



# Predica: Hedge Fund Investment Policy

## **Mondo Hedge Conference**

Milano, September 17th, 2008

# AGENDA

1. Who is PREDICA?
2. Main features of PREDICA's investment policy
3. Objectives and management of our investments in Hedge Funds

1

Who is PREDICA?

## Who is PREDICA?

- 1st French "bancassureur" and 2nd life insurer (on French domestic market) with a 15.3% market share
- 100% owned by Crédit Agricole SA
- Distribution through two main networks (Crédit Agricole Regional Banks and LCL) and two specialized networks (Médicale de France, UAF Patrimoine)
- Core business: life insurance, pensions and savings
- Predica has diversified its core business to include all life insurance related products

# Who is PREDICA?

**PREDICA**  
ASSURANCES DE PERSONNES

**As of 31/12/2007**

<b>Mathematical Reserves:</b>	<b>€ 174.5 bn</b>
<b>Market share:</b>	<b>15.3 %</b>
<b>Insurance Premium:</b>	<b>€ 19.1 bn</b>
<b>Number of Insurance Policies:</b>	<b>€ 13.7 m</b>
<b>Clients:</b>	<b>€ 7.8 m</b>
<b>Net profit (IFRS):</b>	<b>€ 870 m</b>

# 2

Main features of PREDICA's investment policy:

# Investment Policy Targets

**Our aim is an annual return sufficient in order to:**

- sustain a profit sharing scheme competitive with the market environment and consistent with Credit Agricole's main retail banking products.
- allocate motivating rebates to the distribution networks (Crédit Agricole, LCL...)
- actively build reserves to cushion against potential interest rate risk
- target a net result satisfactory to shareholders while at the same time increase capital and enhance the solvency ratio.
- Implement a dynamic investment policy to optimize financial risks.

# Investment Policy Constraints

**Our financial policy aims to ensure, simultaneously:**

- The preservation of the policyholders' capital as well as to safeguard all non-distributed investment income (regulatory constraint)
- An attractive annual return:
  - As compared to the competition and other savings products
  - Consistent and steady (with low volatility) over the long term



