

Eurizon Seeks Liquid Equity, Credit Strategies for Fund of Funds

BY CHRIS LARSON

Eurizon Capital SGR S.p.A, the asset management arm of Italian bank Intesa Sanpaolo, is looking for directional equity and credit strategies for its fund of hedge funds portfolios, according to **Filippo Stefanini**, head of hedge funds and manager selection. Investments typically range from 3 million (\$4.4 million) to 15 million euros each, Stefanini said in a telephone interview.

"Right now we are actively searching for new long-short equity managers and long-short credit managers," he said.

Seven of its nine funds of funds have monthly liquidity, while two have weekly liquidity, Stefanini said. "We focus only on the most liquid hedge fund strategies," he said. "We don't want to bear any type of liquidity risk in our products."

Eurizon Capital manages about 340 million euros, with its nine funds of funds invested in about 34 managers. Almost all of its assets come from Intesa Sanpaolo's private banking clients.

The firm currently has 14 long-short equity managers and another four long-short credit managers. The ongoing search is intended to replace some underperforming managers as well as to add new managers to the roster, Stefanini said.

Eurizon Capital is especially looking for managers that are flexible in their investment style, he said. Many long-short equity managers are bottom-up stock pickers that "tend to lag, because they focus on the analysis of the companies, rather than reacting quickly to market conditions," Stefanini said. "We want our

managers to be able to react quickly and to have a variable bias." It seeks the same flexibility in long-short credit managers "on both duration and on credit quality."

Eurizon typically will not hire newer managers, he said. The firm generally requires its hedge fund managers to have at least 100 million euros under management. Eurizon Capital has no geographic restrictions on the managers it invests with "but most of our managers are based in London and New York," Stefanini said.



Filippo Stefanini

BH'S DING SAID TO QUIT FIRM

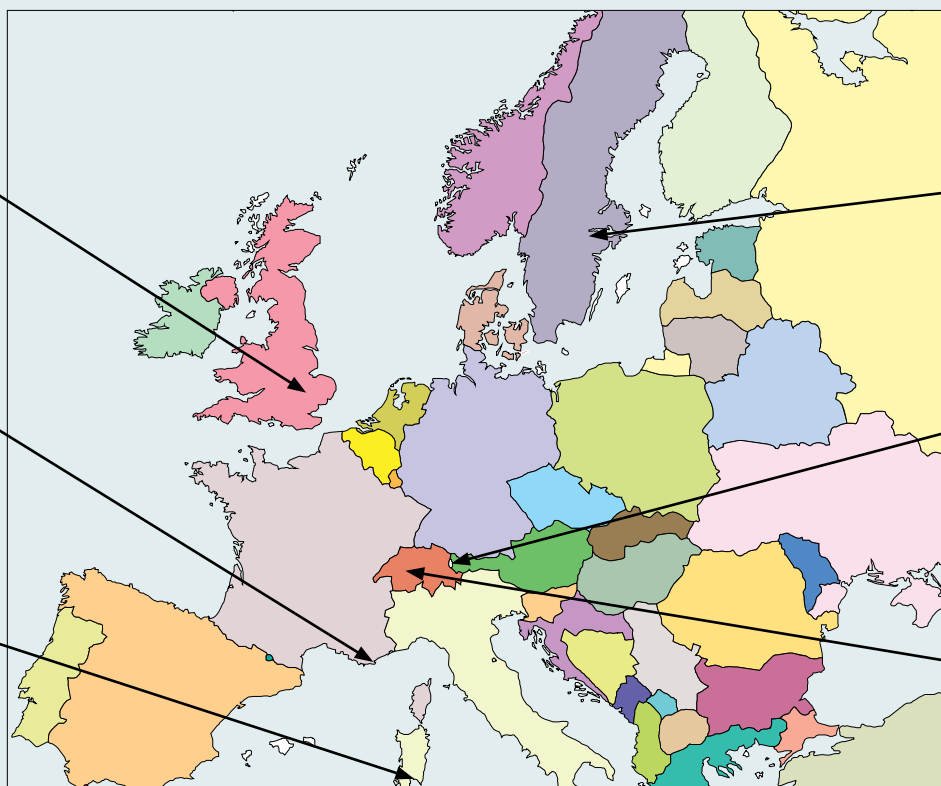
Luke Ding, who managed a currency fund for Brevan Howard, left the London-based fund this week: page 5.

