OPALESQUE

newmanagers

ISSUE 09, OCTOBER 2012

OPALESQUE'S EMERGING MANAGER MONITOR

www.opalesque.com

IN THIS ISSUE

EDITORIAL 2

EMANAGERS INDICES.............................3
September 2012's performance of the Opalesque Emanagers indices

NEW FUNDS IN THE DATABASE 5
Funds that have recently joined Opalesque's Emerging Managers Database.

PETER URBANI' STATISTICS.............................6
Emerging managers continue to outperform

FUNDANA SERIES 9
How do seed deals impact on the performance of new hedge fund managers?

FOCUS 13
Why do some emerging managers fail?

47N 19
Do turkeys vote for Thanksgiving?

GUEST ARTICLE 21
Are we going back to Lake Wobegon?

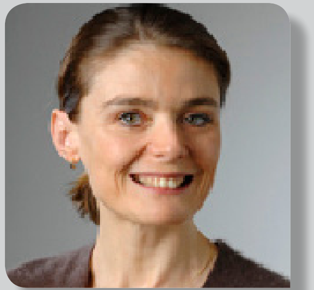
SEEDERS ' CORNER.......................... 23
Stride Capital looks for true individuality + Seeders' Corner news review

SERVICERS' SPOT 26
Butterfield Fulcrum: aim for the institutional-grade platform

LAUNCHES 28
A recapitulation of maiden launches and related developments from late September to late October 2012

PERSPECTIVES.................................30
Recent views and findings of interest to new hedge fund managers

PROFILES 32
Two emerging hedge fund managers, Mandrill Capital and Voltan Capital, speak about their new funds.



Benedicte Gravrand

Opalesque New Manager is edited by Benedicte Gravrand. Based near Geneva, Benedicte also writes exclusive stories and special reports for Opalesque's daily hedge fund publication, the Alternative Market Briefing (AMB), and occasionally moderates Opalesque Roundtables. Benedicte is perfectly bilingual (French/English) and has lived in Paris, Geneva and London. Sheobtained a BA (Honours) in Philosophy from the University of London, workedin the publishing sector, the hedge fund industry and joined Opalesque in 2007.

This is your last free issue of *New Managers.* Subscribe now and save!

Subscription includes full access to the Opalesque Emerging Manager Database:
www.emerging-managers.com

Dear Opalesque Reader,

The October issue of our star monthly publication *New Managers* will be the last free issue! If you would like to continue receiving it after that, please subscribe to *New Managers* here: www.opalesque.com/Subscribe-New-Managers.html

Subscribe now and save with our introductory offer:

- **Best Value: $699 for two-year subscription (instead of $799)**
- **$399 for one-year subscription (instead of $499)**
- **$299 for a six-month subscription (with auto renewal)**

Don't miss a unique offer for a unique publication - and full access to the Emerging Managers Fund Database!

New Managers was launched in January this year, and a subscription will also entitle you to full access to our past issues, which are jam-packed with original and useful intelligence on the emerging hedge fund scene (archive: www.opalesque.com/Archive-New-Managers.html).

I look forward to counting you among the Opalesque *New Managers* subscribers!

Our October 2012 issue starts with a review of the **EManagers indices** and of the latest entrants in Opalesque's **Emerging Managers database**. In **Statistics**, Peter Urbani shows us how emerging hedge fund managers have continued to outperform the broader hedge fund indices over the past 12 months – always good to know. **Fundana** looks into whether seed deals actually affect the performance of new hedge fund managers. Our **Focus** is on the mistakes emerging managers make; Kevin Cook of Autumn Capital, a consultant, and Pierre Crama of Signet Capital, a fund of hedge funds house describe those mistakes and give some advice. **47N** discusses the process of legal document drafting and the "killer criteria." Marketing specialist Bryan Johnson comes back to talk about "The Return-On-Infrastructure" in our **Guest Article**. In **Seeders' Corner**, Don Rogers of Stride Capital exposes his principles, and we give you a news roundup of the fund seeding scene. In **Servicers' Spot**, Phil Niles of Butterfield Fulcrum encourages emerging managers to go for the well-known service providers.

This month's report ends with the usual recapitulation of recent maiden fund **Launches**, a review of the latest views and findings in **Perspectives**, and in **Profiles**, two emerging managers describe their new funds; Gaston Bullrich of Mandrill talks about his multi-strategy fund and Alison Graham of Voltan describes her frontier markets fund's first spin-out.

I hope you enjoy our ninth issue of *New Managers.*

Please contact me if you have any related news.

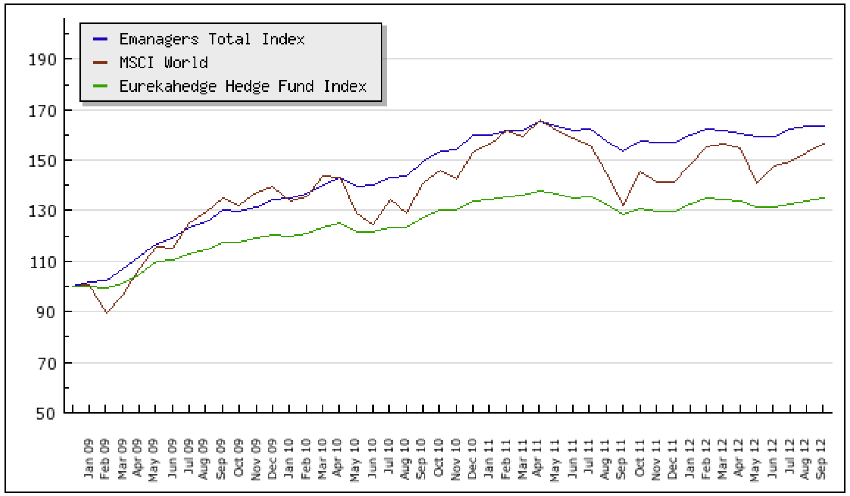
Benedicte Gravrand
Editor
Gravrand@opalesque.com

Emanagers Total Index up 0.1% in September (+4.33% YTD)

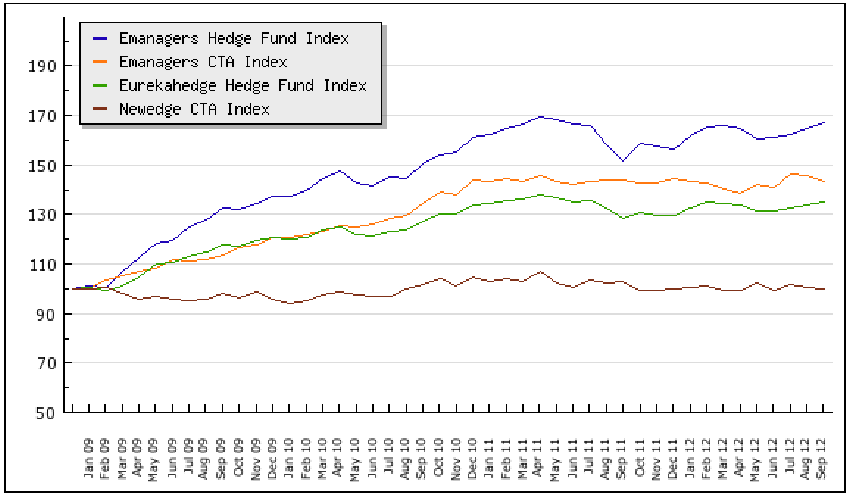
Emerging manager hedge funds and managed futures funds saw slight gains last month, according to a first estimation based on the data of 307 funds listed in Opalesque Solutions' Emanagers database.

The Emanagers Total Index advanced 0.1% in September, resulting in a 2012 performance of +4.33%. Estimates for August and July were corrected to +0.67% and +2.0%, respectively. Since inception in January 2009, the index posted compounded returns of 63.6%.

Over the last 12 months, emerging managers gained 6.73% in 6 negative and 6 positive months, compared to 4.93% for the Eurekahedge Hedge Fund Index. Global stocks, tracked by the MSCI World Index, gained almost 19% in the same period.



Last month was particularly challenging for managed futures strategies, while hedge funds were able to deliver strong returns once more: The Emanagers Hedge Fund Index gained 1.32% (+6.64% YTD), while the Emanagers CTA Index lost 1.46% (-0.58% YTD).



August's stock market rally continued last month as central banks took further steps towards monetary easing. As a result, directional and event-driven hedge fund strategies were September's winners:

* Equity long-bias hedge funds gained 3.66%, followed by equity L/S (+1.32%) and event-driven strategies (+1.17%). Relative value funds gained 1.14%, global macro and multi-strategy funds were up 0.34% and 0.32% respectively.

* Year-to-date, event-driven hedge funds performed best with compounded, average returns of 13.5%.

12-month rolling performance data gives MSCI-correlation coefficients of 91% for Emanagers hedge funds and -48% for Emanagers CTAs, resulting in equity-market betas of 37% and -17%.

Performance (in %), Volatility and Equity Market Beta (in %)

Index	Sep 2012	YTD	12m	2011	2010	2009	Volatility	Beta (bm=MSCI)
Emanagers Total Index	0.10	4.33	6.73	-1.79	18.73	34.51	4.25	19
Emanagers Hedge Fund Index	1.32	6.64	10.02	-2.83	17.07	37.59	6.67	37
Emanagers CTA Index	-1.46	-0.58	-0.28	0.51	19.15	20.52	5.72	-17
Eurekahedge Hedge Fund Index	1.04	4.29	4.93	-3.32	11.02	20.66	4.26	22
Newedge CTA Index	-0.83	0.11	-2.87	-4.52	9.26	-4.31	7.35	-30
MSCI World	2.52	10.90	18.80	-7.61	9.40	27.07	16.54	100

- Florian Guldner, Opalesque Research

Funds that have recently joined the Opalesque Emerging Managers database

Fund name	Fund Strategy	Manager Location	Fund AuM	Fund Launch Date
Katmai Commodities+	CTA	London, UK	$0.25m	Oct-12
Viognier Equity Opportunities Fund	Multi-strategy	London, UK	$47m	Sep-11
Essentia Fund spc Diversified Derivatives - Class A	Multi-strategy	Larnaca, Cyprus	€···	Jul-12
Glasnost SPC	Global Macro	pfaeffikon, Switzerland	$...	Oct-12
Adamah Asset Allocator Program	CTA	Amarillo, TX, U.S.	$140m	Mar-11
Adamah Diversified Sectors Program	CTA	Amarillo, TX, U.S.	$80m	Mar-11
Waratah Income Fund	Equity long/short	Toronto, Canada	C$86m	Jul-10
Waratah One Fund	Market Neutral	Toronto, Canada	C$110m	Jul-10
Waratah Performance Fund	Equity long/short	Toronto, Canada	C$128m	Jul-10
Axiom Intraday Futures	CTA	Tortola, BVI	$0.2M	Sep-12
SPAG I, LP	Global Macro	New York, U.S.	$12m	May-120
TallShip Capital Program	CTA	Essendon, VIC, Australia	$11m	Jun-11
EF Xi	CTA	Mexico City, Mexico	$0.07m	Aug-12
Labrusca Global Fund	Equity long-bias	Stockholm, Sweden	€239m	May-10

The Opalesque Solutions Emerging Managers Database is an extremely niche and specialised database of Emerging Hedge Fund Managers, and access is available for eligible investors such as Funds of Funds, Family Offices, Pension Funds and UHNWI globally as well as academia and research analysts.
For the sake of this database, we define an asset manager as "emerging manager" if,

1) The firm is less than 48 months old and
2) The AUM of the firm at the time of the firm's inception is less than $600 million.

