

## The Investment Manager

Tactical Global Management (TGM) provides tailored investment solutions for clients including rebalancing and currency hedging overlays, systematic global macro and currency alpha strategies, and a low volatility equities strategy. We manage over \$28b across our investment products, including execution services, using exchange traded futures, options, ETFs, swaps and forward foreign exchange contracts. TGM is also supporting and promoting Sustainable Impact Investing opportunities in both Australia and developing countries and provides access to sustainable global equities through its global sustainable (SDG) equities strategy. We have extensive experience in managing investment programs for institutional clients globally including pension funds, insurance companies, fund managers, banks, endowments, and charities.

## Contact

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## Investment Objective

Investing in overseas assets creates a currency risk exposure for the portfolio. A key decision is to determine an appropriate currency risk management/hedging strategy to either accept or mitigate the currency risk, which is reflected in the target or strategic hedge ratio.

To provide the best outcome for the Fund and its Members, it is important to ensure that the **overall exposure to foreign currency is managed in accordance with the target or strategic hedge ratio** in a timely, efficient, cost effective, and transparent manner.

Using an **independent specialist currency hedging overlay manager** provides benefits over either the client doing it themselves internally or using their custodian. Implementing the currency hedging overlay internally requires the necessary resources, knowledge and experience to implement and manage the currency hedging process, which can be both time consuming and costly to undertake. It also exposes the Fund to the increased fiduciary risk associated with the operational aspects of managing the currency hedge process. For a custodian, currency management is not their core business and the use of a custodian is likely to be a less transparent approach, especially in terms of achieving competitive market pricing for currency transactions.

## Investment Strategy

TGM's passive currency hedging overlay process is **tailored** to each client's specific requirements. It utilises **TGM's portfolio management** and **fund compliance infrastructure** to implement and monitor the desired target or strategic hedge of the client. The overlay can be applied at either a Fund level, asset class level, or combination of the two, and can be implemented based on an assumed underlying exposure such as an MSCI basket or to the actual underlying currency exposures of the portfolio.

TGM manages all aspects of the passive currency hedging process. This includes the initial **setup requirements** and documentation to establish the currency hedging process, as well as the **on-going management** of the passive currency hedging positions, including the **rolling of positions, settlements**, and associated **reporting**. **TGM monitors daily** the amount of currency risk held relative to the desired level of risk as implied by the target or strategic hedge ratio and, if required, subject to client agreed guidelines, will execute currency transactions to adjust the currency exposure.

The passive currency hedging trades are implemented using spot and forward foreign exchange contracts.

A key feature of the TGM process is to work with the client to determine the **optimal passive currency hedging protocols** to apply for each Fund, such as the mix of currencies to comprise the hedging transactions including any currency proxies to apply, the tenor and number of days prior to the value date to roll the currency contracts to align with the liquidity characteristics of the Fund, and the rule to apply for rebalancing the underlying currency exposures to the desired target or strategic exposures. TGM uses its **proprietary simulation infrastructure**, to determine the trade-offs between tracking error, transaction costs and return across various rebalancing protocols.

**TGM is an independent specialist asset management company** that is committed to working with our clients to provide them with the best possible currency hedging service. Key to this is achieving **best execution** for our clients in terms of pricing, timeliness, efficiency, and transparency. TGM can provide comprehensive transaction cost analysis of the transactions undertaken for a client.

TGM adopted the Global FX Code of Conduct when it was first released in May 2017.