GAIM INTERNATIONAL

The annual conference takes place in Monaco next week: Calendar, page 9.

SOTHIC SHORTS TISCALI

The fund sold short 3 million of the Cagliari, Italy-based telecom's shares: Short of It, page 8.



B&P FUND ERASES GAINS

Futuris, the long-short equity fund managed by Stockholm-based Brummer and Partners, fell 0.45 percent last month: Returns in Brief, page 2

SPOTLIGHT

Daniel Riediker, of Vaduz, Liechtenstein-based Alegria Capital, on his firm's ABS fund and the outlook for CLOs: page 11.

ZULAUF, SON TO START GLOBAL MACRO FUND

Felix Zulauf and his son Roman will start Zug, Switzerland-based Vicenda Asset Management: page 5.

RETURNS IN BRIEF

■ **Brummer and Partners'** Futuris fund fell 0.45 percent in May, erasing its yearly gains and lowering the fund's year to date returns to a 0.43 percent loss, according to a performance report posted on the Swedish firm's website. Futuris, a European long-short equity fund focused on Nordic stocks, had 673 million euros (\$897 million) in assets as of May 31, the report said. Its portfolio managers are **Arne Vaagen**, **Karl-Mikael Syding** and **Mattias Nilsson**. Lynx, a managed futures fund also managed by Brummer, fell 1.7 percent in May, according to a separate report. It is up 5.8 percent year to date through May. A spokesman for Stockholm-based Brummer and Partners declined to comment.

— Chris Larson

■ **Kingdon Capital Management LLC**, the \$2.6 billion hedge fund run by **Mark Kingdon** in New York, climbed 2.7 percent in its flagship fund, M. Kingdon Offshore, according to an update to investors obtained by Bloomberg. The fund, managed by Kingdon, rose 13 percent in 2013. **Mike Pohly's** Kingdon Credit fund gained 1.2 percent in May and 6.3 percent this year. Patrick Clifford, a spokesman for Kingdon Capital, declined to comment on the returns.

— Kelly Bit

RETURNS BY STRATEGY

STRATEGY	BLOOMBERG INDEX CODE	2011	2012	2013	MAY 2013
Asset-Backed Securities	BBHFASTB	3.5	18.4	5.8	0.0
Long/Short Equities	BBHFLSEQ	-6.0	5.6	4.1	0.1
Fixed Income Arbitrage	BBHFFARB	5.0	7.9	3.4	0.5
Capital Structure Arbitrage	BBHFCRED	1.3	10.8	2.8	0.1
Mortgage-Backed Arbitrage	BBHFMARB	12.5	20.8	2.7	0.2
Merger Arbitrage	BBHFMERG	-2.6	4.0	2.3	0.3
Long Biased Equities	BBHFLONG	-15.3	10.1	2.2	-1.3
Market-Neutral Equities	BBHFMNFL	-2.5	2.8	2.2	0.1
Equity Statistical Arbitrage	BBHFSTAT	-5.1	8.7	1.9	-1.7
Global Aggregate Index	BBHFUNDS	-6.2	4.9	1.8	-1.0
Convertible Arbitrage	BBHFCARB	-0.7	8.4	0.7	-1.0
Global Macro	BBHFMCR0	-6.5	-0.7	0.3	-1.3
Multi-Strategy	BBHFMLTI	-2.9	-3.8	0.2	-2.8
Emerging Market Debt	BBHFEMDB	-9.2	0.7	-1.1	-1.3
Distressed Securities	BBHFDIST	-6.7	10.0	-1.2	-5.6
CTA/Managed Futures	BBHFMGDF	-6.3	-3.4	-2.0	-3.9
Emerging Market Equities	BBHFEMEQ	-7.6	6.6	-2.3	-1.3

Source: Bloomberg Hedge Fund Indices

Type HFND<GO> to view return statistics

QUOTE OF THE WEEK

"We have not lowered the allocation to this trade and will look to add if there are opportunities with any distressed sellers."

