



AEGIS Hedging

 **EnergyRisk**
Awards 2017-2021
Winner

 Hedging advisory
firm of the year

DISCLAIMER

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The Industry Leader

300+

Entities

7,000,000+

BOE/d

40+

Counterparties

90%+

Retention

90,000+

Hedges Executed in 2020

For Commodities and Rates



Crude Oil



Natural Gas



NGLs



Agriculture



Refined
Products



Metals



Interest Rates



Foreign
Exchange

Your needs are unique. Our solutions adapt.

Market Analytics

Exclusive insights on the factors driving commodity price and rate volatility.

Cloud CTRM

Modern software to store, value, and manage your commodity and rate positions. Full-service support from the AEGIS team when needed.

Risk Analytics

Understand and impact your financial risk via patented scenario modeling. Proprietary models to enable data-driven management of your financial exposures.

Hedge Advisory

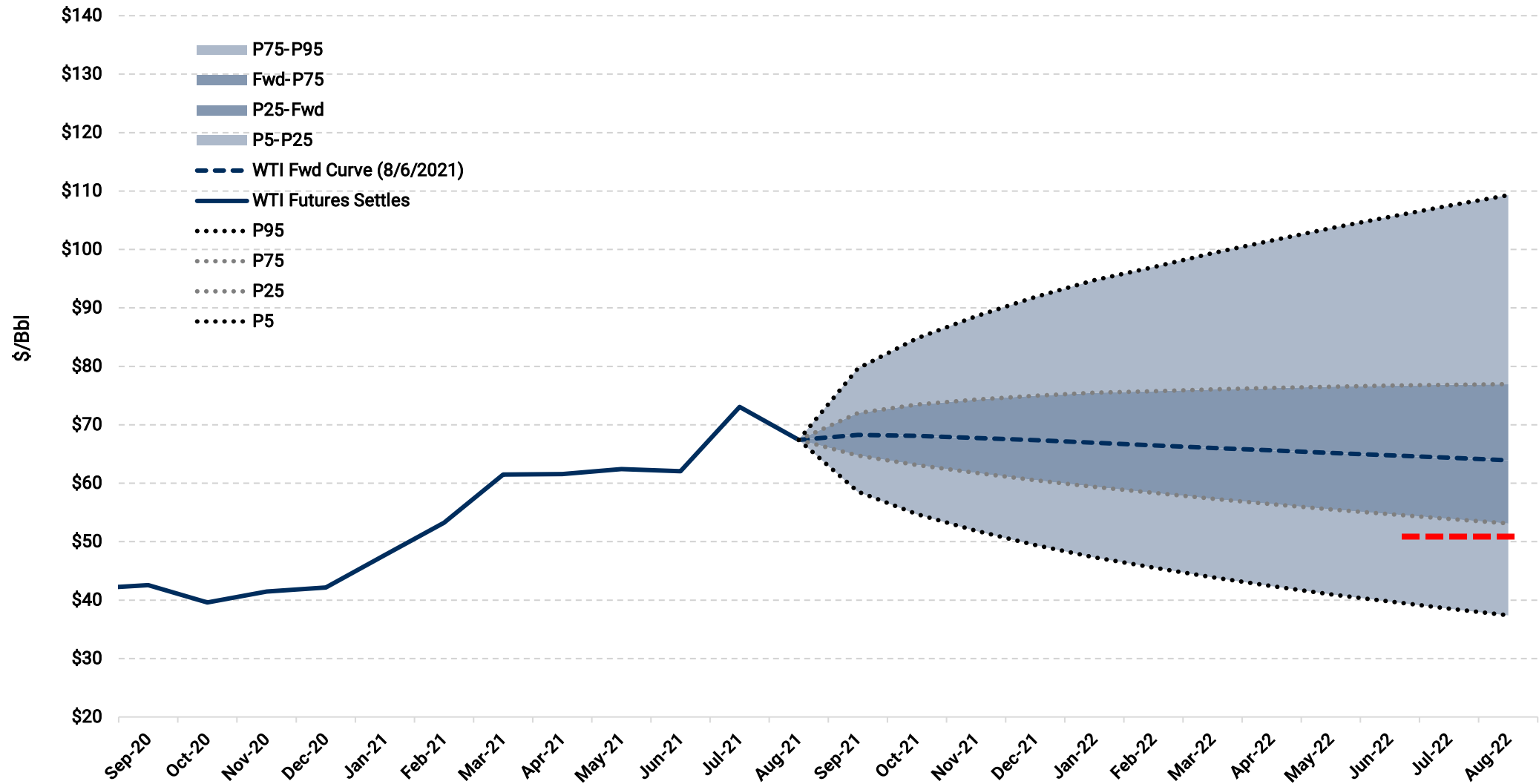
Tailored hedge strategy development and recommendations with efficient execution upon your approval.

Swap Execution Facility (SEF) **Coming Fall 2021**

CFTC-approved compliant marketplace for CTAs, financial counterparties, and commercial end-users to negotiate and execute swaps.

