

<HELP> for explanation, <MENU> for similar functions.
 Enter all values and hit <GO>.

t PDH1

POSITION DURATION MANAGEMENT Page 1 of 3

Mode: Cash, HEDGE, Aggreg.
 "MACRO" Portfolio?

Settle **3/31/06**
 Recalculate Fut/Opt Hedge

Buy	9 440 633.63
Sel	.00

Tkr Cpn Mty <Key>	Price	ConvYld	ModDur	Cvx	Val01	M	Par	1000MV	BPV
T 4 1/2 02/36	93-27+	4.89	15.80	3.65	.1492	Buy	10000	9 441	14.92M
CASH	1'08		.00	.00					0

SUB-TOTAL 4.89 15.80 3.65 9 441 14.92M

Futures/Options	Price	Proxy Issue	Num Contr	
USM6	109-05	8 1/8 8/21	.1059Shrt	-141
USM6C 110	'52	6.97%IV +.39del	.0415	n/a
USM6P 109	1'08	7.10%IV -.47del	.0498	n/a
				n/a
				n/a
				n/a

CB **TOTAL** Mod. Duration = **-.02** 9 441 **-18.44**

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DV01 for Futures (with arrow pointing to .1059Shrt)

NOTE: Implied Options Vol! (with arrow pointing to 7.10%IV)

<HELP> for explanation.

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Settle 3/31/06

Parallel Shift Horizon 3/31/06

Issue	Price	CnvYld	Mkt Val (\$1000)	-10 B.P.		10 B.P.	
				New Px	\$ P&L	New Px	\$ P&L
T 4 1/2 02/36	93-27+	4.89	9441	95.368	150.9M	92.385	-147.45M
CASH					0		0
SUB-TOTAL			4.89	9441	\$ 150.9M	\$ -147.45M	
Futures/Options			Proxy	Num Contr			
USMG	109-05		5.07	-141	110-07 -150.32M	108-03	148.38M
USM6C 110	'52		6.97%IV		1'19	'30	
USM6P 109	1'08		7.10%IV		'45	1'45	
TOTAL					\$ 582.59\$	\$ 930.56	

*IMPLIED
FUT YIELD
using CTD*

CB Mod. Duration = -.02

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<HELP> for explanation.

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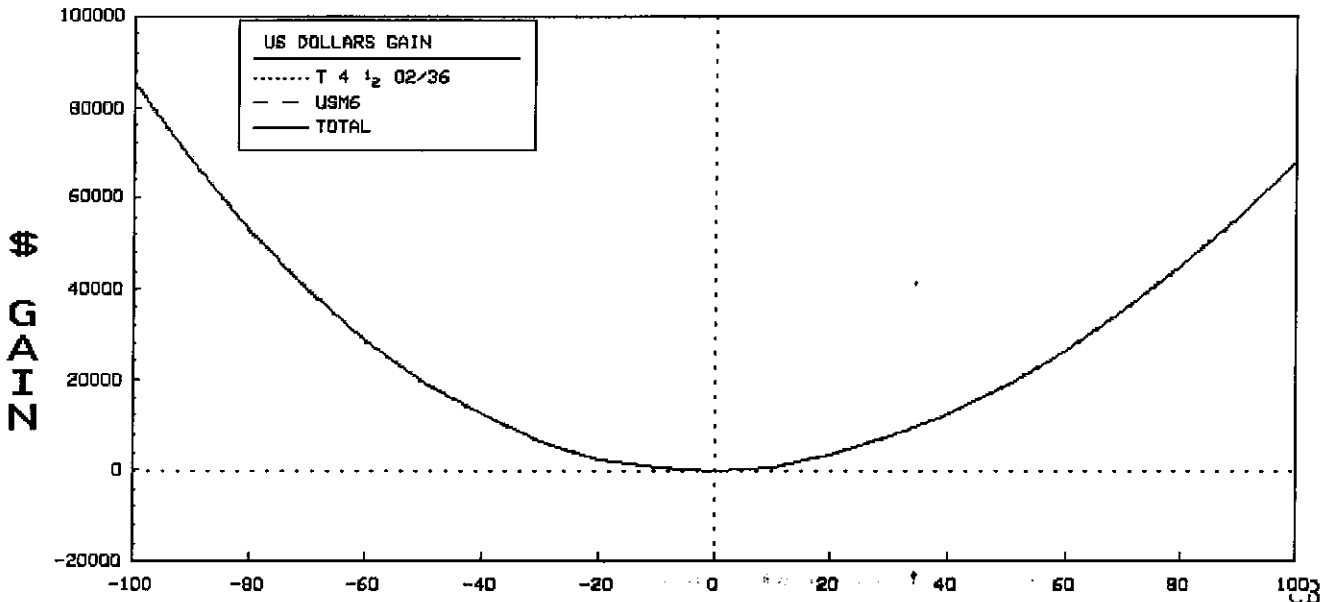
POSITION DURATION MANAGEMENT Page 3 of 3

Horizon 3/31/06 Range -100 to 100 B.P.