— Deepak Narula, Metacapital, on the fund's bets on interest-only investments that were partially responsible for its 6.4 percent loss last month (see story, page 4)

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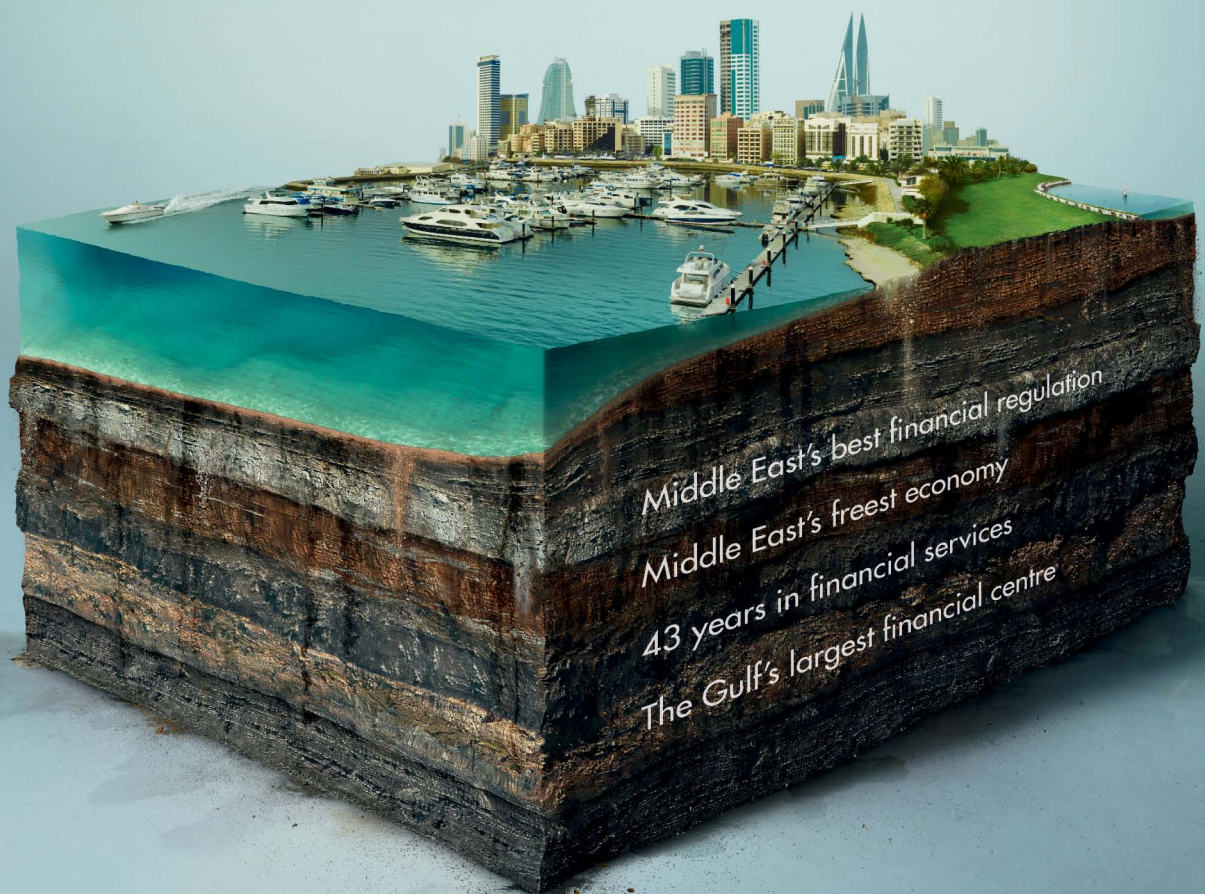
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TREND WATCH

Metacapital in Worst Slide as Bloodbath Roils Funds: Mortgages

BY JODY SHENN AND KELLY BIT

Metacapital Management LP's flagship \$1.5 billion fund lost an estimated 6.4 percent last month, the worst decline since it started in 2008, according to a letter to investors obtained by Bloomberg News. That followed drops of 0.5 percent in April and 0.1 percent in March, after 17 months of consecutive gains including a 41 percent return last year.

