Bloomberg BRIEF

Hedge Funds

NEWS, ANALYSIS AND COMMENTARY

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Highland Calls Winners and Losers Under Trump, Clinton

BY HEMA PARMAR

If you think Donald Trump is headed for victory, consider betting on defense stocks. Predicting a Hillary Clinton presidency? Try health-care services.

So says **Highland Capital Management**, a $17 billion money manager that's mapping out how to play the contentious U.S. election.

Under a Trump administration, economic sectors seen as big winners include oil, gas and coal, consumer discretionary, manufacturing and technology and telecommunications, according to a presentation by the firm. Should Clinton prevail, solar and wind energy, materials and health-care services and facilities would benefit most, the firm says. Its ideas are based on candidates' stated policy views and track records.

Materials, in Highland's view, are the only major winner regardless of the election outcome. Clinton's five-year, $275 billion plan to rebuild America's infrastructure would boost materials companies, according to the firm. Trump has promised to boost infrastructure broadly, in addition to his push for a wall along the 1,954-mile U.S.-Mexico border. The Dallas-based firm says it isn't siding with either candidate. Here is a look at how the money manager sees other industries faring: (For more, click *here*.)

- The defense sector is poised to benefit from spending under Trump, who has vowed to strengthen the military, intelligence and cyber security, said Highland managing director **Michael Gregory**. "There won't necessarily be winners all around," he said, as Trump is also likely to cut what he considers wasteful spending. Clinton would probably be "neutral to positive" for defense, said Gregory. "Her support of releasing the Pentagon from the Budget Control Act is a good sign for the defense and aerospace sector," he said, referring to the 2011 law governing debt limit increases.

- Clinton's proposals could be a headwind to energy in the form of higher taxation and increased regulations, Gregory said. Coal infrastructure projects could see more shutdowns, pipelines could face more scrutiny and exploration and production companies could be hurt by her anti-fracking positions. She may continue President Barack Obama's support of subsidized solar and wind, boding well for renewable-energy companies. Her opponent, meanwhile, "is a supporter of conventional energy, and a perception of relief from a Clinton policy is a neutral-to-positive for fundamentals and sentiment," Gregory said. Trump "has not embraced the subsidies and full-scale federal support for wind and solar, and has made comments to the effect that wind turbines are an environmental and aesthetic disaster."

- Among the losers under Trump would be consumer staples, according to Highland. Trump has proposed a 45 percent tax on Chinese imports and a 35 percent tax on Mexican autos and parts. Gregory said such tariffs would disrupt the global supply chain, not unlike the 10 percent import surcharge of the 1971 "Nixon shock" and the 2002 steel tariff imposed by President George W. Bush. The sector could stand to benefit under Clinton, given her "benign global trade policy and lack of tariffs," Gregory said. She may be viewed as a relief from the kinds of measures Trump is proposing, making her moderately favorable for the sector, said Gregory. However, that may be subdued by Clinton's opposition to the 12-nation Trans-Pacific Partnership agreement, he said.

- Clinton would seek to expand access to the Affordable Care Act, which would be a lift for hospitals, health-care facilities, Medicaid and Medicare managed-care organizations, physician practice managers and so-called biosimilar drugmakers, Gregory said. Trump has said he will ask Congress to repeal the act, known as Obamacare, on his first day in office. That would result in a lower utilization of health-care facilities and more people without insurance, Gregory said. Health-care services would face lower margins and a constrained ability to generate cash flow, he said.

QUOTE OF THE WEEK

"The need to avoid panic and deftly use sword and shield to fight your way out of a seemingly impossible situation is a good analogy for the emotional experience of managing assets since last summer."

— Third Point in an investor letter likening the Battle of the Bastards scene in the TV series "Game of Thrones" to how it felt to manage money in the past year. For more, click here.

INSIDE

INFOGRAPHIC: ELECTION WINNERS & LOSERS

Here we take a look at possible sector winners and losers under 2016 U.S. presidential candidates Donald Trump and Hillary Clinton, according to **Highland Capital Management**. The money manager has been *looking* at which industries may benefit and which may be handicapped depending on the outcome of the election come November.

RETURNS IN BRIEF

FOR QUESTIONS, E-MAIL MKARSH@BLOOMBERG.NET.

■ The main fund at **David Einhorn**'s **Greenlight Capital** rose 4.8 percent in July as U.S. stock markets saw their strongest month since March. The gains boosted the hedge fund's 2016 return to 5.7 percent, according to an e-mail sent to investors obtained by Bloomberg. The performance accelerates Einhorn's attempt to recover from a loss of more than 20 percent last year. Jonathan Gasthalter, an external spokesman for New York-based Greenlight, declined to comment on the returns.

— Simone Foxman

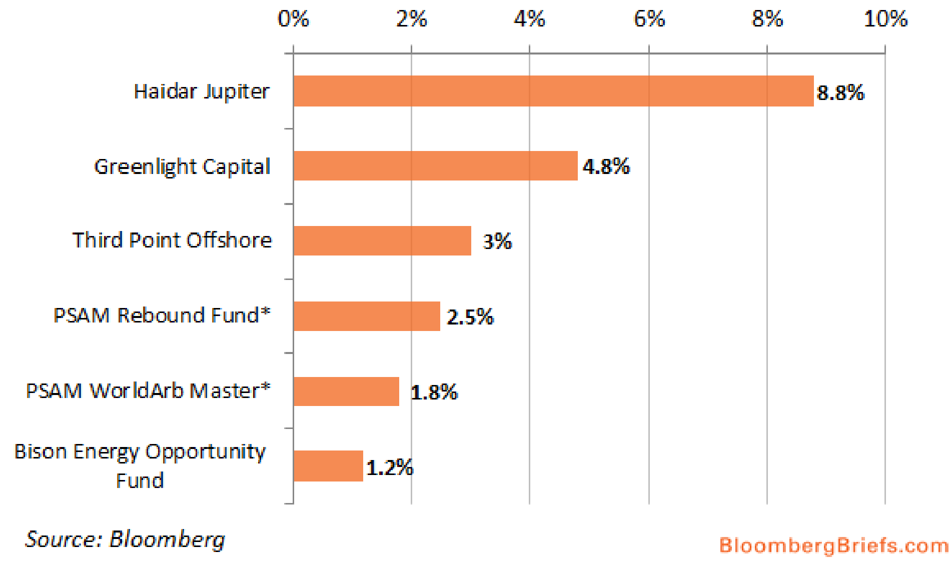
■ **Daniel Loeb**'s **Third Point** said investments in the debt of energy companies and wagers following the Brexit vote helped drive a 2.2 percent gain in the first half of the year. The firm started 2016 betting against corporate debt and then switched its wager, going long on energy credit in the first quarter after oil prices reached a trough, Third Point said in a letter to investors last Tuesday. After the U.K. referendum to quit the European Union on June 23, the fund said it covered its bearish moves and turned bullish. "This helped generate positive returns for the month, for the second quarter and so far in July," Third Point said. Third Point says it saw an opportunity for commodity prices to recover around mid-February when rumors surfaced that OPEC was willing to cut production. That was when oil bottomed around $26 a barrel and a large portion of energy bonds were trading off recovery expectations in a bankruptcy scenario, the letter said. The fund said it continues to focus on credit of energy companies that have high-quality assets and offer signs of further debt reduction. Third Point said it divested some of its investments in energy companies in which values imply a rosier commodity-price outlook than what the firm expects. The Third Point Offshore fund is up 3 percent in July and 5.2 percent year-to-date, according to its July monthly report.

