

A faint, light blue world map is visible in the background of the slide, centered behind the main text.

eurex

**Eurex VSTOXX® Futures & Options –
Portfolio Diversification & Alpha
Generating Opportunities for Hedge
Funds**

***Volatility – The Perfect Asset Class
for the Equity Fund Manager?***

Le Meridien, Piccadilly, July 23, 2010

Volatility as an Asset Class

‘Volatility should be considered as an equity sector in its own right alongside financials, industrials and mining stocks’, Emmanuel Bourdeix, Head of Derivatives & Convertibles, Credit Agricole Asset Management, Paris – **‘Volatility: Good Time to Sail with the Wind’**, **Financial Times**.

Calculation for the VSTOXX® Index is based on Eurex EURO STOXX® 50 Index Options

- The VSTOXX® index gives the level of implied volatility anticipated by the market and implied by the prices of the corresponding options on EURO STOXX® 50 Index Options.
- VSTOXX® Index design is based on the square root of implied variance and incorporates the volatility smile / skew by incorporating OTM puts and calls in the calculation.
- A rolling index of 30 days to expiration, is derived via linear interpolation of the two nearest sub-indices.
- For the calculation of the VSTOXX® see the publication – ‘Volatility and its measurements: The Design of a Volatility Index and the execution of its Historical Time Series at the Deutsche Boerse AG’ at www.eurexchange.com.

Eurex VSTOXX® Futures & Options – Contract Specifications

Symbol	OVS	FVS
Product Name	Options on VSTOXX	Mini Futures on VSTOXX
Underlying	The VSTOXX® Index, a market estimate of expected volatility that is calculated every 5 seconds by using real-time EURO STOXX 50® option bid/ask quotes.	
Contract Value	100 € per index point of underlying	
Minimum Price Change	0.05 (corresponds to 5€)	
Expiration Months	Seven consecutive monthly maturity delivery months	
Strike Price Intervals	Staggered by Volatility Index Level: = < 20 - 1 Index Point > 20 and =< 50 - 2.5 Index Points > 50 - 5 Index Points	----
Exercise Style/ Settlement Type	European; exercisable only on the Expiration Date, until the of the Post-Trading Full Period (21:00 CET) / Cash settled	---- / Cash settled
Settlement	Cash settlement, payable on the 1st exchange day, following the Final Settlement Date	----
Daily Settlement	Established by Eurex, based on applicable theoretical pricing model	Determined within the closing auction
Last Trading Day and Final Settlement Day	The Final Settlement Day is thirty days prior to the third Friday of the calendar month immediately following the expiring month. This is usually the Wednesday before the 2nd last Friday of the respective maturity month.	
Final Settlement Price	VSTOXX average over the index ticks of the last 30 minutes before expiration (11:30 – 12:00 CET)	
Block Trade Size	500 Contracts	1,000 Contracts
Position / Exercise Limits	No position or exercise limits	No position limits
Bloomberg Code	V2X INDEX OMON	FVSA INDEX
Reuters Code	0#FVS+	0#FVS:

Payoff Profile - VSTOXX® Futures vs. Volatility Swap vs. Variance Swap

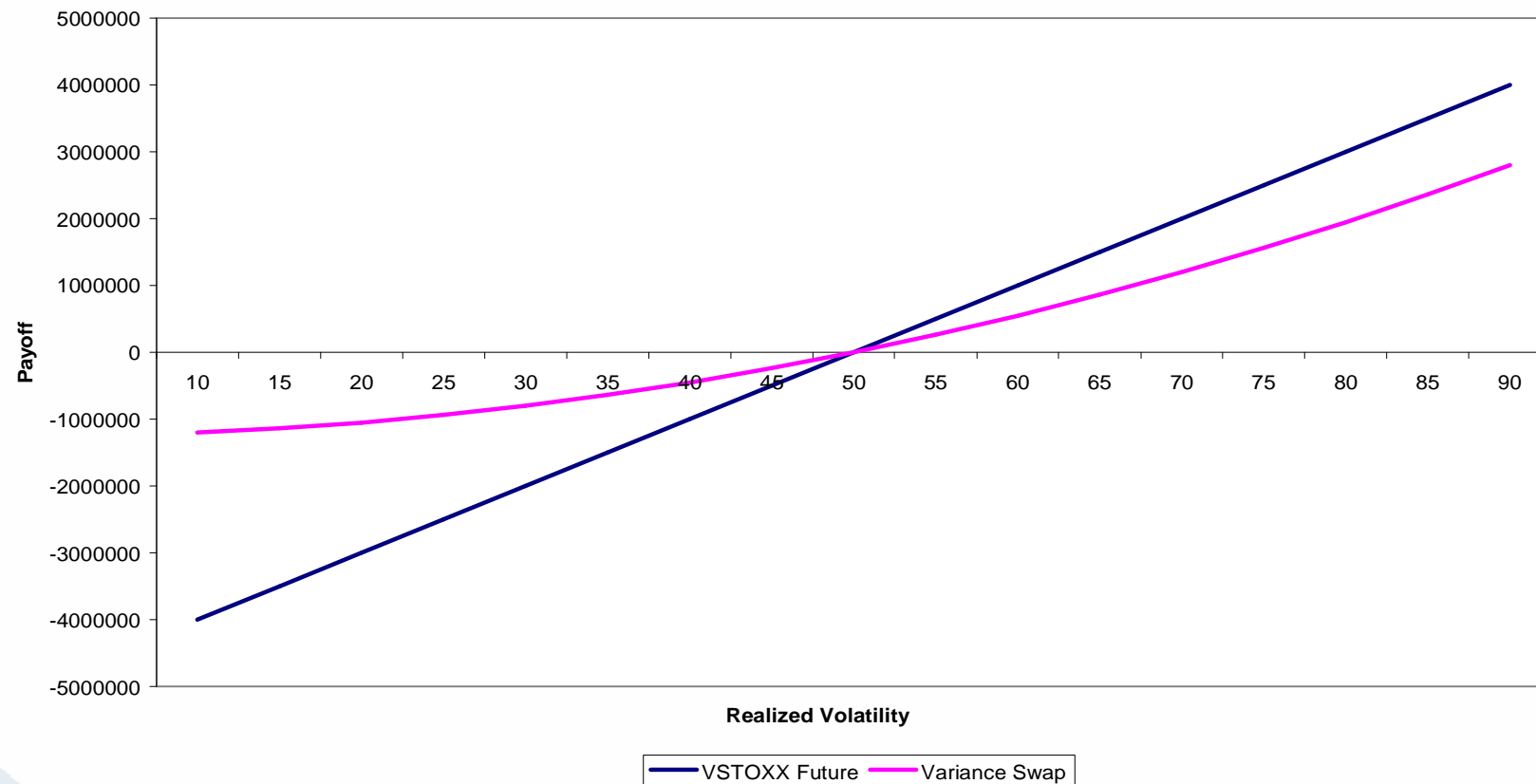
Payoff VSTOXX® Futures = Number of Contracts X Index Multiplier (i.e. €100) X (Realized 30 day Implied Volatility – Expected 30 Day Implied Volatility (at trade initiation)).