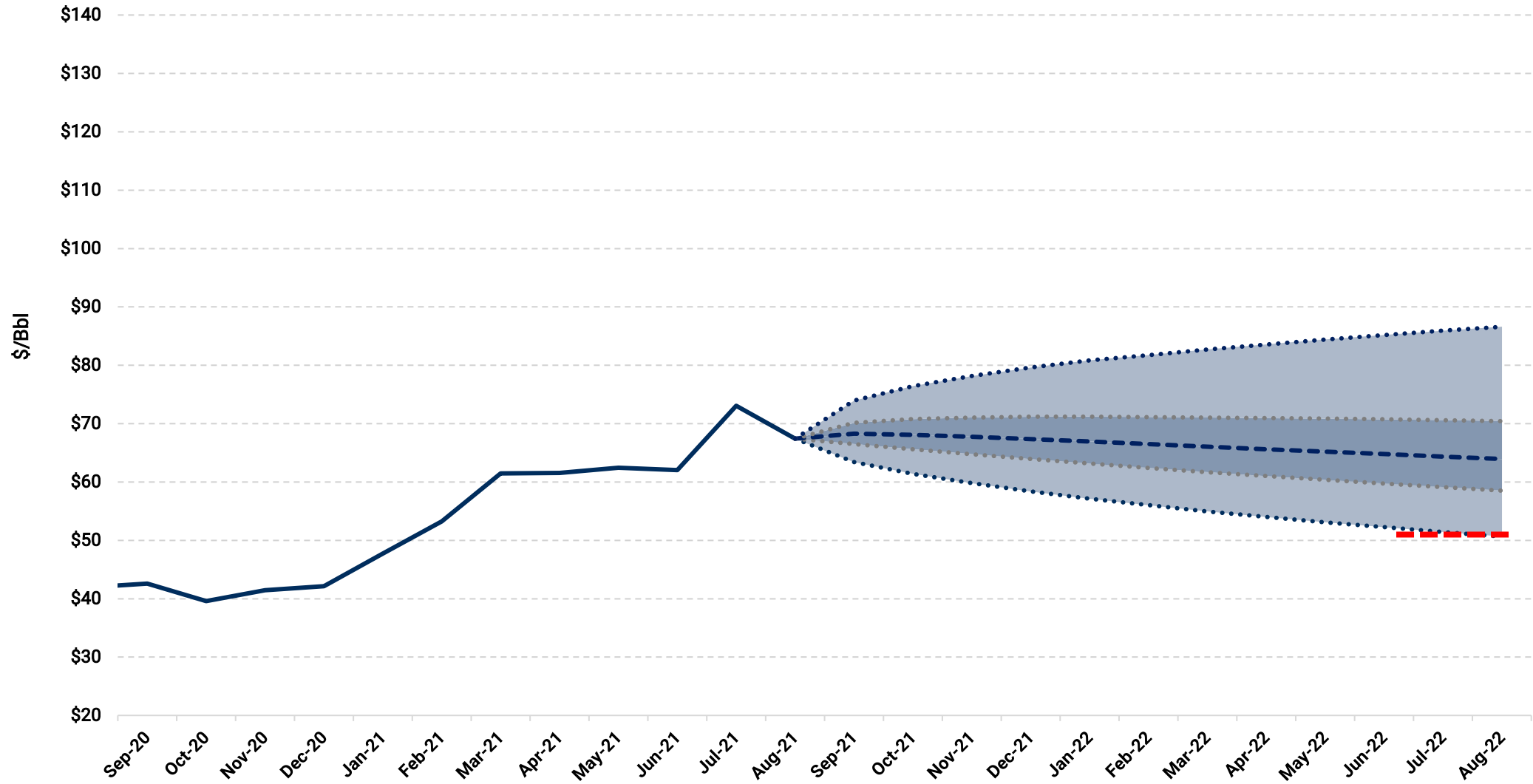
Price Risk Management

WTI Futures: Risked Forward Prices



Price Risk Management

WTI Futures: Risked Forward Prices, If 50% Hedged



➤ The Industry needs a hedging methodology that is:

Optimized

Hedges the minimum to achieve financial goals

Objective

Does not require a price forecast or opinion

Prescriptive

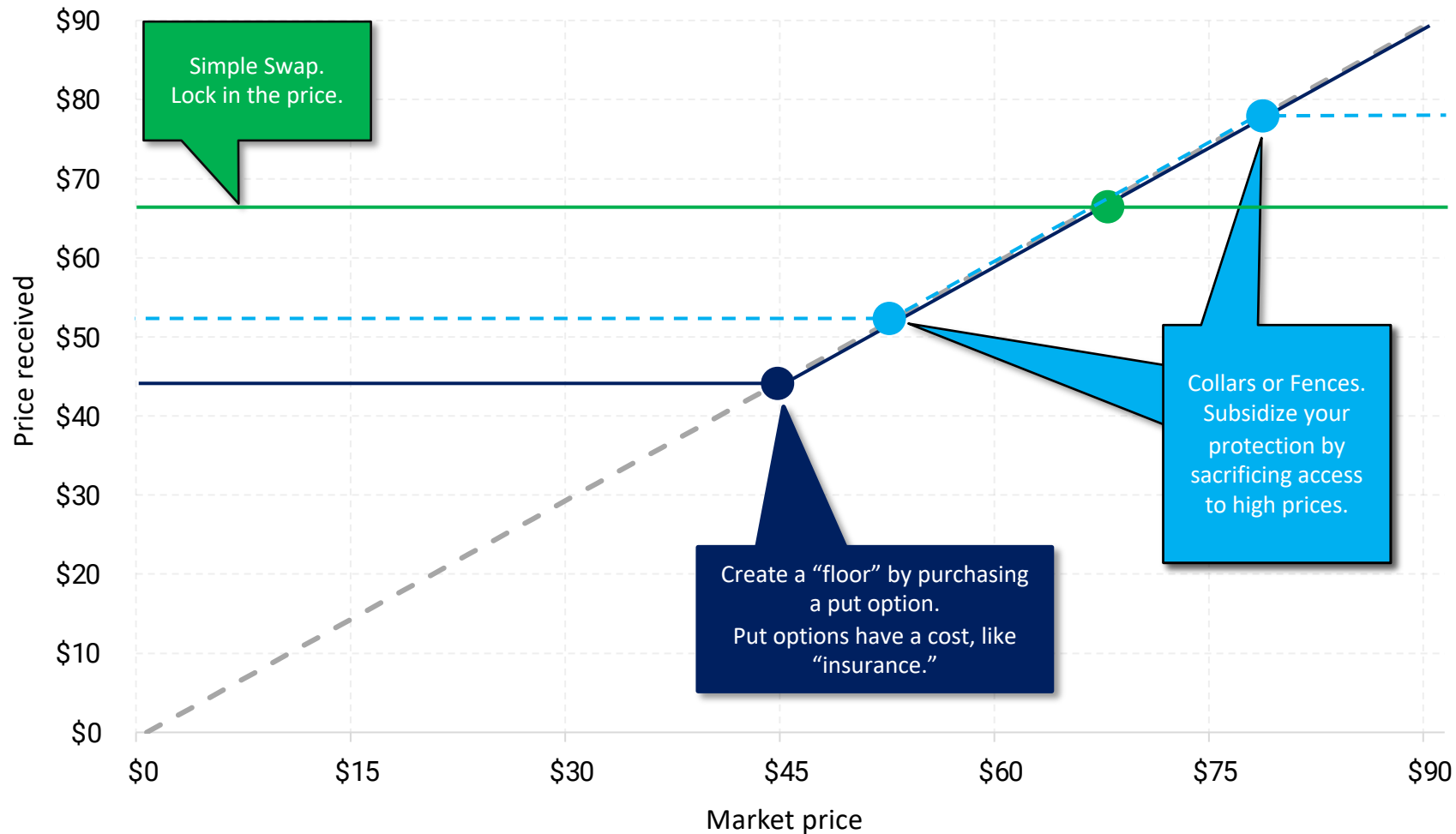
Recommends action to achieve a chosen metric