— Saijel Kishan and Sridhar Natarajan

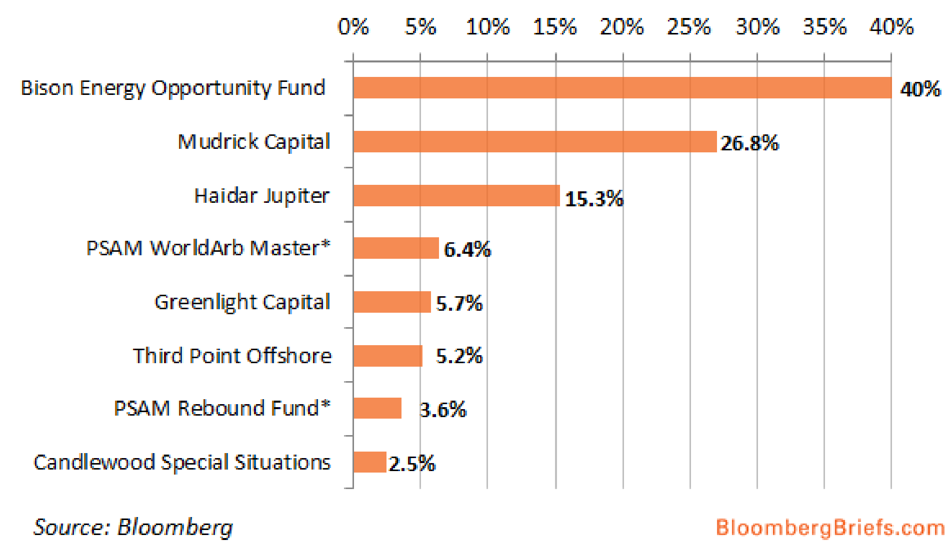
■ **Haidar Capital Management**, the $303 million discretionary macro hedge fund firm, saw its Haidar Jupiter fund gain an estimated 8.8 percent in July, according to a person familiar with the matter. The fund gained an estimated 15.3 percent this year through last month, the person said. Winfield Foreman, director of investor relations at the firm, declined to comment.

— Hema Parmar

July Returns



Year-to-Date Returns to End-July



*Returns through July 22. Funds not mentioned in the accompanying text were reported in other issues of the Brief or in Bloomberg News stories.

■ **Bison Interests**' Bison Energy Opportunity Fund LP, which focuses on oil and gas producers, has gained about 40 percent so far this year through July, according to a person familiar with the matter. The fund, which has about $40 million in assets and started in the middle of last year, was up a little more than 1 percent in July and returned 2.2 percent in June, the person said. The fund benefited from a stake in Painted Pony Petroleum Ltd., a Canada-based energy company that's up 148 percent so far in 2016, the person said, adding that the fund sees opportunity in small-cap oil and gas companies that trade in Canada. Bison CEO **Carter Higley** declined to comment on the returns.

— Melissa Karsh

Continued on next page…

RETURNS: DISTRESSED...

Continued from previous page...

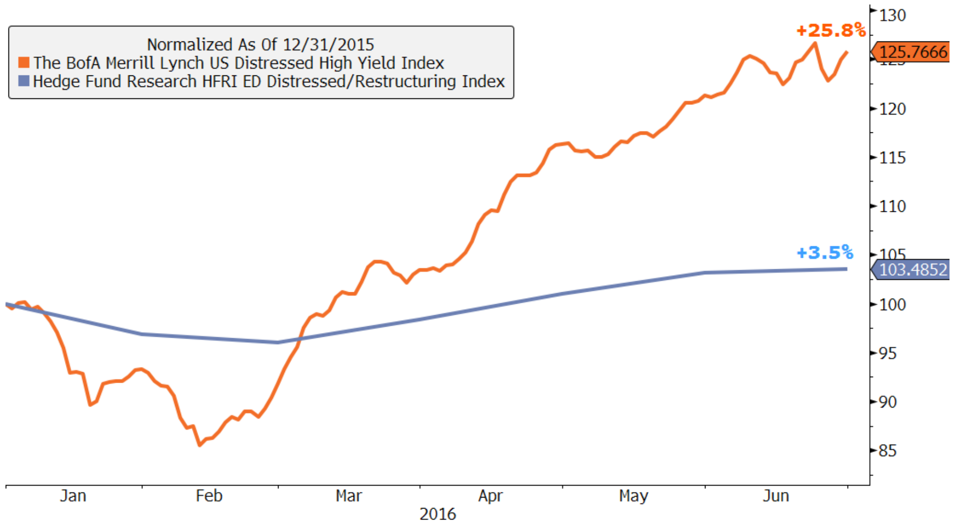
Mudrick Said to Gain 27% Beating Distressed Hedge Fund Rivals

BY KATIA PORZECANSKI

In a disappointing year for hedge funds that invest in the riskiest debt, one distressed firm — **Mudrick Capital Management** — is flying high.

Mudrick Capital's flagship hedge fund handed investors a 26.8 percent return in the first seven months of the year, according to a person with knowledge of the matter. U.S. corporate debt yielding 10 percentage points over Treasuries gained 31 percent over that period, Bank of America Corp. indexes show, while distressed hedge funds rose 3.5 percent through June, according to the latest data from Hedge Fund Research Inc.

Distressed Hedge Funds Can't Keep Up With Bond Returns



Source: BAML, HFR

Click on chart for a live version or run **G #HF.BRIEF 36** on the Bloomberg terminal

Mudrick Capital, which oversees about $1.3 billion, got a boost from several energy-related positions after bets in the sector contributed to losses of about 26 percent last year, according to a July 15 investor letter obtained by Bloomberg. The firm's holdings of Fieldwood Energy term loans benefited from a swap into new securities, and convertible bonds of Hycroft Mining Corp. rallied with precious metals prices. Mudrick's first-lien loans of coal producer Alpha Natural Resources Inc. surged as the company moved toward an exit from bankruptcy.

"We are only investing in value with a hard catalyst, and are not relying on rising markets or expanding multiples to generate returns," **Jason Mudrick**, who founded his firm in 2009, said in the letter. "We expect more positive catalysts in many of our top holdings to occur over the remainder of the year, which we believe will drive prices higher and ultimately result in a number of realizations."

Janet Arzt, director of investor relations at Mudrick Capital, declined to comment.

The recovery of distressed debt has been fueled by energy bonds, which rose with the price of oil, after risky credit posted its worst return since the financial crisis last year. Several hedge funds haven't kept up with the gains, in part because many shunned investments in oil, gas and commodities producers after getting burned in 2015. They're opting instead for more liquid investments in healthier high-yield companies, according to investors and analysts who specialize in troubled borrowers.

BlueMountain Capital Management's flagship $6.8 billion Credit Alternatives fund was down 2.3 percent this year as of July 8. **Ethan Auerbach**, the firm's head of distressed-debt strategies, *left* in the wake of the disappointing performance, Bloomberg reported last month.

Candlewood Investment Group's Special Situations Fund pared its losses in the second half of July, bringing them to 2.5 percent for the first seven months of the year, according to a person with knowledge of the returns. **Janet Miller**, Candlewood's general counsel and chief operating officer, declined to comment.

— With assistance from Jodi Xu Klein, Sridhar Natarajan and Katherine Burton

ON THE MOVE

Loeb's Third Point Adds Three to Its Investment Team

Daniel Loeb's **Third Point LLC** has made three new hires to its investment team.

Greg Hart, a former **Hoplite Capital Management** investment analyst, will focus on wagers in the technology, media and telecommunication sectors, Third Point said in a July 27 letter to investors. Prior to Hoplite, Hart was an analyst in **Blackstone**'s private equity group, and also worked as an investment banking analyst at JPMorgan, the letter said.

Zohair Rashid, formerly a senior analyst at health care-focused hedge fund **March Altus Capital Management**, will now focus on health care bets at Third Point, according to the investor letter. Before March Altus, Rashid worked at **KKR** as an associate in its North American private equity group, it said.

