



Risk Management

Today's sophisticated and capital intensive commodity markets demand risk management solutions that drive instantaneous transparency into portfolios containing multiple commodities, instruments and currencies. Risk managers need the ability to quantify positions and exposures in real-time and to act quickly on that information. To execute strategies or hedges, risk managers must first understand the impact of incremental positions on a portfolio and gain insights into potential risks and rewards utilizing scenario analysis. Executed strategies must be booked, marked, and settled throughout the term of the transaction.

Energy and commodity companies face a challenge finding an integrated solution that can capture, measure and report in real-time across complex portfolios containing a spectrum of instruments, including derivatives. Additional requirements often include tools to support decisions (what-if scenarios), identify opportunities, maintain curves and forecasts – as well as manage deals from capture to confirmation to invoice and general ledger. Allegro solutions meet all of these challenges.

Built on decades of industry expertise, Allegro's ETRM platform leverages more than 24 years of experience delivering commercial organizations the most advanced and comprehensive risk management solution available. Allegro's risk management solution provides credit, market and operations risk functionality in one integrated, stand alone platform.

Financial Visibility

Allegro's streamlined, highly automated processes for managing, risk, price, and supply and demand curves allow managers to develop hedging strategies and estimate asset value. Drill-downs enable transparency of risk exposure at any level across physical and financial positions. Risk functionality is seamlessly integrated with physical logistics enabling users to examine risk down to specific product deliveries. Position reports present risk desks with real-time reporting on Mark to Market (MtM), exposure, limit management and profit and loss across the entire portfolio.

The Allegro platform offers traders and managers the flexibility to customize dashboard views and reports (by trader, portfolio, etc.) with live information. Workflow and alert engines allow for dynamic reports and streamlined processes providing the right information at the right time. The platform delivers out-of-the-box web services with connectivity to external data sources, including pricing sources (LIM and Platts) and commodity exchanges like ICE and NYMEX.

Superior curve management provides managers with improved mark capability (with live pricing feeds) that allows users to generate forward curves for each price index with dynamic definitions of current and forward indices, basis valuations and adjustments. Managers can also view composite prices, such as averages, sums, floors and ceilings, correlate multiple index values to determine pricing trends and make parallel and non-parallel shifts in forward curves, revealing sensitivity to moves in pricing, basis, volatility and time.

Real-time Analysis

Allegro's real-time risk engine includes Monte Carlo and Historical simulation, Covariance, RiskMetrics, and Quadratic Value at Risk (VaR) measurements with alert engine functionality that can be dynamically programmed to signal or alert limit thresholds on any report or view. Accuracy of risk measurement is improved with the ability to compare VaR results to limits set by company, product, book and trader, view VaR against multiple price and volatility sensitivities, and examine sensitivities through trading changes (actual or anticipated) or

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market simulation. Risk management processes benefit from structuring VaR calculations with confidence and liquidity factors and by determining VaR with greater accuracy for portfolios containing non-linear instruments. By invoking filters, managers can view MtM valuation positions and exposures once calculation type, currency, unit of measure, and time period have been defined.

Options valuation models in Allegro solutions offer decision support to risk managers in order to make more informed decisions. Allegro's extensible architecture allows for connectivity of external modeling, whether proprietary or purchased.

Allegro's risk capabilities include real-time simulations, volatility analysis (all Greeks) and pre-trade credit verification. The risk simulation "what-if" tool allows companies to more accurately determine how potential market changes will affect various types of risk exposure. By employing simulation, users can identify potential risk behavior (under various market conditions), anticipate market moves and act accordingly to achieve superior portfolio performance.

For smaller operations, Allegro offers a hosted solution that provides all of the aforementioned functionality, without the cost and hassle of hardware management. Allegro delivers everything needed to run a sophisticated real-time portfolio from front to back office, including integrated regulatory and hedge compliance, invoicing and general ledger. Join the growing list of clients to gain real-time ETRM efficiencies and return on investment with Allegro.

Benefits

Allegro risk management solution highlights:

- Rapid deal entry blotter with deal duplication capability
- Work-flow for process efficiencies
- Interactive Trading Environment (ITE)
 - Trade strategy with automated execution
 - Decision support
 - Optimization
- Customizable dashboards with external connectivity (exchange and pricing)
 - LIM and Platts
 - NYMEX and ICE
 - Deal entry... all on one screen
- Flexible, adaptable and scalable architecture for ease of extension and integration
 - Allegro is SAP NetWeaver certified.
- Real-time risk management and valuation engine
 - Integrated credit, market and operations risk
 - Credit risk with pre-trade limit verification and CVaR measurement
 - Delivers risk measurement Covariance, RiskMetrics, Historical simulation, Quadratic and Monte Carlo simulation
 - Options valuation (all Greeks)
- Embedded options analytics
 - Black and Black- Scholes
 - Cox-Ross-Rubenstein
 - Garman-Kohlhagen
 - Turnbull-Wakeman, Whaley
 - spread options

For more information go to www.allegrodev.com or contact our corporate office at 214-237-8000.

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Allegro is the leading provider of energy trading and risk management solutions for power and gas utilities, refiners, producers, commodity traders, retailers, and consumers. Allegro's enterprise platform spans front, middle, and back offices – multiple currencies and all commodities. Additional information on Allegro solutions can be found at www.allegrodev.com