If you want your fund to be in the Emerging Managers Database, please send your details to our database team at: db@opalesque.com

Peter Urbani

is the former CIO of Infiniti Capital, a now defunct Hong Kong-based Fund of Funds group. Prior to that, he was Head of Quantitative Research for Infiniti, Head of Investment Strategy, Head of Portfolio Management, Head of Research and Senior Portfolio Manager for number of buy-side firms. He started out in stock-broking as an open outcry floor trader in the late 1980's. Some of his VBA code was included in Kevin Dowd's Measuring Market Risk and he specialises in Risk Management and Portfolio Construction.

Emanagers continue to outperform

The Emerging Hedge Fund Managers represented in the Opalesque Emanagers Index have continued to outperform the broader hedge fund indices over the past 12 months to 30 Sept 2012.

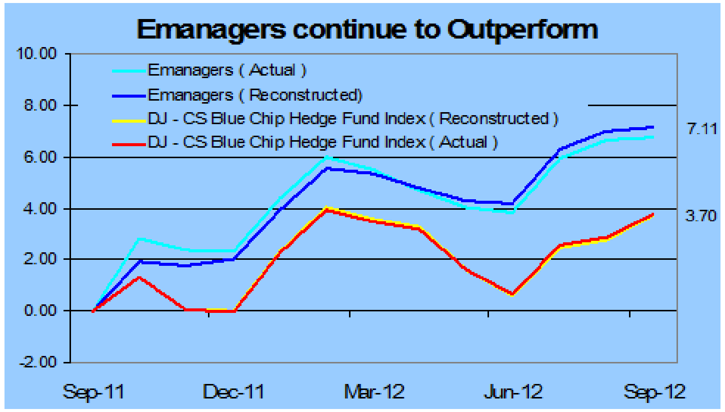
For the 12 months to end September the reconstructed Index generated a return of +7.11% (Actual +6.73%*) versus the +3.70% of the reconstructed benchmark DJ – CS Blue Chip Hedge Fund Index (+ 3.76% actual *).

Over the same period, Equities were the best performing asset class with a +23.4% return but the Emanagers index comfortably beat the +5.26% return of a broad Bond market index. The Emanagers Index also beat competing alternative asset class indices including that of Hedge Funds, Newcits, Funds of Funds and Managed Accounts.

Emanagers and Other Asset Class Returns

CAGR	YTD	12M	24M	36M
Cash	0.35%	0.48%	0.39%	0.37%
Bonds	4.85%	5.26%	3.16%	4.18%
Equities	14.24%	23.39%	7.52%	9.19%
Fund of Funds	2.60%	2.15%	-0.09%	1.05%
Managed Accounts	2.33%	2.55%	-0.76%	0.80%
Newcits	0.98%	1.21%	-0.57%	0.02%
Hedge Funds	4.74%	5.26%	2.91%	6.02%
Emanagers	4.33%	6.73%	4.70%	7.96%

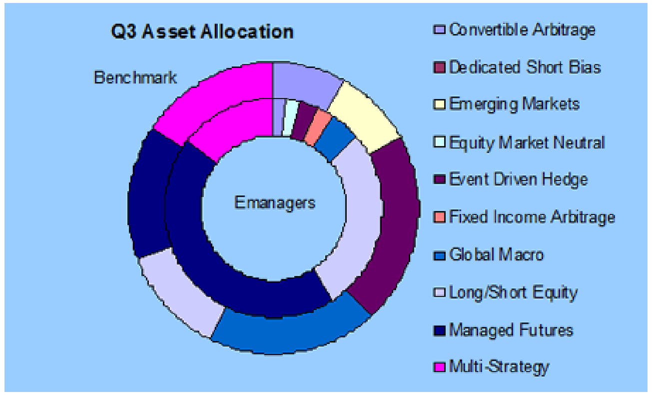
* Discrepancies due to Index revisions and estimated as opposed to final prices.

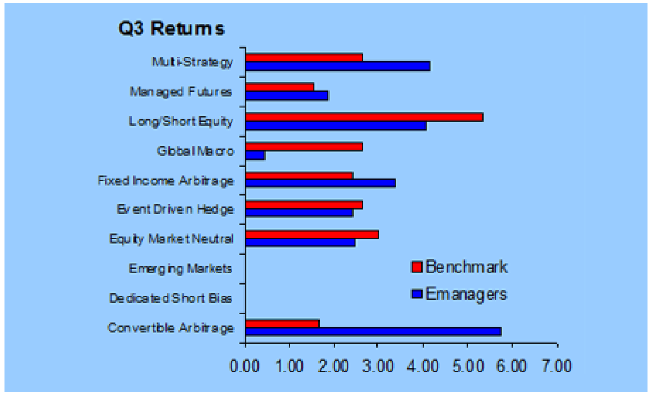


The Emanagers Index underperformed the benchmark DJ – CS Blue Chip Hedge Fund Index marginally in Q1and Q3 of this year but very significantly outperformed in Q4 and Q2.

Attribution Analysis
Emanagers Index v.s DJ - CS Blue Chip Hedge Fund Index

	Q4 2011	Q1 2012	Q2 2012	Q3 2012	12 Months
Emanagers	2.01	3.27	-1.11	2.81	7.11
Benchmark	0.01	3.54	-2.84	3.08	3.70
Active Return	**2.00**	**-0.27**	**1.76**	**-0.26**	**3.24**
Allocation	0.25	-0.59	0.62	-0.26	0.02
Selection	1.95	0.80	1.92	-0.65	4.07
Interaction	-0.20	-0.48	-0.78	0.65	-0.84
Total	**2.00**	**-0.27**	**1.76**	**-0.26**	**3.24**



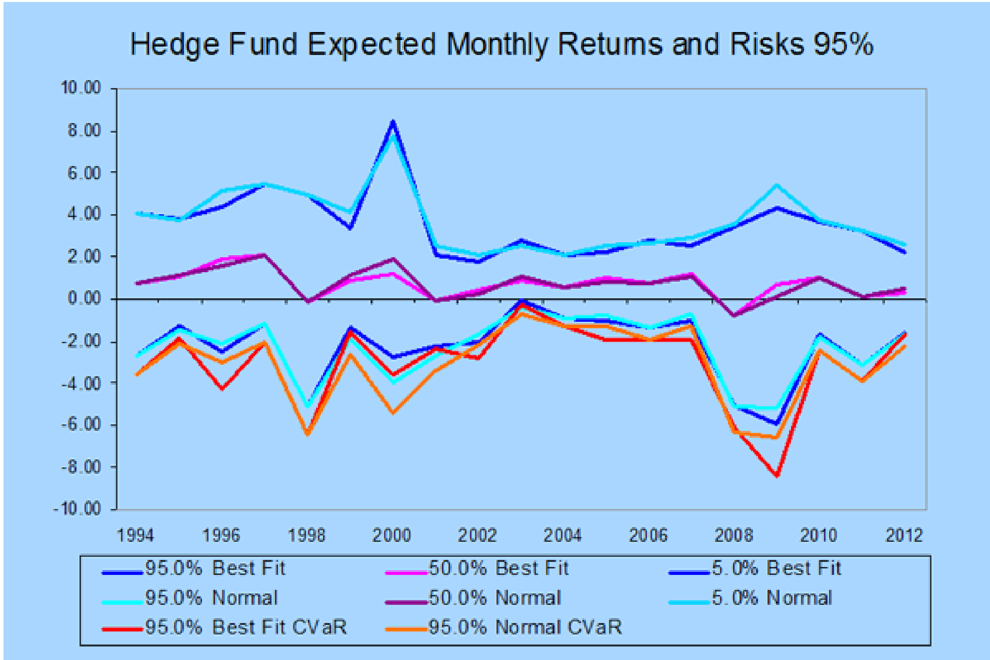


If we drill down into the relative weights and returns of the Emanagers Index versus the DJ – CS Blue Chip Hedge Fund Index we can see that:

There were good relative performances in Multi-Strategy, Fixed Income Arbitrage, Convertible Arbitrage and Managed Futures/CTAs in Q3. However, the relative underperformance and overweight position in Long-Short Equities and the much lower weighting in Event Driven strategies resulted in an approximately 27bp underperformance for the most recent quarter.

Over the full 12 months however the higher weighting to CTAs and generally better fund selection has resulted in 324bp of Active Return, the bulk of which was attributable to better performance of the underlying funds (Selection) as opposed to any timing or Asset Allocation (Allocation) decisions.

Finally if we look at the longer term performances of Hedge Funds as a generic asset class versus their longer term Risk and Return bounds, then it does appear as if there is still some potential upside for aggregate hedge fund returns which have historically averaged around 70bp per month and have averaged just 0.44bp over the past 12 months.



Emanagers Index Strategy Weights (assuming equal weights) / **Emanagers Constituent Returns by Strategy (Quarterly)**

	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2011	Q1 2012	Q2 2012	Q3 2012	12 Months
Convertible Arbitrage	2.30	2.20	2.24	1.97	1.69	5.26	1.12	5.72	14.43
Dedicated Short Bias	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Emerging Markets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity Market Neutral	3.23	3.52	3.59	1.97	3.46	2.74	-3.31	2.50	5.33
Event Driven Hedge	4.61	4.41	3.59	2.63	2.86	8.87	-1.21	2.40	13.29
Fixed Income Arbitrage	3.23	3.08	2.69	2.63	2.57	4.12	-0.26	3.39	10.14
Global Macro	5.07	5.29	5.38	4.61	0.66	4.56	-1.02	0.47	4.66
Long/Short Equity	29.95	29.96	29.60	26.97	3.19	7.19	-3.60	4.09	10.99
Managed Futures	36.41	36.12	36.77	44.74	-0.28	-1.17	1.12	1.86	1.51
Multi-Strategy	15.21	15.42	16.14	14.47	4.74	3.99	-1.62	4.16	11.62
	100	**100**	**100**	**100**	**2.01**	**3.27**	**-1.11**	**2.81**	**7.11**

Benchmark Strategy Weights (DJ - CS Blue Chip Hedge Fund Index) / **Benchmark Constituent Returns by Strategy (Quarterly)**

	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2011	Q1 2012	Q2 2012	Q3 2012	12 Months
Convertible Arbitrage	2.93	5.56	0.90	8.06	1.35	5.02	-0.49	1.67	7.70
Dedicated Short Bias	0.39	0.40	1.17	0.05	-8.71	-11.65	0.00	0.00	-19.35
Emerging Markets	7.37	7.67	10.01	8.86	-0.08	9.37	0.00	0.00	9.28
Equity Market Neutral	5.69	3.16	0.00	0.00	0.87	4.91	-4.02	3.00	4.62
Event Driven Hedge	17.25	20.81	24.32	21.38	-0.72	3.68	-4.29	2.63	1.12
Fixed Income Arbitrage	1.42	0.00	5.97	0.00	0.14	1.86	2.17	2.40	6.72
Global Macro	13.23	15.95	15.94	18.87	-1.09	1.48	-3.35	2.64	-0.42
Long/Short Equity	17.14	15.66	14.04	12.33	5.11	8.33	-5.59	5.34	13.23
Managed Futures	17.71	16.48	15.02	14.50	-3.81	-1.16	-1.39	1.55	-4.79
Multi-Strategy	16.87	14.32	12.64	15.95	0.37	2.19	2.38	2.66	7.81
	100	**100**	**100**	**100**	**0.01**	**3.54**	**-2.84**	**3.08**	**3.70**

Relative quarterly strategy weights and returns for the Emanagers Index and its benchmark

Nick Morrell

The Fundana series discusses investments in Emerging Managers, derived from the real world experience of the Fundana team. Fundana is the investment advisor to several Funds of Hedge Funds and directs around half of its new investments to Emerging Managers. The investment process typically involves allocating a small amount Day 1 or Early Stage (within the first year after the fund's launch) to new managers who have strong pedigrees.