C.C. Melvin Ike joined Third Point full-time in June after completing an MBA summer internship with the firm in 2015, Third point said in the letter. He previously worked at **TPG Capital** where he focused on private equity investments, and was an analyst in **Lazard Freres**' restructuring and reorganization advisory group, according to Third Point.

— Hema Parmar

Hathersage Hires Wilkoff as Senior Portfolio Manager

Hathersage Capital Management LLC, a hedge fund specializing in Group-of-10 currencies, said it hired **Andrew Wilkoff** as executive director and senior portfolio manager in New York, effective Aug. 15.

Wilkoff, 48, will report to the company's founder and chief investment officer, Bill Lipschutz, Hathersage said in a statement Wednesday. The firm manages $600 million and its dbSelect Long Term Currency Strategy was named "2016 Hedge Fund of the Year" by Hedge Funds Review magazine.

Wilkoff was previously executive director of global investor sales for foreign exchange at Standard Chartered Plc. He also worked as a currency trader at **Brevan Howard** US Investment Management and **Moore Capital Management**.

— Lananh Nguyen

BlueMountain Distressed Debt Head Said to Exit

Ethan Auerbach is leaving **BlueMountain Capital Management** after distressed-debt holdings he oversaw as partner posted losses this year amid a massive market rally, people with knowledge of the matter said.

Auerbach was the head of distressed-debt strategies at the hedge fund, which oversees $22 billion in assets, the people said. The firm's holdings of the weakest credits posted losses in 2015 as well, the people said.

BlueMountain's inability to keep up with benchmark indexes mirrors the struggle of US distressed-debt hedge funds. They returned 3.2 percent in the first six months of the year, compared with a 25 percent rally in the Bank of America Merrill Lynch U.S. Cash Pay Distressed High Yield Index. The recovery was fueled by energy bonds, which rose with the price of oil, after the index in 2015 posted its worst returns since the financial crisis.

The firm's flagship $6.8 billion BlueMountain Credit Alternatives fund was down 2.25 percent this year as of July 8, according to an investor document.

Auerbach had been with the hedge fund since 2008.

— Simone Foxman

FROM THE MINUTES

- **New Jersey State Investment Council** is scheduled to discuss a hedge fund investment with a BlackRock Alternative Advisors separate account at its regular Aug. 3 meeting, according to the *agenda*. The investment could be up to $1 billion with the first tranche not to exceed $500 million, according to the agenda. The state recently *added* $500 million to a separate account with BlackRock Private Equity Partners, boosting the size by more than 60 percent to $1.3 billion as it tries to cut fees to investment managers.
- **Fresno County Employees' Retirement Association** is expected to discuss the implementation of a hedge fund portfolio at its regular Aug. 3 meeting, according to a meeting *agenda*. The discussion will be presented by Robert Fu, Andrew Preda and Lisa Kastigar of Grosvenor Capital Management, the portfolio's non-discretionary manager, according to the agenda. FCERA is seeking to more than double its current $144 million hedge fund allocation through a fund in which it's the sole investor, Bloomberg Brief previously *reported* in June, citing public documents. In a *presentation attachment* to the Aug. 3 agenda, the proposed hedge fund roster includes long-short credit fund Blue Mountain Credit Alternatives Ltd., two relative value strategies — Double Black Diamond Ltd. and HBK Multi-Strategy Offshore Fund Ltd. — and Farallon Capital Offshore Investors Inc. and Fir Tree International Value Fund II Ltd. — two multistrategy funds.
- At its July 16-17 board meeting, the **Teacher Retirement System of Texas** extended its contract with Albourne Partners Ltd., its hedge fund investment consultant, for two years, according to the meeting minutes posted in the July 29 meeting agenda.

— Compiled by Melissa Karsh, with assistance from Ainslie Chandler and Hema Parmar

LAUNCHES

Ex-Fortress Manager Said Seeking Investors for Fund

Jeff Feig, who helped run **Fortress Investment Group**'s main hedge fund before it shut down amid heavy losses, is meeting with investors to start a fund focusing on macroeconomic events.

Feig has teamed with former Fortress colleague **Chris Fahy** and **Steve Luttrell**, who co-founded **Drake Management**, to form **Jed Or Capital**, according to an investor presentation obtained by Bloomberg. The firm is seeking a limited number of clients and expects to focus on two or three large directional investment themes for periods of one to three months, the documents show. Feig declined to comment.

Jed Or Capital also plans to trade exchange-traded products, according to the presentation. The fund would aim for annualized returns of 15 percent. A person familiar with the plans said the meetings are preliminary and may not result in the fund starting.

Feig, who ran the Fortress fund with **Michael Novogratz**, left in July 2015. He left after the macro fund fell 7.1 percent in the first five months of the year, hurt in part by the Swiss National Bank's surprise decision to remove the cap on its currency. Fortress closed it after losses mounted to 17.5 percent in the first nine months of 2015.

— Sabrina Willmer, with assistance from Saijel Kishan

SkyBridge Opens London Office in Push for Growth

SkyBridge Capital, the fund-of-hedge-funds firm run by **Anthony Scaramucci**, has opened a London office as it seeks to add business in Europe.

The office, which will serve as the firm's European headquarters, is run by **Hesham Alqraini**, who formerly worked at the Kuwait Investment Office, Scaramucci said Thursday in an interview. As managing director, Alquraini will lead a three-person team.

"We want to evaluate European managers — most of them are London-based," Scaramucci said. "We also want to expand. There's mass-affluent opportunity for hedge funds and for mutual funds on the European continent and in the U.K."

New York-based SkyBridge has seen about $200 million in net redemptions over the past year as some investors retrench from funds of funds. The expansion comes even as the firm dismissed eight people recently — two in sales, two in administration, one in compliance, an analyst and two television staff members who worked for the show "Wall Street Week," which moved to Fox Business Network earlier this year.

The firm made the decision to open the office prior to Britain's vote to leave the European Union, Scaramucci said. The firm also hired someone for its U.S.-based operational due diligence team, he said. SkyBridge managed $9.2 billion for clients as of Jan. 31, regulatory filings show.

— Hema Parmar, with assistance from Simone Foxman

CLOSURE

Visium to Fire 24 as Funds Shut

Jacob Gottlieb's **Visium Asset Management** plans to fire 24 employees in New York as the firm liquidates its hedge funds following charges against three former employees.

The cuts are expected to start on Oct. 26 and continue for "a few months," Visium said Friday in a N.Y. Department of Labor *notice*. The firm said it has 110 employees in New York. Earlier, the company notified N.Y. state that it planned to dismiss 33 employees.

The notice comes just days after **AllianceBernstein Holding LP** ended its effort to buy Visium's Global Fund, dealing another blow to the firm that once managed $8 billion.

AllianceBernstein had struck a preliminary agreement to acquire the hedge fund in June, after prosecutors charged three former Visium traders with securities fraud. Visium decided to shutter its four other hedge funds after the investigation spurred redemptions, then told clients it would also wind down the Global Fund.

A Visium spokesman had no comment.

— Alan Mirabella, with assistance from Simone Foxman

RESEARCH

- Hedge fund firms managing more than $5 billion in assets accounted for 54 percent of second-quarter outflows, down from 71 percent in the first quarter, based on **Hedge Fund Research** data. Outflows of $4.4 billion fell from $10.7 billion, which included the impact of manager-initiated capital return and family-office conversions in the first quarter. Outflows in the first half follow several years of driving 50 to 80 percent of inflows. The largest managers garnered 68.3 percent of hedge fund capital in the first quarter. Firms managing less than $1 billion had $360 million of inflows in second quarter versus an estimated $800 million outflows in the first quarter.