Defensible

Based on well-known standards

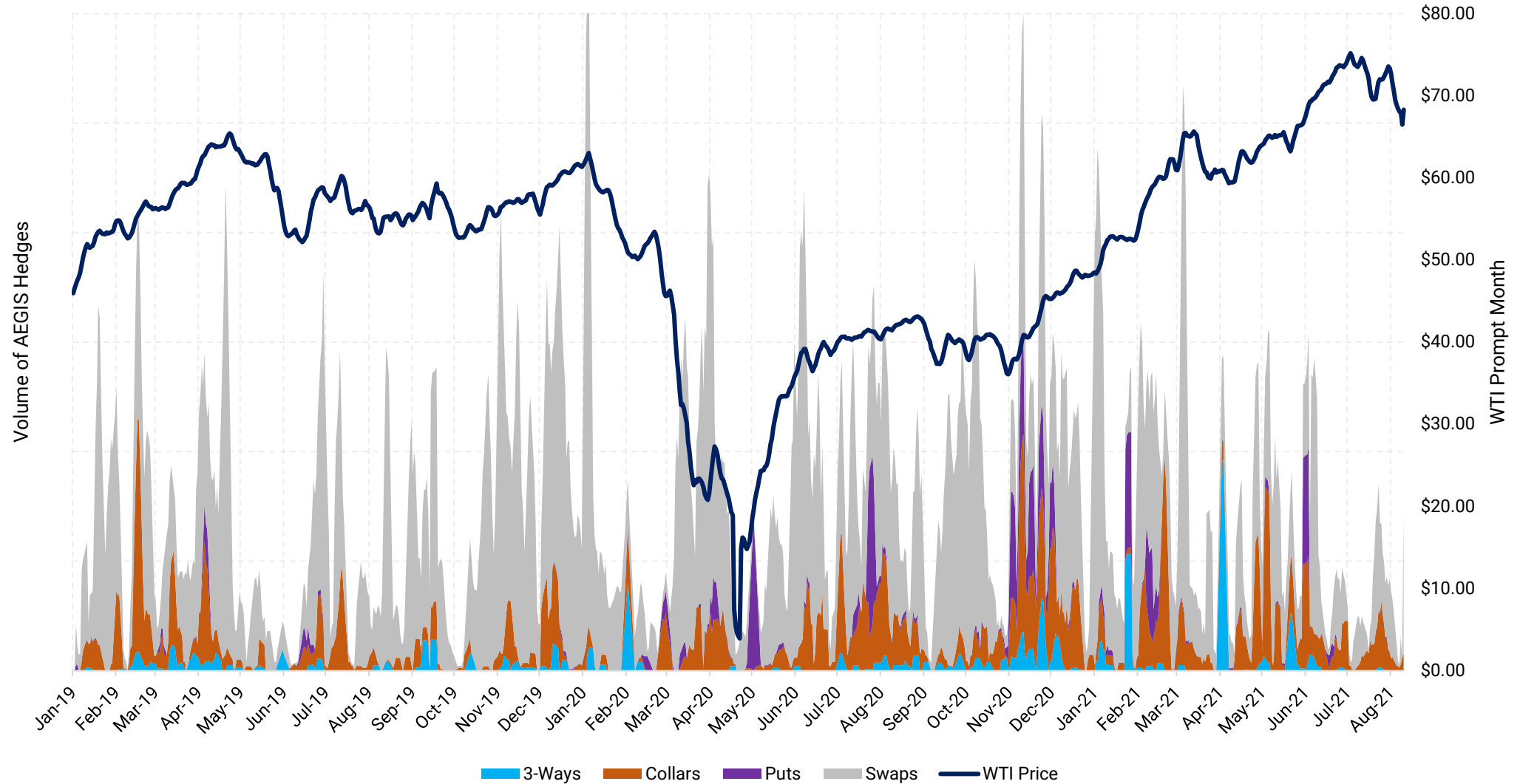
Tools of the Trade

Three Most Popular Hedging Tools:
Swaps (on Futures); Put Options; Collars



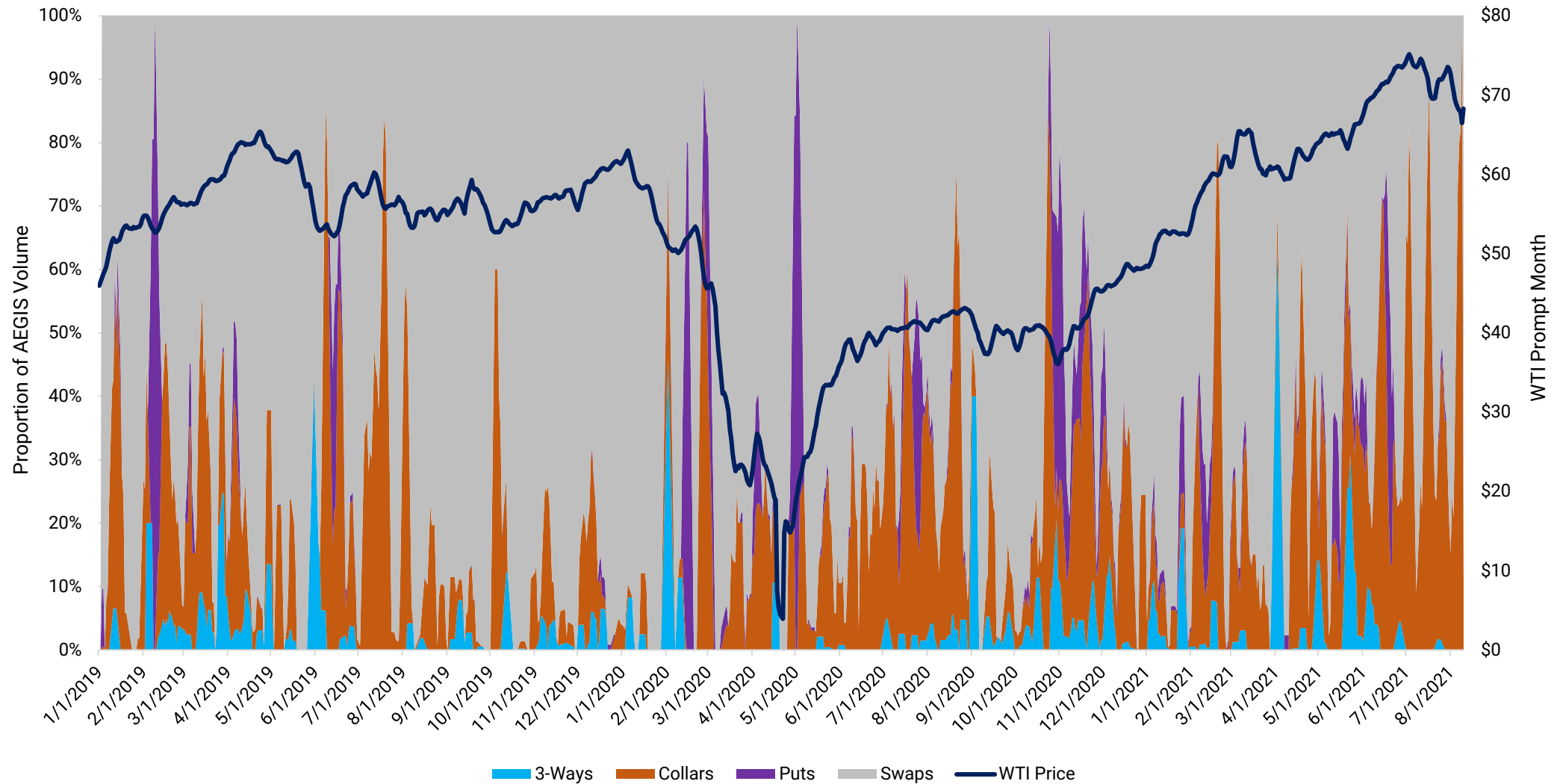
Risk Management – AEGIS Benchmarks

Producer Hedge Activity Slowed in Last Four Months



Risk Management – AEGIS Benchmarks

Producers Switched Hedges to Upside-Friendly Structures as Price Crossed \$60



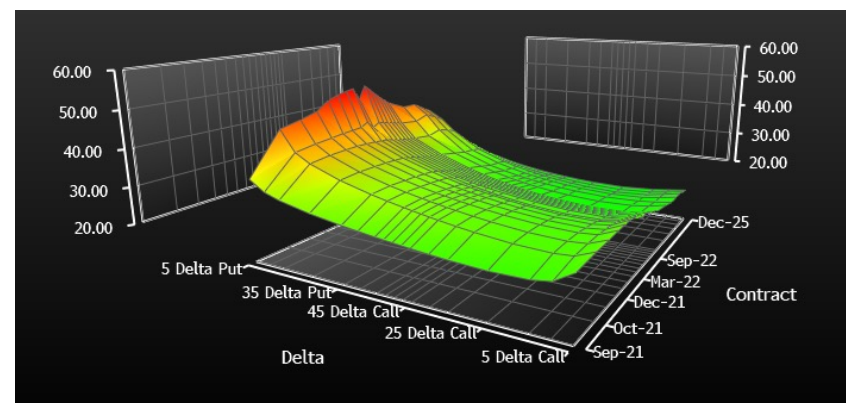
Risk Management – Forward Markets

Futures or swaps markets:

- Buyers and sellers negotiating price
- Only one price per tenor
- A two-dimensional *curve*

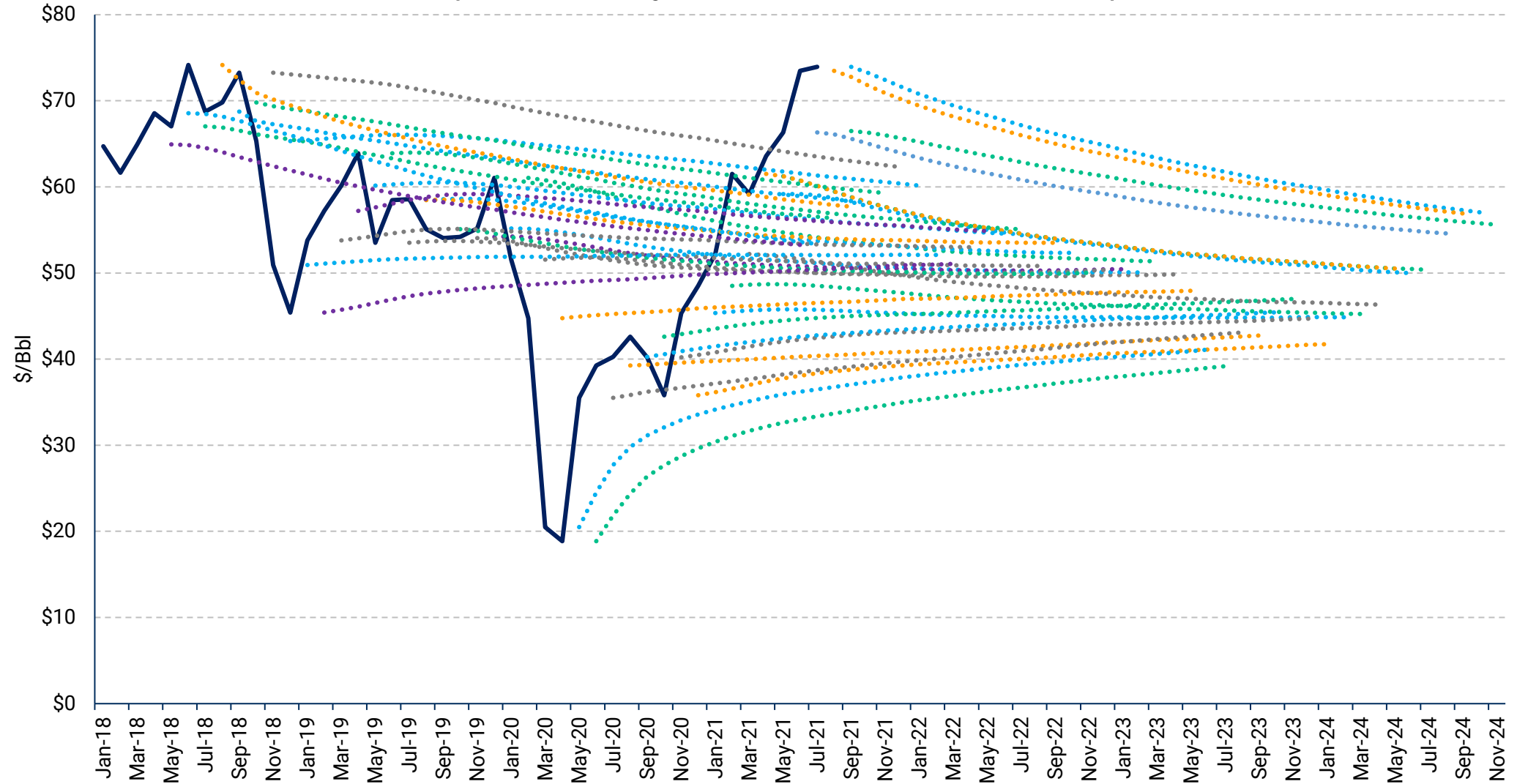
Options markets:

- Buyers and sellers negotiating *probabilities*
- For multiple prices at every tenor
- A three-dimensional *surface*



Risk Management – Forward Markets

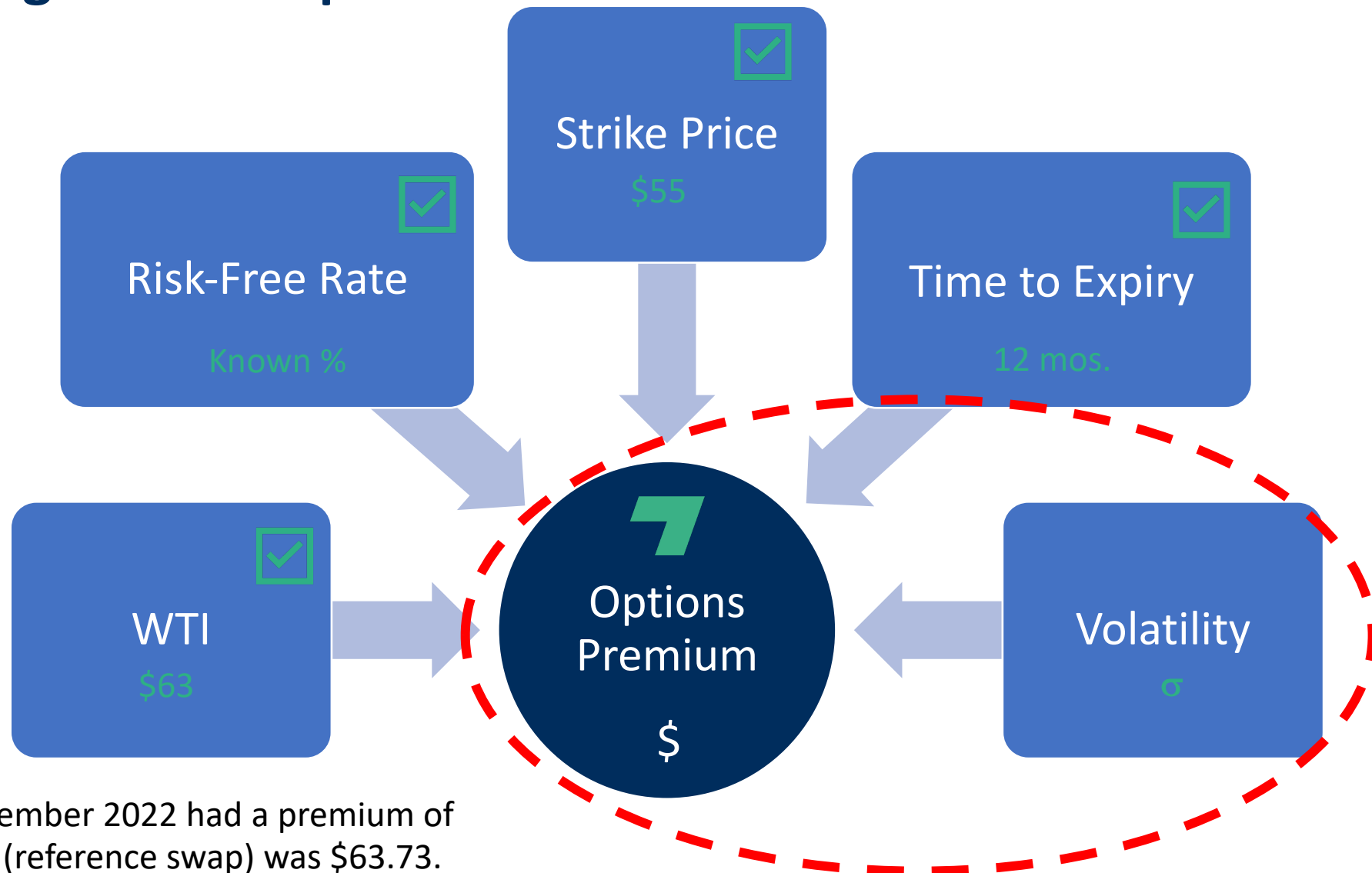
CL Prompt-Month Averages and Historical Forward Curve Snapshots



