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Challenges Of A Changing Industry

Hedge fund managers discussed the state of play at a roundtable event held last month by the **Harvard Business School Club** of New York.

See coverage, page 10

SPECIALISTS QUESTION TIMING FOR VULTURE FUND SWOOP

Investors specializing in distressed assets are trying to find the bottom of the market and avoid buying at too high a price. With stock markets plummeting and banks of all sizes continuing to fail, there are plenty of distressed assets for investors to buy. The question is, when?

Taco Sieburgh, a hedge fund consultant at London-based **Liability Solutions**, noted that the distressed cycle may be best played at a later stage. "Many investors are still shying away from pure distressed corporate papers at this stage of the cycle; they believe opportunities will

(continued on page 19)

BOUTIQUE TO BAIL OUT AILING HEDGE FUNDS

Fund of hedge funds firm **Cogo Wolf Asset Management** is preparing to acquire up to $500 million in new assets by bailing out struggling hedge funds. **Chris Wolf**, managing partner and co-chief investment officer, said the firm has developed a proprietary asset acquisition model that would allow hedge fund managers, with permission from their investors, to transfer their assets to Cogo Wolf in exchange for ongoing compensation. Wolf declined to provide

(continued on page 19)

"We Are Embarrassed"

TONTINE, GREENLIGHT REVEAL LOSS-MAKERS

Some of the industry's biggest names posted their worst returns in history last month, and two of the well-known managers in the red were **Jeffrey Gendell** of **Tontine Associates** and **David Einhorn** of **Greenlight Capital**. In September, Gendell's *Tontine Partners* and *Tontine Capital Partners* returned -59.3% and -38.5%. For the third quarter, Einhorn's *Greenlight Capital* fund was down 17.9%, its *Greenlight*

(continued on page 19)

APS READIES VIETNAM STRAT

Singapore's **APS Asset Management** is working on a Vietnam absolute return fund for launch at an as-yet undetermined time, but possibly as soon as the end of the year, to capitalize on the country's strong fundamentals. The strategy, *APS Vietnam Fund*, will invest in pre-IPO companies, private placements and possibly other strategies, such as listed equities during the fund's ramp up. It should open with $20 million worth of proprietary money, which could be supplemented with co-investor money to reach $100 million. Chairman and CIO **Wong Kok Hoi** said despite recent economic problems, Vietnam's growth prospects can't be ignored. He's just waiting for the right time to get in.

(continued on page 20)

At Press Time

Colo. Fire & Police Fund Eyes Distressed RE

The **Fire & Police Pension Association of Colorado** is looking to invest about $30 million in distressed real estate products and senior bank loans. Representing just about 1% of the fund's $3.5 billion of assets, that amount could go up. "We're actively looking to deploy right now, [as in] over the next few months," CIO **Scott Simon** said. "If we didn't have today's current liquidity position, it would be very near-term."

The FPPAC will likely invest the majority of the $30 million through larger-scale managers and the remainder with smaller, niche managers. Right now the FPPAC's only distressed allocation is through distressed private equity managers.

Several other pension funds and pension fund managers have been gradually voicing an interest in the distressed marketplace, including various Canadian fund managers.

SocGen Launches Hedge Fund ETF

Societe Generale Asset Management has launched the *SGAM ETF T-Rex* on the **Euronext** Paris exchange and, along with **IndexIQ**, is one of the first firms to embrace hedge fund ETFs. IndexIQ is readying a series of five ETFs that track hedge fund strategies. The SocGen fund tracks the *HFRX Global Hedge Fund Index*, which is down 9% this year.

Paul Justice, ETF strategist at **Morningstar**, said while the timing could be perceived as questionable because of the terrible year hedge funds are having, SocGen is heading in a direction he expects many other firms to go. "The perceived need for a product like this will exist over market cycles. Bringing it to the forefront, they are filling a need regardless of what the market has done over the past year and this is a good move for them," said Justice. He added that other providers who are not financially strong right now might be biding their time until markets improve.

Jolyon Barthorpe, spokesman for SocGen, said that despite the downturn in the hedge fund market, "We believe in the capacity of the industry to protect capital as it did in 2000-2002, especially in relative terms to equity managers," and by launching now the fund will be in a position to capture the eventual upturn in the markets.

Gottex Seeks Marketers For Zurich Locale

Gottex Fund Management is seeking to add three or four marketing and client servicing staffers to its new Zurich office over the next year. They will join Managing Director **Dominique Kuettel**—the current lone staffer. Previously Kuettel worked at **UBS Wealth Management** as product head for alternative investments and distribution in Switzerland.

Swiss investors still have a relatively low allocation to alternatives compared to those in the U.S. and this is expected to grow, said **Andre Keijsers**, who works in investor relations at the $15.6 billion firm. Kuettel and the team he builds will focus on pushing all of Gottex's funds of funds in Switzerland and the rest of German-speaking Europe. Most of the strategies either aim to beat an index, with lower volatility, or are market-neutral, said Keijsers.

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The Americas

McGrath Setting Up Emerging HF Platform

Harvey McGrath, the former ceo and chairman of **Man Group**, has co-founded a manager of emerging hedge fund managers with **John Kinder**, ceo of venture capital firm **Rivertrade**. **Revere Capital Advisors** has debuted with headquarters in New York and offices in San Francisco and London. CEO **Daniel Barnett**, whose background is in emerging hedge fund management, believes hedge funds will be rewarded larger allocations despite the recent market turmoil. In the next 18 months, he hopes to add six or seven absolute return managers with at least $25 million under management and the capacity to grow to at least $500 million. To support this expansion, he plans to add marketers and analysts.

Barnett will be targeting institutional investors. Revere will take no more than a 25% stake in the emerging firms, and only after raising an agreed-upon sum for the manager. It will provide marketing, advisement and distribution. Barnett's goal will be to make the manager prepared to buy out Revere's stake once it has reached a certain asset size. Revere will later be able to provide seeding for startups, Barnett said.

McGrath and Kinder, along with cornerstone investor **Michael Stone**, will serve as advisors to clients. Stone is the former ceo and chairman of **E.D. & F. Man**. Barnett is a co-founder of **Broadmark Asset Management**, an alternative investment firm that specializes in U.S. equity. Prior to starting Broadmark, Barnett was president of international business at **McKinley Capital Management**.

Elizabethtown CIO Ups Dislocated Credit

Dauphin Capital Partners, the outsourced cio for **Elizabethtown College**'s endowment, is increasing its allocations to dislocated credit strategies. Already this month, it has invested in **John Paulson**'s latest rollout, the *Recovery Fund*, which provides equity capital to financials, and has also put money towards **Avenue Capital**'s latest fund of hedge funds, which invests in 15 different dislocation credit strategies. "In anticipation of the next cycle, we're backing [these] managers," **James Hoover**, principal and founder of Dauphin, told *AIN*. Hoover sees distressed strategies as the play for 2009-2010, whereas other dislocated strategies, such as mortgage-backed securities, leveraged loans, and high-yield, present good opportunities right now, he said. Hoover does not have an exact number for how many dislocated credit strategies he hopes to add to his portfolio, but will continue to eye opportunities.

Hoover estimates roughly 15% of the endowment's assets are in dislocated credit strategies. Forty-five percent of all assets are invested in hedge funds, with 20% in private equity, 5% in real assets and the rest in long-only funds. He may consider increasing the endowment's real assets in the coming weeks, he added.

Hoover may consider adding a dedicated high-yield debt fund next year. "Perversely, spreads have widened in advance of defaults," he said. "Usually it's the reverse." Due to this, he expects corporate defaults to rise next year.

Dauphin is also invested in **Paulson & Co.**'s *Paulson Credit Opportunity II* fund (up 353% last year) and several of **Oak Tree Capital Management**'s funds.

Fund Profits From WaMu, Countrywide Failures

Mooring Financial Corporation's *Mooring Capital Fund* has thus far avoided the market beating many of its peers are receiving, returning about 9% year-to-date by its long-held short positions in the financial sector, namely **Washington Mutual**. The Capital Fund buys distressed and commercial debt and also makes investments in the real estate and finance markets.

John Jacquemin, founder and ceo, noted that about two years ago Mooring started taking short positions in what it deemed "vulnerable" financial institutions such as Washington Mutual and **Countrywide Financial Corp.**, anticipating a contraction in the economy. Jacquemin admitted he anticipated the banks would have been hit hard months ago, but Mooring chose to stick to its initial forecast, finally closing its positions in mid- and late-September. Mooring borrowed Washington Mutual stock when it was trading in the 40s, closing out at its current price of 16 cents. Mooring took its initial shorts on Countrywide when its stock was in the 40s, and closed it at **Bank of America**'s purchase price of $4.25. The $70 million Capital Fund also had a short position on **Ambac Financial Group**.

Jacquemin said Mooring's next prediction is that credit card companies and automobile companies are going to receive a beating. "We think credit cards and auto loans will see very high delinquency rates and default rates," Jacquemin said, noting that the fund has short positions on several companies, though he declined to name them. He said he would like to have more short positions, but the recent shorting ban has halted that effort.

Mooring is based out of Vienna, Va., and manages more than $200 million. The Capital Fund has an investment minimum of $250,000 and a fee structure of 2/20. In addition to the Capital Fund the firm also runs the *Mooring Intrepid Opportunity Fund*, which invests in high-yield corporate

The Americas (cont'd)

bonds, commercial mortgage-backed securities and sub-prime residential mortgages.