Deepak Narula, like other investors in government-backed mortgage bonds, is being punished by speculation the Fed will scale back its debt-buying program.

Don Brownstein's Structured Portfolio Management LLC lost an estimated 5 percent in May for its SPM Core fund, extending losses this year to 6.5 percent, according to an update sent to investors. Brownstein, who topped Bloomberg Markets magazine's list of the top performing

managers overseeing more than \$1 billion in 2010, has lost an estimated 18 percent this year in his strategy that trades agency mortgage securities.

Midway Group LP, the \$600 million hedge-fund firm co-founded by **Bob Sherak** in 2000, and **Guggenheim Partners LLC's** GS Gamma Advisors LLC are among other losers, according to documents sent to investors.

Brownstein declined to comment and **John Morris**, managing director at Midway, didn't immediately return calls. Thomas Mulligan, a spokesman for Guggenheim with Sitrick and Company, declined to comment.

Selling by mortgage REITs that use borrowed money contributed to declines in mortgage-backed securities, Narula said in a June 10 letter to investors that shows his fund is down 4.7 percent this year.

"We miscalculated the market's response to the possible timing of the Fed's taper," he wrote in a June 10 letter. "The market response has been much more violent than we had anticipated."

Narula declined to comment on the letter, which said losses were primarily from investments in interest-only securities.

Narula's returns since 2008 total more than 500 percent and his gains last year made him the best-performing hedge fund manager in the Bloomberg Markets annual ranking. This year, he bought an apartment on Central Park West for \$16 million from pop star Madonna, according to property records filed with the New York City Department of Finance.

Investors that focus on non-agency mortgage securities have mostly avoided the carnage.



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LAUNCHES

Felix Zulauf and 30-Year-Old Son Start Global Macro Fund

Felix Zulauf, a former global strategist at UBS AG who opened his own hedge-fund firm in 1990, is starting a fund in Switzerland with his 30-year-old son that will bet on global macro-economic trends.

The fund will be managed by a new firm, Zug-based **Vicenda Asset Management AG**, and is expected to start trading in July with about \$50 million in assets, according to a person with knowledge of the fund.

Vicenda marks the 62-year-old investor's return to managing money for outside clients after four years. Zulauf, who declined to comment, will be the firm's co-chief investment officer along with his son, **Roman Zulauf**, a former portfolio manager at Swiss hedge-fund firm Magma Capital AG.

Vicenda's chief executive officer is **Micha Blattmann**, who previously worked at UBS and Merrill Lynch & Co., the presentation said. Felix Zulauf, a contributor to Barron's magazine's Roundtable group of fund managers and strategists, converted Zulauf Asset Management AG into a family office in early 2009 that manages mostly his own funds.

Money in the new fund will come from Vicenda's principals and clients that invested with Zulauf in the past, the person familiar with the situation said. Vicenda will market the fund to other family offices and wealthy investors at first, the person said.

Vicenda will charge a 1.5 percent management fee and 20 percent performance fee, with discounts for early or large investors, and is targeting returns of 6 percent to 8 percent annually, according to the marketing presentation.

— Chris Larson

ON THE MOVE

Brevan Howard Currency Trader Ding Said to Leave Firm

Luke Ding, who managed a currency hedge fund at **Brevan Howard Asset Management LLP**, is leaving the firm, according to a person with knowledge of the matter.

Brevan will speak with investors before deciding whether to shut down Ding's \$570 million Macro FX fund, said the person. Ding didn't immediately return messages.

The currency fund has risen 4.8 percent since it started trading in October 2009. The assets in Ding's hedge fund have fallen in the past 12 months as a July 2012 marketing document obtained by Bloomberg News showed he managed \$1 billion at the time.