Graph: T 4 1/2 02/36

USM6

X TOTAL (OR D=DIFF)



A/G/N

YIELD SHIFT IN B.P.s

Alt-X7

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HELP FOR **POSITION DURATION MANAGEMENT**
Search **PDH1** <HELP> for: [REDACTED]

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NOTE → PDH1 calculates non-static risk, duration, and convexity for a selected security and up to six futures and/or options. You can use PDH1 to analyze various hedging and swapping scenarios. NOTE: PDA does not store positions. To store trades, use the Bloomberg portfolio system. For more information, press <CLIENT> <Go> and then press <HELP>.

INSTRUCTIONS

Enter {ticker symbol} <yellow key> PDH1 <Go>. For example, enter CT30 <GOVT> PDH1 <Go>.

NOTE: If you make any changes, the hedge ratio is not automatically recalculated.

SHORTCUTS

To specify the par amount, enter PDH1 {par amount} <Go>.

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DESCRIPTION OF DISPLAY

PDH1 provides duration-based hedges in pre-selected default futures contracts. For U.S. dollar denominated bonds, CBI bond contracts are used; for municipals, the municipal contract is used; for mortgages, the 10-year contract is used. For other bonds, an appropriate contract is selected.

If options are available on the contract, the nearest-to-the-money options appear under the futures hedge with no positions. This is to alert you that you can use options, but no ratio or strategy is suggested because there are thousands of possible combinations.

Page 1 displays the following information:

Mode: The method by which the positions are calculated. You can choose from one of the following:

- (C) Cash. All buys and sells are summed and any required cash (put up) or excess (take out) is calculated. This amount is considered removed from the trade.

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HELP FOR POSITION DURATION MANAGEMENT

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- (H) Hedge. Assumes the financing of any sell positions at the specified cash rate.

- (A) Aggregate Adds all components, but assumes any cash generated or required is kept as part of the trade. The cash is considered to yield the indicated rate (next to CASH in the middle of the screen), and is included in modified duration calculations.

Settle: The date the securities must be delivered and paid for to complete a transaction.

"MACRO" → LEARN MORE ABOUT THIS

Portfolio?: Choose (Y) to display summary characteristics of a portfolio to analyze the effect of the trade. Summary characteristics include yield, modified duration, convexity, and market value. These additional fields appear above the SUB-TOTAL bar once you press <Go>. In addition to the impact of a multi-issue swap on the portfolio, you can also go long or short on futures and options to affect the duration and convexity.

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Recompute Fut/

Opt Hedge: Enter (Y) to recompute the Futures/Option Hedge.

NOTE: If you select a **non-U.S. security** the cross currency rate, in terms of U.S. dollars, appears below the Recompute Fut/Opt Hedge field.

Buy, Sel: The total market value (including accrued interest, if applicable) for all buy and sell securities.

Tkr Cpn Mty <Key>: The ticker symbol, coupon, maturity, and <yellow key> of the buy and sell securities.

Price: The current price of the security.

Cnv/Eqv Yld: The (Cnv) conventional or (Eqv) Equivalent yield of the security. For a list of choices, move your cursor to the highlighted field.

ModDur: The modified duration, which is the percentage price change of a security for a given change in yield. The higher the modified duration of a bond, the higher its risk.

Adj/ModDuration = [duration / (1 + (IRR/M))]; where IRR is the internal rate of return and M is the number of compounding periods per year.

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Cvx: The convexity, which measures the rate of change of duration as yields change. A security exhibits positive convexity when its price rises more for a downward move in its yield than its price declines for an equal upward move in its yield.

Val01: The change in the price of a security if the yield changes by one basis point. The greater the basis point change, the greater the dollar price volatility of the security. Price changes are almost symmetrical for small changes in yield; therefore, it does not matter whether you increase or decrease yields to calculate this value. For larger changes in yield, there is a difference between the price value if the yield is increased or decreased. The change in price value depends on the convexity of the security.