➤ Risk Management – Options Basics

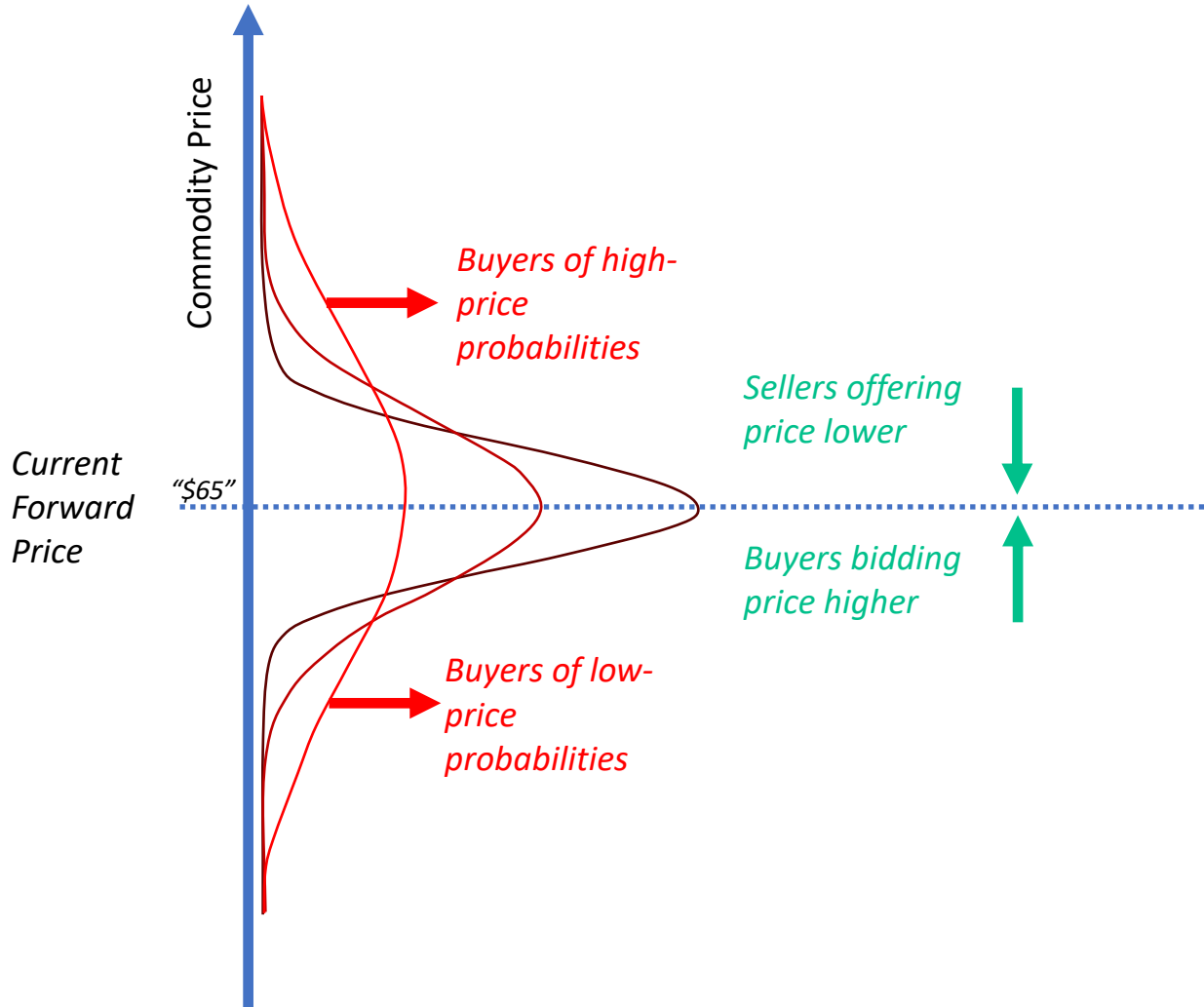
How much does an option cost?

What can we learn about the oil market from that options price (premium)?



On August 11, a \$55 put for September 2022 had a premium of \$4.55 when the underlying price (reference swap) was \$63.73.