Anthony Payne, a spokesman for Brevan Howard, declined to comment on Ding's departure. His leaving was reported earlier by Financial News.

Other traders have left Brevan Howard this month as part of the firm's twice-a-year review of their performance, the person said. The firm employs about 80 traders in total.

— Jesse Westbrook

AIMA Says Andrew Baker to Step Down as CEO

The **Alternative Investment Management Association**, the lobbying organization that represents more than 1,300 hedge-fund firms, said **Andrew Baker** plans to step down as chief executive officer by the end of the year.

AIMA is in the process of identifying a successor, the London-based group said in a statement. Baker, 56, has been CEO since 2009.

Baker said he is looking forward to "future challenges," according to the statement. An AIMA spokesman, Christen Thomson, said Baker wasn't available to discuss what he plans to do next.

Baker will stay on as CEO until his successor is appointed, according to the statement.

— Jesse Westbrook

TREND WATCH...

Greg Lippmann's LibreMax Capital LLC, the \$2.8 billion hedge-fund firm, told investors its main fund probably rose 1 percent in May and is up about 8.5 percent this year, according to a person familiar with the returns. **Pine River Capital Management LP's** fixed income fund, which buys both agency and non-agency, returned 0.6 percent last month to advance 8.1 percent in 2013, according to another person. Narula's smaller Mortgage Value fund, which holds more non-agency bonds than his main one, is up about 7 percent this year.

Jonathan Gasthalter, a spokesman for LibreMax, declined to comment. Patrick Clifford, a spokesman for Pine River, declined to comment.

Like Metacapital, Midway and GS Gamma were also damaged by bets on interest-only and inverse interest-only securities.

The Midway Market Neutral Fund declined 2.9 percent in May after a 1.6 percent loss in April, according to investors. That's left it down 2.2 percent this year, after gains of 27 percent in 2012 and 22 percent in 2011. GS Gamma's fund slumped 8.2 percent in April, leaving it down 7.7 percent this year.

GS Gamma, which had its biggest monthly losses in April since starting in 2005, told investors its interest-only and inverse interest-only investments were damaged by rates that had been falling.

While Metacapital last month lowered its bets on typical mortgage spreads by 60 percent, it's sticking with wagers on IOs such as those tied to FHA loans, Narula said in the letter. "We believe that the market is overestimating the impact of adverse policy changes and most of the downside of such a move has been priced into these securities," he said. "We have not lowered the allocation to this trade and will look to add if there are opportunities with any distressed sellers."

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MARKET CALLS

MKM's Moore Says Murdock to Raise Dole Buyout Bid

Investors are wagering the \$12-a-share buyout offer from Dole Food Co. Chairman and Chief Executive Officer David Murdock won't be his last, according to **Keith Moore**, an event-driven strategist at Stamford, Connecticut-based **MKM Partners LLC**.

"This has been timed in an opportunistic way for him to try to buy it back cheaply, but I don't think that will work," Moore said of Murdock's bid in a phone interview. "He's going to have to pay up for it."

Moore estimates Murdock may raise his bid by as much as 15 percent, to as high as \$13.80 a share, based on the amount he increased his previous proposal to take the company private if a similar scenario occurs.

C. Michael Carter, Dole's president and chief operating officer, declined to

comment beyond the company's June 11 statement that its board will meet soon to form a special independent committee to review Murdock's proposal.

Murdock "feels this is a fair bid," Scott A. Griswold, his spokesman, said in a phone interview. "Right now, he's not considering any changes. We'll have to wait and see."

— Brooke Sutherland

Greylock Says Argentine Debt Poised for Rebound

Money managers are reducing their stakes in Argentine bonds to a near-record low, a sign to **Greylock Capital Management LLC** the highest-yielding government debt in emerging markets is primed for a rebound.

Global emerging-market bond funds invested an average 0.77 percent of assets in Argentine government debt as of April 30, within 0.01 percentage point of the all-time

low, according to EPFR Global, the Cambridge, Massachusetts-based research firm.

Investors dumping Argentina's distressed debt are now giving speculators a chance to profit by betting Argentina will eventually circumvent U.S. law to keep current on its bonds, according to Greylock.