Payoff Volatility Swap = Notional X (Realized Implied Volatility - Implied Volatility (at trade initiation)).

Payoff Variance Swap = Notional X (Realized Implied Volatility² - Implied Volatility² (at trade initiation)).

VSTOXX® Futures versus Variance Long Payoff – Same Notional

VSTOXX versus Variance- Long Payoff Profile - Same Notional



Eurex August '10 VSTOXX® Futures



Source: Bloomberg

Liquidity Overview for Volatility Products

Futures

Contract	CBidQty	CBid	CAsk	CAskQty
FVS APR10	510	21.30	21.60	110
FVS MAY10	500	22.70	22.75	50
FVS JUN10	10	23.60	23.80	10
FVS AUG10	10	24.25	24.45	10
FVS APR10	50	-1.45	-1.10	110
FVS APR10	10	-2.50	-2.00	10
FVS MAY10	10	-1.10	-0.85	10

- Ø VSTOXX® futures are quoted as tight as 0.20 volatility index points, reflecting a volatility spread of 1% at current VSTOXX level

Exch	LstPrc	LstQty	High	Low	Curr	LstAuctPrc	PrvStlPrc
XEUR	21.25	1	21.30	21.25	EUR	21.30	21.10

BidAvg	BidAcc	BidQty	Bid	Ask	AskQty	AskAcc	AskAvg
21.30	10	10	21.30	21.60	110	110	21.60
21.25	510	500	21.25	21.75	500	610	21.72