Case Dismissed!

Tuckerbrook, Banerjee Settle Dispute

The legal battle between **Tuckerbrook Alternative Investments** and **Sumanta Banerjee** over the control of *Tuckerbrook | SB Global Special Situations Fund* and *Tuckerbrook | SB Global Distressed Fund* that began in April (*totalalternatives.com*, April 30) has been dismissed and the two parties have settled out of court. Tuckerbrook brought charges against Banerjee, petitioning for his removal citing contract default, and Banerjee filed a counterclaim accusing Tuckerbrook of breach of contract as well as several violations of the Investment Advisers Act of 1940.

Banerjee declined to comment as the details of the settlement are confidential, but did mention that he is looking for a partner or to join a firm to work in the global event-driven and distressed sectors. He is in advanced discussions with a number of people and is still open to other opportunities. Prior to his stint at Tuckerbrook he was with **Commonfund** as portfolio manager of its distressed program.

John Hassett, managing principal at Tuckerbrook, did not return calls by press time.

Survey Shows Support For Shorting Ban

More than 60% of asset managers, pension funds and large-cap companies recently surveyed by an independent consultant are in support of the U.S. ban on stock short-selling.Overall, 905 companies were surveyed from Sept. 24-29.

Those who favored the ban include long-only funds, employees of the financial services companies whose stock is protected by the ban, and some who are reluctant to see another bank fail, said **Steve Busby**, managing director at **Greenwich Associates** in Stamford, Conn. "Some people feel there is a moral obligation to avoid unfair situations where hedge funds start rumors," he said. "If I worked for **Lehman Brothers Asset Management** or **Neuberger Berman**, boy did I wish that short sale rule was in place so they didn't pile on [the shorting]."

Support for shorting stocks is strongest in North America, reflecting recent public and corporate pension fund appetite to take advantage of a wider swath of investment strategies. Hedge funds recently sold a strategy underscoring short selling, known as a 130-30, which promotes the user to take a basket of stocks, short the bottom-performing 10% and use the proceeds to go long in the top performers.

Reporting requirements for new short sales of certain publicly-traded securities have been stepped up and hedge funds, brokers and institutional money managers will need to continue disclosing those transactions beyond the end of the ban. Only 26% of respondents to the survey said they blame the current crisis on hedge funds.

Defensive Stance Sees Juno Funds Up

Unlike many of its peers, **Juno Mother Earth Asset Management**'s *JME Commodities Strategy Fund* and *JME Equity Strategy Fund* posted positive returns in September. Last month, the funds were up 8.53% and 12.89%, respectively. "It's been quite an interesting ride," CIO **Arturo Rodriguez** said of the turbulent markets. "When people panic, it's always hard to find footing." The firm entered September in "defensive mode", however, and this benefited returns. Through September, the commodities fund is up 24.70% this year. The equity fund, launched earlier this summer, is up 20.92%.

The commodities fund went long the dollar and short the Euro. "We adopted that as a global hedge [for] the entire commodity space," said Rodriguez. The Commodities fund also had a successful short on cocoa using derivatives, he added.

Not all of the New York firm's positions boosted returns. The fund got into coffee at $125 on the long side and through last week, the price of coffee dropped to $110. "I expect in general it is oversold," Rodriguez said, adding that he expects a bounce-back.

Alex Gorski manages the Equity fund, which was extremely bearish on materials and bullish on the transportation of primary commodities sector. One of the fund's positions was shorting fertilizer company **Potash Corporation**. The firm visited the company for an onsite meeting, which prompted Juno to get out of its long position and into a short position. "We felt that there [would be] a very severe drop in price of the agriculture commodities, [which] would have an immediate affect on the price of fertilizers," said CEO **Eugenio Verzili**.

Both funds are open, and the firm is approaching institutional investors, family offices and funds of hedge funds. "There is a lot of interest in the commodity theme," Verzili said. He declined to specify the firm's assets or a goal for growth.

Rodriguez and Verzili co-founded the firm with **Ronald Jansen** and **Joseph Di Virgilio** in September 2006.

The Americas (cont'd)

Cerberus Keeps Chin Up

At least as of late last month, **Cerberus Capital Management** was putting a on a good face to its investors. In a Sept. 25 letter, Managing Member **Stephen Feinberg** and Senior Managing Director **William L. Richter** expressed their belief that while the next 12-18 months may be difficult and in some ways painful for the greater economy, they may also prove to present some of "the best potential buying opportunities" they have ever seen. The firm sees the best investments in senior parts of the capital structure, mainly asset-backed paper and structured finance deals.

Feinberg and Richter wrote that *Cerberus Partners* is "spending a considerable amount of time looking at this opportunity which includes securities, whole loans, and synthetic and derivative instruments where there is significant dislocation." The firm has been adding residential mortgage-backed securities and commercial mortgage backed-securities professionals to its staff in the past year, upping its team to 30 focused strictly on the mortgage market.

Cerberus showed slightly positive returns in July and August to bring its eight-month return for the year to 1.20%, according to the firm's most recent newsletter. The sale of two companies in August, **Talecris Biotherapeutics** for $3.1 billion to Australia's CSL, and **Peguform** for an undisclosed sum, both contributed to positive returns for Cerberus Partners, but taking mark-downs on private companies hurt these returns slightly. Cerberus and another investment group bought Talecris in 2005 for $305 million from **Bayer AG**, and purchased Peguform in 2004.

Cerebrus employs more than 650 people, including more than 200 investment professionals. Calls to Cerberus officials were not returned by press time.

Paragon Acquires Shell Company For Chinese APO

New York's **Paragon Capital** has purchased **Timberjack Sporting Supplies**, an outdoor sporting goods specialist, to use as a shell company with which to perform an alternative public offering with an undisclosed Chinese corporation. **Alan Donenfeld**, founder, and **Kevin Pollack**, managing director, recently returned from a trip to China, where they met with companies that could be taken public.

Paragon sees exceptional value in China and will look to acquire shells to perform more APOs going forward (*totalalternatives.com*, June 24). The duo, which is working on three other APOs, visited China a number of times over the summer and Pollack said that on the last trip they found even more attractive opportunities. "Word is getting out about us," he added. The firm is in discussions with companies in the consumer goods and alternative energy sectors.

The firm invests through its *Capital LP Fund*, and its offshore counterpart *Paragon Capital Opportunities Fund*. Donenfeld feels that the Chinese economy is much more stable the U.S. economy, mainly because its government is more active in the financial system. "[China] is sitting on $1.7 trillion to invest. We want to be in China, participating in their growth," he said. "We don't have the same level of confidence in the U.S. economy to achieve the same rate of growth as China."

Illinois Startup Avoids Turmoil

Kelly Cardwell

Central Square Management, a start-up hedge fund firm in Warrenville, Ill., has avoided the chaotic markets and posted returns of 2.9% in September, and 33.9% year-to-date. Founder **Kelly Cardwell** said that while many larger firms are suffering double digit losses, the *Central Square Capital Fund*—a long/short equity strategy—outperformed. "What's helped me is being more of an independent thinker," Cardwell said.

Many managers held long energy and material sectors and short financials but Cardwell avoided these trades as they were overcrowded. "They got whipsawed in January, and whipsawed in July," he said, adding that the government's ban on short selling more than 1,000 stocks in September made numbers even worse. "I've stuck with my knitting. No big sector calls, no big macro calls," he said.

The Central Square Capital's portfolio is invested two-thirds in technology, software and services companies, and one-third invested in consumer and healthcare firms. "I try to buy things [that are like] coiled springs, where the downside is limited," Cardwell added. He seeks companies with strong balance sheets, strong cash flow generation and low market expectations. He declined to cite specific positions.

Cardwell launched the fund, which has $13.5 million under management, in August 2007 and will begin marketing it again once the fundraising environment becomes more favorable. "Frankly a lot of traditional institutional investors are…I don't know if I'd say panic mode, but they're trying to figure out what to do with their own money," he said. He does not have a goal for asset growth but will begin approaching funds of hedge funds, family offices and high-net-worth individuals. Before founding the firm, Cardwell spent more than 10 years at **Fidelity Investments**.

The Americas (cont'd)

Numbers Are Out

SAC, Lone Pine Among September Losers

Steven Cohen, **Stephen Mandel** and **Raj Rajaratnam** are among the big-name hedge fund managers who found themselves in the red in September. The *SAC Multi-Strategy Fund* was down 6% last month, Mandel's **Lone Pine Capital** fund was down 14.8% and the **Galleon Group**'s *Galleon Buccaneers Fund* was down 13.6%. Year-to-date, the funds are down 6%, 26.6% and 12.7%, respectively. Calls to the trio were referred to spokesmen, all of whom declined to comment.

Other losers were **Tremblant Capital**, which lost 19.3% in September and 28% year-to-date, and **Davidson Kempner**, down 5.3% last month and 6.8% this year. A spokeswoman at Tremblant declined to comment and a spokesman for Davidson Kempner was not immediately available.

Security Global To Unveil New Hedge, 130/30 Strats

Security Global Investors will roll out global market-neutral and 130/30 strategies at year-end. Other imminent launches include a small-cap growth offering next month and an all-cap growth portfolio early next year, said **John Dodd**, managing director of business development. The firm's global long/short strategy now has a four-year track record and clients have been asking what else the firm can offer.

