Portfolio of Hedging Instruments

Position	Quantity	Lbs of Aluminum	Initial Price of Contract per pound	Exercise Price
Long Futures	2	880	$ -	60
Short Futures	0	-	$ -	60
Long Call Option	0	-	$ 0.5456	62
Long Put Option	-2	(880)	$ 0.1291	56

Assumptions	
Contract Size (lbs/Aluminum)	440
Current 1-Year Treasury Ra	1.15%
Contract Expiration	30 business days
Valuation Date	4/1/2004
Desired quantity of delivery	880

Company Preference	
Risk Aversion Coefficient	0.2
Utility Function	1.00000
Certainty Equivalent	0

Simulation Resul

Total Profit on Hed
Hedging Costs
Quantity of Alumin
Quantity of Alumin
Spot Price of Alum
Price Paid for Tota
Price Paid minus H
Effective Price Pai

Revenues
Costs
Protection Level
Total Protection Le

Description of Model:

Model allows user to simulate the costs of hedging for a particular hedging p
in the green shaded area above. Going short one of the instruments can be
The simulation requires the use of Crystal Ball.
The assumptions of the model can be changed as well. These assumptions
The forecast cells for crystal ball are highlighted in blue on the right and can

Contract cost	Simulated Profit/Loss on Hedge per contract	Profit/Loss on Position @ Expiration
$ -	$ (1,252.08)	$ (2,504.16)
$ -	$ 819.80	$ -
$ -	$ (185.45)	$ -
$ 227.48	$ (185.45)	$ 598.39

ts

dging Portfolio	$	(1,905.78)	
	$	1,905.78	
ıum Hedged		-	
ıum Purchased		880	
ninum on Delivery Date	$	57.67	
al Quanity	$	50,745.50	
Hedging Profits	$	52,651.27	
id for Alumium per Pound	$	59.83	
	$	70.00	per pound
	$	59.83	
	$	10.17	
evel	$	8,948.73	

portfolio. The hedging portfolio can be chosen by altering the values
e represented by a negative number.

are highlighted above on the left.
ı be changed through Crystal Ball.