- Ø Market depth shows further size

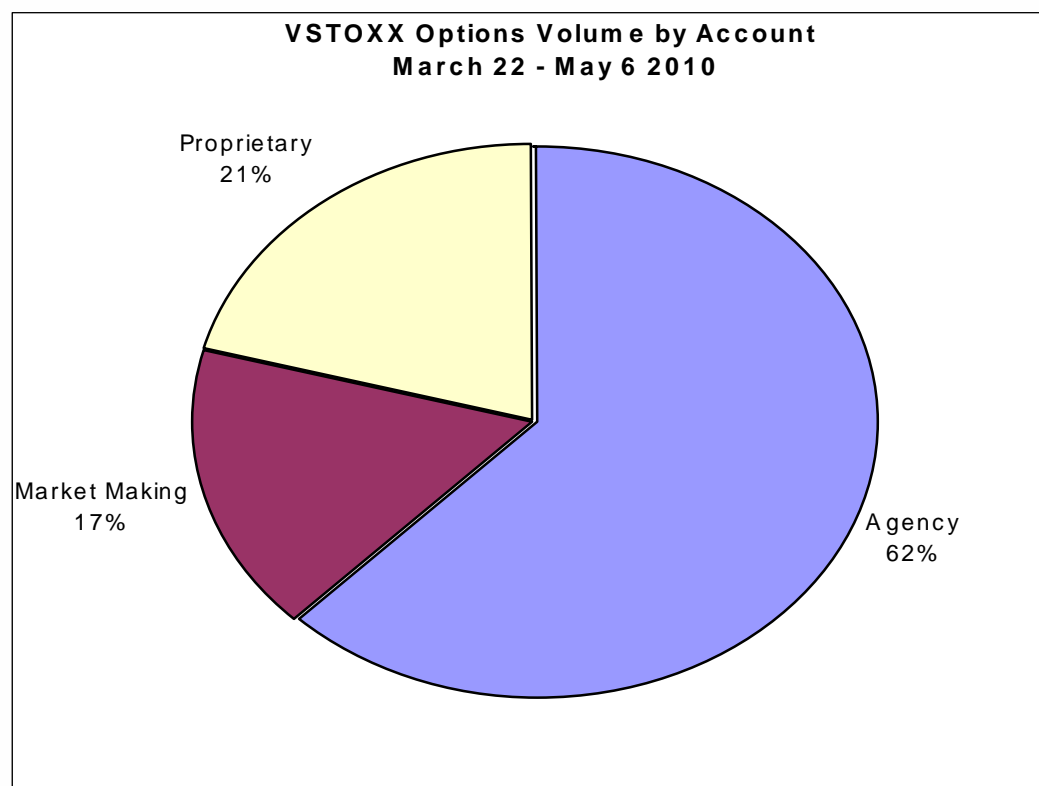
Options

Contract	CBidQty	CBid	CAsk	CAskQty	Strike	PBidQty	PBid	PAsk	PAskQty
OVS APR10					1800	50	0.30	0.40	50
OVS APR10					1900	50	0.50	0.65	50
OVS APR10	50	4.00	4.60	50	2000	50	0.75	0.90	50
OVS APR10	50	2.50	2.85	50	2250	50	1.65	2.00	50
OVS APR10	50	1.45	1.70	50	2500	50	2.95	3.50	50
OVS APR10	50	0.85	1.00	50	2750				
OVS APR10	50	0.55	0.65	50	3000				

- Ø Typically all 4 expiries are quoted onscreen
- Ø Traded volume since launch 383,000 *
- Ø Open interest at 148,000*

* As of May 28th, 2010

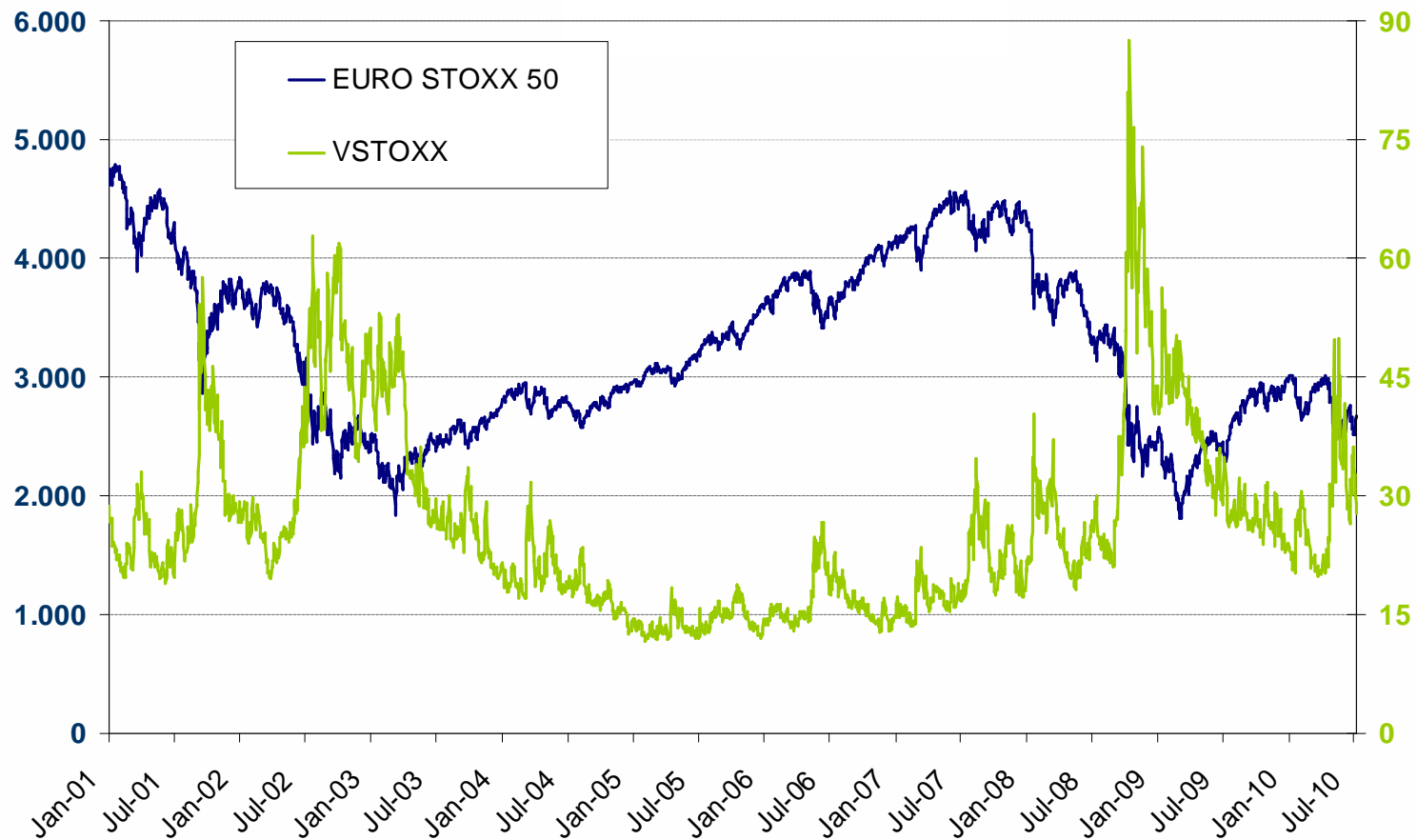
Eurex VSTOXX® Options – Buy Side Participation