The global market-neutral strategy will be a hedge fund with tight risk parameters, low beta exposure, low annual volatility and no systematic risk exposure, said President **Rich Goldman**. It will also maintain dollar neutrality. Goldman said there's demand out there for fundamentally-based market-neutral and 130/30 strategies, as most firms in this space use a quantitative style. The market is also moving toward more unconstrained strategies, including those not measured against a benchmark and with no market-cap. Goldman doesn't expect the **Securities and Exchange Commission**'s limits on short-selling to affect the 130/30 strategy, as it is launching at the end of the year.

Rasini To Add Distressed Managers

London- and New York-based fund of hedge funds firm **Rasini & Company** will add several distressed managers to its portfolio in early-to-mid 2009. "It's going to be an amazing opportunity," said CIO **Karium Leguel**. While it's too early in the cycle to invest in distressed now, the opportunities will arise next year. "Default rates are going up," he said. "Most funds of funds will be doing it."

The $1.2 billion firm has not yet decided which managers it will invest it, or how many. Depending on "who's around and who's good," the firm may add two or ten, Leguel said. It has 50 underlying managers, and will most likely keep the number at 50, he added. The portfolio is invested in long/short, event-driven and global macro managers, among others, with a little exposure to credit. He declined to specify returns or what percentage of the portfolio is invested in each strategy.

Michele Rasini founded the firm in 1992.

Europe

Startup Readies Art Fund


David Thomas & Gerard Moxon

Dean Art Investments is looking to raise $50 million for an art fund, which it will begin to invest in the new year. *Dean Art* is the first offering on a new hedge fund platform managed by **Harbour Capital Partners** with backing from the **Sonar Group**, a financial services firm. It is targeting annualised returns of 12-15%.

The fund is aimed at high-net-worth individuals, private banks, and pension funds in Europe and the Middle East which want exposure to a non-correlated and tangible asset class as a suitable portfolio diversifier, said **Steve Williams**, ceo at Harbour. It is much cheaper to gain exposure to art via a fund rather than through private advisors, he noted. It is an open-ended structure which means that there's no rush to deploy capital or any time constraints for holding the works. Ex-**Sotheby's** employer **Jeremy Eckstein** is the investment consultant for the fund. **David Thomas** is the chairman and **Gérard Moxon** is the managing director.

The fund will focus on investing in Old Masters, Impressionism and Post-Impressionism, buying works "where there's an established provenance, and therefore in most cases, an established value," said Williams. The fund is completely scalable in terms of capacity although it is tied by whatever becomes available in the market, he noted. But Williams expects that given current market turbulence there will be an increasing number of forced sales because of liquidity constraints. The minimum investment is $1 million. There is a 2.5% management fee and a 20% performance fee.

Harbour's platform provides risk management, marketing, and operational and regulatory infrastructure. It also has office space in London for up to eight teams. The firm is looking to add more hedge funds to the platform. It is in discussions with four managers, said Williams.

Seeks Staffers
Man Hires Strategist

Man Investments has hired **Philippe Gougenheim** as head of strategic research in its Pfäffikon office. He replaces **Rupert Rossander**, who is moving to Man's Chicago-based fund of funds operation, **Glenwood Capital**, in January as chief operating officer and head of business development.

Rupert Rossander

Gougenheim will provide a link between the firm's sales, investment management and product development teams. He will look at opportunities over the medium and long term, including exploiting the potential of blending hedge fund strategies with traditional asset classes, said Rossander.

Man is looking to bulk up the four-strong team to eight or nine staffers over the next year. New hires will monitor existing portfolios, research new strategies and service clients. The interview process has begun.

Gougenheim joins from **Millennium Capital Partners**, where he opened the Paris office in 2005 and was head of the global macro trading team. Previously he was with **Société Générale** and **JPMorgan**.

Capital Innovations Opens In London

U.S.-based infrastructure specialist **Capital Innovations** has opened an office in London, headed by **James Greenwood**. The move will further deepen and broaden the firm's global investment research platform, said **Michael Underhill**, ceo in Hartland, Wis. The office will grow with strategic hires.

Greenwood has experience in economic policy and research. He attended Cambridge and Oxford universities focusing on these areas during his studies for two separate degrees. His past experience includes consulting work in the alternative energy arena for a boutique-specialist research firm, said Underhill. Greenwood was not available for comment.

Capital Innovations invests in infrastructure partnerships for institutional clients providing specialized fund of funds and co-investment funds. "Clients are like snowflakes, with no two alike in objectives and needs," said Underhill. Thorough understanding of a client's position and frequent reliable communication are essential in the infrastructure market.

London Shop Pauses Fundraising

London-based **Camargue Capital Management**, which launched its maiden hedge fund in July, has halted asset-raising efforts to focus solely on investing, because of turbulent markets. The firm is likely to resume marketing to funds of hedge funds by year's end or early 2009. **Benn Spiers** manages the *Camargue Equity Fund*, a long/short equity strategy solely invested in European large-cap stocks. **Simon Kerr**, who works in investor relations, declined to provide performance numbers for the fund's first three months of trading.

Prior to co-founding Camargue Capital, Spiers worked at **GLG Partners** from 2002-2007 as co-manager of the *European Opportunity Fund*. Before that, he was head of trading at **Soros Fund Management** in London.

Cairn, Eton Park, BlueMountain Scoop Awards

Damien Charveriat from Eton Park

Hedge fund firms **Cairn Capital**, **Eton Park Capital Management** and **BlueMountain Capital Management** each walked away with a trophy at an awards dinner on Oct. 6 co-hosted by *AIN* sister publications *Total Securitization* and *Derivatives Week*. The event, held at the Four Seasons in London's Canary Wharf, brought together around 150 players in the global derivatives and European securitization industries.

On the securitization front, London-based Cairn was named Cash CDO Manager of the Year for remaining active despite market turmoil—not only with its own collateralized debt obligations, but also by stepping up as a replacement manager for the CDOs of other firms. Cairn beat off competition from **Highland Capital Management Europe** and **Babson Capital Europe**.

Eric Mindich's Eton Park scooped the Equity Derivatives Manager of the Year award for expanding into new markets and keeping busy in over-the-counter equities. The firm stood out among the nominees in this category, which also included fellow hedge fund firm **CQS Management**.

BlueMountain took home another of the derivatives gongs, for Credit Manager of the Year. The firm was recognised for the timing of its defensive stance, coupled with consistent returns.

Asia Pacific

Timing Hinders Hindsight Converts Fund

Hindsight Investment Management's recently-launched convertibles fund, like many credit funds right now, is a bit handcuffed by a lack of volume. **Rocco Paduano**, who handles risk management at Hindsight, said managers of some convertible funds might as well "close their eyes and walk away for three years," seeing how lack of volume has limited their options. Despite the bleak outlook, the *Hindsight Convertible Fund* remains open; it was seeded with internal funds and its strategy was lifted out from the firm's *Hindsight Asia Fund* based on investor requests. It invests in the Asia-Pacific region, targeting absolute returns through convertibles (both busted convertibles and new issues), credit and short stock investment strategies. One credit pro said that busted converts—pure credit plays—can make sense if they get good pricing.

Like a lot of firms, Hindsight has seen redemptions, which Paduano declined to quantify. Whether a fund has seen redemptions due to performance or risk-aversion, he said that managers of any fund of its size (roughly $22 million) will have shutting down in the back of their minds. Fundraising, the old-fashioned kind from funds of funds, family offices, institutions or anyone else who may have lost a lot of money in the past month, is going to be hard—and possibly impossible for some funds, said Paduano.

PMA Macro FX/Rate Fund Up In Sept.

PMA Investment Advisors' flagship macro strategy, the *PMA Harvester Fund*, was up 1.82% last month in a volatile environment that saw many other funds in the red. The fund is up 15.75% on the year and has registered seven-straight positive months. CIO of macro FX and rates **Shun Hong Liu** said the sources of the fund's gains are well diversified; no one position accounted for a large portion of the gain. "We're exposed to everyone," he said, adding that with the current liquidity crisis it's especially important to keep positions small and scale back leverage.

Liu said the fund did well on several directional bets on interest rates, believing that central banks will continue to cut rates. "When we get the direction right, we make money. When we don't we just lose our option premium," he said. Liu oversees relative value, curve and foreign exchange trades in HKD, curve steepeners and different arbitrages in other Asian foreign exchange and debt markets. The fund, which oversaw roughly $230 million as of last month, is up 2.09% this month through Oct. 3. Macro funds were among the few fund types in positive territory last month.

Liu thinks the mood among investors and regulators was too optimistic and now has become too pessimistic. With governments now paying close attention to the banking system, he believes that risk appetite will grow in two or three months along with stability. PMA, which oversees roughly $2.5 billion in three strategies including long/short equity and credit, is a subsidiary of **SPARX Group**, Asia's biggest hedge fund investor.

Broadpeak Snags Ex-Citadel Credit Pro

Sandeep Gupta, a credit specialist formerly with **Citadel Investment Group**, joined Singapore's **Broadpeak Investment Advisers** on Oct. 1. The firm, which opened in mid-2007, is part of Singapore's club of $1+ billion hedge funds. **Michael Moore**, the firm's chief operating officer, declined to comment, citing company policy. According to previous reports, the firm manages an event-driven multi-strategy fund investing in pan-Asia, including Japan, and got $750 million in startup money from **Temasek Holdings**. Its is led by **Hyder Ahmad**, former co-head of **Goldman Sachs**' Asia securities business, who was responsible for risk arbitrage in its Asia equity prop trading desk. Gupta left Citadel in July around the same time as credit specialist **Donald Ewer** (*totalalternatives.com* Aug. 4). He could not be reached for comment.