- **SS&C GlobeOp**'s Forward Redemption Indicator measured 2.95 percent in July, similar to the 2.94 percent in April. The measure also exceeded the year-ago reading of 2.08 percent — a July low for the index, along with July 2011. Shorter-dated redemptions of three months or less were 1.79 percent versus 1.95 percent in April. Beyond the third quarter, redemptions greater than three months of 1.16 percent was the highest reading in the first month of the quarter since July 2009 (1.50 percent).

— Alison Williams & Dan Erichson, BI

- Hedge fund hiring for marketing positions fell to 76 moves in the second quarter, down from 87 a year ago and 97 from the previous quarter, according to **Context Jensen Partners**' second-quarter newsletter. Among hedge funds, credit-focused firms were the most active in the quarter with 52 moves, compared with 34 a year ago and 42 in the first quarter of the year, the firm found. The increase in credit came at the expense of equity funds, which saw the largest drop among all strategies. The firm tracked 180 total marketing moves across alternatives in the second quarter, up from 156 a year ago, and 400 through the first half, up from 269 over the first half of 2015. Investors are moving to strategies "that offer longer lock-up periods and less correlation in an attempt to diversify away from volatile equity markets," **Sasha Jensen**, CJP founder & CEO, said in an e-mailed statement.

— Melissa Karsh

COMMITTMENT

Point72's Cohen Bets $250 Million on Quantopian

Point72's **Steve Cohen** is committing as much as $250 million of capital to be managed by **Quantopian Inc.**, the 5-year-old online platform where members build computerized trading models and earn a share of profits.

Cohen's bet on the Boston-based firm is the first major commitment of funds for Quantopian to manage using its members' algorithms, the company said Wednesday in a statement. Cohen is also making an undisclosed investment in Quantopian through his family-office's venture-capital arm, Point72 Ventures, a "watershed moment for the entire industry" that will enable Quantopian to increase allocations and pay larger royalties to authors of profitable algorithms, CEO **John Fawcett** said in the statement.

Quantopian's free online platform gives anyone the ability to create and test investment algorithms. With barriers to entry falling in computerized investing, the firm says it has grown to more than 400,000 algorithms written by over 85,000 members from 180 countries. Quantopian says it tests each algorithm and makes allocations based on factors such as return and risk, rewarding those whose strategies perform best.

A portion of Cohen's commitment is contingent on Quantopian meeting performance metrics.

— Taylor Hall, with assistance from Dani Burger

EARNINGS

Och-Ziff Doubles Reserve to $414M to Settle Probe

Och-Ziff Capital Management Group LLC, the hedge fund firm run by **Daniel Och**, more than doubled the money it's setting aside for a settlement with U.S. authorities and is in talks to raise capital from partners to help cover the cost. Shares rallied.

The firm reserved $214.3 million for the probe in the second quarter, bringing the total for the anticipated settlement to $414.3 million, the company said Tuesday in a statement. Chief Financial Officer **Joel Frank** said on a conference call today that settlement talks with the government are in advanced stages.

The company founded by Och, 55, has been in the cross hairs of investigators for at least five years over whether it knowingly paid bribes to get an investment from Libya's sovereign wealth fund and to participate in deals elsewhere in Africa. The legal woes, coupled with a decline in assets and mediocre performance in the firm's main multistrategy hedge fund, have taken a toll on the company's stock, which has fallen about 71 percent in the past year through yesterday. The shares gained 12 percent at 9:43 a.m. in New York, the most since February. "While the settlement is still under discussion, we don't expect it to be higher than the amount of the reserve we've taken," Frank said. "Pinpointing the exact timing of the settlement remains difficult, but we are hopeful that we are able to resolve this matter in the near term."

Och-Ziff is in talks with some of its partners to commit up to $500 million through the purchase of perpetual preferred units to help pay for the settlement, as well as for general corporate purposes, Frank said. The company has already drawn down $120 million from its revolving credit line. "The capital commitment being discussed would strengthen our balance sheet," said Frank. "It's all about flexibility on the balance sheet until we see a resolution of this thing," he added. "We'll determine, like we always do, if we have excess cash what the best thing is to do with that excess cash for our shareholders."

The company also appointed former Attorney General **William Barr** to its board.

In its earnings report, Och-Ziff posted a loss of $184.3 million in distributable earnings, or 35 cents per share, including the reserve. That compares with a profit of $95.2 million, or 18 cents, a year earlier. Revenue slowed as assets and fees dropped. Clients pulled a net $3.1 billion from the firm's funds in the 12 months through June, and an additional $3 billion since then through Aug. 1, bringing assets down to $39.1 billion.

— Katia Porzecanski

ASSETS

Meyer's Hedge Fund Assets Drop to $6 Billion

Jack Meyer, the investor who built a multibillion hedge fund firm after more than quadrupling the size of Harvard University's endowment, has seen assets erode to below the level he started with a decade ago following weak performance.

Convexity Capital Management fell to about $6 billion in assets as of June 30 after meeting more than $1 billion in redemption requests last quarter, according to two people with knowledge of the matter. The Boston-based firm, which peaked at around $15 billion in early 2013, risks underperforming for the fifth year in a row after missing its benchmarks by roughly 3.6 percentage points in the first half, said one of the people.

Meyer declined to comment.

Meyer, 71, who averaged annual gains of 16 percent in his last decade at Harvard, has suffered a reversal of fortune at his hedge fund as investors lose patience. Convexity is among a number of prominent money managers struggling in a prolonged climate of low interest rates driven by central-bank policy. Value investor **Grantham Mayo Van Otterloo & Co.** recently cut about 10 percent its 650-person staff following a sharp decline in assets.

It has been a slow bleed for Convexity as it takes three years for investors to fully redeem because of contract terms, said one of the people. Convexity's assets were at $7.1 billion at the end of the first quarter, said the person.

After faring well during most of its early years, the fund trailed its benchmarks by about 0.3 percentage point in 2012, 3.4 percentage points in 2013, 2.4 percentage points in 2014 and 0.6 percentage point in 2015, one of the people said. The firm reports relative performance rather than absolute returns, seeking to create alpha by beating indexes selected by its clients. Returns can vary for different investors.

The firm's strategy, which involves trading options and asset swaps, typically benefits during periods of market volatility.

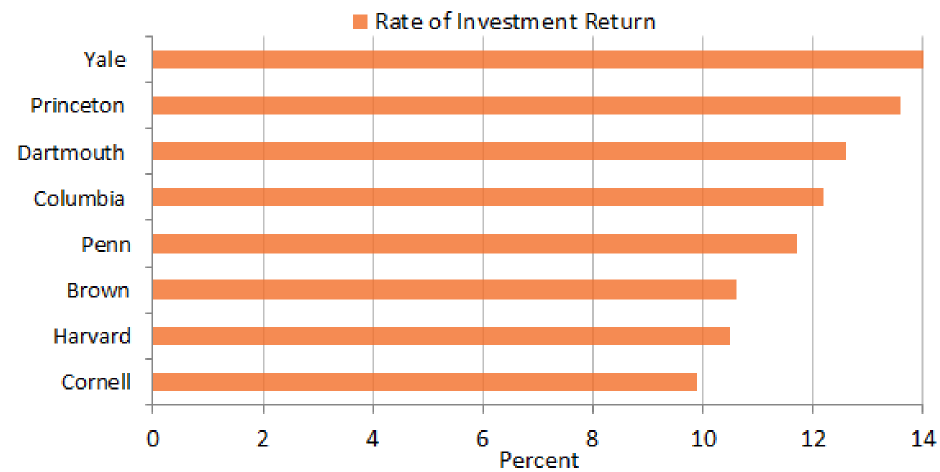
— Sabrina Willmer

ENDOWMENTS

BY MICHAEL MCDONALD AND SABRINA WILLMER

Behind Harvard Shakeup, a Star Trading Desk That Unraveled Fast

Harvard Has the Ivy Blues



Source: Returns calculated by Bloomberg based on data provided by schools
*Five-year annualized returns through June 30, 2015
BloombergBriefs.com

Across the Charles River from Harvard Yard, the stewards of the university's vast fortune were about to embark on an ambitious plan: they wanted to recreate a Wall Street-style hedge fund to trade stocks.