Equity Market and Equity Volatility

The attraction of Eurex Volatility Index products to the Equity Fund Manager lies in the ***negative correlation of equity volatility to the equity market*** offering increased portfolio diversification and reduced portfolio risk. The causality between the equity market and equity volatility can be attributed to the ***leverage effect*** – a fall in equity prices increases a company's leverage, thereby increasing the risk to equity holders and increasing equity volatility and vice versa when equity prices rise leverage decreases, equity becomes less risky and equity volatility falls.

VSTOXX® has strong negative correlation with the underlying EURO STOXX® 50 Equity Index

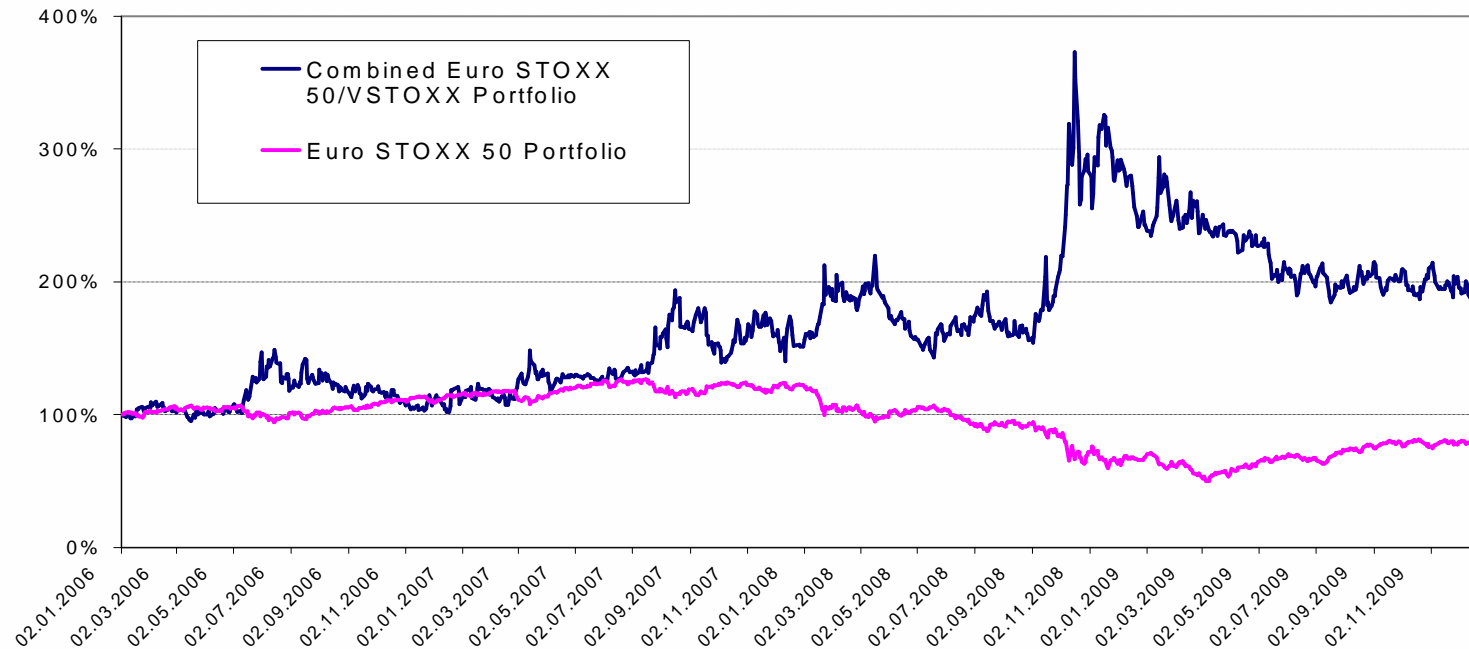


Uses of VSTOXX® for the fund manager #1 - Increased Portfolio Diversification & Enhanced Portfolio Returns

The negative correlation of equity volatility and equity prices makes equity volatility an attractive asset to incorporate within an equity portfolio to increase portfolio diversification and enhance portfolio returns.