ARCH Targets Asia Via IFAs


Robin Farrell

ARCH Financial Products wants to extend distribution of its alternatives offerings into Asia and the Middle East. The firm has just taken a 48% stake in offshore independent financial advisor **Financial Partners Group**, which is already established in nine countries in the region. ARCH is now looking for other IFAs for FP Group to partner with or acquire, said **Robin Farrell**, ARCH's ceo. The aim is to quadruple FP Group's advisory assets to $5 billion by the end of 2011.

The strategies that ARCH is pushing are a fine wine fund, an Asia- and Middle East-focused energy strategy, a global forestry fund, a global asset-based lending offering and three sustainable opportunities funds.

ARCH is trying to tap into a growing investor base in the Middle East and Asia, consisting of individuals who do not have sufficient wealth to qualify for the services of private banks, but who are wealthier than the average retail investor. The IFA industry is going through a period of consolidation, where smaller outfits are likely to be assumed by larger ones, noted Farrell. FP Group is itself the product of the 2002 merger of six IFA groups.

Asia Pacific (cont'd)

Dechert Adds Alts Startup Specialist

Angelyn Lim, a veteran of **Herbert Smith** and **Stephenson Harwood & Lo**, has joined Dechert as a partner in its financial services group in Hong Kong. According to **Peter Astleford** and **Joseph Fleming**, who co-chair Dechert's financial services practice, Lim brings experience in global securities and asset management, and will specialize in setting up private equity, hedge funds, and retail mutual funds, and Hong Kong securities law for global and regional asset managers, banks and trust companies.

Lim has been in private practice in Hong Kong for 15 years. She has represented a regional development bank in the establishment of offshore funds with overseas counterparties, mainland Chinese interests in the establishment of a $300 million private equity fund, and a Japanese asset management group in setting up a $1.5 billion umbrella hedge fund. She has also represented **Manulife Financial**, **AXA Rosenberg Investment Management** and **Value Partners** in establishing offshore investment products and their authorization in Hong Kong for retail distribution.

Dechert expanded to Asia in January 2008 when it opened its Hong Kong office and opened an office in Beijing in September. Its Hong Kong office covers private equity, venture capital and hedge fund formation and investing; capital raising and sales of equity stakes through capital markets offerings; cross-border mergers and acquisitions; and Asia inbound and outbound strategic and financial investments.

3A Commodity Fund Bounces Back In Sept.

3A Asia's fund of relative value commodity funds returned just over 8% in September, putting it in the black for the year—as many funds suffered from plummeting returns and volatility. The fund returned -3.65% in August and was down 5.12% year-to-date, said CEO **Jennifer Carver**. It is now up roughly 4% year-to-date.

The *3A Commodity Fund*, invests in six underlying managers. Three are global commodities managers employing similar strategies, one of which is Singapore-based. Other funds included are a livestock and grains fund managed by ex-**Cargill** managers, an oil fund, and an Australian electricity trading firm. The strategy is biased toward agriculture and energy, accounting for more than 40% of the fund's assets each. In August, it was allocated 63.5% to inter-commodity spread, 18.6% intra-commodity spread, 14.3% directional and 3.6% arbitrage. The oil and livestock/grain funds were added last month to diversify. In 2007 the fund returned 27.36%

William Kung joined the firm in Hong Kong at the beginning of the month in a sales role. He will focus on investment advisors and private banking clients in Hong Kong and Singapore after stints at a hedge fund and **Schroders**. 3A is the hedge fund management division of Swiss banking group **Syz & Co.**

Middle East & Africa

Aureos Extends African Reach

Private equity shop **Aureos Capital** is moving further into Africa with a new office in Morocco. The Mauritius office may be expanded and Aureos is also considering branching out into Angola. Aureos already has eight offices across Africa. "Our investment strategy is largely based on developing strong relationships with entrepreneurs and this requires that we be active on the ground," said **Davinder Sikand**, regional managing partner. The continent has entered a phase where more stable macroeconomic environments and improving governance have fed economic growth, he added. The trends are now in place to suggest that the rapid growth of the last few years will continue.

Africa shares many of the features that boosted growth in other emerging markets—the expansion of the middle class, higher literacy rates, better standards of higher education, wider adoption of more robust standards of political and corporate governance, better informed economic decision making coupled with a new commitment to business friendly policy making, said Sikand. But most importantly, the emergence of a new breed of African entrepreneurs committed to value creation, he said.

The manager is pushing for its Africa fund, which launched in February with just under $50 million, to grow to $400 million this year. It will invest in mid-sized companies that have the potential to transform themselves into regional businesses and to become market leaders, said Sikand. The fund will be largely targeted at investments across Sub-Saharan Africa but with some investments also being made in the Maghreb region, including Morocco, Algeria, and Tunisia. It will have an average target of three-times return on investments which should translate into a net IRR of 20-25%.

Harvard Business School Roundtable

Hedge Fund Managers Soldier On

The ***Harvard Business School Club of New York*** *conducted its first-ever "Hedge Fund Roundtable" on Sept. 16, aiming to shine a light on the effect the credit and banking crisis, market volatility, and increased Capitol Hill scrutiny was having on the hedge fund industry at large. Three seasoned hedge fund managers—****Bill Ackman****, managing member at* ***Pershing Square Capital Management****,* ***Alan Cohen****, senior managing director at* ***York Capital Management*** *and* ***David Ott****, founding partner of* ***Viking Global Investors****—discussed current and future investment strategies and asset allocations. The panel was moderated by* ***Tina Suhr****, deputy chief investment officer of* ***New York University's Office of Investments****. Following is a partial transcript of the discussion. Some answers have been abridged for space and flow.*

Panelists were asked to comment on the retail/consumer sector.

Bill Ackman

Bill Ackman: The sales outlook for retail is pretty moderate but one thing that most people probably miss is that retail is somewhat of an oligopoly, and people think of the retail sector as highly competitive. There's been a big change in retail, from when I first started following it. The difference is in the early-to-mid '90s, when retailers missed sales numbers, they would be heavily promotional and chase sales that weren't there. The impact this had on margins was actually even greater than the poor sales, and with retailers in general, we've had consolidation so now there's two or three big players—and retailers have learned that sales will either be there or not […] But retailer after retailer—**Kohl's**, **Target**—their earnings are okay; they're not a disaster. […] I think a number of firms are [short on the sector], but not necessarily the group as a whole.

Tina Suhr*: Alan, what are you planning to do? You mentioned being short the consumer [sector].*

Alan Cohen

Alan Cohen: Well, we're short the consumer sector through credit spreads—actually primarily through the investment grade indices where 20 of the 30 constituents are either advertising-sensitive or retail-sensitive, and as Bill mentioned, even in the CDS market, there's an asymmetry. You might pay 3% per year, versus if you were early in shorting home builders, or an Internet stock, for that matter, it could have doubled in your face, so part of this is just that asymmetry. I agree with the bearish sentiment on U.S. consumers.

TS*: There's been a great deal of deleveraging going on. Something that's been fascinating to me is witnessing very experienced participants in that credit market actually getting cut by that falling knife. What's going on with that? Why are so many of those who went in early, down 20-80%?*

AC: The last year you had this long-term credit super cycle, and the deleveraging combined with what was going on in the upside, and this is just the continuation of the storm. […] The reason it's so bad right now is because of the shape the consumer is in. People's primary wealth is in their homes, which is why they borrowed as much as they could. In the old days you could borrow against your gross income and put 20% down, and we all know how radically that changed, but the sensitivity to just what your house is worth, and the leverage upon leverage upon leverage on that is just this great unwinding.

TS*: This great unwinding, this great deleveraging, etc, can you think about how it's going to ripple through [other sectors]?*

BA: It's a difficult thing to predict, and I think it depends on the asset class. […] Where I think you've seen a lot of losses in capital, is when you have private equity assets of other investors investing in highly-levered financial institutions, where the capital they're putting in is really just a drop in the ocean. When you have a company that has hundred-to-one leverage, it doesn't matter if someone puts in an extra 1% of capital. You know, the media always seems to get this wrong […] Your return expectations should change depending on how much leverage is used to accomplish your returns. You're going to have fewer buyers, less financing.

We actually operate unlevered. So we don't leverage assets through a prime broker, and that's a very comfortable place to be at a time when things are difficult. Interestingly, up until recently, investors have not differentiated among hedge funds based on whether they use a lot of leverage or not, and obviously I think this is something people should think about.

TS*: How tempting is it for you guys to use leverage?*

BA: It's not tempting. We sit between private equity on one hand, and a traditional public equity manager on the other. A private equity manager runs a concentrated portfolio. There's enormous due diligence, and controls in place to make operational and financial and capital structure decisions. Those are the best things about private equity. The worst thing about private equity is that

Harvard Business School Roundtable (cont'd)

you have to pay the highest price to win, and in order to get return you kind of have to use the same leverage as everyone else. On the public manager side, you've got a wider range to invest in and you've got an incredible degree of liquidity, but you've got less [operational] control and less time to read 200 cases. How long does it take to do the due diligence on 200 hundred holdings in your portfolio? A lot of time and energy.