After years of missteps, controversy and even crisis, **Harvard Management Corp.**, which oversees the university's $37.6 billion endowment, began assembling a new corps of equity traders and analysts in 2014, in hopes of recapturing a part of the investment magic that had once made the fund the envy of the world.

Only now, just two years later, that plan has collapsed. **Stephen Blyth**, 48, the former bond trader behind that effort, stepped down as HMC's chief executive Wednesday for personal reasons after just 18 months on the job. His resignation follows the departure in June of **Michael Ryan** and **Robert Howard**, the two former **Goldman Sachs Group Inc.** partners he had brought in to guide the new equity strategy.

While Blyth's exit was said to be unrelated to those of his star hires, the talk inside HMC's offices at the Federal Reserve Bank of Boston centered on why management had pulled the plug on the team so quickly amid a volatile equities market. According to people familiar with the matter, some traders in Ryan's group posted losses in 2015 significant enough to trigger internal temporary stop-loss orders. Ryan also lost money in a portfolio he managed. The extent of the losses is unclear, however, and came at a time when most hedge funds were struggling to beat market indexes.

But now, Harvard is once again confronting the same, uncomfortable question that has dogged it for years: why can't the world's richest university, for all its brains, make smarter investments?

Harvard decided to dismantle the in-house equities team after concluding that it would lean more on outside money managers "who have the resources, skill and experience," **Paul Finnegan**, chairman of HMC's board and a co-founder of private equity firm Madison Dearborn Partners in Chicago, said in a statement Wednesday. "HMC aims to be best in class in everything that we do and regularly evaluates how we can best allocate capital to achieve this objective."

Harvard declined to comment further. Ryan, an original partner at Goldman Sachs, declined to comment. He left to pursue other opportunities, according to an internal memo in June from **Robert Ettl**, who was named interim CEO of HMC. Howard didn't return calls seeking comment.

The about-face is the latest in a long series of setbacks for Harvard Management, now on its sixth CEO since 2005, while struggling to generate the returns needed to sustain the university's formidable academic and research budget. In terms of investment returns, Yale University, whose endowment is smaller, left Harvard in the dust years ago. Indeed, Harvard has lagged behind most of the eight-member Ivy League since 2011. Only Cornell University has done worse.

The new shift to rely more on external money managers represents a reversal of longtime Harvard policy of using in-house staff. "I'm really surprised they would dismantle it that quickly," **Verne Sedlacek**, former chief financial officer of HMC, said of the equity team. "That's not a good sign for what the strategy is."

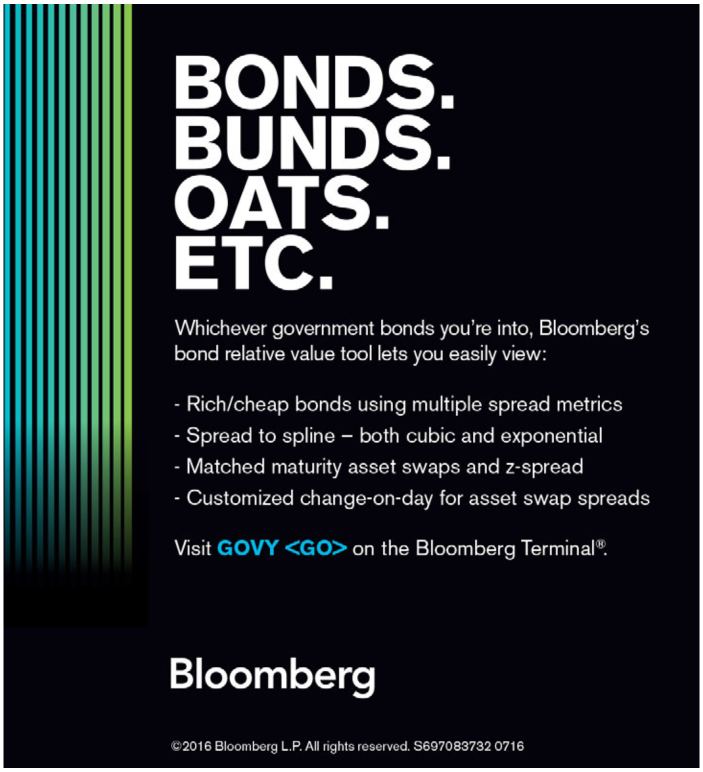
The developments shocked HMC employees. Blyth had told staff last year that new investment strategies take years to be evaluated, according to people close to the endowment. Harvard Management had also approved hiring researchers to support the group this year, people said.

For years, Harvard Management has struggled to recapture its former glory under **Jack Meyer**, who successfully — and controversially — transformed the endowment into an elite money manager in the 1990s.

Meyer, who ran HMC from 1990 to 2005, pioneered a strategy of expanding into new asset classes such as private equity and timberland. And rather than hire outside managers, as most other universities do, he developed an internal staff that traded like a hedge fund in bond and stock markets — earning hedge fund-like compensation. In his last decade there, he presided over average annual returns of nearly 16 percent, among the best in the business.

Some inside Harvard Management now wonder if more jobs will be on the line.

"Harvard essentially has permanent capital, so it's unusual to see them shut down something of that size in such a short amount of time," said **Brad Balter**, CEO of **Balter Liquid Alternatives**, which invests in hedge funds. "Clearly, it did not go as planned."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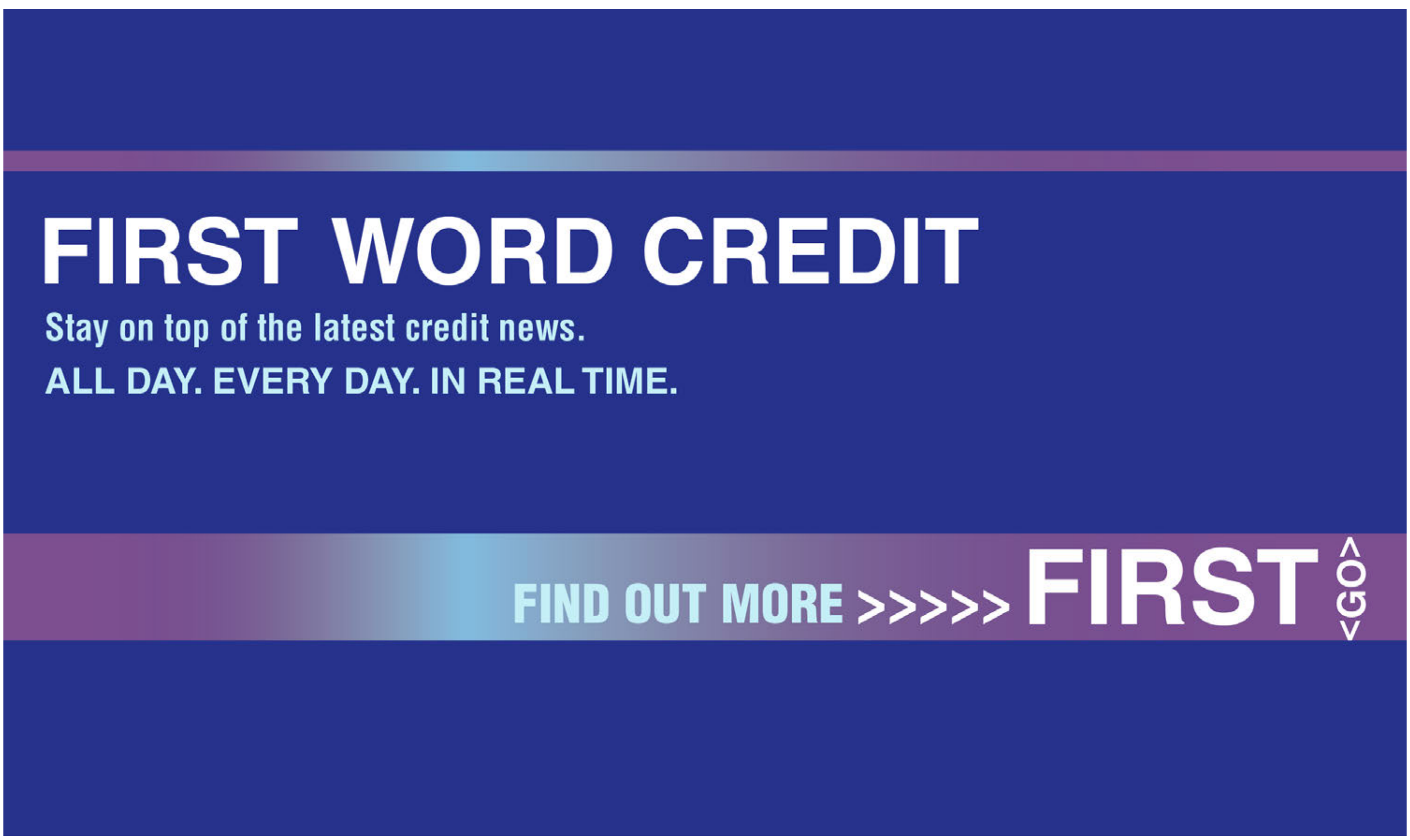
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MARKET CALLS ITEMS MAY BE SUBMITTED TO MKARSH@BLOOMBERG.NET FOR CONSIDERATION

