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# Portfolio Hedging Strategy Course: Derivatives Overlays and Tail-Risk Control

17 – 21 January 2027  
Kuala Lumpur





## Portfolio Hedging Strategy Course: Derivatives Overlays and Tail-Risk Control

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### Programme Summary

Portfolio hedging strategy with derivatives overlays and tail-risk control is the subject of this one-week training course for investment leaders at advanced level, culminating in a hedging policy and overlay design for their own portfolio. Multi-asset portfolios carry rate, currency and equity exposures that erode returns faster than allocation can respond, while poorly governed hedges add cost and collateral strain. The approach moves from exposure diagnosis to instruments, overlays, tail protection and governance. Mars Training Centre UK delivers this programme in portfolio hedging strategy.

### The Business Case

Committees often approve hedges without a shared view of what is protected, what protection costs and how it behaves under stress. A disciplined framework ties each hedge to a defined exposure and sets the cost of protection against the drawdown it limits.

- Peak-to-Trough Drawdown: Narrows as tail exposures are protected by deliberate structures.
- Cost of Protection: Becomes measurable as premium and roll costs are budgeted against risk reduction.
- Liquidity Under Stress: Improves as margin needs are forecast before market shocks.

### Principles and Evidence Base

- IFRS 9 Hedge Accounting: Economic relationship, hedge ratio and effectiveness requirements frame hedge documentation in Session 4.
- Value at Risk and Stress Testing: Loss estimates and scenario shocks quantify exposures before and after hedging in Sessions 1 and 3.
- ISDA Master Agreement and Credit Support Annex: The contractual basis for over-the-counter derivatives and collateral shapes liquidity planning in Session 4.
- Hedge Ratio and Basis Risk: The fit between instrument and exposure guides instrument selection in Session 2.

### Intended Participants

- Leaders who set investment policy and approve derivatives use within mandates.
- Managers accountable for multi-asset or fixed income portfolio risk.
- Committee members who challenge hedging proposals and monitor results.
- Treasury leaders managing currency and rate exposure on investment balances.

The programme serves pension funds, insurers, corporate treasury teams and asset managers.



## Learning Outcomes

1. Participants will be able to diagnose and rank the exposures of a multi-asset portfolio.
2. Participants will be able to select an instrument for each exposure and justify the hedge ratio.
3. Participants will be able to construct a currency or duration overlay with rebalancing rules.
4. Participants will be able to evaluate tail-risk protection by its cost against the drawdown it limits.
5. Participants will be able to assess hedge effectiveness, collateral demand and counterparty exposure.
6. Participants will be able to formulate a hedging policy with limits, approval rights and reporting.

## Programme Structure

### Day 1: Portfolio Exposure Diagnosis

Which risks in the portfolio deserve to be hedged, and which should be held?

- Mapping Equity, Rate, Currency and Commodity Exposures
- Value at Risk and Expected Shortfall for Portfolio Exposures
- Historical and Hypothetical Stress Scenarios
- Risk Budgets and Tolerance Set by the Investment Committee
- Deciding Between Hedging, Reallocating and Accepting Risk

### Day 2: Derivatives Instruments and Hedge Ratio Design

Which instrument fits each exposure, and in what size?

- Futures and Forwards: Pricing, Carry and Roll Cost
- Interest Rate and Cross-Currency Swaps
- Listed and Over-the-Counter Options: Payoffs and Greeks
- Minimum-Variance Hedge Ratio and Beta Adjustment
- Basis Risk, Tracking Error and Imperfect Hedges

### Day 3: Overlay Programmes and Tail-Risk Protection

How are overlays and protection structures designed for a whole portfolio?

- Currency Overlay: Strategic Hedge Ratio and Rebalancing Bands
- Duration Overlay With Bond Futures and Swaps
- Protective Puts, Collars and Put Spreads
- Tail-Risk Programmes and the Budget for Protection
- Back-Testing Overlays Against Past Market Shocks



## Day 4: Collateral, Counterparties and Hedge Accounting

What do hedges demand in cash, contracts and reporting?

- Initial and Variation Margin Under Central Clearing
- ISDA Master Agreement and Credit Support Annex Terms
- Liquidity Forecasting for Margin Calls Under Stress
- Counterparty Selection, Limits and Concentration
- IFRS 9 Hedge Documentation and Effectiveness Assessment

## Day 5: Applying the Portfolio Hedging Strategy

Is the hedging policy and overlay design ready for committee approval?

- Hedging Policy: Permitted Instruments, Limits and Decision Rights
- Linking Session 1 Risk Budgets to Session 3 Overlay Ratios
- Testing the Session 3 Protection Budget Against Session 4 Liquidity Forecasts
- Committee Reporting: Hedge Results, Cost and Exceptions
- Hedging Policy and Overlay Design Completion

## Methodology

The programme relies on data workshops built around a model multi-asset portfolio. Participants measure its exposures, size hedges, price protection and stress the hedged portfolio. Cases from pension, sovereign wealth and corporate treasury portfolios show how mandates change the decision.

- Suggested activity: Sizing a currency overlay for a foreign equity allocation.
- Suggested activity: Comparing puts, collars and put spreads in a modelled market fall.
- Suggested activity: Forecasting margin calls on a swap book under a sharp rate shock.

## Capstone Output

Each participant completes a hedging policy and overlay design for their own portfolio. It sets out exposures to hedge, permitted instruments, hedge ratios and rebalancing bands, a protection budget, collateral limits and committee reporting. It is used to brief the investment committee and instruct managers.

## Frequently Asked Questions

### Is the portfolio hedging strategy course suitable for investment committee members without a trading background?

Yes. It is set at advanced level for decision makers who approve hedging, and assumes familiarity with asset allocation and basic derivatives terms, not trading experience.



## **Which models and standards does portfolio hedging strategy training rest on?**

It rests on Value at Risk and stress testing, hedge ratio and basis risk analysis, the ISDA Master Agreement with its Credit Support Annex, and IFRS 9 hedge accounting.

## **How is the hedging policy from the portfolio hedging strategy course used at work?**

You can table it for committee approval, use it to set manager mandates and refer to it when reviewing hedge results.

## **How does portfolio hedging strategy training differ from a derivatives trading course?**

Trading courses focus on pricing and executing contracts. This one covers what to hedge, how much protection to buy and how hedging is governed.