

Case Study: Games Workshop

Phaedrus Debt (PD) is a \$1.6Bn private debt fund that has a base currency of USD. PD typically provides debt financing to 15 companies in USD, GBP, EUR and SEK, each loan lasting for approximately 5 years. The fund is considering issuing GBP debt to Games Workshop ([link](#)). John, who is leading the transaction for the fund, has asked for your assistance evaluating the possible financial market risks involved in the transaction.

1. Please describe how you would go about identifying and quantifying foreign exchange (FX) market risk to the fund. Please include description of any metrics you might calculate to quantify this risk.
2. After the level of risk has been quantified what instruments / securities would you recommend John using to mitigate the FX risk via a hedging program? Please provide expectations of cost profile, protection provided and any other important considerations for each instrument / strategy.
3. If the fund implemented your proposed strategies for hedging, what type of institution would you recommend they go to execute the trades? Can you explain any margin requirements and how the fund might meet them?
4. John is also concerned about the market risk at the underlying corporate level. As such, please determine how much exposure does Games Workshop (i.e. the company) have to financial market risk (FX, Rates, Commodities, etc) and advise of any implications?
5. A condition of the loan is that the fund requires Games Workshop to hedge the interest rate risk associated with the new GBP debt. Can you explain some hedging alternatives for Games Workshop (i.e. specific hedging instruments)?
6. Given what you know about Validus' service offering, the content of this case, and your knowledge of Phaedrus Debt, please prepare an elevator pitch for Validus' services, to be delivered to John

Please prepare a concise slide deck to John covering the areas above- providing your findings and your overall recommendations. The interview will include a presentation and discussion of these findings.