Maua Capital's Figueiredo Sees More Brazil Gains

In the depths of Brazil's world-worst market selloff last year, hedge-fund manager **Luiz Fernando Figueiredo** made a bold call. All the fretting about a dangerous financial crisis was way overblown, he said, and markets were ready to rebound.

Now, after outsize rallies this year across Brazilian financial markets, Figueiredo argues there are more profits to be made, particularly in the currency, because the country's 14.25 percent benchmark interest rate will lure growing numbers of yield-starved foreign investors now that concerns are easing about the government's swelling deficits. Acting President Michel Temer immediately began pursuing steps to shore up fiscal accounts and stabilize the economy after replacing Dilma Rousseff when she was suspended in May.

"As the economy heads in the right direction, it's almost impossible that a country with obscenely high interest-rates doesn't receive huge capital flows," said Figueiredo, a former central bank director who founded **Maua Capital** in Sao Paulo in 2005.

Figueiredo sees the real climbing about 9 percent to 3 reais per dollar before the end of the year, contrasting with the consensus in a Bloomberg survey, which point to a weaker real in both this and next quarter. Those analysts, on average, see the currency dropping to 3.5 at the end of 2016. Options traders are similarly bearish, with the 3.6 percentage-point premium for the right to sell the currency in six months' time placing it in the bottom five among its emerging-market peers.

Any gains would extend the 20 percent jump this year that's almost double the advance in the next-best developing-world currency. The real's rally is a turnaround from 2015, when it sank 33 percent, reaching an intraday record-low of 4.2478 per dollar in September. The real rose 1.3 percent to 3.2489 per dollar on Friday.

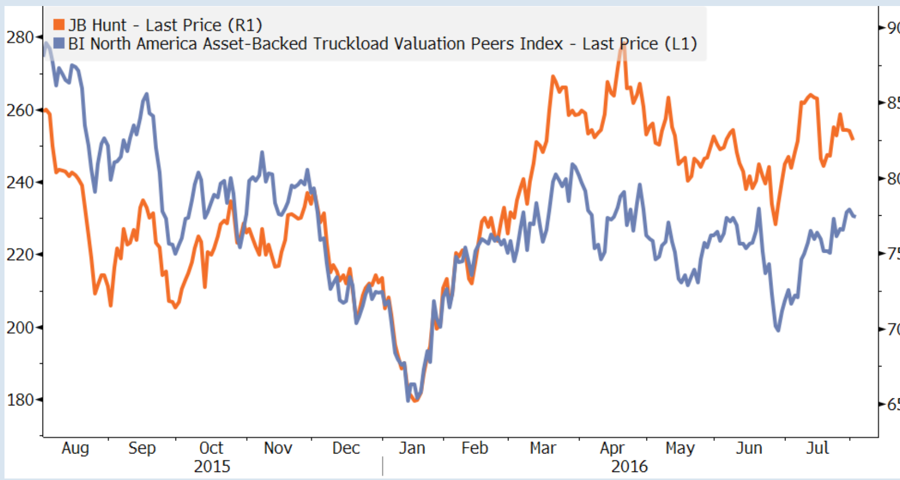
Figueiredo's bullish call late last year has paid big dividends for his clients. Maua's 241 million real ($73 million) flagship fund, which primarily invests in government and corporate bonds, has returned 16 percent so far in 2016, beating 98 percent of peers. The gains represent a snapback for Figueiredo after years of sub-par returns. In the past five years, the fund has trailed almost two-thirds of its rivals.

The extent of the real's rally "depends a lot on the magnitude of the reforms and fiscal adjustment this government will be able to make," Figueiredo said.

— Aline Oyamada

MARKET CALLS, REVISITED BY HEMA PARMAR

Park Presidio Capital *said* in an investor letter last August that its long-short equity fund took a long position in transportation logistics company JB Hunt Transport Services Inc. in the second quarter of 2015. "While we expect all of JBHT's segments to perform well for the foreseeable future, we are most enthusiastic about the prospects for the intermodal segment," the Aug. 3, 2015 letter said, referring to the company's use of moving freight by both rail and truck. At the time, the firm said it expected JB Hunt to raise intermodal pricing "meaningfully" in 2015 and 2016, and that the company could grow earnings per share by 20 percent annually over the next few years.



Source: Bloomberg

Click on chart for a live version or run **G #HF.BRIEF 37** on the Bloomberg terminal.

Since Aug. 3, 2015, JB Hunt's stock has fallen about 1.4 percent, compared with a 15.6 percent decline in the BI North America Asset-Backed Truckload Valuation Peers Index. In January 2016, JB Hunt's stock plunged to the lowest price since Jan. 23, 2013 before rebounding to gain about 27 percent through Aug. 1 of this year. The decline was driven by the softening truckload market, according to Bloomberg Intelligence senior analyst Lee Klaskow. San Francisco-based Presidio didn't return calls and an e-mail seeking comment.

REINSURERS

Greenlight Re Posts Fifth Loss in Six Quarters on Investing

BY AGNEL PHILIP AND SONALI BASAK

Greenlight Capital Re Ltd., the reinsurer that counts on **David Einhorn** to oversee investments, posted its fifth loss in six quarters as the portfolio slumped.

The second-quarter net loss widened to $63 million, or $1.69 a share, from $39.6 million, or $1.06, a year earlier, the Cayman Islands-based company said Monday in a statement. Einhorn was hurt in the period by an oil-fracking short and a bet against Amazon.com, which rose 21 percent in the second quarter, a letter to his hedge fund investors said last week.