The objective of this series of articles is to share thoughts around our key observations. It does not aim to be "statistically significant" but to create a dialogue around those observations.

How do seed deals impact on the performance of new hedge fund managers?

This article (*from Nick Morrell – Head of Operational Due Diligence at Fundana*) is a follow-up of the June article How do seed deals impact on fund raising for new hedge fund managers?), and takes a deeper look at the use of seed deals by new hedge fund managers to pose the question:

"Does accepting a seed deal impact on performance?"

In essence, this article aims to help investors to decide if they are better off looking at funds with seed deals or those without.

As discussed in the previous article, the seed deal landscape has changed significantly over recent years. Seeding of emerging managers has become more institutionalized since the 2008 credit crisis, at a time when asset raising for newly launched hedge funds has become significantly more difficult.

Reading the data

This article will therefore look at the relationship between performance over the first couple of years of a new fund's life and whether or not the fund manager accepted a seed deal. As in previous articles, we will also analyze the same data split between two time periods: the first period runs from January 2006 to July 2008, hence before the industry crisis; and the second period runs from August 2008 to date.

All data discussed below will show the outperformance of the emerging hedge funds compared to the performance of our flagship FoHF (gross of fees) over the same time period.

Prima Capital Fund is Fundana's flagship FoHF offering with a 19-year track record.

As for previous articles in this series, for this article we will focus on small and mid-sized launches (typical Day 1 assets under management ("AUM") of between \$20m and \$500m), as Fundana does not invest in the very large new launches. The dataset has been compiled from all the new investments made in our Funds of Hedge Funds since January 2006, encompassing 59 Day 1 / Early Stage investments in the Long/Short Equity, Global Macro and Event Driven strategies, which have been operating for more than 1 year as of the end of September 2012. Of these, 40 have more than 2 year's track record.

Finally it is important to bear in mind that there is some degree of bias in these results, as a number of the funds (5 pre-crisis and 3 post-crisis) with one year of performance did not reach their second year anniversary.

Q1. How does a seed deal impact on performance in the first couple of years?

Here we will analyze all funds in our database to determine whether managers who use seed deals are able to outperform both the overall portfolio of our flagship FoHF, and also their competitors who do not use a seed deal. For this we will look at outperformance over 1 and 2 year periods after launch.

Table 1 looks at all funds in the database (from 2006 to today), and compares outperformance over the first year and the first two years of our funds' existences. So for example, the 29% figure indicates that 29% of the funds had an outperformance between 0% and 10% in the first year when compared to the FoHF portfolio. The 7.7% average indicates that the average outperformance of all funds in the first year was 7.7%.

Outperformance vs. FoHF portfolio	After 1st year	Annualized over 2 years
< -10%	6.6	5%
-10% to 0%	24%	23%
0% to 10%	29%	30%
10% to 20%	25%	33%
>20%	15%	10%
Average	**7.7%**	**7.5%**
Median	5.8%	7.8%

Table 1: Outperformance vs. FoHF portfolio – comparison after 1 and 2 years

This shows that there is no significant difference between the two time periods, but it also indicates that our emerging managers have significantly outperformed the overall portfolio, indicating that this strategy of looking to emerging managers has been a successful one. Around 70% of the managers have outperformed the overall portfolio over time.

Table 2 goes on to look at the differences between managers who used seed deals and those who did not.

Outperformance vs. FoHF portfolio	After 1st year		Annualized over 2 years	
	with seed	No seed	with seed	No seed
< -10%	13%	0%	5%	5%
-10% to 0%	23%	25%	19%	18%
0% to 10%	19%	39%	29%	21%
10% to 20%	26%	25%	29%	25%
>20%	19%	11%	19%	0%
Average	**7.9%**	**7.4%**	**9.7%**	**5.1%**
Median	8.8%	5.6%	9.3%	4.9%

Table 2: Outperformance vs. FoHF portfolio – comparison between funds with and without seed deals

Here we can see that after the first year, there is no significant difference between funds with and without seed funding. However, after two years of operations, there is a significant difference, with annualized outperformance for funds with seeds increasing from 7.9% to 9.7% on average, whilst for funds without seeds the outperformance fell from 7.4% to 5.1%.

Q2. What differences in outperformance can be seen before and after the 2008 credit crisis?

Looking at the same data, but split into pre-crisis and post-crisis periods, Table 3 shows data for all funds split across the two time periods.

This split highlights that since 2008, whilst the emerging managers have continued to outperform the overall FoHF portfolio, there has been a significant decrease in the level of outperformance over both the first year and the first two years.

Also of note is that whilst the first year and first two year figures are in-line for the pre-crisis period, when it comes to post-crisis there has been a fall from 4.9% to 3.0%, indicating an underperformance in the second year post-launch.

Finally, Tables 4 and 5 split the data further to analyze the impact of seed deals between the pre- and post-crisis periods, again looking at the first year (Table 4) and the first two years (Table 5) after launch.

Table 4 does not add anything significant to the data in Table 3, simply highlighting again that the outperformance in the first year is significantly less for post-crisis new manager launches.

Outperformance vs. FoHF portfolio	**After 1st year**		**Annualized over 2 years**	
	Pre-crisis	**Post-crisis**	**Pre-crisis**	**Post-crisis**
< -10%	12%	3%	10%	0%
-10% to 0%	16%	29%	5%	40%
0% to 10%	12%	41%	10%	50%
10% to 20%	28%	24%	55%	10%
>20%	32%	3%	20%	0%
Average	**11.5%**	**4.9%**	**12.0%**	**3.0%**
Median	15.6%	2.9%	13.0%	3.9%

Table 3: Outperformance split between pre- and post-crisis time periods

Outperformance vs. FoHF portfolio	**With seed**		**No seed**	
	Pre-crisis	**Post-crisis**	**Pre-crisis**	**Post-crisis**
< -10%	20%	3%	0%	0%
-10% to 0%	13%	16%	20%	18%
0% to 10%	13%	13%	10%	36%
10% to 20%	13%	19%	50%	7%
>20%	40%	0%	20%	4%
Average	**11.0%**	**5.0%**	**12.3%**	**4.7%**
Median	15.6%	2.8%	15.6%	4%

Table 4: Outperformance (first year) with and without seed deals, split between pre- and post-crisis time periods

However, Table 5 shows that the pre-crisis outperformance was largely driven by those funds with a seed deal, with an average annualized outperformance of 14.2% against 8.8% for funds without a seed.

Annualized out-performance over two years vs. FoHF portfolio	With seed		No seed	
	Pre-crisis	Post-crisis	Pre-crisis	Post-crisis
< -10%	8%	0%	13%	0%
-10% to 0%	8%	33%	0%	45%
0% to 10%	8%	56%	13%	45%
10% to 20%	42%	11%	75%	9%
>20%	33%	0%	0%	0%
Average	**14.2%**	**3.6%**	**8.8%**	**2.5%**
Median	14.7%	7.1%	12.9%	1.4%

Table 5: Outperformance (first two years) with and without seed deals, split between pre- and post-crisis time periods

Post-crisis, the level of outperformance is significantly lower for all funds, but again those funds with a seed deal did slightly better than there un-seeded counterparts.

What conclusions can we draw from these results?

The first conclusion is that investing in emerging managers has been a good investment decision for us, and continues to be so – all the aggregated data are positive, indicating that these investments have outperformed the overall portfolio in our flagship FoHF.

Secondly, emerging managers were able to generate significantly more outperformance prior to the 2008 credit crisis. This could indicate that on average the quality of managers was greater prior to 2008, or, more likely in our opinion, that the ability of any manager to generate significant outperformance since 2008 has been hampered by the very difficult market conditions.

Finally, the data indicate that for investors looking at emerging managers as a longer-term investment (2 or more years) they could be better off focusing on those who have received seed deals. However, whilst this distinction was clear-cut prior to 2008, there is much less in it today.

Nick Morrell

Head of Operational Due Diligence and Chief Risk Officer
Fundana SA
www.fundana.ch
Geneva

Why do some emerging managers fail?

Why do some emerging managers fail? The simple answer would be that it is because they fail to raise assets to a level that supports their business. And this failure, according to Autumn Capital, usually falls into one of three categories: firstly, they make capital mistakes, secondly, business mistakes and thirdly, strategy mistakes.

Capital mistakes relate to the process of raising capital and managing investors, or to the capitalisation of the management company. Business mistakes relate to the actual business of running a hedge fund management company. And strategy mistakes relate to the investment activity of the fund that the manager is running.

Autumn Capital Partners is a London-based investment consultancy firm founded in 2009, which currently advises hedge funds and institutions with a focus on emerging products. It also advises investors on earlystage hedge fund investments.

Top 10 reasons for failure

Autumn Capital's partners have recently drawn a list of the top ten reasons why emerging managers fail – and here they are:

1. Under-estimating the challenges
2. Lack of clear definable alpha
3. Inability to communicate
4. Wrong team
5. Wrong time
6. Under-investment
7. Assuming that all investors are equal
8. Lack of transparency
9. Greed
10. Fear

The overwhelming majority of emerging managers will be loss-making businesses within the first three yeas of their existence, concludes Autumn Capital's presentation. And some of the typical reasons for failure are not curable. But the good news is that many of those mistakes can be avoided. On top of that, capital flows to the hedge fund industry are growing and look set to continue. Add to that high investor interest in good quality emerging managers, and you may find the outlook is not so gloomy after all.

We asked Kevin Cook, Partner at Autumn Capital, and Pierre Crama, Head of Operational Due Diligence at Signet Capital Management Ltd to expand on their own experiences of emerging managers' mistakes. Signet is a London-based fund of hedge funds' house with a focus on emerging funds.

Kevin Cook

"Strategy mistakes are fewer and further between as thankfully managers tend to have a decent idea of what their strategy ought to be, why it might deliver alpha and why it might be attractive to some investors," Kevin Cook said.

"People tend to make most mistakes in relation to the running of their business and the raising of capital."

Call it optimism

Even though we are all aware that this is a challenging environment for hedge fund launches, people still have a tendency to under-estimate how challenging it really is. Call it optimism. A quality one needs to start a business. However, this very quality can and does also render one blind to the many hazards scattered on the way to success.

"There is still an under appreciation of the level of capital, infrastructure, effort, timing and luck that are required to launch a successful hedge fund today," Cook said.

"Managers make very optimistic assumptions both in terms of asset growth and in terms of performance. Planning and resourcing your business on this basis is very dangerous."

Autumn Capital explains to *new managers* that they need to assume there will be no external assets and that performance will be mediocre at best in the first three years. If there is enough capital to operate under such assumptions, then managers have the best chances of success. Cook suggests that $100m or $200m – even if raising that much capital is hard – is the kind of asset level that is sustainable for those managers who want to maintain an institutional hedge fund business.