Risk Management – Forward Markets

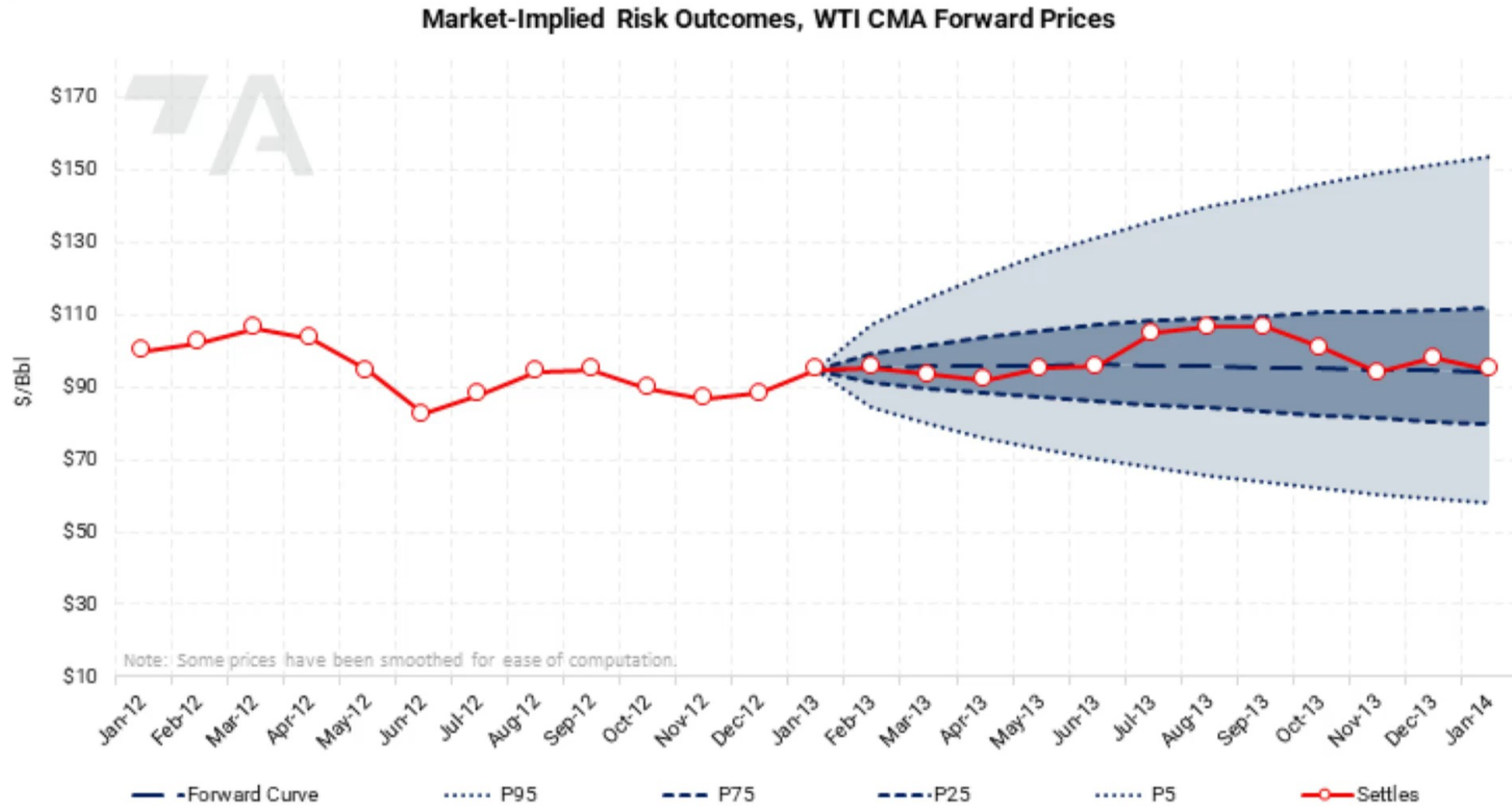


Option market "Implied Volatility" tells us:

The market's expectation of the range of prices.

The market's probability of reaching *any* specific price.

Market-Implied Volatility: Does it Work?



7 Which should a producer hedge?

Let's pick the hedges that offer the most protection, but at least “cost” to the organization.

To place the ideal hedges, we need to know:

