$40,000,000	TCV 4.75% 15/10/14	5.41	\$38,590,000.00	-28	7.25	0.51	349	7.0%	AAA
\$15,000,000	WATC 7.00% 15/04/11	5.42	\$16,428,650.00	-24	4.66	0.14	95	3.0%	AAA
\$10,000,000	GTC 6.00% 14/06/13	5.405	\$10,841,500.00	-28	6.22	0.12	63	1.8%	AAA
\$15,000,000	NSWTC 6.00% 14/03/08	5.38	\$15,405,850.00	-27	2.29	0.07	47	3.0%	AAA
\$12,000,000	GECAPITAL 7.00% 15/09/09						56	2.3%	AAA
\$20,000,000	MSDA FRN 48tp 30/07/08(0)						1	3.7%	A+
\$15,000,000	GANDEL Uns 6.50% 12/11/10						85	2.8%	A
\$15,000,000	KOMMERIAL Uns 6.00% 25-02-11						90	2.9%	AAA
\$10,000,000	KPVV Uns 6.00% 15/09/09						46	1.9%	AAA
\$10,000,000	LBNV Uns 6.00% 18/06/09						43	1.9%	AA+
\$10,000,000	MERRILL Uns 6.50% 28/07/09						45	1.9%	A+
\$15,000,000	TRANSURBAN 6.00% 7/12/09						71	2.8%	A-
\$30,000,000	TELSTRA 7.25% 30/03/10						156	5.9%	A+
\$85,968,875	CBA O/N A\$							15.7%	A1+
\$10,000,000	EUROFIMA 6.50% 22/08/11						65	2.0%	AAA

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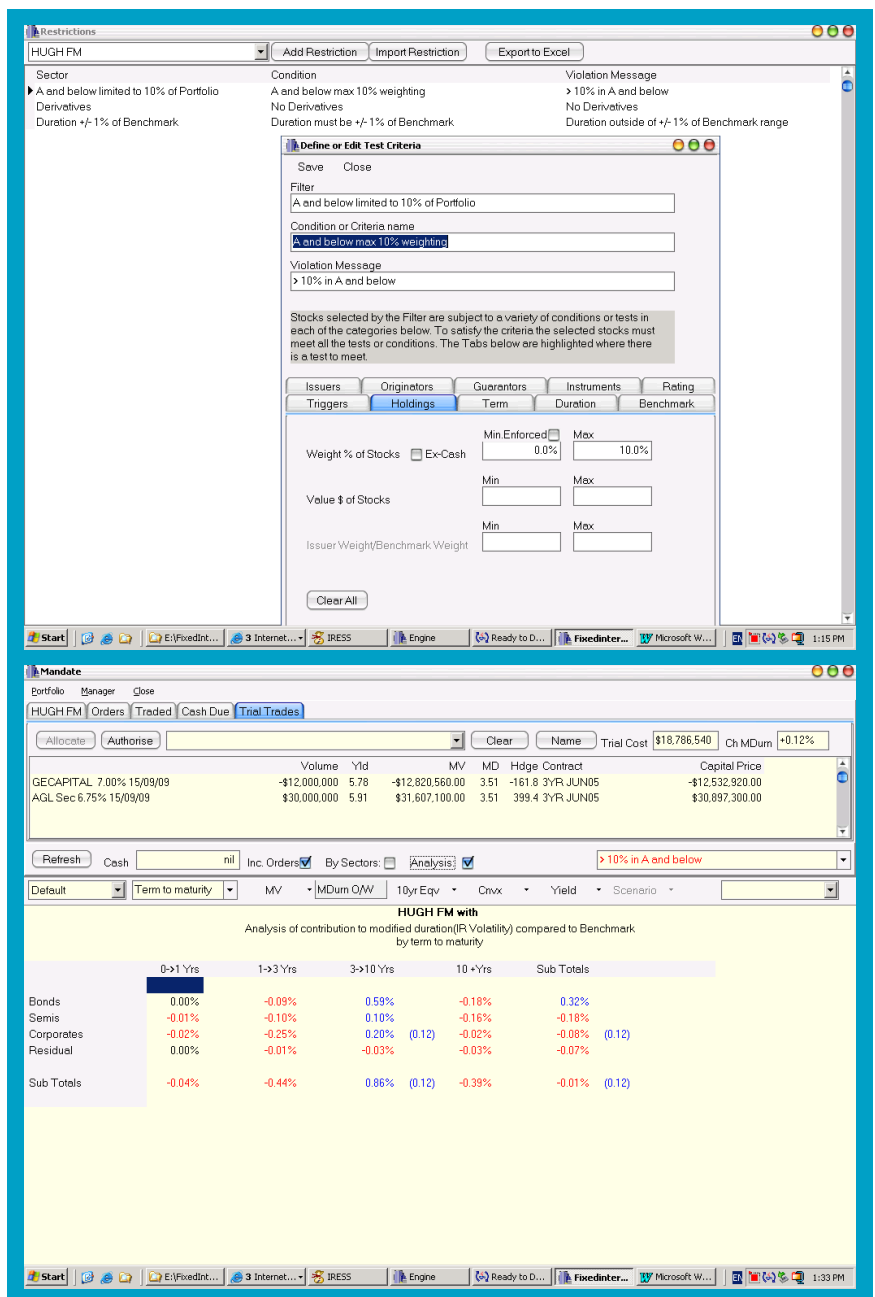
HIS fits the product to the manager, not the manager to the product. We respond to client requirements and aim to make regular and infrequent tasks easier.