VSTOXX® futures – Effects on Portfolio Diversification & Return

Combined Euro STOXX 50 / VSTOXX Portfolio vs. Euro STOXX 50 Portfolio



- Equity portfolio consists of long 3-month futures on EURO STOXX 50®
- Combined Equity / Volatility portfolio consists of 30% long 1-month futures on VSTOXX® and of 70% long 3-month futures on EURO STOXX 50®
- Rebalancing once a week – study showed that returns maximised on Wednesday rebalancing

Buy Side Benefits of Volatility Derivatives

In a recent academic study, '**VIX Futures and Options – A Case Study of Portfolio Diversification During the 2008 Financial Crisis**', Szado found that:

- Inclusion of VIX Futures to the three base portfolios* under analysis during the 2008 Financial Crisis both increased returns and reduced standard deviation.
- Inclusion of ATM VIX Calls to the three base portfolios also increased portfolio returns but the effect on standard deviation was mixed. The inclusion of OTM VIX Calls produced more extreme results, not surprisingly given the extra leverage. The results showed greater return benefits in market drops but a corresponding increase in standard deviation.
- Analysis of buying SPX Puts to the three base portfolios for the period clearly show the portfolios do not perform as well as the inclusion of VIX Call options. **This is probably due to the cost of 'put protection' in SPX Puts relative to VIX Calls i.e. the steep put smile / skew in equity options.**

* The three base portfolios under analysis were 1) 100% Equity, 2) 60% Equity / 40% Bonds and 3) Equity / Bond / Alternatives.

Uses of VSTOXX® for the fund manager #2 - Managing Portfolio Tracking Error & Rebalancing Costs

Benchmark/Passive Index Equity Fund Managers are *short volatility*. As equity markets become more volatile, portfolio tracking error and rebalancing costs increase. Equity portfolio managers can buy Eurex VSTOXX® index futures and options to hedge against increases in tracking error and rebalancing costs.

Uses of VSTOXX® for the fund manager #3 - Cheap Vega Positioning & Volatility Spread Trading

- Eurex VSTOXX® futures offer a very **cheap and leveraged way to initiate volatility directional strategies** as there are no requirement to delta hedge for movements in the underlying asset – the VSTOXX® futures is ‘pure vega’, a 1% increase or decrease in volatility increases/decreases the value of the contract by €100 i.e. the value of the VSTOXX® index multiplier – **the payoff is linear.**

- **Eurex VSTOXX® futures provide the fund manager with a cheaper vehicle to attain pure equity volatility/vega exposure than EURO STOXX® index options – a one month ATM option on the EURO STOXX® index option has a €vega of approximately €31* - a third of the €euro vega value of the VSTOXX® futures. A three month ATM EURO STOXX® index option would have approximately a €53 vega value.**

- Combined with the CBOE VIX® futures contract, it allows the fund manager to initiate leveraged **relative value implied volatility spread positions trading views on the difference between US equity implied volatility and European equity implied volatility.** VSTOXX® can also be used to trade Equity Volatility against Credit.

* €vega approximates to: $(M \cdot S \cdot (\sqrt{T} / 2.5 / 100))$ where M is the EURO STOXX® index multiplier, T is the annualized time to maturity and S is the underlying EURO STOXX® index level i.e. 2,680.

VSTOXX® Option Trading Strategies

- Ø Trading VSTOXX® Direction – Long Calls & Puts or Call & Put Spreads.
- Ø Synthetic VSTOXX® Underlying – VSTOXX Conversion & Reversals.
- Ø Trading the Volatility of VSTOXX® – Straddles and Strangles in VSTOXX® Options.
- Ø Direction and Volatility of VSTOXX® – Ratio Call / Put spreads.
- Ø Correlation between VSTOXX® and VIX® – Long volatility position in VSTOXX® vs. short volatility position in VIX® implemented through long and short butterfly positions.
- Ø Premium Efficient Exposure to Volatility – Sell out-of-the money VSTOXX® Puts to generate premium.

Eurex OTC Block Trade Facility

§ An OTC Block Trade is a trade in a standardized Eurex product where the price has been negotiated off-exchange.

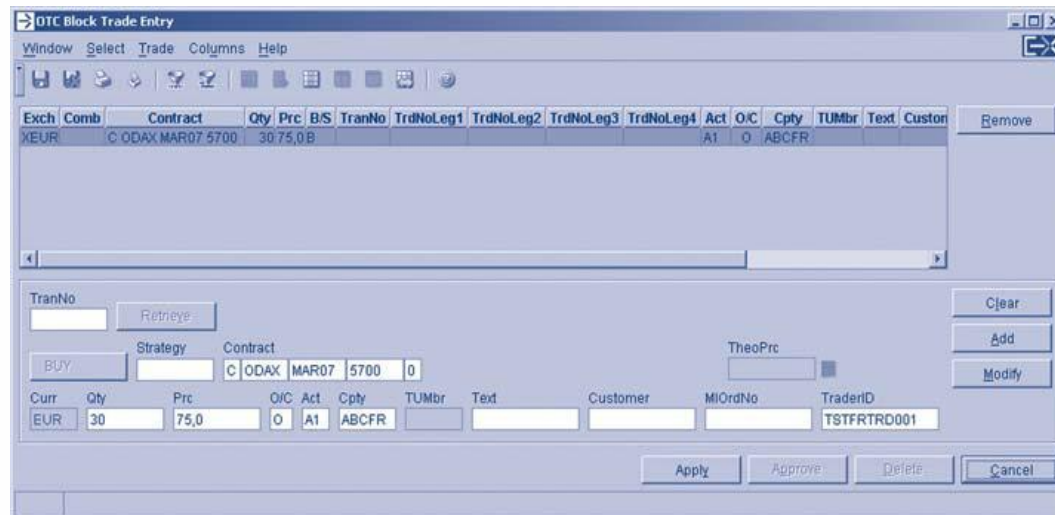
§ The exchange defines a minimum number of contracts for an OTC Block trade for each product admitted to Block Trading.