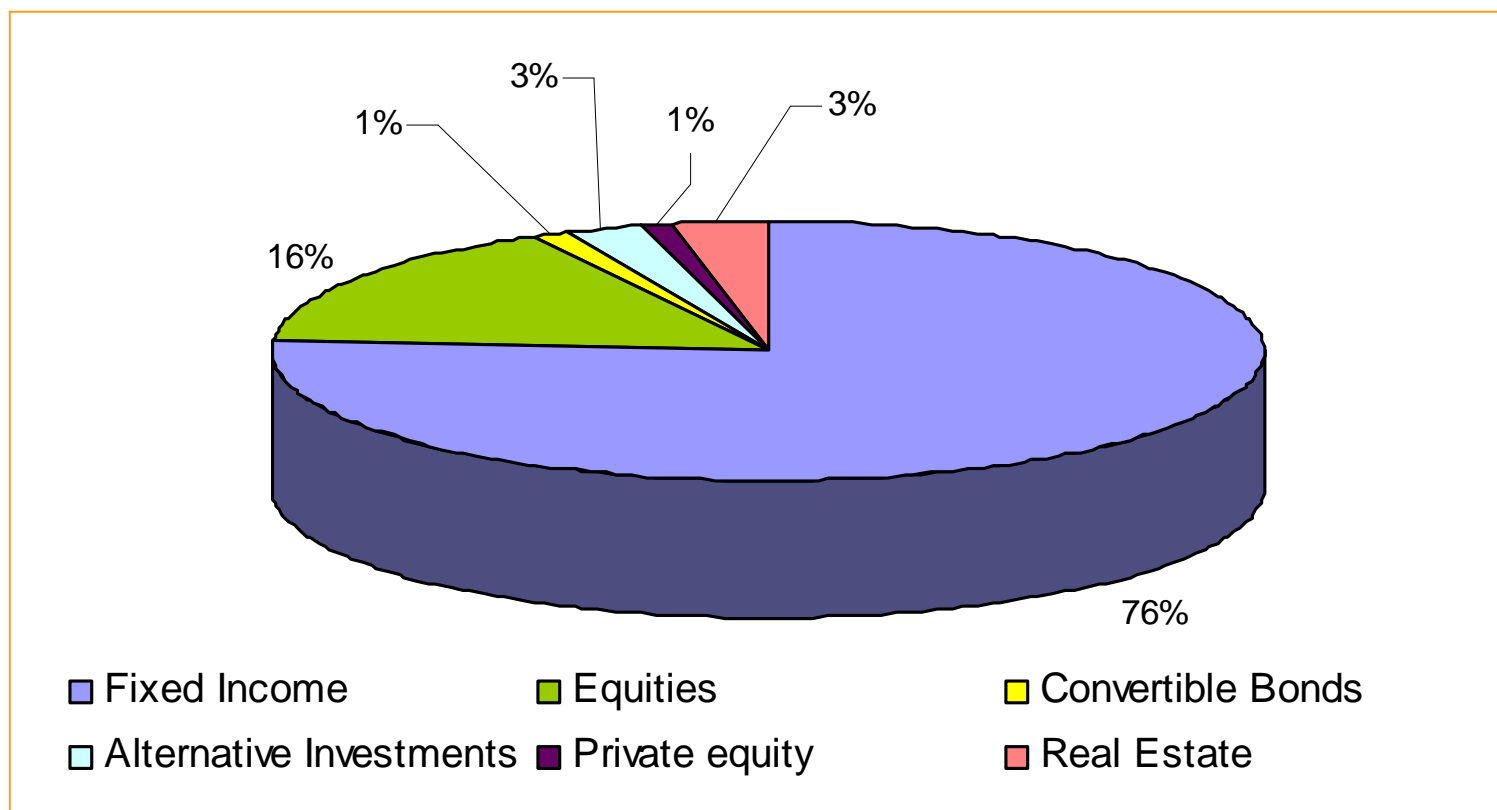
# Investment Policy Constraints

**To reach this target, PREDICA has defined the following allocation strategy:**

- A wide diversification across all asset classes in order to optimize the risk/return profile:  
The weighting of each asset class is regularly reviewed relative to the specific market environment.
- We select only top quality investments for our Fixed Income portfolio, which are highly rated and liquid

# Investment Policy Constraints

Portfolio structure as of 31/12/2007



# 3

## Objectives and management of our investments in Hedge Funds

## Allocation Strategy to Hedge Funds

- The allocation to hedge funds dates back to 2002, when a joint study with CAAM AI demonstrated the opportunity to invest in alternative investments in order to optimize the risk/return ratio of our overall portfolio.
- Our internal constraints of delivering consistent superior returns with a low volatility led us to invest into a FoHF dedicated mandate with CAAM AI.

## FoHF dedicated mandate main features

- CAAM AI is responsible for:
  - ✓ **The annual asset allocation between strategies**
  - ✓ **Selecting hedge fund managers**
  - ✓ **Managing the portfolio within the risk limits defined by PREDICA**
  
- PREDICA monitors its investments with CAAM AI regularly:
  - ❖ **A quarterly Strategic Committee in the presence of PREDICA's CEO:**
    - ✓ Performance attribution
    - ✓ Risk analysis
    - ✓ Outlook by strategy
  
  - ❖ **Monthly Committees bringing together both CAAM AI's and Predica's financial teams**

## Flows and returns

- Since 2002, PREDICA has been allocating 5% on average of its annual investment net inflows (roughly € 700M per year) to the Hedge Fund asset class.

*Main features of PREDICA's FoHF dedicated mandate:*

- **AuM: € 5.5 bn as of 30/06/2008**
- **Invested into more than 90 underlying hedge funds**
  - The 20 largest allocations represent 52% of AuM
  - The 50 largest allocations represent 83% of AuM
- **Realized net performance as of 30/06/2008:**
  - > Since inception: 67.18%, i.e. 8.94% annualized return
- **Volatility: 3.8% (annualized)**
- **Sharpe Ratio: 1.6**

# Disclaimer

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