The A team

In terms of business mistakes, under-investment and poor allocation of resources are common, Cook notes. "Managers must have the right team and must be clear about how they are going to resource their businesses. Investors really do care more today about pedigree, track record and the team as a group, particularly when dealing with emerging managers, than they have at any point previously. They also care about proper separation of functions. So it is simply unacceptable to have a situation where a portfolio manager is also the head of sales, or the COO is also trying to also act as a portfolio manager."

Cook further recommends putting the correct team together, defining roles clearly, creating incentives, and outsourcing appropriately.

A clear proposition

He also recommends managers be patient and focused when it comes to raising capital. They must be able to differentiate themselves from everyone else.

"They must have a clearly defined alpha proposition that they can articulate with conviction to the right sort of investors," Cook suggests.

"Too frequently, we see managers adopting a scattergun approach to capital raising, marketing a product that is ill-defined or wasting time on investors who either don't invest in their strategy type or invest at their stage in their lifecycle."

Investors: aim for the tougher ones

Cook also has recommendations for investors. Autumn Capital, which services an institutional investor base, has just completed a detailed review of the academic and market data in this area and found that, over the last 20 years, there has been consistent emerging manager outperformance.

"If you break down those emerging managers into particular strategies," he said, "if you understand when the best times to allocate to them are, there are strong arguments for an allocation to emerging managers..."

For investors, the due diligence burden is higher with emerging managers. There are thousands of younger, smaller managers out there, all carrying a certain degree of risk. So finding a good strategy is not sufficient.

"Fundamentally, you also need to believe that that manager is set up to ride out some of the bumps in the road that will be inevitable in growing their business in this environment. You need to work harder in order to make sure that you make a correct investment."

He distinguishes between a start-up and an emerging manager: "We consider an emerging manager to be somebody who has gone through the start-up phase, has found an initial capital partner, has actually got themselves up and running and has started to develop a track record of at least 12 to 18 months. While we believe in the value of newer managers and in our ability to identify and develop those managers, it has been very difficult for us to find the right model and to have the necessary conviction to back pure start-ups, other than in exceptional circumstances. At that level, there is a huge imbalance between the availability of product and the availability of capital which, at this point, creates too great a challenge for us as a viable business proposition."

Golden capital

Like Cook, Pierre Crama draws attention to the Golden Rule:

"From a business angle, the management company needs to be well capitalized."

Signet always looks at the managers' business plans to see how they plan to finance their operations in the next two or three years, as this often becomes a source of distraction for the founding partners.

Wanted: business head with vision

Pierre Crama

Crama also comments on business heads too often being appointed too hastily and inappropriately. Managers need to pay attention to employment contracts and job descriptions; they should do professional background checks, check the CEOs' experience, whether they are likely to be stable and if their interest is aligned with the founder partners'. He stresses:

"Having a CEO with a vision about where he wants to be in five years is of utmost importance for the success of a hedge fund."

Scale

He also mentions scalability. Indeed, *new managers* must have scalability in mind when building their infrastructure: "At the beginning, you may decide to run one single product, but eventually this product is so successful you are going to launch different cohorts of your existing fund, or you are going to launch a managed account structure, or you are going to launch a sister fund in a different strategy with a new team. So the scalability of the infrastructure to support the AUM growth is key."

Documented culture

Also, putting everything on paper is important, not only marketing material but also procedures and internal control. Everything must be "properly documented." That also includes risk management. And a valuation policy.

According to Crama, the most well known start-up getting launched have some kind of an institutional culture. They have been trained how to put together their internal processes, have written their operation manual and know that they will be internally enforced to minimize any operational risks.

Understanding service providers

He also recommends emerging managers to appoint the correct service providers on day one, after a thorough due diligence – even on the big providers.

"What you really need to assess is whether they understand your strategy, whether they fit your culture: do they have the right IT infrastructure; is the team qualified and do they have a good reputation with the capacity to service you when you reach your ultimate AUM capacity?" Crama explains. "When you switch from one provider to another, it might be for a good reason but this is usually considered as a red flag by investors. Consequently it is important not to rush the process related to the hiring of the providers."

Managers should also make sure the fund's terms are in line with the fund's strategy.

Crama has seen in the past PPMs drafted by lawyers that do not reflect the terms but which would be applied to the strategy. "You need to pay special attention to remove any unnecessary language which could prevent an investor from investing," he adds. "I have come across liquidity terms or some kind of risk definitions in the PPM which were not appropriate for the strategy the portfolio manager was running."

Having a board composed of a majority of non executive directors from different backgrounds with the right level of experiences would be useful, and all board minutes need to be verified on site.

Investors: Feedback and amber flags

To investors, he recommends providing feedback to emerging managers that they chose not to invest in. "Not investing in a manager without telling them where they have failed is not something they can improve with," he noted. He also stresses the need to adapt due diligence on every strategy and on the life cycle of the manager, whatever the size.

Investors will always find mistakes in emerging managers. But some managers have mistakes that can be rectified.

"You have to take into account that an emerging manager can have a small team with different financial resources from an established manager's, so you will need to make a judgment call and differentiate from what is a red flag and what is an amber flag."

Signet sees many *new managers*, and expects those managers with issues to work on them.

"We will come back to the managers at a later stage to verify whether all the issues spotted earlier have been rectified to consider an investment," he added. "It is not black and white as you can imagine!"

- Benedicte Gravrand

Opalesqe 2012 Connecticut Roundtable

Related article:

Not every hedge fund starting out in Connecticut will succeed

(This article was published in Opalesque's Alternative Market Briefing on October 18th, 2012)

Participants at the recent Opalesque Connecticut Roundtable agreed on the whole that while the quality of life is high and the costs of maintaining a business are lower in Connecticut, it just ain't New York - as New York is the place where funds can have a superior infrastructure, be close to servicer providers and investors. And hedge fund start-ups above all need that proximity. Although those hedge funds starting out in Connecticut could survive with a "robust business plan" and benefit from "thinking more clearly."

"We are seeing numerous funds launching in Connecticut, although not every one will succeed," said Steve Simmons, Managing Director at Southport Harbor Associates, a hedge fund consultant.

"You could be a fantastic trader within a prop trading environment in New York City," he continued, "but if you are unable to create a proper business and the requisite infrastructure, which can be difficult to do at times, being removed from many of the service providers who are a stones throw away in NYC, you will fail."

We all dream of no longer working for a big firm and starting out on our own, he told the Roundtable, which is the same romantic idea behind starting a bed and breakfast. However if you do not know how to cook or how to advertise, the business will not succeed.

Although there are many advantages to starting in Connecticut, it really comes down to the ability to build a sustainable business. "I believe second only to hubris, this is where most hedge funds fail; the inability to create and execute a robust business plan."

David Storrs recalled starting his firm Alternative Investment Group, a fund of funds house, in 1996 in Connecticut; back then the area was typically populated by two guys with a Bloomberg machine who did not want to commute to New York anymore. Today, he said, it is populated by some of the great firms of the world like Bridgewater. The quality of life in Connecticut is excellent for anybody who has a family and commuting to New York City only takes 45 minutes.

"And you can think more clearly," he adds. "A little distance helps the mind to focus better."

Dr. Hanming Rao, founder and CEO of Global Sigma Group, a CTA, added that Connecticut offers a lot of opportunities for smaller funds as it is very close to NYC but the cost is much lower.

"You can always set up a branch office in New York City, when you grow to a certain size," he said.

Among the U.S. start-ups over the past 18 months, about 70% were centred on New York and 30% in other States, commented John Wallace, Global Co-Head of Deutsche Banks Alternative Fund Services group.

"Connecticut might be predominant in that 30%, but we have also had launches in Chicago, California and Texas," he continued. "We see funds being started all over the place, but for most U.S. start-ups, the infrastructure play is probably most easily available in New York. A start-up may have aspirations to be in a certain State like Connecticut and they may maintain a post box there as a first step and plan to eventually move there, but until they get their firm off the ground and actually make some money, they will be at a location such as New York that provides them everything that they need before they can really set up their own infrastructure and operation."

He added that of all start-ups of the past few years, those that started in New York are still there.

"Moving to a self sufficient infrastructure model is expensive and usually cost prohibitive for a start-up unless they surpass a certain hurdle," he said. "Very few funds reach such an aspiration in the first or second year."

Another point in favour of starting a fund in New York rather than elsewhere is that New York is an easy place for investors to come to, Steve Simmons pointed out. Indeed, in New York, investors can see several funds in a short time span. Whereas in Connecticut, they have to plan several trips to different cities to see the same number of funds. And, after all, attracting investors is the number one priority for growing a hedge fund.

"I am by no means saying that this is impossible, but it is an added hurdle that a fund needs to overcome," he added.

- Benedicte Gravrand

The **Opalesque 2012 Connecticut Roundtable** took place in Greenwich, CT on September 18th and was sponsored by Deutsche Bank, Taussig Capital, a creator of innovative financial services start-ups, and the derivatives exchange Eurex. Access the Roundtable report here.

Do turkeys vote for Thanksgiving?

Fraser McKenzie

47 Degrees North Capital Management is a specialist alternative investment firm, and a pioneer in early-stage hedge fund investing. It was selected as one of three successful candidates out of 97 applicants to manage the emerging hedge fund managers program at CalPERS.

47N is a leading proponent of corporate governance in the hedge fund industry; so the objective of this series of articles is to discuss and inform on current corporate governance issues.

Everyone knows the answer to that one; turkeys don't vote for Thanksgiving. So why should we expect hedge fund managers to put investors' interests ahead of their own interests – especially if events take a turn for the worse? When drafting hedge fund constitutive documents and the offering memorandum, why wouldn't a manager stack the odds in their favour? After all, when it comes to investing, that's what we pay them to do.

During the fund documents drafting process lawyers typically ask the manager to make decisions about key control features – ones that might allow the manager to exert their will over shareholders in the event of a disagreement say, to wind down the fund. Of course, the self-interested manager opts to keep control, often unaware of the corporate governance issues that can arise.

For drafting lawyers, whose fees are often paid directly from the manager's pocket until reimbursed by the fund after launch, there is confusion about where their loyalties lie – especially when it comes to more subtle points of corporate governance. Lawyers will point out that they don't make decisions about commercial issues such as timing of performance fees or the appropriateness of charging certain expenses to the fund – only that the documents are properly drafted. This is a valid point (if somewhat disingenuous given they are often called upon to provide advice on such choices) and so it is up to investors to understand that using a well-respected law firm to draft the fund documents such as the offering memorandum doesn't mean that investor rights are sufficiently protected.

For a long time in the hedge fund industry, it has been accepted investor practice to "grin and bear it" - especially when you counted yourself lucky to be able to invest in the first place. However, while this might still occur with some high profile launches, there is little doubt that the tide has shifted toward investors getting more of what they want. In the emerging manager space, getting high standards of corporate governance is a luxury that is now affordable – mainly because managers have a greater incentive to provide good corporate governance in order to raise more and higher quality assets.

47N employs a "killer criteria" approach as a first filter when looking at fund investments, meaning that any particular due diligence point that is on the list precludes an investment. It's not all black and white of course - sometimes there is a grey area where a negative point is offset by a positive one. For example, if we see that a fund's voting shares are held by the manager but that the redemption terms allow us to redeem within a very short period of time, then we know this killer criteria will have a very low likelihood of causing any risk to our investment. So it's really a question of combining the criteria with the probability of it occurring and then coming to a conclusion as to whether it's a "killer" or not.