§ The OTC Block Trade Facility gives asset managers and market makers the ability to trade Eurex VSTOXX® futures and options products bilaterally off exchange and novate the transaction to Eurex Clearing.

OTC Block Trade minimum size :

VSTOXX® Futures – **1,000**

VSTOXX® Options - **500**



Eurex Contacts

Sales

Markus-Alexander Flesch

Eurex Zürich AG

Tel: 00 41 58854 2948

Email: markus-alexander.flesch@eurexchange.com

Byron Baldwin

Eurex London

Tel: 0207 862 7232

Email: byron.baldwin@eurexchange.com

Product Development

Rex Jones

Eurex London

Tel.: 0207 862 7276

Email: rex.jones@eurexchange.com

Appendix 1

Eurex VSTOXX® Futures vendor codes

Product ID:
FVS

Product Name:
Mini Futures on VSTOXX®

Product ISIN:
DE000A0Z3CW9

Product Vendor Code:
Bloomberg – FVSA Index CT
Reuters – 0#FVS:

Underlying Name:
Volatility Index VSTOXX®

Underlying ISIN:
DE000A0C3QF1

Underlying Vendor Code:
Bloomberg – V2X Index
Reuters – 0#.V2TX



VSTOXX Mini Futur Aug09 Index CT Export Related Functions Favorited Term

<HELP> for explanation, <MENU> for similar functions. Index

1 <GO> to Configure Columns

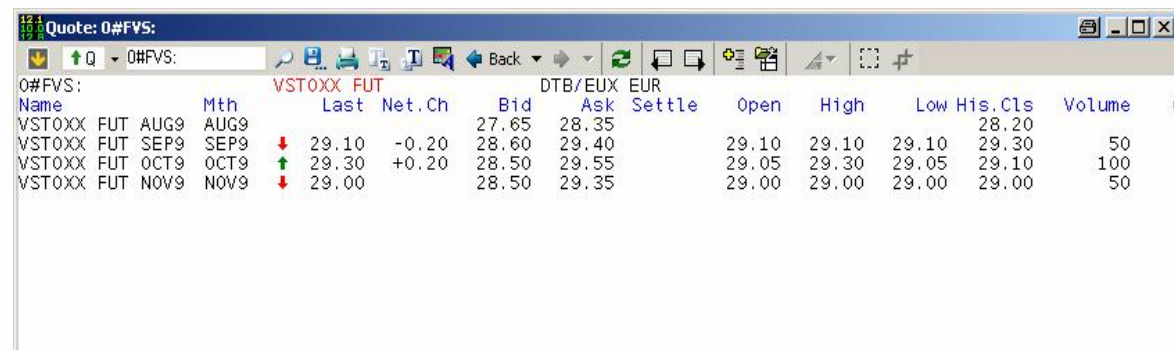
View Futures 1) Edit Columns 2) Chart on CCRV Bloomberg Mail

VSTOXX Mini Futur Pricing Date 07/28/09 Sort By Expi

Eurex

Delayed Spot Contracts 5/5 Tot Volume 200 Open Int 252

Ticker	Spot	Last	Change	Time	Bid	Ask	Open	Int	Volume
3) V2X	Spot	127.50	-.03	10:23					
4) FVSQ9	Aug09		unch	7:27	27.55	28.30		50	
5) FVSU9	Sep09	29.10	-.20	9:55	28.60	29.30		150	50
6) FVSV9	Oct09	29.30	+.20	10:16	28.50	29.50			100
7) FVSX9	Nov09	29.00	unch	9:54	28.50	29.30		52	50



Quote: 0#FVS:

0#FVS: VSTOXX FUT DTB/EUX EUR

Name	Mth	Last	Net.Ch	Bid	Ask	Settle	Open	High	Low	His.Cls	Volume
VSTOXX FUT AUG9	AUG9			27.65	28.35					28.20	
VSTOXX FUT SEP9	SEP9	↓ 29.10	-0.20	28.60	29.40		29.10	29.10	29.10	29.30	50
VSTOXX FUT OCT9	OCT9	↑ 29.30	+0.20	28.50	29.55		29.05	29.30	29.05	29.10	100
VSTOXX FUT NOV9	NOV9	↓ 29.00		28.50	29.35		29.00	29.00	29.00	29.00	50