"Argentina is massively under-owned, so it is protected against downside and any good news or clarity would drive prices much higher," said **Diego Ferro**, co-chief investment officer at Greylock, which oversees \$500 million in emerging-market debt. "Argentina is the best asset to hold now given the risk-reward."

Greylock has also been involved in debt restructurings for Belize and the Trump Ocean Club in Panama. Its investments in Belize have paid off as the central American country's bonds have gained 45 percent this year, the most among emerging markets.

— Katia Porzecanski



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Man Group Plc said bondholders agreed to sell the company \$141.4 million of its subordinated notes as part of a plan to cut debt. Buying back the bonds due in 2017 will reduce Man Group's gross debt by about \$231 million, the London-based company said in a statement. Man Group had offered to buy \$232.1 million of the bonds last month and investors representing about 61 percent of the total agreed to sell through a tender offer that expired May 22, according to the statement. Man Group said the results of the tender offer will reduce the company's regulatory capital surplus by about \$170 million as of Jan. 1 of next year. The company's cash resources will decline by about \$236 million.

— Jesse Westbrook

Listed Firms

NAME	TICKER	IPO Date	LAST PRICE	YTD %CHG	YoY %CHG	Earnings Date	One-Year Price
Fortress Investment Group LLC	FIG US Equity	2/8/2007	7.26	65.26%	141.83%	8/2/2013	
Gottex Fund Management Ltd.	GFMN SW Equity	11/6/2007	2.39	-13.72%	-4.40%	N/A	
GAM Holding AG	GAM SW Equity	12/29/1989	15.95	33.50%	54.81%	8/13/2013	
Och-Ziff Capital Management Group	OZM US Equity	11/13/2007	10.91	14.79%	51.04%	8/2/2013	
Man Group PLC	EMG LN Equity	10/7/1994	88.00	6.34%	22.22%	8/2/2013	

Listed Funds

NAME	TICKER	IPO Date	Last Price	YTD %CHG	YoY %CHG	NAV % DISC/PREM	One-Year Price
Bluecrest BlueTrend Ltd	BBTS LN Equity	3/23/2012	96.25	-1.79%	-9.20%	1.6	
BH Credit Catalysts Ltd	BHCG LN Equity	12/14/2010	1145.00	5.05%	10.36%	-4.3	
BH Global Ltd	BHGG LN Equity	5/23/2008	1149.00	1.14%	-0.09%	-9.9	
BH Macro Ltd	BHMG LN Equity	3/9/2007	2170.00	10.15%	11.28%	4.2	
CQS Diversified Fund Ltd	CQS LN Equity	12/15/2010	103.13	4.70%	4.70%	-6.2	
RAB Special Situations Co Ltd	RSS LN Equity	5/31/2005	15.75	-17.11%	-50.39%	-22.9	
Third Point Offshore Investors	TPOU LN Equity	7/20/2007	14.10	26.17%	48.97%	-8.8	

Listed Funds of Funds

NAME	TICKER	IPO Date	LAST PRICE	YTD %CHG	YoY %CHG	NAV % DISC/PREM	One-Year Price
Absolute Return Trust Ltd	ABR LN Equity	2/22/2005	109.25	-0.79%	1.63%	-16.4	
Absolute Invest AG	ABSI SW Equity	11/8/2000	27.50	-1.42%	-0.24%	-8.6	
Alternative Investment Strategies Ltd	AIS LN Equity	12/31/1996	133.50	15.84%	19.73%	-3.6	
Bluecrest Allblue Fund Ltd	BABS LN Equity	5/25/2006	173.70	2.12%	4.07%	-1.6	
Castle Alternative Invest AG	CASN SW Equity	4/10/1997	14.00	20.69%	15.70%	-16.0	
Dexion Absolute Ltd	DAB LN Equity	12/18/2002	148.70	4.79%	10.31%	-13.5	
Dexion Trading Ltd	DTL LN Equity	11/29/2004	134.13	13.07%	17.27%	-4.0	
FRM Credit Alpha Fund Ltd	FCAP LN Equity	3/1/2007	56.50	4.15%	44.88%	-34.2	
Thames River Multi Hedge PCC Ltd	TRMA LN Equity	2/23/2004	118.25	-4.83%	3.50%	-13.2	

Source: Bloomberg. Prices as of end of previous business day. Prices in local currencies.