What we do is sit in the middle. We're concentrated. We do due diligence. We don't get actual inside information like a private equity investor, but we don't need it because we're not paying the highest price that's ever been paid to buy a business from within. We're paying a price with minority interest rates. But in our hands, because of our track record, and otherwise, that minority interest gives us sufficient influence to have near control of the business. In most cases we get done what we need to get done. The result of that is we can earn better-than-private-equity returns, without using leverage. If you have a strategy that works on an unlevered basis, you're not tempted to use leverage. And the combination of concentration and leverage is a combination that doesn't make me feel comfortable.

TS: Do you think it's harder to generate differentiators today than it was when you started?

David Ott

David Ott: Yes. […] I think it's capitalism. Any business where I run really high returns will attract people to compete that are really good at it. And our business, relative to many, doesn't have great barriers to entry that are that greater than they were five years ago, so if it's a lucrative enterprise to try to identify best-priced stocks and the markets are such that talent is moved to do that, over time I think it has to get harder. But my assumption, as I talk to my staff, is that in any given year, we need to execute better the following year to have the same returns, and I think there's no reason that won't continue.

TS: When you say execute better, what does that mean?

DO: It's an array of things that are now part of our job. Certainly it's uncovering more information, but it's in the public realm so it's all publicly-available information. So it's a generic phrase, but it really is all in the execution. I could sit here and say "Oh, we buy companies that are well managed, that generate a lot of cash," but none of that is proprietary. The only thing that's proprietary is our ability on a day-by-day basis is to do that a little bit better than the next person.

TS: Do you need to think about what other long/short equity managers are doing today, from what you do?

BA: No, I think that's sort of a futile case, because you never really know. In the medium term, prices may seem irrational on a day-to-day basis, but you always come back to something equating fair value. With **Wal-Mart** and **Kmart**, from 1980 to current day, there were probably a thousand times when you said, "I can't believe Kmart is up, I can't believe Wal-Mart is down," and it made no sense. But, over the long term, Wal-Mart was great and Kmart went bankrupt, so the world seems unfair on any given day, but over time, it is fair.

Panelists were asked to comment on investing in smaller versus larger companies, and investing in smaller versus larger funds.

BA: If you think of the number of people who do large-cap shareholder activism, there's **Carl Icahn**, there's **Nelson Peltz**. It's a very small handful of people. Most people think smaller businesses are inefficiently priced, and that the large companies are efficiently priced. I think the opposite. And the reason is that smaller businesses are more easily acquired, they're much more easily subject to shareholder activism, they're much easier to understand, if they have only one or two principal lines of business. A large company generally has never been approached by shareholder activists, and is generally a high-quality business. And high-quality businesses very often don't use their capital efficiently, which creates opportunity for restructuring. So I think everything is just your ability to recruit talent and the ratio of capital-to-investment professional is a very important catalyst. The cost of doing business is higher, and it's a little bit of the idea that if you lose money investing with a small hedge fund that no one has ever heard of, you're less likely to be fired than if you lose money investing in a hedge fund that everyone's heard of.

DO: I'm somewhat sensitive to the fact that investors, in what's not necessarily an all-weather strategy, are seeking the right to get in and out, and I know a lot of my peers have three-, to five-, to seven-year lock-ups, and I understand the effect on your liabilities and your assets but I've also had investors that don't want to be in our funds due to their circumstances. That's not a good situation, when you have someone locked up that doesn't want to be there.

We had taken additional net capital for a long time, and we spent a lot of time trying to upgrade our investor-base, trying to find people who take a longer-term view. Ultimately, you need to perform, but I think to the extent that your investors understand what you're trying to do, they'll be able to interpret short-term performance more accurately.

Harvard Business School Roundtable (cont'd)

The panel was asked about the standard 2% and 20% fee structure fund managers typically command.

BA: We're 1.5% and 20%. But it's not wise to select a fund based on who's charging the least, because what matters is what you [the investor] get to keep, as opposed to what the manager gets to keep. And if the manager is under-pricing his product, relative to others, you can make the argument that they are at a competitive disadvantage. […] But investors are happy to pay the bill, because it means they're ending up with more. You want to pick the best people.

TS: People want to get the party going again. But you can't play it the way it was played over the last five, six, seven years. The leverage upon leverage upon leverage, and the changes we had in the derivatives market. They won't repeat themselves in the near-term, right?

BA: One thing that's important to remember is that when people think of the derivatives market, there are two sides to every contract. Every dollar lost is a dollar gained. So I'm not sure there's been a net loss in wealth by virtue of the fact that people have ended derivatives with each other. There's been a transfer of wealth from one set of people to another set of people. The problem is that the person who ends up with the risk is generally the most levered and the least sophisticated.

Audience members were invited to pose questions to the panel.
***Audience member**: Will you ever invest in bank stocks?*

BA: I invested in **Fidelity** in October of 1990. Fortunately I invested in bank stocks and they went up. If they had gone down, I'd probably be in advertising or something like that. But back then, you could actually analyze a bank. Because a bank had a portfolio of assets which were generally loans, and it had liabilities, which were generally debt. And you could see the whole balance sheet, and you could sit down and figure out what it's worth. The problem now is there's just not sufficient disclosure of derivatives, long and short, which could vastly overwhelm the assets and liabilities of that business. It's just unknowable, so how can you buy it? The biggest thing we need to solve the financial crisis is a greater degree of transparency with these institutions.

Short Takes

Short Takes features stories from other news sources and firm announcements. AIN does not guarantee the completeness or accuracy of stories gleaned from other sources, though they are believed to be reliable.

Citadel Flagship Fund Dips 18%

Citadel Investment Group is feeling the pain of the shorting ban and market turmoil, with its flagship fund down 18% this year through September. The fund lost 15% of its value in September alone, which people familiar with the fund attribute to changes in regulatory rules in the U.S. Now down $2 billion to $18 billion, the fund was purchasing distressed portfolios in the recent past. Analyst notes in a recent **Standard & Poor's** report likened the structure of Citadel to a bank, not a hedge fund. It has a two-year lockup period to avoid redemptions. (*Financial Times*)

Alpha Associates Gets EBRD Pro For Advisory Role

Zurich-based private equity fund of funds manager **Alpha Associates** has appointed **Dr. Kurt Geiger** as special adviser and chairman of its advisory board. Geiger was head of financial institutions and private equity and chairman of the equity committee at the **European Bank for Reconstruction and Development**. The firm is looking to grow regional investments, specifically in Russia and CIS. The hire follows a recent appointment, **Henry Potter**, who was a senior private equity banker at **EBRD**. (*AltAssets*)

ChemChina, Blackstone Close Bluestar Investment

China National Chemical Corporation and **The Blackstone Group** have announced the closing of Blackstone's investment in ChemChina subsidiary **China National Bluestar Corp.** Bluestar closed its group restructuring and registered as a Sino-foreign joint stock company that will receive up to $600 million from Blackstone in exchange for 20% of the pie and slots on the board for Blackstone Senior Managing Directors **Antony Leung** and **Ben Jenkins**.

Flexpoint Funds Close With Nearly $1.3B

Private equity house **Flexpoint Ford** has held a first and final closing on its second investment fund, *Flexpoint Ford Fund II*, alongside *Flexpoint Ford Overage Fund II*. Fund II has about $800 million and the Overage Fund has $480 million. The firm, which focuses on the financial services and healthcare sectors, also announced the appointment of two new principals, **Stephen Begleiter** and **Harris Hyman**. Begleiter, formerly of **Bear Stearns**, will run the New York office. Hyman joins from **Grotech Capital Group** as a healthcare expert. (*AltAssets*)

India's MetroCorp Might Get $300M In PE

Bangalore-based real estate firm MetroCorp is reportedly close to raising $300 million from global financial institutions including **Prudential Corporation Asia** and **Warburg Pincus**. The three-year-old developer has three projects in production and has about 21 projects throughout India, from residential and integrated townships to commercial and special economic zones. (*Business Standard*)

Claret Taps JPMorgan For PE Fund

Private equity firm **Claret Capital** has hired **Dermot Hanley** and **Yuki Narula** to join its Dublin and New York teams to help manage its new private equity fund teams. Hanley and Narula join as managing directors of private equity funds and will focus on middle-market deals. Hanley was executive director in **JPMorgan Chase**'s mid-corporate investment banking group in Toronto. Narula was executive director of JPMorgan's financial sponsors group in New York. (*FINalternatives*).

Resolution Names Alts Chief

Resolution Asset Management has hired **Tim Sweeting** to fill the newly-created position of head of alternatives. Sweeting was managing director and head of absolute return strategies for EMEA distribution at **Credit Suisse**. Before that, he was head of sales for Europe and the Middle East at **DB Absolute Return Strategies**. He has also worked at **UBS O'Connor** and **HSBC Investment Bank**.

Claremont Closes Fund At $175M

Venture capital firm **Claremont Creek Ventures** has closed its second fund at $175 million, with commitments from all the firm's existing investors. Claremont, which counts **Harvard Management Company** and the regents of the **University of California** and **Verizon Pension Fund** as limited partners, makes early-stage investments of between $500,000 and $3.5 million in IT startups in the healthcare, security and mobility sectors. (*AltAssets*)

Samena Makes Investment Hires

Samena Capital has made four hires for its investment team. **Celia Farnon** joins from **Polar Capital**; **Swaroop Patel** most recently worked in debt capital markets at **Bank of America** in Hong Kong; **Robert Clements** is an emerging markets specialist who founded hedge fund firm **GEAM**; and **Lien Ber Luen** joins from **Credit Suisse**.