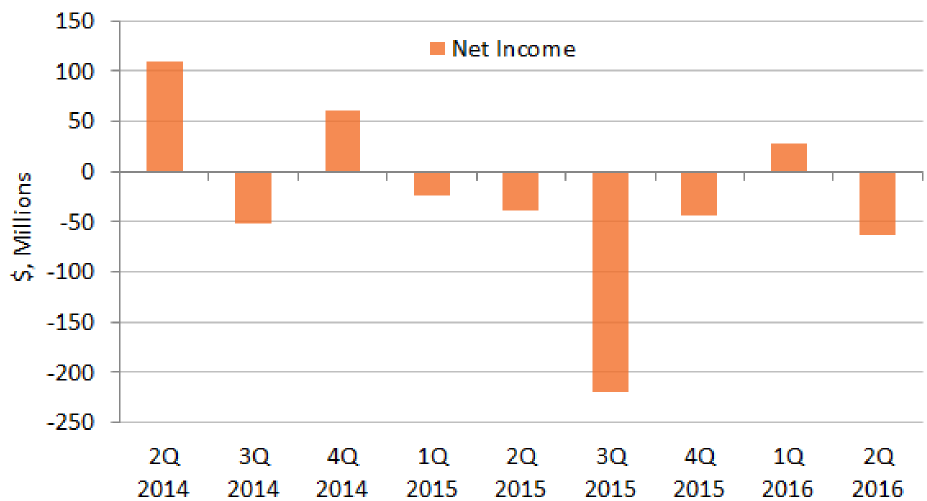
Greenlight Re is seeking to recover from the 20 percent loss on Einhorn's investments last year. The company has also struggled to find profitable underwriting opportunities amid increased competition from other Wall Street investors seeking to bet on insurance. Greenlight Re said Monday that it had obtained coverage from a third party to take on risks that Einhorn's company had assumed from another insurer tied to flaws in building projects.

Combined with the wind-down of a book of underperforming commercial auto policies, "our exit from construction-defect business leaves us without significant exposure to poorly performing lines for the first time in several years," CEO **Bart Hedges** said in the statement.

The net underwriting loss widened to $24.5 million from $13.3 million in last year's second quarter. The result was driven by the risk transfer and claims tied to Canadian wildfires, the company said.

Greenlight Re's adjusted book value fell to $21.20 a share as of June 30 from $22.88 at the end of March. The net investment loss widened to $38.1 million from $20.3 million a year earlier. The reinsurer gained 13 percent this year to $21.22 as of 4 p.m. in N.Y. on Monday.

Greenlight Re Slips



Source: Company press releases BloombergBriefs.com

CNO Says Assets Hard to Value at Platinum-Tied Insurer Trust

BY KATHERINE CHIGLINSKY AND AGNEL PHILIP

CNO Financial Group Inc. said the majority of the investments held in a trust with **Beechwood Re**, the reinsurer tied to to embattled hedge fund **Platinum Partners**, are in the category of the most-difficult-to-value assets. About $302 million of the $591 million assets in the trust are considered Level 3, CNO said Monday in a regulatory filing. Level 1 assets accounted for $58 million, and Level 2 for $231 million. A quarterly report from Beechwood at the end of June also showed that the trusts held a $6.8 million loan to a Platinum-managed fund, the filing shows.

CNO Chief Financial Officer Erik Helding said last week that the company was increasing its oversight of a 2014 deal to transfer some long-term care risks to Beechwood, after a Wall Street Journal article detailed a relationship between the reinsurer and the hedge fund. Platinum was raided by federal agents in June after prosecutors alleged that a manager bribed a union chief. CNO said Monday that it expects to finish an audit this quarter of some of the Level 3 assets. "While we do not believe any of the assets which are the initial focus of the audit are direct investments in Platinum, the information available to us has indicated that some or all of these assets may bear some connection to Platinum or to parties which have had some past or present association with Platinum," CNO said in the filing.

The assets are evaluated quarterly by Duff & Phelps and annually by KPMG, and the reinsurer has the resources to meet its commitments, Davidson Goldin, a spokesman for Beechwood, said in a phone interview. He said CNO's review is part of a regularly scheduled audit.

CNO may scale back share repurchases until there is more clarity about the assets, Tom Gallagher, an analyst at Evercore Partners Inc., said in a note to investors. A spokeswoman for CNO said the company doesn't comment on analyst speculation.

"There is a zero percent chance of anything being recaptured because everything is over-collateralized, independently valued and backed up by Beechwood's $2.4 billion balance sheet," said Goldin, the spokesman for the company.

The CNO units that ceded the risks to the Cayman Islands-based entity are domiciled in Indiana and New York, and Beechwood Re isn't accredited by either of those states or graded by ratings firm A.M. Best, according to the filing. Because of its non-accredited status, trusts must be over-collateralized by 7 percent.

OVER THE HEDGE

How the Top Hedge Fund Donors in 2016 Line Up

BY ZACHARY MIDER AND BILL ALLISON

Source: Getty Images
Photo illustration by 731
Robert Mercer

Wealthy donors are putting millions of dollars behind Hillary Clinton and Donald Trump in the race for the White House. Bloomberg News took a look at the biggest donors so far, which included hedge fund names such as **Robert Mercer** and **George Soros**. The donations include those made to super-PACs supporting each candidate.

Mercer, a computer programmer by training who made his fortune at **Renaissance Technologies**, and his family were the biggest donors on the list for Donald Trump with $3.8 million. The Mercers backed Ted Cruz in the Republican primary, but after he dropped out, they redirected the PAC's resources to focus on running anti-Clinton messages, and publicly rebuked Cruz for refusing to back the nominee. One of Mercer's pet issues: returning the U.S. to the gold standard.

Source: Getty Images
Photo illustration by 731
Donald Sussman

Donald Sussman, who operates Connecticut-based **Paloma Partners**, gave $8.1 million to Clinton and the super-PACs supporting her, and has given $21 million to federal candidates and committees since 2003. Sussman didn't become a major political donor until 1996, but his giving accelerated after marrying Chellie Pingree, a Democrat who was president of campaign-finance watchdog Common Cause before representing Maine's 1st district. Sussman and Pingree announced they were divorcing in 2015, but he remains active as a donor, a member of the Democracy Alliance network of progressive donors and on the board of the Center for American Progress, the liberal think tank. John Podesta, Clinton's campaign chairman, also serves on the board.

Source: Getty Images
Photo illustration by 731
George Soros

Next on the list for Clinton is Soros, who according to the Bloomberg Billionaires Index is now worth $24.7 billion, with donations of $7 million. In 2004, he contributed $23.5 million to organizations opposing George W. Bush's reelection effort. In 2008, he donated $2,300 to both Clinton and Barack Obama, and that was it. Soros's Open Society Policy Center, the advocacy arm of his philanthropic network, spent $8.2 million on lobbying Washington in 2015. It focuses on international human rights, immigration, foreign aid, public health and criminal justice reform, among other issues. Since 2003, Soros has contributed $54 million to federal candidates and committees.

Source: Getty Images
Photo illustration by 731
James Simons

Renaissance's **James Simons** also gave $7 million to Clinton. Renaissance, the same Long Island hedge fund that made the fortune of conservative donor Mercer, lobbies Congress on tax issues affecting hedge funds; it spent $460,000 in 2015 on a pair of K Street firms. In the wake of the 2008 financial crisis, Simons argued against greater regulation of hedge funds before Congress. Simons, who's worth $15.5 billion, and his wife Marilyn have given $33.7 million to federal candidates and committees since 2003.