Products – *Your price exposures*

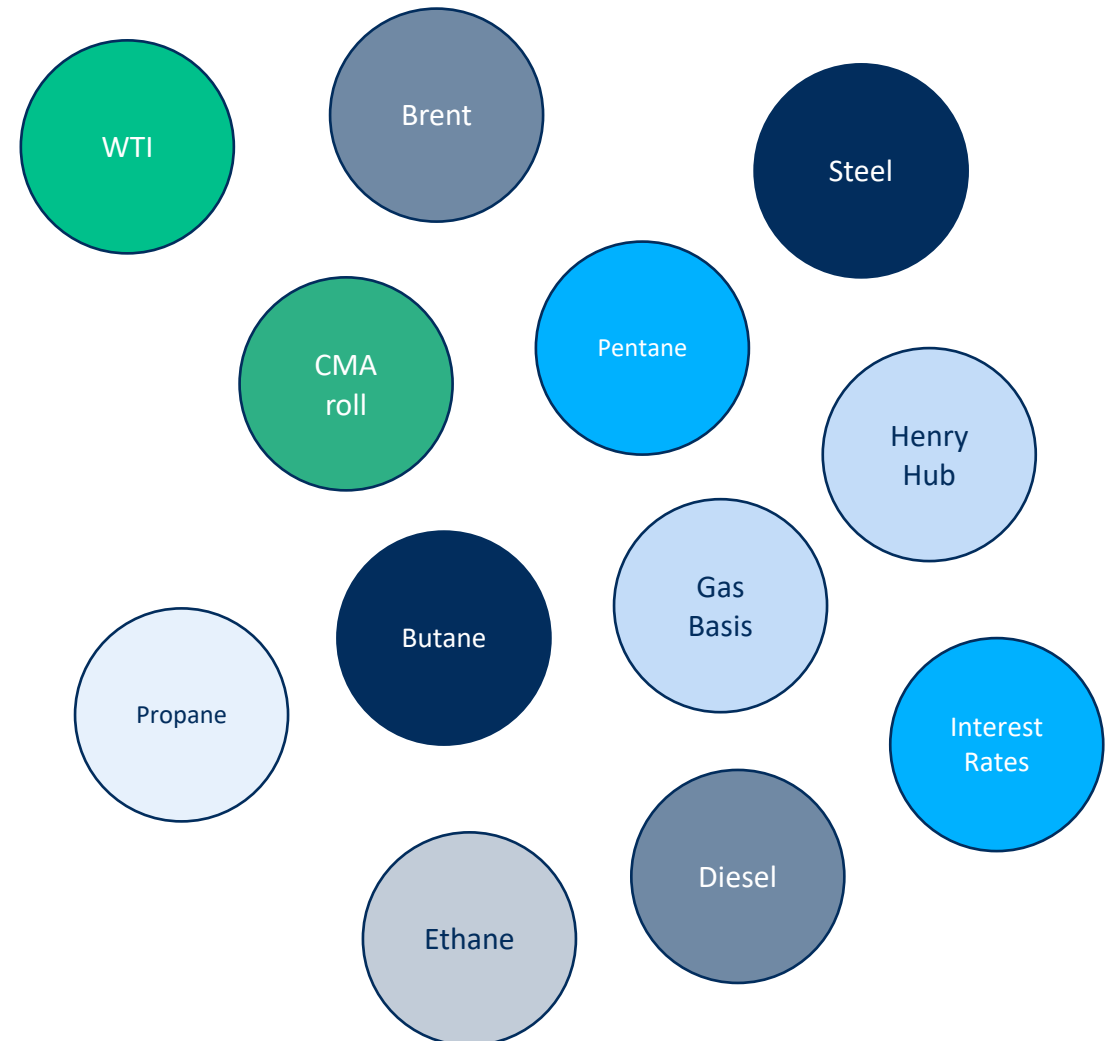
Volumes - *Impact on revenue*

Correlations - *Diversification effect*

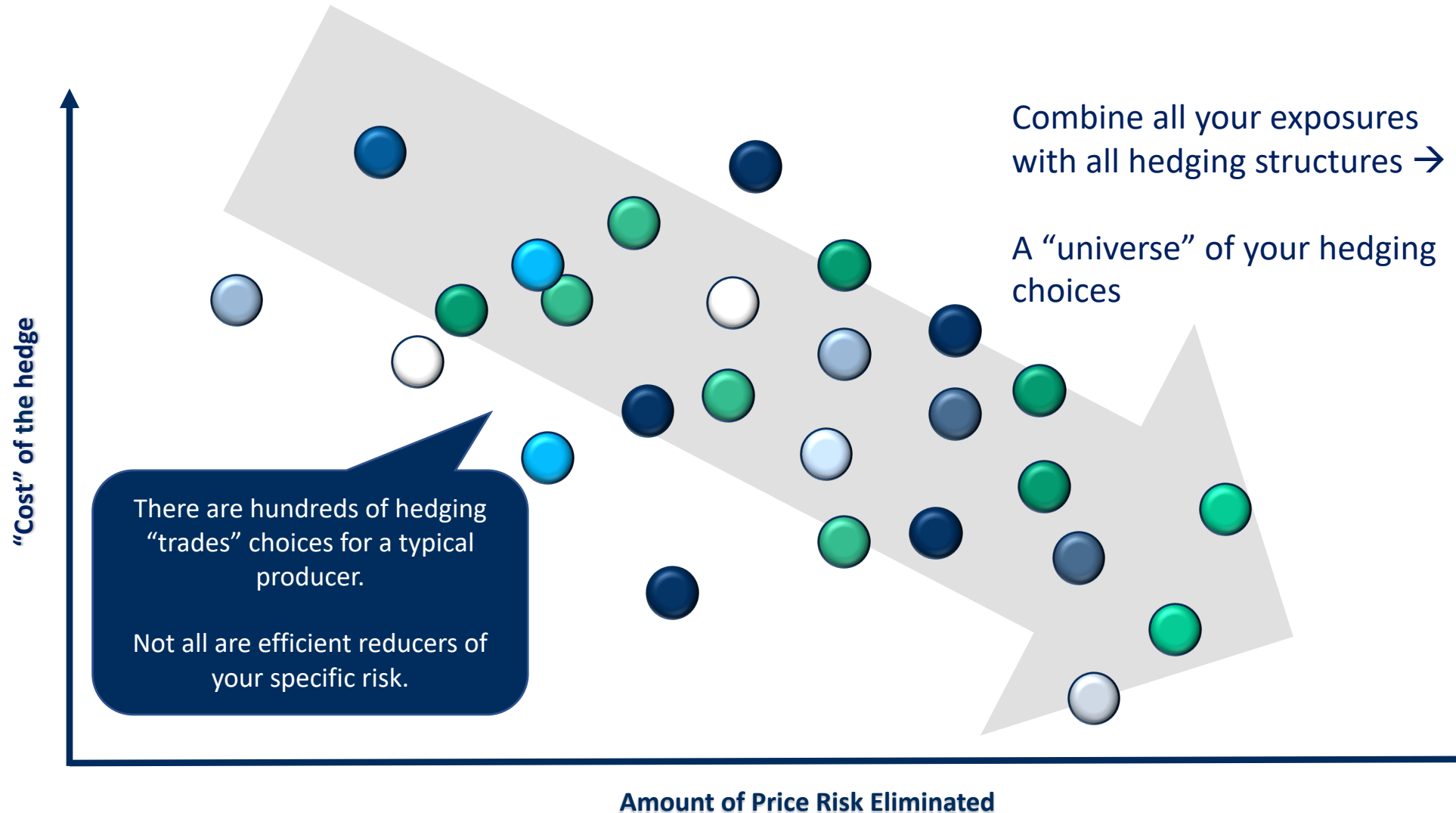
Volatilities - *Potential for price to harm or help*