Mandate Scoreboard

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The table below shows new allocation commitments gained by alternative managers year-to-date through September 10. The 2007 column denotes last year's ranking. Wins represent the number of new mandates the firm has won this year.

2008 Tally

Rank	2007	Firms Hired	Wins	Total
1		J.C. Flowers & Co.	1	4000
2	4	Kohlberg Kravis Roberts & Co.	3	3160
3		TPG Capital	12	3000
4		GLG Partners	2	2974
5	3	CVC Capital Partners	9	1540
6	34	PIMCO	8	1325
7	99	Credit Suisse	7	1224
8	165	Alinda Capital Partners	8	1095
9	131	BridgePoint Capital	6	1075
10	5	The Blackstone Group	10	1036
11		First Reserve Corporation	7	945
12	15	Bridgewater Associates	2	900
13	63	Advent International	9	897
14	110	Barclays Global Investors	8	845
15	21	Goldman Sachs Asset Management	5	762
17		Stone Harbor Investment Partners	1	650
18	12	EnTrust Capital	40	645
19	6	Carlyle Group	6	636
20	80	JPMorgan Asset Management	5	611
21	23	Texas Pacific Group	3	580
22	125	Nordic Capital	4	558
23		Lone Star Funds	2	550
24		Riverstone/Carlyle	2	530
25	48	Ares Management	3	520
26		Capital Guardian Trust Company	1	500
	332	Deutsche Asset Management	1	500
	111	Mellon Capital Management	1	500
29	57	Baring Asset Management	4	496
30		Apollo Investment Corporation	7	494
31		Madison Dearborn Partners	7	480
32		Jennison Associates	1	450
		T. Rowe Price	1	450
34	13	Avenue Capital Management	3	449
35		Welsh, Carson, Anderson & Stowe	6	410
36	141	Charterhouse Capital Partners	2	410
37	57	Grove Street Advisors	1	400
	178	Pathway Capital Management	1	400
39	60	Mesirow Financial	3	398
40		LBC Credit Partners	1	375
41	261	Lazard Asset Management	2	354
42		Franklin Templeton Investments	1	350
43		Apollo Alternative Assets	3	344
44	36	Partners Group	4	335
45		Smith Breeden Associates	1	311
46	89	Macquarie Infrastructure Group	6	305
47		Fortress Investment Group	1	300
	44	FrontPoint Partners	1	300
	22	Oak Hill Capital Partners	1	300
	211	Industry Fund Services	1	300
51		Lindsay Goldberg & Bessemer	3	295
	49	Wayzata Investment Partners	3	295
53		CDH Investments	1	291
		Hony Capital	1	291
55		HgCapital	3	287
56	142	Babcock & Brown	5	279
57	148	Sankaty Advisors	3	270
	80	Schroder Investment Management	3	270
59		Summit Partners	4	260
61		Onex Corp.	3	250
62		JPMorgan Private Equity Fund Services	2	250
63		Tenaska Capital Management	4	240
64		Gresham Investment Management	2	235
65		Actis	2	230
		Selene Investment Partners	2	230
67	26	WL Ross & Co.	1	225
68		Triton Capital Management	2	221
69		TCW/Crescent Mezzanine	3	220
70	8	Lehman Brothers	6	215
71	39	Adams Street Partners	4	210
72	178	Asia Alternatives Capital Partners	2	200
		The Banc Funds Company	2	200
	97	The Jordan Company	2	200
		State Street Global Advisors	2	200
76		Barlow Partners	1	200
	211	Cerberus Institutional Partners	1	200
		HSBC Private Equity	1	200
		Invesco Private Capital	1	200
	50	Mariner Partners	1	200
		Noble Environmental Power	1	200
82	349	Siguler Guff & Co.	10	196
83		ABN AMRO Asset Management	1	196
84		Highland Capital Management	2	190
85	77	AXA Rosenberg Investment Management	1	190
86	208	Quantum Energy Partners	3	180
87	349	Austin Capital Management	2	180
88	19	BlackRock	7	179
89		RCG Longview	1	175
90	106	EIM Group	1	170
	149	Vista Equity Partners	4	165
93		AnaCap Financial Partners	1	165
94	43	Lexington Partners	3	162
95		Levine Leichtman Capital Partners	4	160
96	27	New Mountain Capital	3	160
97		Aisling Capital	2	160
98		Evergreen Pacific Partners	2	150
99		Emerald Infrastructure Development Fund	1	150
		Glencoe Capital Partners	1	150
		Huntsman Gay Capital Partners	1	150
		Landmark Partners	1	150
		Versa Capital Management	1	150
104	105	HarbourVest Partners	6	147
105		Angelo, Gordon & Company	3	145
106	24	K2 Advisors	2	140
107		Macquarie Bank	1	140
108	162	Henderson Global Investors	1	139
109		Private National Mortgage Acceptance Company	1	130
110		ABRY Partners	3	125
111		Abbott Capital Management	4	120
112	349	Yucaipa American Funds	2	120
113		Gold Hill Venture Lending Partners	2	119
114		Harris Alternatives Investment Mgt	2	118
115		Great Hill Partners	4	115
116	80	Hancock Timber Resource Group	4	110
117		AP Alternative Assets	2	100
	90	Farallon Capital Management	2	100
	224	Marathon Asset Management	2	100
	106	Pacific Alternative Asset Mgt Co.	2	100
121		AvalonBay Communities	1	100

Mandate Scoreboard (cont'd)

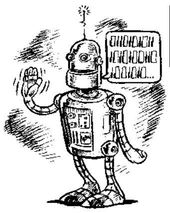
2008 Tally

Rank	2007	Firms Hired	Wins	Total
		Capstone Asset Management Co.	1	100
		Evnine-Vaughan Associates	1	100
		Fillmore Capital Partners	1	100
	78	Green Equity Advisors	1	100
		JLL Partners	1	100
		Knight Vinke Asset Management	1	100
		LP Capital Advisors	1	100
	337	Molpus Woodlands Group	1	100
		Pershing Square Capital Management	1	100
		Strategic Capital Management	1	100
		Treesdale Partners	1	100
		Varde Partners	1	100
		WLR Recovery Fund	1	100
135	9	Pantheon Ventures	4	96
136	72	Abbott Capital Management	3	95
137	204	Lime Rock Partners	2	95
	284	Starwood Capital Group	2	95
139		Sun Mountain Capital	1	90
140	89	Macquarie Funds Management	4	86
141	284	ARCH Venture Partners	1	86
		Celtic House	1	86
		Kearny Venture Partners	1	86
		VantagePoint Venture Partners	1	86
		Ventures West	1	86
		Walden International	1	86
147	51	TCW Group	5	85
148		Longitude Capital Management	4	85
149		NuVista Energy	1	84
150		Morgan Stanley Investment Management	4	82
151	71	UBS Global Asset Management	5	78
152		Hutton Collins & Company	1	78
153	318	Horsley Bridge Partners	2	75
		LIM Advisors	2	75
155	178	American Securities Capital	1	75
	72	BLUM Capital Partners	1	75
		Caspian Capital Partners	1	75
		Catterton Partners	1	75
		Crow Holdings	1	75
		Falcon Partners	1	75
		Ironbound Capital Management	1	75
	40	PAI Management	1	75
163		BlueOrchard Investments	1	74
164		Clayton, Dubilier & Rice	2	70
		LLR Equity Partners	2	70
166		Southwest Funding	1	69
167		EACM Advisors	1	6
168	64	Natural Gas Partners	2	65
169		Aristeia International	2	63
170		Aldus Equity Partners	2	60
		Brevan Howard Asset Management	2	60
		Caltius Capital Management	2	60
		Clessidra Capital Partners	2	60
	46	Platinum Equity	2	60
175		Chicago Equity Partners	1	60
		Mesirow Asset Management	1	60
		Milestone Partners	1	60
		Ruffer Investment Services	1	60
		Split Rock Partners	1	60
180	14	GAM	2	57
181		AMP Capital Investors	2	56
		ANZ Asset Management	2	56
183	39	Adams Street Partners	2	55
184	140	Wellington Management Company	3	54
185	126	Aetos Capital	2	53
186		Advent Capital Management	3	52
187	264	LGT Capital Partners	2	51
		The Riverside Company	2	51
189	93	Exponent Private Equity	1	51
190		Aberdare Ventures	1	50
		Apax Europe	1	50
	247	Cardinal Partners	1	50
		Citi Alternative Investments	1	50
	124	Davidson Kempner International Advisors	1	50
		Essex Woodland Health Ventures	1	50
		Five Arrows Leasing Group	1	50
		Fore Convertible Fund	1	50
		GSO Capital Partners	1	50
		International Investment Group	1	50
	222	KSL Capital Partners	1	50
		Lydian Overseas Partners	1	50
		Orleans Capital Management	1	50
	221	Oz Management	1	50
		Pinnacle Asset Management	1	50
	158	Platinum Grove Contingent Capital Partners	1	50
		RCM	1	50
	76	Stark Investments	1	50
		Summit Investment Partners	1	50
		Thoma Cressey Bravo	1	50

For a complete listing of the Mandate Scoreboard, please visit www.totalalternatives.com