Appendix 2

Eurex VSTOXX® Options vendor codes

Product ID:
OVS

Product Name:
VSTOXX® Options

Product ISIN:
DE000A0E4S49

Product Vendor Code:
Bloomberg – FVSA Index
OMON
Reuters – <0#FVS+>

Underlying Name:
VSTOXX® Volatility
Index Options

Underlying ISIN:
DE000A0C3QF1

GRAB											Index OMON					
At DELAYED Op 41.9839 Hi 52.3337 Lo 40.6873																
VSTOXX Index 49.5956 12.7828 34.7238 / Hi 52.3337 Lo 40.6873 Vol HV 132.12 91) News																
Center 50.07 # Strikes 5 or % Exchange Composite 92) Earnings Calendar																
Calls						Puts										
Ticker	Bid	Ask	Last	IVM	DM	Volm	OInt	Strike	Ticker	Bid	Ask	Last	IVM	DM	Volm	OInt
19 May 10 (12d); CSize 100.00; R 0.38; IFwd 50.07											19 May 10 (12d); CSize 100.00; R 0.38; IFwd 50.07					
1) OVK0C			3.25y				6124	35.0	21) OVK0P			3.65y				
2) OVK0C			2.35y				2562	37.5	22) OVK0P			5.25y				
3) OVK0C			1.70y					40.0	23) OVK0P			7.10y				
4) OVK0C			1.20y					42.5	24) OVK0P			9.10y				
5) OVK0C			.80y					45.0	25) OVK0P			11.20y				
16 Jun 10 (40d); CSize 100.00; R 0.46; IFwd 50.07											16 Jun 10 (40d); CSize 100.00; R 0.46; IFwd 50.07					
6) OVM0C	5.50	6.25	3.80			300	475	32.5	26) OVM0P			4.05y				
7) OVM0C	2.30	8.00	3.20			400	13000	35.0	27) OVM0P			5.75y				
8) OVM0C			2.30y				6500	37.5	28) OVM0P			7.60y				
9) OVM0C			1.70y					40.0	29) OVM0P			9.50y				
10) OVM0C			1.30y					42.5	30) OVM0P			11.55y				
21 Jul 10 (75d); CSize 100.00; R 0.61; IFwd 50.07											21 Jul 10 (75d); CSize 100.00; R 0.61; IFwd 50.07					
11) OVN0C	5.55	6.30	3.60y					32.5	31) OVN0P			4.70y				
12) OVN0C			2.75y					35.0	32) OVN0P			6.35y				
13) OVN0C			2.05y					37.5	33) OVN0P			8.15y				
14) OVN0C			1.50y					40.0	34) OVN0P			10.10y				
15) OVN0C			1.10y					42.5	35) OVN0P			12.20y				
18 Aug 10 (103d); CSize 100.00; R 0.73; IFwd 50.07											18 Aug 10 (103d); CSize 100.00; R 0.73; IFwd 50.07					
16) OVQ0C	4.85	5.55	4.10y				50	32.5	36) OVQ0P			5.50y				
17) OVQ0C			3.45y					35.0	37) OVQ0P			7.30y				

295) Center Strike 296) Call/Put 297) Call 298) Put 299) Term Structure Zoom 100%

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2010 Bloomberg Finance L.P.
SN 161285 6430-460-0 07-May-10 11:45:24

Appendix 3

Market Making – Eurex VSTOXX® Volatility Futures

Minimum Contract Size:	500 contracts
Maximum Spread*:	5% of bid price, i.e. Future bid = 25%, thus spread \leq 125 BPS
Required Coverage:	80 percent of the total trading period on a monthly average
Expiry Range:	all seven expirations have to be covered
Incentive:	100% fee rebate for trades on M-account from March 1, 2010 until December 31, 2011, for fulfilling monthly obligations

Appendix 4

Market Making - Volatility Options

Minimum Contract Size:	25 contracts
Maximum Spread:	Bid up to 2 -> max Spread 0.40 points Bids from 2 to 20 -> 20% of bid price i.e. Option bid = 4.00, thus a spread \leq 80 bps Bid > 20 -> max Spread 4 points
Required Coverage:	70 percent of the total trading period on a monthly average for calls and puts in five out of nine strikes around the current index level. Asymmetric quotation is allowed.
Expiry Range:	front four expirations have to be covered
Incentive:	100% fee rebate for trades on M-account from March 22, 2010 until December 31, 2011, for fulfilling monthly obligations. Eurex will also grant a revenue sharing and distribute 50% of the net trading fee among the top 3 performing Market Makers on a monthly basis. The kickback is determined as a ratio of the trading volume of a particular Market Maker to the total trading volume of the three Market Makers.

© Eurex 2010

Deutsche Börse AG (DBAG), Clearstream Banking AG (Clearstream), Eurex Frankfurt AG, Eurex Clearing AG (Eurex Clearing) as well as Eurex Bonds GmbH (Eurex Bonds) and Eurex Repo GmbH (Eurex Repo) are corporate entities and are registered under German law. Eurex Zürich AG is a corporate entity and is registered under Swiss law. Clearstream Banking S.A. is a corporate entity and is registered under Luxembourg law. U.S. Exchange Holdings, Inc. and International Securities Exchange Holdings, Inc. (ISE) are corporate entities and are registered under U.S. American law. Eurex Frankfurt AG (Eurex) is the administrating and operating institution of Eurex Deutschland. Eurex Deutschland and Eurex Zürich AG are in the following referred to as the "Eurex Exchanges".