ACTIVIST SITUATIONS BY PATRICK BROWN AND MICHAEL THIEME, BLOOMBERG DATA

Significant Actions at Companies Targeted by Activist Investors

COMPANY	ACTIVIST	WHAT HAPPENED
Blue Bird Corp.	Spitfire Capital LLC	Activist hedge fund is urging school-bus maker to ignore a private equity buyout offer from its new majority shareholder because it "dramatically undervalues" the company, according to a *letter* to the board committee dated Aug. 1.
Trinity Industries Inc.	ValueAct Capital Management	The activist fund led by Jeff Ubben disclosed a new 6.8 percent stake in the Dallas-based railcar maker in a July 29 13D *filing*. The activist said in the filing that it plans to hold talks with the company and board on topics ranging from the business, its management and board composition. This is the fund's 26th activist campaign since 2010, according to a Bloomberg Data analysis, and the second in July after it targeted Alliance Data Systems earlier in the month.
Pandora Media Inc.	Corvex Management LP	The activist pushing for a sale of the internet radio service petitioned U.S. regulators for permission to increase its stake to as much as 14.99 percent in the future without further approval, according to a July 28 *filing*. The activist hedge fund run by Keith Meister disclosed a 9.9 percent stake in the company in May.
Terex Corp.	Marcato Capital Management	Activist firm run by Mick McGuire disclosed a new 5.1 percent stake in the Westport, Connecticut-based global manufacturer in a 13D *filing* released on July 28. The activist said in the filing that future talks with the company may include improving returns on invested capital, improving margins, improving capacity utilization and determining appropriate capital structure and capital allocation methodology. This is the fund's fourteenth campaign since 2012, and the second in the past week, according to a Bloomberg Data analysis.
NorthStar Asset Management Group	Land & Buildings Investment Management	In a *letter* to shareholders on July 27, the activist firm led by Jonathan Litt said it is still evaluating the proposed merger between the New York-based asset management firm, Colony Capital and NorthStart Realty Finance. The activist said in the letter that it wants to reduce the size of the 13-person board, and require that members with lower personal investments in the company step down and add a "highly regarded shareholders representative."
Buffalo Wild Wings Inc.	Marcato Capital Management	Restaurant chain *surged* the most in more than 18 months on July 27 after vowing to increase stock buybacks and accept input from the activist, which took a stake in the company earlier in the week.
Depomed Inc.	Starboard Value LP	Activist hedge fund with a 9.9 percent stake in the company's outstanding shares is moving forward with a consent solicitation to seek shareholder support to call a special meeting, according to a July 26 *letter* to company shareholders. The activist appointed two former pharmaceutical executives to serve as advisers to assist in its solicitation efforts.
Citrix Systems Inc.	Elliott Management Corp.	The cloud-services company is merging its GoTo business with LogMeIn Inc., according to a *statement* July 26, following months of strategic and operational reviews after it reached a standstill agreement with the activist.

*Source: Bloomberg News, **NI SHRHOLDACT <GO>, BI BESG <GO>***

This story was written by Bloomberg LP employees involved with data collection and was edited by the News department. To suggest ideas or provide feedback, contact the editor for this story: Melissa Karsh at mkarsh@bloomberg.net.

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The "event" column links to websites. "Attendees of note" links to individual's BIO page, where available, on the Bloomberg terminal.

DATE	ORGANIZER	EVENT	SPEAKERS/ATTENDEES OF NOTE/DETAILS	LOCATION
Aug. 2	New York Hedge Fund Roundtable	August Roundtable: Money, Politics and the 2016 Presidential Race	David Urban, American Continental Group and senior adviser to the Trump campaign.	Penn Club, New York
Aug. 17	Markets Group	Private Wealth Midwest Forum	Katherine Nixon, Northern Trust; Kevin Rochford, Bessemer Group; Katherine Lintz, Matter Family Office.	Chicago
Aug. 25	Hedge Funds Care	San Francisco Golf Tournament	For more information, contact RWheeler@hfc.org.	Presidio Golf Course, San Francisco, California
Aug. 25-26	FRA LLC	Private Investment Fund, Operations & Compliance Forum West	Michael Maestas, Charles Schwab & Co.; Adam L. Menkes, Credit Suisse.	San Francisco
Sept. 7	Markets Group	2nd Annual Texas Credit & Hedge Fund Investor Forum	Joseph Quinlan, Bank of America PWM; Lisa Needle, Albourne; James Perry, Dallas Fire and Police.	Austin, Texas
Sept. 7-9	Radius	World Alternative Investment Summit Canada	Dennis Mitchell, Sprott Asset Management; Matthew Barnes, Centurion Asset Management.	Fallsview Casino Resort, Niagara Falls
Sept. 8-9	IMN	22nd Annual Alpha Hedge West	Bruce Richards, Marathon; Stuart Fiertz, Cheyne; Guillermo Osses, Man GLG; Mark Okada, Highland.	San Francisco
Sept. 13	CNBC, Institutional Investor	Delivering Alpha 2016	Jim Chanos, Kynikos; Ray Dalio, Bridgewater; Carl Icahn, Icahn Enterprises; Paul Singer, Elliott Management.	New York
Sept. 15	CTA Expo	CTA Expo Chicago	Ernest Jaffarian, Efficient Capital Management; Eddie Lund, Gemini Fund Services.	UBS Center, Chicago
Sept. 19	Catalyst	Cap Intro: L/S Equity/Event Driven Alternative Investing	One-on-one meetings.	New York
Sept. 19	FBN Securities	Semi-Annual Capital Introduction Conference	For more information, contact Greg Naso at capintro@fbnsecurities.com or gnaso@fbnsecurities.com	New York
Sept. 19-21	BHA	Select Hedge Funds Conference & Private Markets Connector	Jim Chanos, Kynikos Associates.	Boston
Sept. 20	Risk.net	Risk Hedge USA 2016	Lars Nielsen, AQR; Max Roberts, Highbridge; Paul Richardson, Pine River; Ronan Cosgrave, Paamco.	New York
Sept. 21	Hedge Funds Care	New York Hedge Fund Charity Poker Tournament	For more information, contact mangliss@hfc.org.	Yale Club, New York
Sept. 20-23	TABOR	Family Office Conference	Includes 50 family offices and 25-30 managers.	Beaver Creek, Colorado
Sept. 25-27	Context Summits	Context Summits West 2016	One-on-One meetings with investors.	Dana Point, California
Sept. 28	Context Summits	Alternative Lending Summit 2016	Ron Suber, Prosper Marketplace; Alan Snyder, Shinnecock Partners; Damon Krytzer, GreyWolf Capital; James Egan, Evolution Capital; Peter Sterling, Coastland Capital.	Dana Point, California
Sept. 28-30	Radius	World Alternative Investment Summit Bermuda	Lawrence McDonald, ACGA; Peter Hughes, Apex.	Fairmont Southampton, Bermuda
Oct. 5	Sohn Conference Foundation	Sohn San Francisco	Carson Block, Muddy Waters; Jeff Ubben, ValueAct; Mick McGuire, Marcato Capital; Jeff Osher, Harvest Capital.	San Francisco
Oct. 5-6	AIMA	Canada Hedge Fund Conference	To be released.	Le Westin Montreal, Quebec
Oct. 6-7	American Conference Institute, OFA	Hedge Fund Compliance	Michael Neus, Perry Capital; George Chang, D.E. Shaw; Jen nifer Duggins, SEC; David Chaves, FBI.	Park Lane Hotel, New York
Oct. 17	Catalyst	Cap Intro: Credit/Fixed Income Alternative Investing	One-on-one meetings.	New York
Oct. 18	Great Investors' Best Ideas Foundation	10th Annual Investment Symposium	Caroline Cooley, Crestline; David Einhorn, Greenlight; T. Boone Pickens, BP Capital.	Dallas, Texas
Oct. 18	High Water Women	Investing for Impact Symposium	Elizabeth Littlefield, Overseas Private Investment.	New York
Oct. 18	Funds Society, Open Door Media	Fund Selector Forum New York 2016	Sandra Crowl, Carmignac; Kevin Loome, Henderson Global Investors.	Waldorf Astoria, New York

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