This Week's Completed Mandates

2008 Tally					Week of September 8 Wins		
Rank	**2007**	**Firms Hired**	**Wins**	**Total**	**Client**	**Asset Type**	**Amount**
2	4	Kohlberg Kravis Roberts & Co.	3	3160	Nebraska Investment Council	Private equity	10
5	3	CVC Capital Partners	9	1540	Nebraska Investment Council	Private equity	28
15	21	Goldman Sachs Asset Management	5	762	Luther College, Iowa	Not specified	2
18	12	EnTrust Capital	40	645	New Castle County Employees' Pension Program, Delaware	Hedge funds	10
35		Welsh, Carson, Anderson & Stowe	6	410	New Jersey Division of Investment	Private equity	100
36	141	Charterhouse Capital Partners	2	410	Massachusetts Pension Reserves Investment Management Board	Buyout	110
44	36	Partners Group	4	335	New Jersey Division of Investment	Private equity	75
82	349	Siguler Guff & Co.	10	196	Anne Arundel County Retirement System, Maryland	Distressed debt	5
84		Highland Capital Management	2	190	Arizona Public Safety Personnel Retirement System	Not specified	90
91		Towerbrook Capital Partners	4	165	Arizona Public Safety Personnel Retirement System	Not specified	50
153		LIM Advisors	2	75	New Jersey Division of Investment	Absolute return	75
216		Lincolnshire Management	2	45	Nebraska Investment Council	Private equity	20
282		Mn Services	1	14	Bpf MITT, Netherlands	Infrastructure	14
304	29	Crestline Investors	1	10	New Castle County Employees' Pension Program, Delaware	Hedge funds	10



Data Zone

PERFORMANCE SNAPSHOT: MULTI-STRATEGY HEDGE FUNDS

EUREKAHEDGE

The table below displays some of this year's top performing multi-strategy hedge funds, according to data provided by **Eurekahedge**.

Fund	Manager	Region	Aug. '08 Return	2008 Return	2007 Return	Annualised Std. Deviation	Sharpe Ratio	AuM (US$ Million)
Multi-Strategy								
Sparta Cíclico	Sparta Administradora de Recursos	Brazil	-1.24	133.93	244.94	55.73	2.58	120
Sparta Anti-Cíclico	Sparta Administradora de Recursos	Brazil	-5.11	44.39	155.94	56.31	1.44	11
Magic Capital Fund	Washington Asset Advisors	North America	2.38	38.90	45.40	19.25	2.30	28
Singleton Fund	Washington Asset Advisors	North America	1.86	32.91	64.42	16.98	3.13	50
Wallace Australia Opportunities Fund	Wallace Funds Management	Australia / New Zealand	3.38	28.14	4.15	12.63	1.26	62
QM Multi-Strategy Fund	Quantmetrics Capital Management	Global	0.55	23.47	28.72	6.27	4.56	78
Brigadier Capital	Brigadier Capital Management	Global	4.24	19.67	27.85	6.96	3.66	219
Brax Fund Class	JGP Global Gestão de Recursos	Emerging Markets	-2.99	16.50	33.09	15.99	1.94	57
Teorica FI Multimercado	Teórica Investimentos	Brazil	0.36	16.11	24.23	11.67	2.14	8
Artradis AB2 Fund	Artradis Fund Management	Asia inc Japan	0.57	14.94	56.96	16.15	1.76	2208
Tangiers Investors	Tangiers Capital	Global	0.90	14.76	14.40	15.34	1.78	Not Disclosed
EIP Overlay Fund	Enhanced Investment Products	Asia ex Japan	1.26	14.53	22.90	6.22	1.12	23
Brotman Capital Partners	Brotman Capital Management	North America	4.67	14.15	0.00	18.07	0.99	Not Disclosed
CMT Global Fund Limited	CMT Asset Management	Global	0.42	14.09	29.52	6.08	4.00	106
Segantii Asia-Pacific Equity Multi-Strategy Fund	Segantii Capital Management	Asia ex Japan	0.90	12.89	0.33	3.09	4.55	39
GILD Arbitrage	AS GILD Fund Management	Europe	0.84	11.24	22.12	7.17	2.69	129
Phalanx Japan-AustralAsia Multi-Strategy Fund	Phalanx Capital Management	Asia inc Japan	0.80	11.01	59.61	41.03	1.50	21
Welton Alpha Strategies	Welton Investment Corporation	Global	-2.16	9.72	0.92	7.02	0.63	4
Artradis Barracuda Fund	Artradis Fund Management	Asia inc Japan	0.12	9.19	35.26	7.70	0.91	1755
Bladex Capital Growth Fund	Bladex Asset Management	Latin America	-2.56	8.96	20.39	7.48	1.29	149
Regional Multi-Strategy Indices								
Eurekahedge Asia Multi-Strategy Hedge Fund Index			-1.86	-10.17	21.68	7.37	1.26	
Eurekahedge Europe Multi-Strategy Hedge Fund Index			-1.17	-7.20	15.25	10.64	1.85	
Eurekahedge Latin America Multi-Strategy Hedge Fund Index			-0.86	4.85	17.41	4.24	13.17	
Eurekahedge North America Multi-Strategy Hedge Fund Index			0.02	-0.46	11.42	5.63	2.57	

Notes:
* Ranked by 2008 YTD Returns

Eurekahedge Commentary

The Eurekahedge Multi-Strategy Hedge Fund Index shed 1.4% in August, with North American (0.02%) managers helping to bring down average losses. In the North American markets, as declining commodity prices eased inflationary pressures, equity and bond prices improved and the dollar strengthened, regional multi-strategy managers were able to limit losses through re-adjusting their currency and interest rate exposures, and through short-term momentum trading in equities.

All other regional mandates finished the month in negative territory, with Asian managers down 1.9%, amid sharp declines across equities in China, Hong Kong, Japan and Korea, coupled with weakening of domestic currencies against the US dollar. European managers fared better (-1.2%), as the equity (FTSE 4.2%) and currency markets afforded managers with opportunities to offset a portion of the losses suffered across commodities, among other asset classes. Latin American managers finished the month down 0.9%, as gains from fixed income plays negated some of the losses suffered in the equity markets, during the month.

Alternatives Manager Search Directory

Powered by: iisearches iisearches.com

The following directory includes search activity for the week. The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed. All amounts are in US$ millions unless otherwise stated.

Fund & Location	Total Assets	Mandate Size	Mandate Region	Asset Type	Consultant	Comments
3M Company, St. Paul, Minn.	11,000	-	US	Not yet known	Hewitt Associates	The fund may consider investing in alternatives, but has not established a specific asset class.
Abbott Laboratories, Abott Park, Ill.	3,800	114	US	Not specified	None	The fund may commit $114 million to alternative strategies, pending next year's asset studies.
Ball State University Foundation, Muncie, Ind.	220	8	US	Private equity	Hammond Associates	The fund is planning to commit about $8 million to middle-market buyout funds next year. It has a 15% target allocation to private equity.
Bedrijfstakpensioenfonds Mode-, Interieur-, Tapijt- en Textielindustrie (Bpf MITT), Heerlen, The Netherlands	1,368	13.68	Global	Infrastructure	Watson Wyatt	The scheme plans to increase its exposure in infrastructure funds of funds, investing 1% by year-end.
Butler University, Indianapolis	162	-	US	Not specified	Fund Evaluation Group	The fund may increase its alternatives allocation, possibly by year's end. The specifics on an investment size have not been set yet.
Drexel University, Philadelphia	550	-	US	Private equity	Cambridge Associates	The fund may seek a private equity fund of funds manager. It currently has a 9% allocation to the asset class.
Fairfield University, Fairfield, Conn.	265	-	US	Commodities	None	The endowment will look at an initial commitment to commodities. It may decide to invest during the next six months.
Hong Kong Jockey Club Retirement Scheme	256	-	Global	Distressed debt, private equity	Unknown	The fund is looking to make modest allocations to distressed funds and private equity.
Lincolnshire County Council Pension Fund, Lincoln, U.K.	1,904	-	Global	Infrastructure, commodities, hedge funds	Hymans Robertson	The scheme is in the initial stages of examining infrastructure and commodities for first allocations. The scheme has not yet set specifics on the size or the funding. It also plans to invest in hedge funds but the decision is pending committee approval next year.
Maryland State Retirement & Pension System, Baltimore	36,600	-	US	Private equity	Altius Associates Limited	The scheme has upped its private equity allocations to 15% from 5% and may seek managers for the increase.
Rio Tinto Canada Master Trust, Montreal	978	-	Canada	Not specified	Mercer	The scheme is analyzing alternatives with a view to making an initial investment, possibly by year's end.
Roanoke (Va.) City Pension Plan	339	-	US	Infrastructure	Becker, Burke Associates	The fund is considering alternatives and is eyeing an initial investment in infrastructure. The board may make a decision pending the results of an educational presentation and trustee approval.
Strathclyde Pension Fund, Glasgow City Council, U.K.	15,925	-	Global	Commodities, infrastructure	Hymans Robertson	The scheme is examining commodities and infrastructure. It may hire managers but has not set specifics on the sizes and funding for the allocations.
Trinity College (Endowment Fund), Toronto	58	-	Canada	Private equity, commodities	Unknown	The scheme is mulling alternatives and may consider commitments to private equity and commodities. Specifics have not been set.
University of Houston, Texas	530	-	US	Distressed debt, real assets	Cambridge Associates	The endowment may discuss distressed debt and real assets at its December meeting. It already has exposure to both strategies.
Drexel University, Philadelphia	550	11	US	Hedge funds	Cambridge Associates	The fund is searching for a distressed debt manager and two long/short managers, with plans to invest 1-2% with each manager.
NRMA Super, Sydney, Australia	669	-	Global	Not decided	Mercer	The scheme is in the midst of increasing its alternatives exposure. It is seeking external managers and setting specifics on the minor classes, the size and the funding for the allocation.
Fresno County Employees Retirement Association, Fresno, Calif.	2,650	54	US	Various	Wurts & Associates	The fund's trustees will receive education on funds of hedge funds, commodities, opportunistic fixed-income and infrastructure at its retreat on Oct. 15-16. It it unsure if searches will result.
Louisiana State Police Retirement System, Baton Rouge	422	-	US	Energy, distressed debt	UBS PaineWebber	The fund may consider initial investments in energy and distressed debt. An educational presentation is scheduled for later this month.
Pensionskasse der Manor AG, Basel, Switzerland	1,331	-	Global	Infrastructure	PPCmetrics	The scheme may allocate to infrastructure for the first time by mid-2009.