Compliance

- Ensure your compliance function is implemented at the front office.
- Individually tailor mandate compliance rules.
- Undertake pro-active compliance reviews, generate compliance reports.
- Identify and update credit rating changes.
- Build local portfolio and “global” mandate rules.
- Use the system of trial trades, prior allocation, trade authorisation, deal justification and pre and post trade analysis to ensure the firm’s compliance function is being implemented in the front office.

Dealing and administration

- Accurately track coupons, capital repayments and maturities.
- Introduce workflow efficiencies and make regular and infrequent tasks easier.
- Easy set up of new securities, new clients, customised benchmarks, mandate restrictions, bank accounts.
- Create customised reports
- Implement security, segregate dealer/managers, ‘lock down’ portfolios.
- Download/upload to Excel spreadsheets.
- Interface with external systems.



The screenshot displays two windows from the Fixed InterestEngine software. The top window is titled 'Restrictions' and shows a table of conditions for the 'HUGH FM' portfolio. The bottom window is titled 'Mandate' and shows a table of securities with their respective volumes, yields, and market values, along with an analysis of contribution to modified duration.

Sector	Condition	Violation Message
A and below limited to 10% of Portfolio	A and below max 10% weighting	> 10% in A and below
Derivatives	No Derivatives	No Derivatives
Duration +/- 1% of Benchmark	Duration must be +/- 1% of Benchmark	Duration outside of +/- 1% of Benchmark range

Portfolio	Manager	Close	Volume	Yld	MV	MD	Hedge	Contract	Capital Price
GECAPITAL	7.00%	15/09/09	-12,000,000	5.78	-12,820,560.00	3.51	-161.8	3YR JUN05	-12,532,920.00
AGL Sec	6.75%	15/09/09	\$30,000,000	5.91	\$31,607,100.00	3.51	399.4	3YR JUN05	\$30,897,300.00

	0-1 Yrs	1-3 Yrs	3->10 Yrs	10+ Yrs	Sub Totals
Bonds	0.00%	-0.09%	0.59%	-0.18%	0.32%
Semis	-0.01%	-0.10%	0.10%	-0.16%	-0.18%
Corporates	-0.02%	-0.25%	0.20% (0.12)	-0.02%	-0.08% (0.12)
Residual	0.00%	-0.01%	-0.03%	-0.03%	-0.07%
Sub Totals	-0.04%	-0.44%	0.86% (0.12)	-0.39%	-0.01% (0.12)