The killer criteria list itself can be split broadly into 3 areas; legal, economic and operational. Legal killer criteria cover breeches of good corporate governance such as voting rights held by the manager (via management shares), lack of independent directors, inability of the directors to ultimately fire the manager, the ability of directors to change the original terms of investment such as redemption rights without investor consultation and whether the fund is properly structured with regard to potential tax liabilities.

Economic killer criteria revolve around such features as poor liquidity terms that are inconsistent with the underlying investment liquidity, a hard lock-up or exit fee that doesn't make sense, an unnecessary investor-level or fund-level gate, allowing performance fees to be paid out from unrealized gains, charging costs such as marketing or Bloomberg to the fund and unnecessary audit hold backs.

The operational killer criteria involve people and processes. Key persons who are not owners of the investment manager create a no-go situation in early-stage manager investing. After all, it's the ownership by key persons which protects the continuity of management – especially when the manager is successful. There must be a clear alignment of interest between the key decision makers and investors (working capital or investment in the fund). Additionally, it is of critical importance that there is direct access to key people such as the COO or CFO. With regard to the service providers, killer points are lack of an independent administrator, no independent pricing or clear pricing policies and procedures, and the presence of any affiliation between the investment manager and a third-party service provider or fund counterpart.

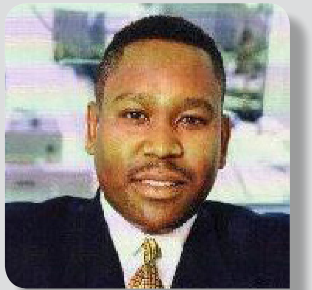
There is clearly a commonsense approach to implementing the killer criteria. The goal is simply to eliminate or mitigate the risk in each of the 3 areas described above in order to focus more on investment risk. From our point of view, the more open spirit of the early stage manager-investor relationship allows these risks to be more easily identified and managed.

One often hears about "uncertainty" from pundits trying to predict the next twist or turn in the capital markets. In our view, pontificating about uncertainty in general does not offer any useful insights - it is a permanent feature of the investing landscape. However, reducing non-investment uncertainty by insisting on certain killer criteria is highly effective.

Put it this way; if you know turkeys don't vote for Thanksgiving then let's make sure they don't have a vote.

- Fraser McKenzie, Managing Partner, 47 Degrees North.

Are we going back to Lake Wobegon?



Bryan Johnson

This article was authored by Bryan K. Johnson, Managing Partner at Johnson & Company, a marketing consultancy to investors and small hedge funds based in Austin, Texas.

Mr. Johnson appeared in New Managers in February 2012 and talked about the proper procedures of marketing and asset raising (article here).

Previous to launching Johnson & Company, he served as Global Head of Marketing and Business Development for the Alternative Investment Group at Moody's Investors Service. Before that, he served as chief expert witness for The Attorney General of Texas and The State of Texas in the evaluation of hedge funds and private equity firms as acquirers of the assets of Texas Genco in the multibillion dollar true-up of Centerpoint Energy.

Prior to the credit crisis and Madoff, most hedge funds lead investors to believe that they domiciled in Lake Wobegon, the fictional town from 'A Prairie Home Companion', where, "all the children are above average" especially hedge fund managers! The "Lake Wobegon Effect", the human tendency to overestimate one's achievements and capabilities in relation to others reached an industry pandemic.

Illness is a humbling experience. However, the patients have healed, allocations are increasing and investors are now focused on three particular behavioral issues:

i. **Opportunistic behavior:** Markets are more volatile. Trading opportunities more capricious. It is critical that a fund be able to demonstrate its consistent ability to opportunistically execute in its core competency as well as capitalize on new opportunities.

ii. **Idiosyncratic Behavior:** Alpha generation is a result of the unique way a manager looks at the investment opportunities set, i.e. "world view". The "world view" shapes the execution blueprint: the character and make-up of the firm, trading strategies and infrastructure. Performance is a result of process. Process is determined by "world view". Often times "world view" is more visceral and less objective than investors would like or managers care to admit.

However, translating or documenting (see non-improvisational behavior) the "world view" of a manager is no easy undertaking. But investors want and need to understand. This benefits the manager as well. In the current climate of unprecedented volatility, investors who have a grasp of the manager's approach (world view) may be more apt to stay the course.

As a result, communication and education of the "world view" are offensive marketing strategies to increase investor retention rates. Therefore, being able to cogently convey and simply (to the extent possible) explain the idiosyncratic behavior of the firm is essential.

iii. **Non-improvisational Behavior:** While investors seek investment risk; process (operational risk) is unacceptable.

Due diligence has become more protracted temporally as well as tactically, which means that documentation review on process and procedure is more invasive. A fund must show that it not only adheres to documented process and procedures but does so consistently. Accurate reporting, verification and replication of performance instil confidence that profits, performance and NAV have integrity.

Success requires experienced human resources and robust technological capabilities, internally and externally (the use of independent administrators and 3rd party pricing services is now de rigueur). The reduction of process risk, continuity and consistency in the operationally are mandatory. Increasing operational robustness/excellence has become a potential source of competitive differentiation.

Embedded Alpha: The REAL ROI - The Return-On-Infrastructure

Embedded Alpha (EA) is generated by experienced, internal and external, operations personnel within a robust infrastructure executing operational processes with a high degree of continuity, consistency and proficiency. **By some estimates EA can contribute 100 to 200 basis points or more per annum to returns**. As returns become harder to produce, it is critical that funds tackle the operational inefficiencies that can subtract crucial basis points from performance.

It's purely an element of survival that funds aggressively seek EA, as every basis point increase in return translates into competitive advantage which improves absolute performance. As a result, more funds have begun to focus on operational issues and identify EA.

Moreover, if the industry intends to minimize imprudent governmental intervention, it must voluntarily increase education, transparency and clarity, requiring patience and the willingness to invest in human and capital resources to create and support robust operational infrastructure. By some estimates, expenditures in information technology to consistently produce alpha as well as meet the governance/fiduciary requirements of institutional investors will exceed $2.7 billion by 2013. Also prime brokers and administrators will have to holistically increase the depth, scope and strength of infrastructure to process higher volume/more complex instruments and support new trading strategies. Achieving these ends will be particularly challenging in an environment of fee compression for funds, declining revenue via reduced spreads for brokers and the commoditization of the administration business.

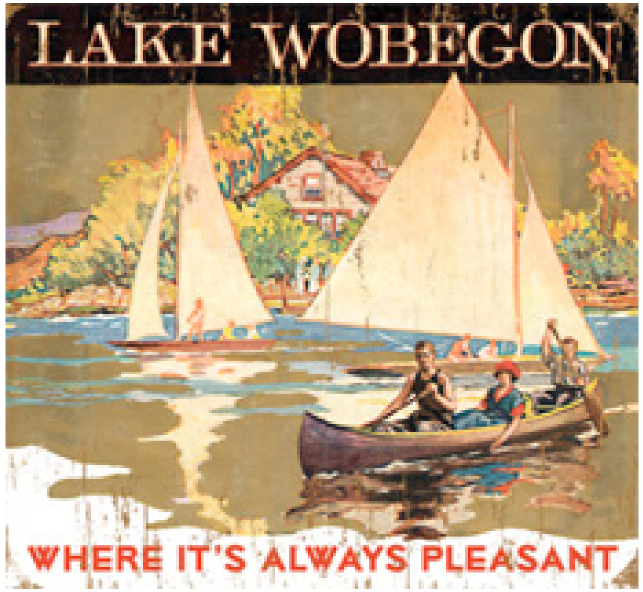
The game has changed

Headline events involving UBS, JP Morgan, Knight Trading and the high frequency trading debate highlight the operational risk discussion. Unless technology and experienced human resources are available to support new instruments, hedge funds will not be able to execute new strategies and generate the returns that ultimately benefit main street as much as Wall Street.

The continuing development of operational infrastructure and increased automation is fundamental to the industry's ability to grow, meet the demands of investors and restore confidence to markets by diminishing the opportunity for inadvertent erroneous actions or fraudulent activity.

In the "new world order" of exacerbated global volatility, fear, uncertainty and doubt, operational excellence is a point of competitive differentiation. Operating an 'institutional-quality hedge fund platform' requires organizing limited resources, instilling a culture of holistic integrity and strong business management in combination with sound enterprise risk management and timely, accurate reporting.

As such, hedge funds, as businesses and an industry, must increase participation with respect to shaping prudent and intelligent regulation as well as focus greater attention and resources on those pertinent issues, which serve to mitigate systemic risk, enable the capture of incremental returns and as always support consistent exceptional investment performance.



Stride Capital looks for true individuality

Don Rogers

Don Rogers, founder of hedge fund seeding firm Stride Capital, has been in the seeding business for a long time. His father started a firm called Rogerscasey in 1976. This global investment solutions firm helped institutions identify new talents for large public and private pension funds to invest in. (Incidentally, it was acquired by Segal Advisors Inc. earlier this year.)

"If you are good at identifying early talent, it can be a real competitive advantage," Rogers told Opalesque in an interview. "That has resonated with me my whole life."

In the early 1990s, he and his brothers started a family investment partnership to invest in alternatives – away from the more traditional model of Rogerscasey. They created their own networks and relationships for identifying new talent and strategies that pension funds had not invested in before. That included hedge funds, private equity, venture capital and real estate.

"We were particularly interested in emerging managers who had an impressive background and set of experiences, but also who are hungry and determined and able to think about opportunities in a new way," he notes.

This venture was successful but time-for-a-change came along and he became a founding team member and partner at Skybridge Capital, where he got involved through Michael Dell's office (the founder of Dell, Inc., the computer firm), which was the original backer of Skybridge. In time, Skybridge's business model changed a bit. Just as that was happening, Rogers left and created Stride Capital, which was eventually formally launched in 2010.

"We were recently nominated for Seed Investor of the Year by HFM Magazine, along with fellow nominees Blackstone and Reservoir," Rogers adds. "We are very proud to be recognized among these well established groups and view this as an important transition from previously being viewed as new entrant to now being viewed as an industry leader."

When looking at emerging managers, Rogers' firm looks at intelligence, integrity and real past experiences. But it looks for uniqueness as well.

"We look for something that is truly differentiated and unique," he explains. "That can come from an individuals' wiring and the way they think about the world. It is so easy to say that not following the crowd and being contrarian is important, but it is very hard to execute and live your life like that; we look for people who have those characteristics."

"But in addition to that, we look for strategies that are not overcrowded; where there is something distinctive and unique that gives an edge."

Stride Capital aims to be a long-term investor. "We do have the ability to withdraw from our managers under certain circumstances, but our intention is to be invested for very long periods of time," Rogers says.

"It is one of the differentiators in our strategy which is, we have a very creative fund structure and deal structure that allows us to stay invested literally into perpetuity, for our investors to continue to benefit from that participation."

His approach takes into account those investors who cannot invest in fund managers until the latter are bigger, or have a certain amount of track record.

"At that point, that is when our ownership stake kicks in and where we have a material interest in that manager, which can be quite lucrative. Our approach in the early years when the manager was outperforming was that we get a lot of fund performance and some growth. But our role is on the one hand identifying talents, on the other bringing that talent to investors who need or are interested in that approach."

The world needs big funds but there are "emerging managers that are under served, under discovered, under recognized, and we are in the business to identify them," he continues.

"The world also needs viable growing firms that are newer and have developed new approaches. We help those firms become institutional ready and mature, and then there is a new group of investors who need them."

Most investors would like to have more exposure to emerging managers, he notes, but there is "enormous inertia" around this, mostly caused by investing committees or career risk.