BOUTIQUE TO

(continued from page 1)

specifics of the compensation structure, but said Cogo Wolf would not bring the manager onboard.

Wolf said the firm will look for hedge funds that performed poorly in 2007 and are also underperforming in 2008. "A lot of managers are waiting on the sidelines and watching the hedge fund hemorrhage," he noted. Cogo Wolf's offer to acquire assets would provide a different option for managers who otherwise might be forced to close their funds, said Wolf. "From our point of view [the assets are] worth a significant amount to us."

Cogo Wolf would transfer any acquired assets into its sole strategy, the *Cogo Wolf Global Strategy Fund*. The fund has $100 million assets under management and returned 23.7% last year.

—C.D.

TONTINE, GREENLIGHT

(continued from page 1)

Capital Qualified fund down 17.4%, and its *Greenlight Capital Offshore* fund down 16.7%.

Year-to-date, the Tontine Partners fund and the Tontine Capital Partners fund are down 66.7% and 31.5%, respectively. "September turned into the 'once in 13 years' for our funds," Gendell wrote in a letter to investors. "The combination of falling commodity prices, massive anticipated hedge fund redemptions and the seizing up of the credit markets caused an enormous dislocation in our portfolios […] We are embarrassed by this performance and we remind you that we eat our own cooking as we are the largest investor in each of our strategies."

In September, the firm's Tontine Partners fund was concentrated in steel, engineering, airlines and chemical names, which are "huge beneficiaries of falling oil prices." Despite this, **U.S. Steel Corporation** fell from $180 per share to $70, and the same happened with engineering firms. "Unfortunately, the public is not interested in future earnings or large cash positions," he wrote. Still, he believes steel will earn more than the public believes next year.

Last month the Tontine Capital Partners fund was invested in commodities, primarily service-related activities companies such as refinery refurbishment and electrical contracting. He did not disclose the names of companies this fund invested in.

Einhorn's sentiments mirrored Gendell's: "Obviously, this was a very frustrating quarter and the environment remains scary," Einhorn wrote in his own letter to investors. "Since our specialty is not macro forecasting, let alone guessing how some erratic actors in Washington will behave, we are not in a position to know when these headwinds will reverse."

Roughly all of Greenlight's losses—year-to-date, the Greenlight Capital fund is down 16.4%, the Greenlight Capital Qualified fund down 15.2% and the Greenlight Capital Offshore fund down 14.4%—came from the long positions, while its shorts "failed to offset the long portfolio decline."

Long positions included chemicals manufacturer **Arkema**, **Porsche Stub**, and **Helix Energy Solutions Group**. Arkema's share price fell from €35.90 to €25.75 last quarter due to the downturn in the market. Porsche fell sharply as it increased its stake in **Volkswagen** to 35% from 30%. "We believe that these actions are providing an artificial bid for Volkswagen shares in the marketplace," Einhorn wrote. On Oct. 7, Volkswagen's shares surged by 55% as hedge funds sought to cover their short positions.

Helix Energy, which provides construction, maintenance, repair and other services to offshore natural gas and oil companies, saw its share price drop from $41.64 to $24.28.

Greenlight was short **Punch Taverns**, which runs and leases over 8,000 pubs in the U.K. Pubs are suffering from the U.K.-wide smoking ban, supermarkets' aggressive beer discounting and the country's consumer crunch. Greenlight first got into the position at £2.83, and shares were trading at £1.35 on Sept. 30.

Gendell did not return calls by press time. Calls to Einhorn were referred to **Mary Beth Grover,** spokeswoman, who declined to comment.

"We cannot make the money back overnight, so we urge your patience," Gendell concluded in his letter. "We will continue to work hard for our investors, including ourselves, as the largest investors."

—Suzy Kenly

SPECIALISTS QUESTION

(continued from page 1)

be greater in six-to-18 months' time," he explained. Indeed, according to a study released Oct. 7 by law firm **Bracewell & Giuliani** in conjunction with *Debtwire*, more than 50% of distressed investors surveyed believe the price of distressed debt will go down further in the next 12 months.

Steve Persky, managing partner at **Dalton Investments**, acknowledged the difficulty in picking a bottom of the distressed market, but he said for many investors the returns are attractive enough to warrant the risk. Persky's *Dalton Distressed Mortgage Opportunity Strategy*, which launched in August, buys up tranches of sub-prime mortgage-backed securities. The strategy is not dependent on the market as a whole but on the subprime mortgage sector, so even if the broader markets continue to bottom out, Persky said his purchases will keep earning money based on how long people will continue paying interest.

John Jacquemin, ceo and founder of **Mooring Financial Corporation**, which invests in distressed commercial loans and distressed real estate, noted there is currently a lot of "ferocious" competition in the distressed debt market. In his opinion, many firms are overpaying. "I think fund managers are trying to put [their money] to work and I think they're premature," he explained.

At the end of 2007 fund of hedge funds firm **Guidance Capital** decided to take advantage of the opportunities created by forced selling and forced liquidation in the market by preparing a fund of funds to invest in distressed securities, mortgage-backed securities and managed futures. *Black Terrain* launched in February, and is invested in 14 underlying managers. Founder **Brian Ziv** noted that at the time of the fund's launch it was hard to imagine the market falling to the point it is now, but he said he has confidence in his underlying managers to make the judgments on when assets are "cheap enough." While one manager in which Black Terrain is invested has double-digit marked-to-market losses, Ziv said he's comfortable with that, as the manager's investments are meant to be held for longer periods of time. Black Terrain is down about 3.9% through September since inception. According to the *CASAM CISDM Database*, the average year-to-date return for distressed securities funds is -3.84%. *—Corrie Driebusch*

APS READIES

(continued from page 1)

IPOs are generally priced below fair market value in the current environment, and pre-IPO investors often get 10-20% discounts with a sizable allocation. Institutions are favored and private placements by listed companies are often priced at discounts of 20-30%. The fund will carry 2/20 fees and an 8% performance hurdle. Exit will be by transferring securities after IPOs to the open-ended *APS Vietnam Alpha Fund*.

The firm thinks there are opportunities in Vietnam despite a pessimistic economic picture that saw the country's stock market plummet by 68% since mid-2007, tight liquidity and rising interest rates. The property market has been hampered by 21% mortgage rates and is bound to suffer more. But the government is making policy adjustments to address inflation (up 27% in July) that saw the dong lose 20% in May. Government spending has been cut by 10%, projects that would have been funded by government bonds were cancelled or postponed and non-core investments by state-owned enterprises have come under greater scrutiny and control. To fight inflation, the government took control of pricing for basic goods like cement, steel, electricity, water, coal and medicines. Exports of rice have been postponed; price speculation has been criminalized. Tariffs of car imports have been raised 83% and a gold import quota has been postponed.

Wong said he believes peak inflation was reached three months ago and the country has already seen the worst, despite being depressed after a severe correction. Fundamentals are still strong and Vietnam remains the second-fastest growing economy in the Asia-Pacific region, after China. Its fastest-growing industries are healthcare, food processing, financial services and tourism. And manufacturing, agriculture, trade, construction and mining make up 76% of its GDP, so growth isn't entirely built on capital accumulation or labor input increases, rather from productivity growth. Exports are around 68% of GDP, higher than China's 37%, facilitated by low labor costs and WTO membership. Major beneficiaries of this should be agriculture, fishery, forestry and manufacturing companies.

APS is a pure bottom-up equity manager that is 100% employee-owned. It manages roughly $1.3 billion for institutions in Asia (47.4%), Europe (20.8%) and North America (31.9%). *—Doug Cubberley*

Quote Of The Week

"We are embarrassed by this performance and we remind you that we eat our own cooking as we are the largest investor in each of our strategies."—**Jeffrey Gendell**, *of* ***Tontine Associates*** *in a letter to investors, apologising for the poor performance of his firm's portfolios in September (see story, page 1).*

One Year Ago In Alternative Investment News

Investors in troubled hedge funds managed by **Absolute Capital Management** were questioning the legality of the firm's approach to restructuring its funds…Former **2100 Larch Lane** Managing Directors **Diego Orlanski** and **Raul Guimaraes** had set up **SEAGUL Capital** and had a long/short strategy focused on Latin America in the pipeline…London's **Cairn Capital** was planning to fire up a long/short structured credit fund.