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THE SHORT OF IT

European Union regulations that took effect Nov. 1 require market participants to notify national authorities when they intend to short sell 0.2 percent or more of a company's shares. Bloomberg has collated this data and made it available to terminal clients via **SPOS<GO>**. For questions contact SPOS product manager Scott Feder at sfeder3@bloomberg.net or +1 212 617 2185.

Most Shorted Companies

The following companies had the greatest percentage of outstanding shares on loan as of June 13.

	LAST WEEK	COMPANY	TICKER	TOTAL SHARES SHORT (MILLIONS)	MARKET VALUE (USD MILLIONS)	% SHARES ON LOAN	RECENT HEDGE FUND SHORTS (FILING DATE)
1	2	Neopost SA	NEO FP Equity	4.76	314	13.8%	AKO Capital (June 3)
2	3	Weir Group PLC/The	WEIR LN Equity	28.44	972	13.3%	None
3	1	Aixtron SE	AIXA GR Equity	12.73	208	12.5%	AQR Capital Management LLC (June 12)
4	4	Home Retail Group PLC	HOME LN Equity	96.96	219	11.9%	None
5	5	WH Smith PLC	SMWH LN Equity	102.49	241	12.6%	None

Recent Shorts

FILING DATE	FUND	COMPANY SHORT	TICKER	SHARES (MILLIONS)
June 12	Hound Partners LLC	ThromboGenics NV	THR BB Equity	191,300
June 12	Sothic Capital Management	Tiscali SpA	TIS IM Equity	3,000,000
June 12	Platinum Investment Management	SKF AB	SKFB SS Equity	2,230,000
June 12	Arrowgrass Capital	Industrivarden AB	INDUC SS Equity	788,702
June 12	Lansdowne Partners	Amadeus IT Holding SA	AMS SM Equity	492,340
June 11	Marshall Wace LLP	Alstom SA	ALO FP Equity	1,540,000
June 11	Coatue Management	Delhaize Group SA	DELB BB Equity	122,306
June 11	Lansdowne Partners	Edenred	EDEN FP Equity	248,487
June 11	TT International	Vesuvius PLC	VSVS LN Equity	1,530,000
June 10	Brahman Capital	Gemalto NV	GTO NA Equity	457,682

Recent Covers

FILING DATE	FUND	COMPANY SHORT	TICKER	SHARES (MILLIONS)
June 12	AQR Capital Management LLC	A2A SpA	A2A IM Equity	6,000,000
June 12	Elliott Capital	Stagecoach Group PLC	SGC LN Equity	691,320
June 11	Viking Global Investors	Assicurazioni Generali SpA	G IM Equity	622,749
June 11	Och-Ziff Management	TUI AG	TUI1 GR Equity	908,551
June 11	Maverick Capital Ltd.	Aixtron SE	AIXA GR Equity	112,388
June 11	Lansdowne Partners	Man Group PLC	EMG LN Equity	6,000,000
June 11	Adelphi Capital	Indra Sistemas SA	IDR SM Equity	131,306
June 11	Kynikos Associates	Ocado Group PLC	OCDO LN Equity	1,000,000
June 10	Adage Capital	Fiat SpA	F IM Equity	1,000,000
June 10	Scopia Management	UCB SA	UCB BB Equity	366,835