All intellectual property, proprietary and other rights and interests in this publication and the subject matter hereof (other than certain trademarks and service marks listed below) are owned by DBAG and its affiliates and subsidiaries including, without limitation, all patent, registered design, copyright, trademark and service mark rights. While reasonable care has been taken in the preparation of this publication to provide details that are accurate and not misleading at the time of publication DBAG, Clearstream, Eurex, Eurex Clearing, Eurex Bonds, Eurex Repo as well as the Eurex Exchanges and their respective servants and agents (a) do not make any representations or warranties regarding the information contained herein, whether express or implied, including without limitation any implied warranty of merchantability or fitness for a particular purpose or any warranty with respect to the accuracy, correctness, quality, completeness or timeliness of such information, and (b) shall not be responsible or liable for any third party's use of any information contained herein under any circumstances, including, without limitation, in connection with actual trading or otherwise or for any errors or omissions contained in this publication.

This publication is published for information purposes only and shall not constitute investment advice respectively does not constitute an offer, solicitation or recommendation to acquire or dispose of any investment or to engage in any other transaction. This publication is not intended for solicitation purposes but only for use as general information. All descriptions, examples and calculations contained in this publication are for illustrative purposes only.

Eurex and Eurex Clearing offer services directly to members of the Eurex exchanges respectively to clearing members of Eurex Clearing. Those who desire to trade any products available on the Eurex market or who desire to offer and sell any such products to others or who desire to possess a clearing license of Eurex Clearing in order to participate in the clearing process provided by Eurex Clearing, should consider legal and regulatory requirements of those jurisdictions relevant to them, as well as the risks associated with such products, before doing so.

Eurex derivatives (other than Dow Jones EURO STOXX 50® Index Futures contracts, Dow Jones EURO STOXX® Select Dividend 30 Index Futures contracts, Dow Jones STOXX 50® Index Futures contracts, Dow Jones STOXX® 600 Index Futures contracts, Dow Jones STOXX® Large/Mid/Small 200 Index Futures contracts, Dow Jones EURO STOXX® Banks Futures contracts, Dow Jones STOXX® 600 Banks/Industrial Goods & Services/Insurance/Media/Personal & Household Goods/Travel & Leisure/Utilities Futures contracts, Dow Jones Global Titans 50 IndexSM Futures contracts, DAX® Futures contracts, MDAX® Futures contracts, TecDAX® Futures contracts, SMIM® Futures contracts, SLI Swiss Leader Index® Futures contracts, RDXxt® USD – RDX Extended Index Futures contracts, Eurex inflation derivatives, Eurex commodity derivatives, and Eurex interest rate derivatives) are currently not available for offer, sale or trading in the United States or by United States persons.

Trademarks and Service Marks

Buxl®, DAX®, DivDAX®, eb.rexx®, Eurex®, Eurex Bonds®, Eurex Repo®, Euro GC Pooling®, Eurex Strategy WizardSM, EXTF®, FDAX®, FWB®, MDAX®, ODAX®, TecDAX®, VDAX®, VDAX-NEW®, Xetra® and XTF Exchange Traded Funds® are registered trademarks of DBAG.

The service mark MSCI Russia is the exclusive property of Morgan Stanley Capital International, Inc.

RDXxt® is a registered trademark of Wiener Börse AG (Vienna Stock Exchange).

iTraxx® is a registered trademark of International Index Company Limited (IIC) and has been licensed for the use by Eurex. IIC does not approve, endorse or recommend Eurex or iTraxx® Europe 5-year Index Futures, iTraxx® Europe HiVol 5-year Index Futures and iTraxx® Europe Crossover 5-year Index Futures.

Eurex is solely responsible for the creation of the Eurex iTraxx® Credit Futures contracts, their trading and market surveillance. ISDA® neither sponsors nor endorses the product's use.

ISDA® is a registered trademark of the International Swaps and Derivatives Association, Inc.

IPD® UK Annual All Property Index is a registered trademark of Investment Property Databank Ltd. (IPD) and has been licensed for the use by Eurex for derivatives.

SLI®, SMI®, SMIM®, and VSMI® are registered trademarks of SIX Swiss Exchange.

STOXX®, Dow Jones STOXX® 600 Index, Dow Jones STOXX® Large 200 Index, Dow Jones STOXX® Mid 200 Index, Dow Jones STOXX® Small 200 Index, Dow Jones STOXX® TMI Index, VSTOXX® Index, Dow Jones EURO STOXX 50® DVP, Dow Jones EURO STOXX® Select Dividend 30 Index, Dow Jones EURO STOXX®/STOXX® 600 Sector Indexes as well as the Dow Jones EURO STOXX 50® Index and Dow Jones STOXX 50® Index are service marks of STOXX Ltd. and/or Dow Jones & Company, Inc.

Dow Jones, Dow Jones Global Titans 50 IndexSM and Dow Jones Sector Titans IndexesSM are service marks of Dow Jones & Company, Inc. The derivatives based on these indexes are not sponsored, endorsed, sold or promoted by STOXX Ltd. or Dow Jones & Company, Inc., and neither party makes any representation regarding the advisability of trading or of investing in such products.

The names of other companies and third party products may be trademarks or service marks of their respective owners.