"Over time, that will change but that change is very slow; this obviously represents an enormous opportunity for us."

Name : Stride Capital Group

Headquarters: Stamford, CT, USA

Other offices in: No

Established in: 2010

Type: Pure seeding

Core offering: Onshore and offshore seeding vehicle

Other offering: Direct co-investments (in certain circumstances)

Total AuM: N/Afunds of funds and customized accounts

How many funds seeded so far: One

How many seeded funds in total (expected):: One to three investments per year

Strategies : Research-driven, low leverage

Geographies: Anywhere globally

Typical seed amounts: $30-50 million

Terms / length of investments: long-term

Revenue share?: Yes

Equity share?: Yes

First Capital loss: No

Acceleration capital: Yes

Post-seeding activities: Full engagement with seeded managers to build world class organizations

Contact: (203) 569-8920 - info@stridecapital.com

Website: www.stridecapital.com

Seeders' Corner news review

CalPERS becomes more active on the EM scene

In August, The California Public Employees' Retirement System (CalPERS), the U.S.' largest public pension fund, produced an Emerging Manager Five-Year Plan. The pension fund wants to deepen its portfolio in EM and the plan describes ten work streams that "provide a data-driven approach to evaluating current EM programs and ensuring CalPERS can access and utilize the capabilities of high-performing emerging investment managers." Progress reports will be done annually.

The pension fund recently selected Canyon Capital Realty Advisors to run its new $200 million Emerging Manager Program for Real Estate. Through the new Canyon Catalyst Fund, CalPERS and Canyon will seek up to six managers who have less than $1 billion of assets under management and no more than three prior commingled funds or separate account investment vehicles. CalPERS will also partner with the California State Teachers' Retirement System (CalSTRS) to host a workshop on December 3, 2012 for emerging managers seeking to become investment partners with the Pension Funds. The workshop, which will be held in Sacramento, California, will "provide prospective managers with an overview of CalPERS and CalSTRS emerging manager program, insights into the organizational and structure attributes that are important factors in the pension fund's assessment of promising emerging firms, and instructions on how to submit investment proposals." CalPERS has $9.7bn invested with more than 300 emerging managers - 11% of externally managed capital.

Larch Lane Advisors to buy itself and continue business as usual

Larch Lane Advisors, a New York-based specialist in early stage hedge fund investing and seeding, announced that its existing management team had signed a definitive agreement with its parent company, Old Mutual Asset Management (US), to acquire the firm and its business. Larch Lane should be 100% employee-owned by the end of the year. Mark Jurish, founder of Larch Lane, said: "We remain committed to providing clients with actively managed portfolios that focus on early stage hedge fund investing and seeding and to delivering the responsive, personalized client service that is the hallmark of our firm."

Cantor Fitzgerald gets ahead in first seeding foray

Cantor Fitzgerald, a global financial services firm, which talked of a plan to raise a seeding fund that provides between $25 million and $50 million start-up capital to 20 to 25 emerging fund managers in February, appointed Marc A. Bender as Senior Managing Director and Global Head of Acceleration and Seeding this month. Mr. Bender will be responsible for building an acceleration, incubation and seeding platform that leverages Cantor's established infrastructure, global distribution and strong capital base.

In the Launches section, see more seed investments from New York-based asset managers Investcorp and Blackstone, as well as Maroon, a European family office.

- Benedicte Gravrand

Butterfield Fulcrum: aim for the institutional grade platform

Phil Niles

Investors in the last few years have been looking for very reputable service providers when looking into funds; prime brokers, auditors, lawyers, fund administrators," Phil Niles, director at Butterfield Fulcrum, a fund administrator, told Opalesque. "Gone are the days when you could use just any old firms and check the box. Investors do a lot more due diligence now. So make sure you have all those service providers in place."

Butterfield Fulcrum is a full-service hedge fund provider that uses best in class technology and leverages it across a very diversified global client base, across all manner of funds and strategies including hard-to-value and complex fund structures. BF has offices strategically located all over the world with a 24/7 service providing capacity and employs about 500 employees.

Investors are also looking for a much more institutional-grade platform, Niles adds.

Unfortunately, investment managers often look for the cheapest possible solution (service providers and technology).

And while this might make sense for a small investment manager, Butterfield Fulcrum cautions then on that. For the most part investors are actually willing to pay a premium for that institutional grade platform, he says. And the cheapest solutions may or may not be the best choice.

"I always encourage managers to think of the total cost of ownership of particular solution and also to think about what it says about their firm. If you think of the audit world, a KPMG or an E&Y are definitely going to cost more than auditor XYZ that nobody has ever heard of, but it also signals a great deal about your fund, about the platform you're trying to build, the transparency and the comfort you're trying to provide your investors."

Niles also encourage managers to not just think about what they need now, but also about what they'll need down the road. Indeed, investors are looking a long way beyond the return offered by a fund.

"Investment managers need to think about possible changes; like if you for example go from $50m to $500m in AuM··· will it entail changing service providers or technology? These may be some very burdensome changes to make down the road. Managers should think about their growth plans and how to align themselves with those plans. It is far easier to make those plans than later – much less costly too."

Niles believes that investors have been looking at risks in a very different way over the last four or five years.

"Risk used to categorised almost exclusively as risk of dollar-loss investments," he explains. "Now, investors also think about liquidity risk, counterparty risk, all of those different types of risks that people really did not give a lot of attention to before. That is why the institutional-grade platform has become so important."

Unfortunately, the real Catch-22 is that such a platform is expensive relative to the asset base of the typical new or emerging manager.

"It's definitely a trade-off that investment manager have to make. But a better one to position yourself for growth and success," Niles concludes.

- Benedicte Gravrand

Name : Butterfield Fulcrum

Headquarters: Bermuda

Other offices in: 10 offices in 9 countries

Established in: 1988

Core service offering: Alternative Investment administration

Related services: Service provider to the alternative investment industry including front, middle, back office services

Supporting how many investment businesses: How many investment businesses: 250

FuM: $110bn

Contact: pniles@bfgl.com

Website: www.bfgl.com

Relative value funds see an uptick in launches this year

61% of all single manager hedge funds are located in the US according to a new report from US-based hedge fund research provider Preqin. The research house also said 2012 had been a solid year for fund launches across all strategies. 387 funds have launched year-to-date (to early Oct.), despite volatile market conditions and significant macroeconomic headwinds (see full Opalesque article here).

Market conditions are proving to be volatile and the European sovereign debt crisis is far from resolved, and as a result the landscape of fund launches over the past few years has shifted towards strategies which can take advantage of these uncertain times, says the Preqin report. Long/short strategies are usually the most popular and account for half of all launches. But since 2007 long/short funds fell to about 45% in 2012. As for global macro, this strategy was at its most trendy in 2009, accounting for 28% of all launches. However, it accounts for around 22% so far this year.

One strategy got a bigger slice of the cake over the past 12 months: relative value. It now represents 17% of all funds launched so far this year. The strategy has performed well over the past few years, Preqin says, and increasing demand from investors is leading to growth in this sector.

We recently heard of this ex-hedge funder striking out on his own:

1. Warren Ashenmil, who managed the commercial-mortgage backed securities and commercial real estate portfolio for Tricadia Capital since 2008, left to start his own hedge fund called Jerica Capital, which will invest in CMBS and related securities.

Former bankers and others who are starting new funds:

2. Antoine Cornut, 37, who led flow-credit trading in the Americas and Europe for Deutsche Bank AG, plans to start his own hedge fund. The fund will focus on European credit. Cornut applied to register his firm, Camares Capital LLP, in August with the U.K.'s Companies House.
3. Hal Lehr, a managing director and global head for cross-commodity trading at Deutsche Bank AG, resigned to form a hedge fund later this year in New York with three of his former associates. According to Bloomberg.com, commodity traders and bankers starting hedge funds in recent months include Paul Crone, a former head trader at Touradji Capital Management LP; Jean Bourlot, a former head of commodities at UBS AG; Neal Shear, who spent 25 years at Morgan Stanley; and Goldman Sachs Group Inc's Taimur Hassan.
4. Lumina Investments, LLC, founded and managed by three North Carolina college students, opened its first hedge fund that seeks to capitalize on the growing influence of macro events on the behavior of global financial markets.
5. Two former Goldman Sachs Group Inc. senior traders are starting a hedge fund with at least $50 million in initial capital from Investcorp, a firm that seeds alternative-investment firms. Rishi Chadda and Cyrus Pouraghabagher will start New York-based Kingsguard Advisors LP on Nov. 1, which will employ a global macro fixed-income strategy.
6. Frank Dominick, formerly of Morgan Stanley, and Charles Woo, who worked at Lehman Brothers, started Hong Kong-based Ardon Maroon Fund Management, and launched an Asia-focused event driven hedge fund with seed capital from Maroon, a European family office.

New seeding investments, ventures and platforms:

7. Peter Muller, founder of the proprietary trading group at Morgan Stanley that is being spun out this year as a stand-alone hedge fund, raised more than $500 million from Blackstone Group LP. He started his first fund in July at New York-based PDT Partners LLC. Blackstone will not have a stake in PDT.

Furthermore:

8. Ex-Unigestion's Philippe Gougenheim, CEO and founder of the new Swiss-based hedge fund shop Gougenheim Investments AG, finally launched the Glasnost Macro Fund with more than $50m in assets.
9. SAIF Partners plans to launch a Greater China hedge fund. If it does, it would be the first major Chinese private equity firm to branch out into the hedge world. The SAIF Partners Greater China Fund will employ the long/short equity strategy, the most popular hedge fund strategy in Asia.
10. RoundKeep Capital Advisors LLC, a hedge-fund firm launched by a former Citadel Investment Group LLC executive in May 2010, is to shut down amid a shortage of investment opportunities.

- Benedicte Gravrand

Hyaline Capital launches macro-driven long/short equity hedge fund

This article was published in Opalesque's Alternative Market Briefing on 27th September, 2012.

Hyaline Capital Management recently launched a top-down, macro-driven long/short equity hedge fund, domiciled in Delaware. The new investment firm, launched this year, is located on Fifth Avenue in New York.

In an email sent to Opalesque, Hyaline's co-founder Justin Meadlin said the fund's focus is on macro and sector investments via ETFs as well as single stock selection across industries, with a particular focus on the consumer, retail, industrial and financial sectors.

"We believe our investment process is … well suited for today's volatile markets as it incorporates macro, fundamental and technical analysis with a high priority on liquidity, transparency and preservation of capital," he said.

The fund will also utilize a three-pronged investment strategy that integrates macro, fundamental and technical analysis, in a process that is expected to be scalable and repeatable.

To align the fund with investor interest, Meadline, COO and head of business development, said that he and co-fonder Tony D'Andraia, CEO and CIO, would maintain a significant portion of their net worth in the fund.

Before launching Hyaline, Meadlin was a Managing Director at FBR Capital Markets for five years and Banc of America and Credit Suisse before that. D'Andraia spent the past two years managing $100m on the Morgan Stanley Prop desk and worked at Avesta Capital and Moore Capital before that.

Hennessee Long/short equity hedge fund index returned 1.04% in August 2012, and is up 3.75% YTD – in line with average hedge fund returns so far this year.

- Komfie Manalo, Opalesque Asia.