NOTE: For Brady Bonds, modified duration, convexity, and Val01 use blended yield sensitivity measures.

FX: Appears when you select securities denominated in different currencies. The symbol of the currency in which the security is denominated.

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Par: The face amount of your positions. For a list of scaling factors, move your cursor to the highlighted field. Indicate sell positions with a negative par amount.

MV: The market value for each position, according to the scaling factor. NOTE: For Brady Bonds, the current factor is incorporated. NOTE: For non-dollar bonds, the market value is expressed in U.S. dollars, but the par amount is expressed in the currency in which the bond is denominated.

BPV: The dollar value of the change in price of a security if the yield changes by one basis point. The greater the basis point change, the greater the dollar price volatility of the security. Price changes are almost symmetrical for small changes in yield; therefore, it does not matter whether you increase or decrease yields to calculate this value. For larger changes in yield, there is a difference between the price value if the yield is increased or decreased. The change in price value depends on the convexity of the security.

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NOTE: If you select securities denominated in different currencies, the currency in which the MV and BPV is calculated appears above the respective fields.

CASH: The reinvestment rate for cash. It defaults to the current repo-rate.

(Add/With \$M): Appears if you select (Y) in the "MACRO" Portfolio? field The amount of cash to include in the calculations, in thousands.

CASH MODE: Appears for cash mode. (TakeOut) indicates the amount of cash generated from the trade. (PutUp) indicates the amount of cash needed to complete the trade. NOTE: NET, indicating profit or loss, appears if you enter a value in the Addition \$M field.

HEDGE MODE: Appears for hedge mode. (TakeOut) indicates the amount of cash generated from the trade. (PutUp) indicates the amount of cash needed to complete the trade. NOTE: NET, indicating profit or loss, appears if you enter a value in the Addition \$M field.

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"MACRO"	
Portfolio:	Appears when you select (Y) in the "MACRO" Portfolio? field. Enter a yield, modified duration, convexity, and market value for each position for the portfolio. The corresponding BPV appears to the right. {1 <Go> for more information on BPV}
SUB-TOTAL/ SWAP CHANGE:	The sub-total, swap change, hedge, or aggregate values for yield, modified duration, convexity, market value, and basis point value.
Futures/ Options:	The ticker symbol and <yellow key> of the futures and/or options. <u>NOTE: Only interest rate futures can be analyzed.</u>
Price:	The current price of your position.
Proxy Issue:	The coupon and maturity of either a notional bond as identified by the futures contracts' terms, or the <u>cheapest to deliver issue.</u> <u>NOTE: The change in the price of the security if the yield changes by one basis point (Val01) appears to the right.</u>
Num Contr:	The number of contracts. For short positions, enter a negative number.
TOTAL	The total value for modified duration, market value, and/or

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basis point value.

Page 2 displays horizon analysis for the selected positions.

NOTE: Cash flows are not included. Pages 2 and 3 of PDH1 do not include coupon payments and interest on interest; therefore, PDH1 cannot be considered a total return analysis for fixed income instruments. However, if you only consider futures and options positions, there are no cash flows, in which case these pages are total returns.

The following additional fields appear:

Parallel Shift: The number of basis points to shift the yield curve.

Horizon: The horizon date.

New Px: The price for each security resulting from the basis point shift.

\$ P&L: The profit and loss from the change in price as a result of the basis point shift.

Proxy: The yield of the proxy issue (underlying) for a future.

Futures are valued by changing the yield on the notional or cheapest to deliver

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bond. Options are valued by a pricing model, based on current implied volatility. Change the volatility on page 2 of PDH1. Reprice the option on page 1 of PDH1. Reprice the underlying bond under the yield shift, reprice the futures using a constant basis, then reprice the option using the new date, futures price, and specified implied volatility.

NOTE: When using PDH1 to calculate the prices of futures contracts at a date in the future, the model assumes the basis between the future and the cheapest-to-deliver bond remains the same.

Page 3 displays a graph of your positions. The profit/loss scenario appears on the vertical Y-axis and basis point yield shifts appear on the horizontal X-axis. A legend appears in an unused portion of the box.

The following fields appear:

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Horizon: The date on which to base the analysis.
Range: The range of the basis point yield shifts.
Graph: Enter (X) to choose which securities to graph.
A/G/N: Choose the type of graph. For a list of choices, move your cursor to the highlighted field.
Alt-X?: Choose to base the analysis on (Y) price changes or on (N) yield changes.

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