Tenors – *Timing of risk*

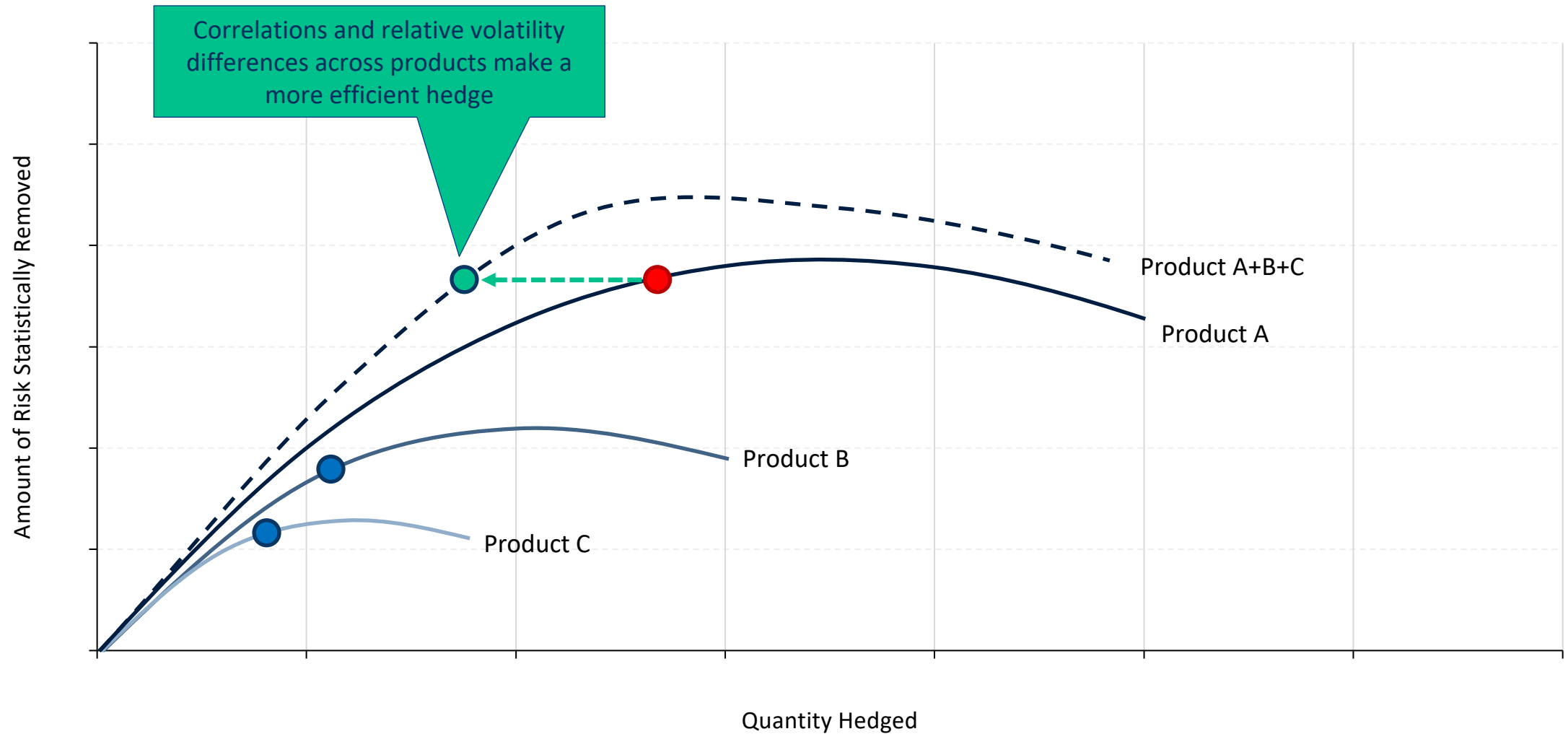
Portfolio – *Hedges already in place*



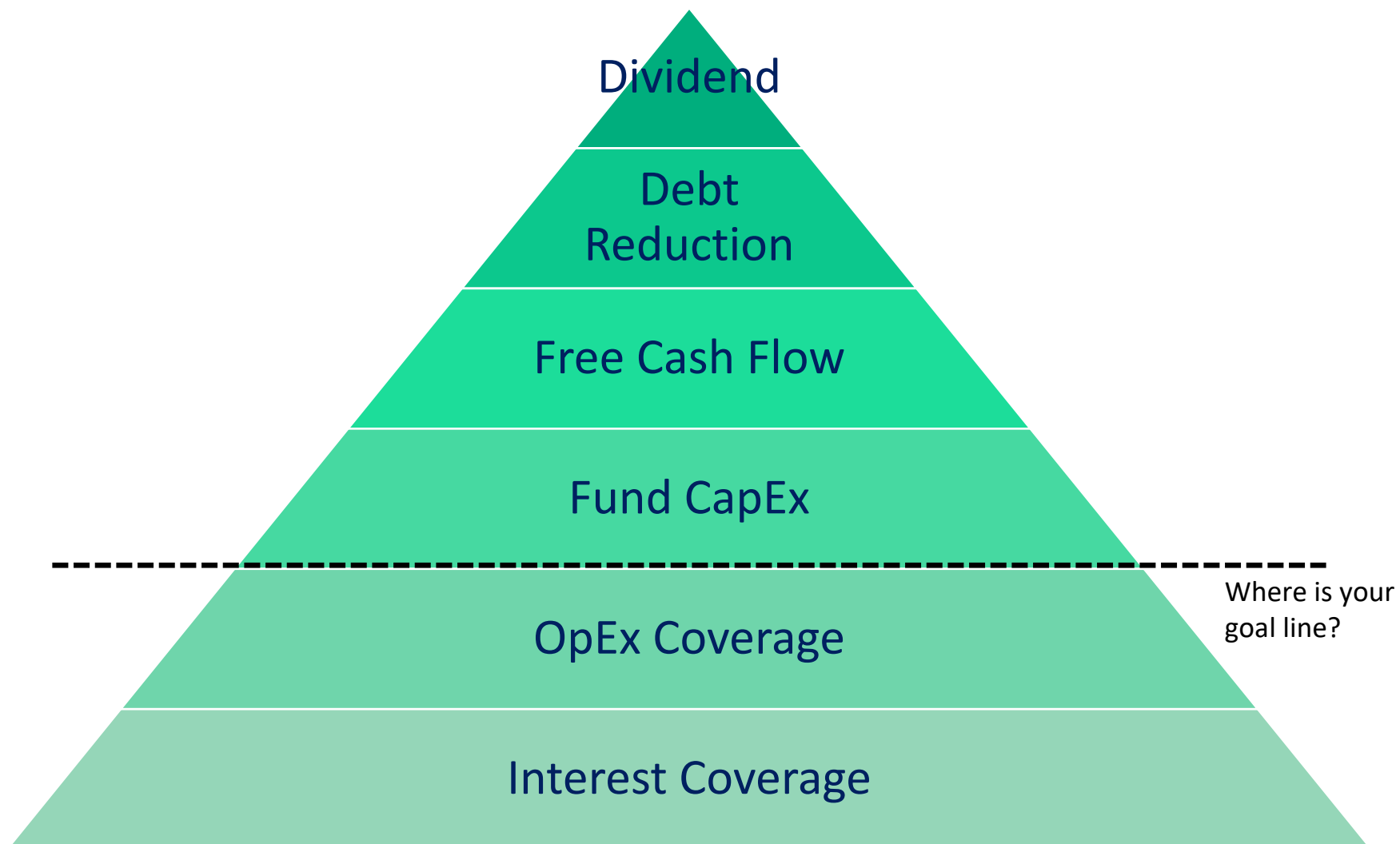
Risk Management – Hedge Selection



Risk Management – Hedge Selection

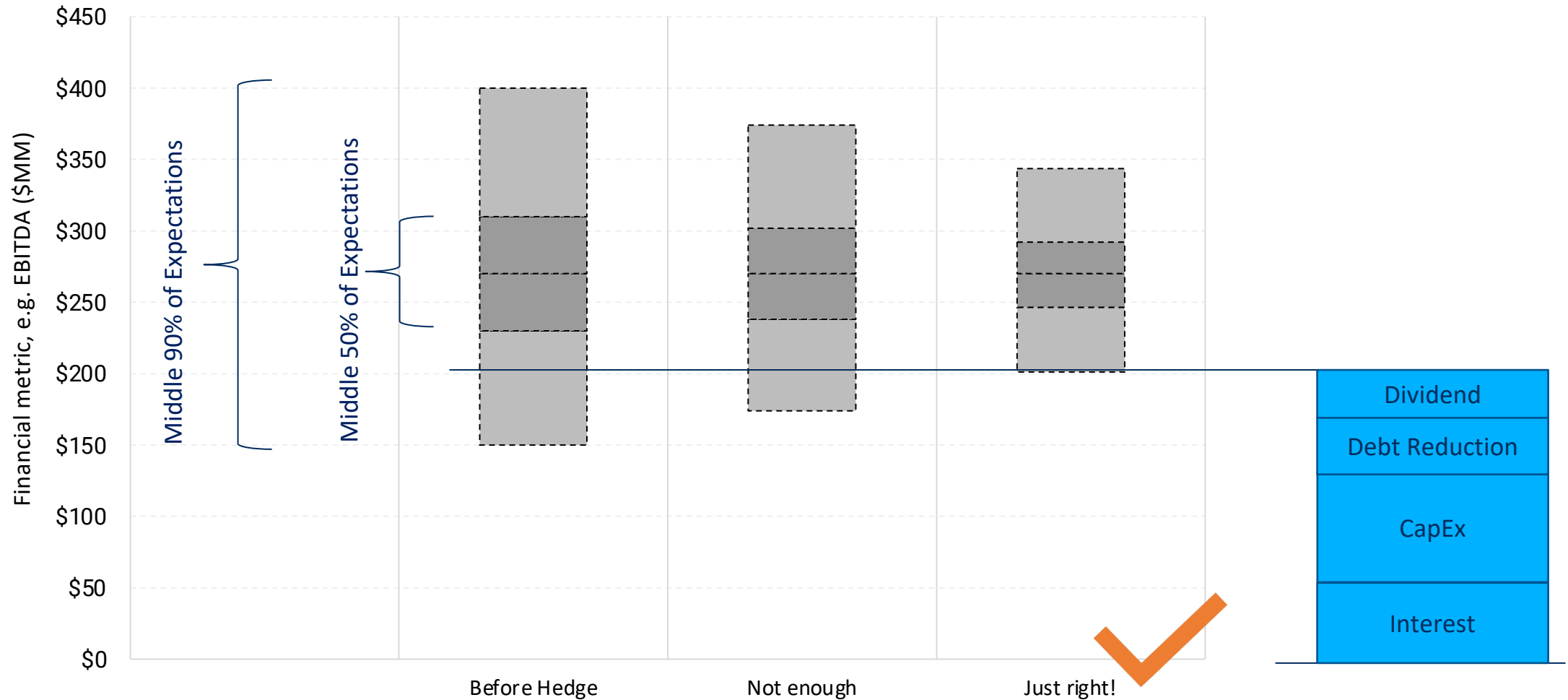


Risk Management – Goal Setting



Risk Management – Goal Setting

Narrowing the Range of Financial Outcomes



Risk Management





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AEGIS Hedging



 Hedging advisory
firm of the year