Israel's emerging hedge fund managers attract U.S. investors

According to Tzur Management, there are a total of at least 60 hedge fund managers based in Israel. These managers are mainly "emerging managers" by international standards, Globes.co.il reported. In other words, most of these Israeli investment managers are at the start-up stage, and are managing relatively small pools of assets. Their situation is arguably analogous to that of Israeli high-tech companies. Israel's emerging hedge fund managers are beginning to attract interest from United States investors, including seed investors, and the management firm recommends registering with the SEC to make it easier for them to raise capital from the U.S.

Family offices band together to invest in emerging managers

There have been many big changes in the way family offices invest in hedge funds in the last few years. During the recent http://www.opalesque.com/RT/ConnecticutRoundtable2012.html Opalesque Connecticut Roundtable, Angelo Robles, founder and CEO of the Family Office Association, said among other things that single family offices or SFOs, care less about the business success or growth of a hedge fund. "They like to invest into a strategy that is small and nimble, and in fact many managers say they want to stay that way, but financial motivations lead them to collect a lot more assets···" On the other hand, he said, family offices don't invest much in funds of hedge funds any more.

Another development is that two, three or even 10 families are coming together to source an emerging manager.

Robles explained: "They will go to that manager and say something like 'you now have $30 million out of which $10 million is your own money; we will potentially invest a block of $20, $30 or $40 million, doubling what you currently have, but we want some favorable terms.' Some of them are better negotiators than others, and a number of them also feel they do not want to beat up the manager too much, because they realize he has to make a living as well and has a need to be successful as an entrepreneur." (See full Opalesque Exclusive here).

PerTrac study reveals large hedge funds perform better in down years but small funds outperform generally

PerTrac's sixth annual study, http://www.pertrac.com/pertrac-analytics-risk-and-crm-software-for-hedge-fund-investors-and-managers/ Impact of Size and Age on Hedge Fund Performance: 1996 - 2011, shows that the average large fund outperformed the average small fund in the negative performance years of 2008 and 2011.

Since 1996, during the 41 months in which hedge funds of all sizes posted negative performance results, the average large fund lost less than the average small fund in 61% of these monthly periods. (PerTrac defines hedge funds as 'small' if assets are under $100m, 'mid-size' for those between $100 and $500m and 'large' at over $500m.)

The study found that large funds dipped 2.63% on average in 2011, the least when compared to small funds' 2.78% and mid-size funds' 2.95% slides. Large funds also maintained lower annualized volatility statistics relative to small funds.

Investors with a higher volatility appetite and seeking to maximize returns should consider funds with less than $100 million in AUM, since the average small fund has outperformed the average mid-size fund and average large fund in 13 out of the last 16 years.

The study also examines the impact of fund's age on performance and shows that the cumulative return for the average young fund is 827%, since 1996, nearly double that of the 446% return for mid-age funds and well beyond the 350% posted by tenured funds (see full Opalesque article by B. Chandler).

Last month, PerTrac reported that most of the gains in H1-2012 in the number of single-manager hedge funds (75%) had came from small and start-up funds with less than $25 million in AuM.

Speedboats and super tankers

In reaction to the recent PerTrac report mentioned in the previous page, Jeroen Tielman, CEO and founder of IMQubator, a Dutch multi-strategy hedge fund incubation platform, said early stage managers are better positioned to benefit from current market conditions.

Tielman compared young and old funds to speedboats and super tankers and noted:

"The present economic climate favours the quick and nimble and might punish the large, slow and cumbersome."

Investors also benefit form "the unique moment of alignment and the diversification that younger managers offer to a portfolio, within the safety frame provided by an all-round and 'partner type' of investment manager, such as IMQ." Jeroen Tielman appeared in *New Managers* in February 2012 (When launching an Asia hedge fund, expect a budding but crowed space) and July 2012 (What emerging managers need to know: a review).

- Benedicte Gravrand

Mandrill multi-strategy fund outperforms hedge fund indices in Q3 on long stressed credits and long equity positions

Gaston Bullrich

The multi-strategy fund run by New York-based Mandrill Capital Management has widely outperformed a number of hedge fund indexes for the last 18 months, and its performance even picked up in the past two months. However, it has been lagging both the S&P and High Yield indices.

The Mandrill Capital Master Fund, a BVI-domiciled fund which currently manages $1.3m, is currently featured in Opalesque Solutions' Emerging Managers Database.

In an interview with Opalesque, Mandril's Chief Investment Officer Gaston Bullrich said that the fund was up 13% YTD as at end Q3 (+4.1% in August and +3.6% in September) versus its benchmark the S&P 500, which closed +16.4% and the ML High Yields at +14.0% YTD to September. Launched in January 2009, the fund returned 72% that year, 17% in 2010 and -8% in 2011.

Mandrill establishes an overall macroeconomic view based on current and projected macroeconomic trends. It then selects credit securities from global credit markets focusing on large issuers where the manager's research and experience indicate that the security's probability of default is lower/higher than what markets are pricing. Equity securities are selected by using proprietary screens that include technical and fundamental factors that have shown historical positive expected returns.

The main contributors to the fund's recent positive gains were long stressed credits and long equity positions. Within the fixed income allocation, Mandrill's allocation to a distressed European sovereign debt provided a significant contribution.

Bullrich said, "The plan going forward is to continue to improve our decision making process and organization. On the decision making process side we continue to improve our algorithms. We believe that one of the main reasons why our performance has been better than a number of hedge fund indices this year is because we were able to get long equities despite the negative news surrounding Europe. This occurred because our back-tests indicated that this was the right thing to do."

The fund finds opportunities by constantly scanning global credit markets and using filters to sort equities to find the most profitable opportunities.

"We manage risk constantly where our main areas of concern are portfolio leverage, long short ratio, equity fixed income ratio and concentration," he explained. "Our short based equity systems are designed to generate a small amount of profit but more importantly provide a natural hedge for the portfolio in the event of adverse market conditions. "

Commenting on the fund's performance this year, Bullrich explained that

2012 gave the firm "a very gratifying proof that our filters generate an edge for investors when they gave strong indications to get long U.S. equities while more classical analysis and systems were still deeply negative and cautious."

He continued, "We were able to trust our own work and that created a very significant out performance versus hedge fund indices. We are expecting a strong close to the year but are not ideological about it. Our flexibility was very helpful and we intend to keep it. Election uncertainty in the U.S., regardless of who wins, will disappear post-November. Furthermore, chronic hedge fund underperformance and under-exposure in U.S. equity markets will likely lead to higher allocations into year-end which will feed on itself. Additionally, we are entering the strong part of the calendar. In Europe, problems remain with the ECB's proposed buying program, in our opinion mainly as a result of political needs in Germany."

Mandrill will let its macro filters for the U.S. continue to guide its allocation, he said.

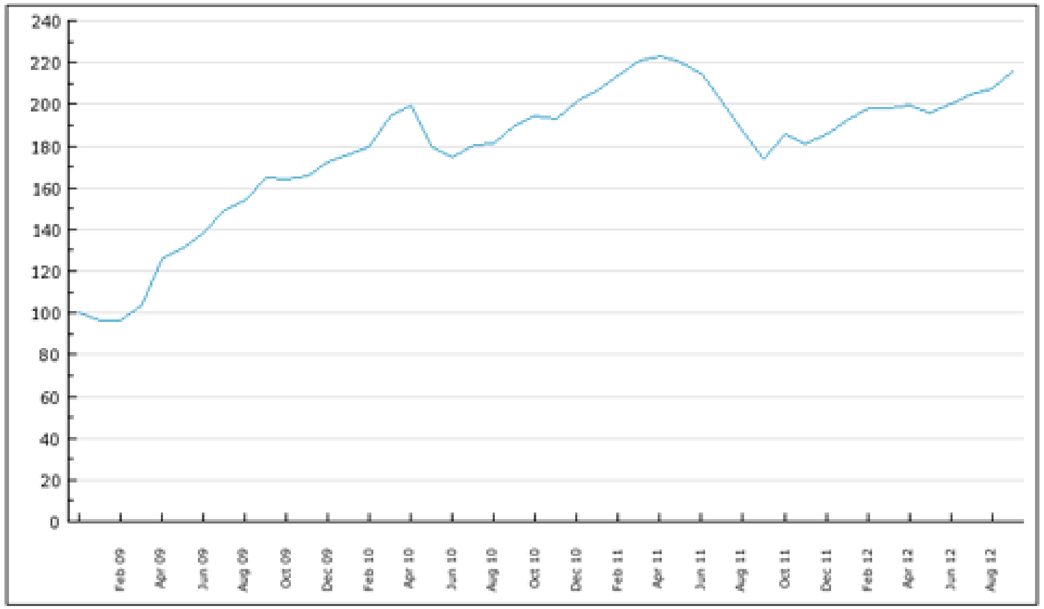
As for China, while the recent news is positive, he believes that that economy has grown too large to manage.

"We developed this strategy as the result of more than twenty years of combined professional money management experience," he noted. "The strategy was designed to avoid some important pitfalls of equity only and fixed income only strategies while at the same time allowing us to allocate to the most attractive opportunities within capital structures."

- Komfie Manalo, Opalesque Asia.

Mandrill Capital's Master Fund can be found in Opalesque Solutions' Emerging Managers Database, which is available to Opalesque' subscribers. You can subscribe here: Source.

If you want your fund to be in the Emerging Managers Database, please send your information to: db@opalesque.com.



Mandrill Master Fund – performance since inception

Voltan to launch fixed income spin-out of Frontier Markets Fund

Alison Graham

Alison Graham, CIO of New York-based boutique Voltan Capital Management, told Opalesque a year ago she was planning on launching several sub-strategies of the Voltan Frontier Markets Fund (see Opalesque Exclusive here).

Launched in May 2009, this fund invests in a universe of 60 developing countries that are not part of the MSCI Emerging Markets index, but that are instead early-stage markets such as Georgia, Bangladesh, Vietnam, Nigeria and Botswana. It usually has 50 to 100 positions across 15 to 20 countries, typically in listed long-only equity. The fund, which has offshore and onshore versions, features in Opalesque Solutions' Emerging Managers Database.

The fund returned almost +6% in September and is up 12.5% YTD. It returned +27% in 2009, +25% in 2010 and -21% in 2011.

"Last year we had a fair number of smaller companies that were quite high beta; very cheap and very good prospects," Graham told Opalesque in an interview. "But when the markets overall got difficult, people pulled out of smaller and less liquid names regardless of the quality. There was not really any particular sector or theme that did poorly, it was more just capital flight from frontiers."

The MSCI Frontier Markets index is up 2.6% YTD (as of 19th October, 2012). It returned 0.03% in the last year, -5.7% in the last three years and +6.2% in the last ten years.

Graham recently told Opalesque that Voltan is spinning out a frontier fixed income product of the main fund, as it is "looking quite attractive."

It is quite unique as it is trading mostly local currency treasury bills and bonds where foreign participation is less than 5-10% of the turnover. Its universe will be around 100 countries.

This would be the first sub-strategy of the Voltan Frontier Markets Fund. This fixed income product will come out in both onshore and offshore versions and should be launched around December. A rough estimate of the return of the fixed-income section of the main fund since inception is 75%.

"The yields are in the 10-12% range even after currency movements (some of the currencies are even appreciating)," she explains. "The volatility is much less than one would expect since most of these assets are held by local-country pension funds and similar, which hold them to maturity. The average debt to GDP ratio in frontiers is 38%, so hard defaults are not as likely as they were 20 years ago."

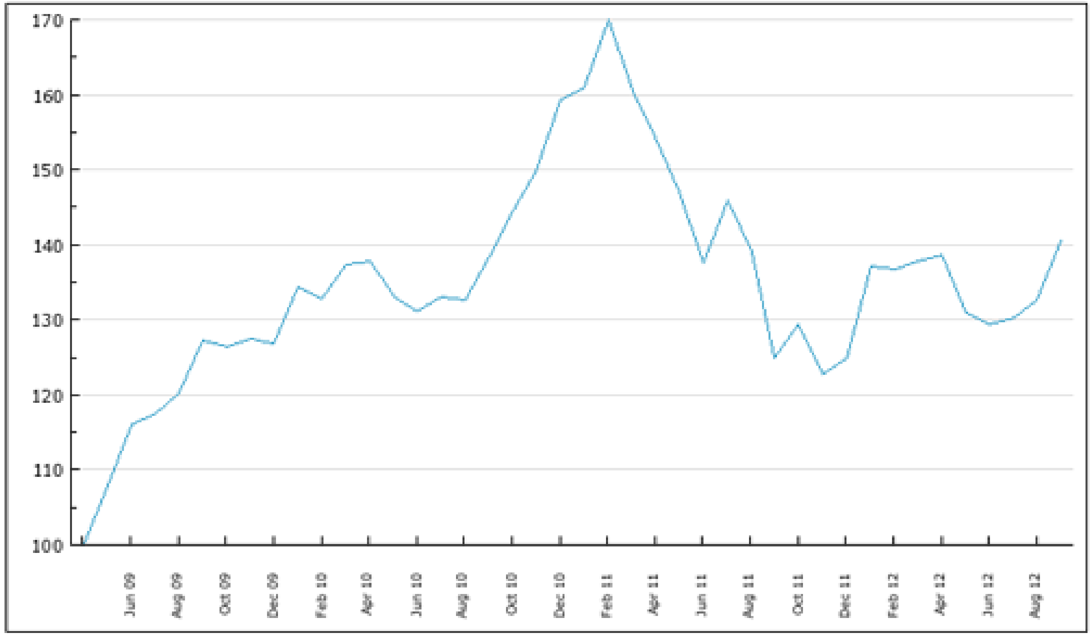
"The normal yields are quite high," she says. "For example in Nigerian treasury bills are about 15%, 16%; in lots of other countries such as Pakistan, Egypt, the nominal yields are quite high too. At the same time you could say that is because inflation is fairly high as well. But the naira for example has been appreciating this year instead of depreciating. So we actually are getting something pretty close to those nominal yields, double-digit yields." (The Nigerian Naira is currently worth around $0.0064; a year ago, it was $0.0066 and four years ago, it was about $0.0084.)

According to Graham, the average debt-to-GDP in frontier markets is around 33%, which is very low. Some initiatives wrote off most of the debt of the African countries and similar initiatives took place at other locations. Anything that really needed to be restructured has been written off or restructured, she says. Which give those countries a very clean sovereign balance sheet.

"The other key issue is the thing they used to call debt crises in frontiers with pegged currencies," she continues. "That is also changed for countries that used to have lots of debt in US dollars and a fixed exchange rate. Now it is the reverse; most of the debt is in local currency and exchange rates are flexible. That also takes a lot of pressure off. For all those reasons, the chance of actual default in most of our countries is really minimal."

She also notes that the liquidity in frontier fixed income (sovereign and corporate) is much better than in equity.

Foreign participation tends to be under 10% and usually under 5% of the trading volume of debt of those markets. Furthermore, it is an area that is mostly dominated by the local pension funds and the local banks as the latter own lots of local treasury bills that foreigners tend not to play in.



Voltan Frontier Markets Fund (offshore) Ltd – performance since inception

"For that reason, it is also interesting to us as the volatility tends to be quite minimal because the locals are captive buyers of the treasury bills. So that is not money that can flee in a crisis."

Voltan is currently studying the possibility of creating another spin-out; this one would be focused on equity takes in listed companies.

- Benedicte Gravrand

The Voltan Frontier Markets fund can be found in Opalesque Solutions' Emerging Managers Database, which is available to Opalesque' subscribers. You can subscribe here: Source.

If you want your fund to be in the Emerging Managers Database, please send your information to: db@opalesque.com.

This newsletter is designed to include a wide variety of industry voices and information. To participate, send your news, events and viewpoints to gravrand@ opalesque.com. To be considered for inclusion information must be factual, not promotional in nature and ideally address deep industry issues and reveal insight into how strategies operate, all delivered from a balanced perspective that addresses risk frank terms.

User agreement and confirmation of Qualified Eligible Person status

The user acknowledges and agrees to all of below:

User confirms that they are a Qualified Eligible Person as defined under the (CFTC) Regulation 4.7., because they are: Registered investment company; Bank; Insurance company; Employee benefit plan with >$5,000,000; Private business development company Organization described in Sec. 501(c)(3) of the Internal Revenue Code with >$5,000,000 in assets; Corporation, trust, partnership with >$5,000,000 not formed to invest in exempt pool; Person with net worth >$1,000,000; Person with net income >$200,000 each of last 2 yrs. or >$300,000 when combined with spouse; Pool, trust separate account, collective trust with >$5,000,000 in assets; User also confirms they meet the following Portfolio Requirement: Own securities with a market value >$2,000,000; Have had on deposit at FCM, in last 6 months, >$200,000 in margin and option premiums; Have combination of securities and FCM deposits. The percentages of required amounts must = 100%.

Opinions:

User represents themselves to be a sophisticated investor who understands volatility, risk and reward potential. User recognizes information presented is not a recommendation to invest, but rather a generic opinion, which may not have considered all risk factors.

User recognizes this web site and related communication substantially represent the opinions of the author and are not reflective of the opinions of any exchange, regulatory body, trading firm or brokerage firm, including Peregrine Financial Group. The opinions of the author may not be appropriate for all investors and there is no warrantee relative to the accuracy or completeness of same. The author may have conflicts of interest, a disclosure of which is available upon request.

RISK DISCLOSURE

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

THE RISK OF LOSS IN TRADING COMMODITIES CAN BE SUBSTANTIAL. YOU SHOULD THEREFORE CAREFULLY CONSIDER WHETHER SUCH TRADING IS SUITABLE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION. THE HIGH DEGREE OF LEVERAGE THAT IS OFTEN OBTAINABLE IN COMMODITY TRADING CAN WORK AGAINST YOU AS WELL AS FOR YOU. THE USE OF LEVERAGE CAN LEAD TO LARGE LOSSES AS WELL AS GAINS. YOU COULD LOOSE ALL OF YOUR INVESTMENT OR MORE THAN YOU INITIALLY INVEST. IN SOME CASES, MANAGED COMMODITY ACCOUNTS ARE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT AND ADVISORY FEES. IT MAY BE NECESSARY FOR THOSE ACCOUNTS THAT ARE SUBJECT TO THESE CHARGES TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETION OR EXHAUSTION OF THEIR ASSETS.

THE DISCLOSURE DOCUMENT CONTAINS A COMPLETE DESCRIPTION OF THE PRINCIPAL RISK FACTORS AND EACH FEE TO BE CHARGED TO YOUR ACCOUNT BY THE COMMODITY TRADING ADVISOR (“CTA”). THE REGULATIONS OF THE COMMODITY FUTURES TRADING COMMISSION (“CFTC”) REQUIRE THAT PROSPECTIVE CUSTOMERS OF A CTA RECEIVE A DISCLOSURE DOCUMENT WHEN THEY ARE SOLICITED TO ENTER INTO AN AGREEMENT WHEREBY THE CTA WILL DIRECT OR GUIDE THE CLIENT’S COMMODITY INTEREST TRADING AND THAT CERTAIN RISK FACTORS BE HIGHLIGHTED. THIS DOCUMENT IS READILY ACCESSIBLE AT THIS SITE. THIS BRIEF STATEMENT CANNOT DISCLOSE ALL OF THE RISKS AND OTHER SIGNIFICANT ASPECTS OF THE COMMODITY MARKETS. THEREFORE, YOU SHOULD PROCEED DIRECTLY TO THE DISCLOSURE DOCUMENT AND STUDY IT CAREFULLY TO DETERMINE WHETHER SUCH TRADING IS APPROPRIATE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION.

YOU ARE ENCOURAGED TO ACCESS THE DISCLOSURE DOCUMENT. YOU WILL NOT INCUR ANY ADDITIONAL CHARGES BY ACCESSING THE DISCLOSURE DOCUMENT. YOU MAY ALSO REQUEST DELIVERY OF A HARD COPY OF THE DISCLOSURE DOCUMENT, WHICH WILL ALSO BE PROVIDED TO YOU AT NO ADDITIONAL COST.

MUCH OF THE DATA CONTAINED IN THIS REPORT IS TAKEN FROM SOURCES WHICH COULD DEPEND ON THE CTA TO SELF REPORT THEIR INFORMATION AND OR PERFORMANCE. AS SUCH, WHILE THE INFORMATION IN THIS REPORT AND REGARDING ALL CTA COMMUNICATION IS BELIEVED TO BE RELIABLE AND ACCURATE, PFG BEST CAN MAKE NO GUARANTEE RELATIVE TO SAME. THE AUTHOR IS A REGISTERED ASSOCIATED PERSON WITH THE NATIONAL FUTURES ASSOCIATION.

accurate
professional reporting service

No wonder that each week, Opalesque publications are read by more than 600,000 industry professionals in over 160 countries.

Opalesque is the only daily hedge fund publisher which is actually read by the elite managers themselve

Opalesque Islamic Finance Briefing delivers a quick and complete overview on growth, opportunities, products and approaches to Islamic Finance.

Opalesque Futures Intelligence, a new bi-weekly research publication, covers the managed futures community, including commodity trading advisers, fund managers, brokerages and investors in managed futures pools, meeting needs which currently are not served by other publications.

Opalesque Islamic Finance Intelligence offers extensive research, analysis and commentary aimed at providing clarity and transparency on the various aspects of Shariah compliant investments. This new, free monthly publication offers priceless intelligence and arrives at a time when Islamic finance is facing uncharted territory.

Alternative Market Briefing is a daily newsletter on the global hedge fund industry, highly praised for its completeness and timely delivery of the most important daily news for professionals dealing with hedge funds.

A SQUARE is the first web publication, globally, that is dedicated exclusively to alternative investments with "research that reveals" approach, fast facts and investment oriented analysis.

Technical Research Briefing delivers a global perspective / overview on all major markets, including equity indices, fixed Income, currencies, and commodities.

Sovereign Wealth Funds Briefing offers a quick and complete overview on the actions and issues relating to Sovereign Wealth Funds, who rank now amongst the most important and observed participants in the international capital markets.

Commodities Briefing is a free, daily publication covering the global commodity- related news and research in 26 detailed categories.

The daily **Real Estate Briefings** offer a quick and complete oversight on real estate, important news related to that sector as well as commentaries and research in 28 detailed categories.

The **Opalesque Roundtable Series** unites some of the leading hedge fund managers and their investors from specific global hedge fund

PUBLISHER

Matthias Knab - knab@opalesque.com

EDITOR

Benedicte Gravrand - gravrand@opalesque.com

ADVERTISING DIRECTOR

Greg Despoelberch - gdespo@opalesque.com

CONTRIBUTORS

Peter Urbani, Florian Guldner, Komfie Manalo, Fundana, 47 Degrees North

FOR REPRINTS OF ARTICLES, PLEASE CONTACT:

Greg Despoelberch - gdespo@opalesque.com