CALENDAR OF EVENTS: EUROPE

To submit an event email hedgebrief@bloomberg.net

DATE	EVENT	FEATURING	LOCATION	CONTACT / REGISTRATION
June 17-19	GAIM International 2013	Jamil Baz, GLG; Peter Thiel, Clarium; Karlheinz Muhr, QFS; Gavyn Davies, Fulcrum.	Monte Carlo	http://bit.ly/PQQCwH
June 19, 5pm	THFJ Indoor Triathlon for Hedge Funds Care U.K.	"Each team member will run 4k using Life Fitness machines, row 4km using Concept2 and cycle 10km using Wattbike machines."	Reebok Sports Club, Canary Wharf	http://bit.ly/14IP62G
June 26	Battle of the Quants London	Panels on "man vs machine vs. quantimental," investing in quants, big data, HFT, hedging China.	Millennium Hotel Grosvenor Square	www.battleofthequants.com
June 25-27	FundForum International 2013	Jan Straatman, Lombard Odier; Elizabeth Corley, Allianz Global Investors; Mark Schindler, UBS Wealth Management.	The Grimaldi Forum, Monaco	http://bit.ly/TUQ19F
June 27	Credit Suisse Global Capital Introduction Event	Hedge fund manager roundtable.	London (location provided to attendees)	Private event by invitation only.
July 4	100 Women in Hedge Funds' Summer Cocktails	Speakers from Exane Asset Management, Citigroup research.	Exane, Paris	http://bit.ly/ZdPI1Y
July 11	Hedge Funds Care's Summer Networking Event London	Complimentary wine and canapes will be served.	Osborne Gallery, London	http://bit.ly/161Fbda
Oct. 2	Hedge Funds Care's U.K. London Golf Day	Eighteen hole round of golf, lunch, more.	The Grove Golf Course, Chandlers Cross, Rickmansworth, Hertfordshire	http://bit.ly/10gcQvt
Oct. 23, 7pm	100 Women in Hedge Funds' 2013 London Gala	To benefit Action on Addiction, a member of the Charities Forum of the Duke and Duchess of Cambridge.	London (exact location to be determined)	http://bit.ly/lfpflb
Nov. 20-21	Hedge Funds World Zurich 2013	Agenda to be determined.	Dolder Grand Hotel, Zurich	http://bit.ly/ZqniQM
Nov. 21	Hedge Funds Review's European Fund of Hedge Funds Awards	Twelfth annual event honoring best-performing fund of funds from 2012.	London (location provided to attendees)	http://bit.ly/YZUmKD
Nov. 27	100 Women in Hedge Funds' 2013 Geneva Gala	To support the Roger Federer Foundation.	Hotel President Wilson, Geneva	http://bit.ly/ZP7MJb

ROAD SHOWS

Some dates and destinations of select managers' travel agendas. For more information about any of the funds named on this page, please contact the firm through the contact person provided. For more information about this list or to provide road show information, e-mail hedgebrief@bloomberg.net

DATE(S)	CITY	FUND	STRATEGY	MANAGER IN ATTENDANCE	CONTACT
June 17-21	San Francisco	Boardman Bay	Long-short equity (TMT-focused)	Will Graves Ken Brown	Ken Brown
June 19-21	New York	Colchis Capital Management	Direct consumer P2P lending	Bob Conrads	James Alexander
June 19-25	New York	PVE Capital LLP	Long-short credit	Genaro Pucci, Loren Remetta	Noelle Tevis
June 20	New York	Eaglewood Capital Management	Direct consumer P2P lending	Jonathan Barlow	Yvan De Munck
June 20-21	London	Systematic Alpha Management	Short-term CTAs	Peter Kambolin	Sandy Chotai
June 24-25	Chicago	Wynnefield Capital	Long-short equity (small-cap value)	Peter Black	Elise Raphael
June 24-25	Zurich	Systematic Alpha Management	Short-term CTAs	Peter Kambolin	Sandy Chotai
June 24-28	New York	Emeralt Emerging Europe Fund	Long-short equity (Eastern Europe-focused)	Carl Meurling	Rowena Scherer
June 26	Lugano	Systematic Alpha Management	Short-term CTAs	Peter Kambolin	Sandy Chotai
June 26	Richmond, Virginia	Arlon Opportunities Investors	Long-short equity (food/agriculture-focus)	Ari Gendason	Alvarez Symonette
June 27-28	Geneva	Systematic Alpha Management	Short-term CTAs	Peter Kambolin	Sandy Chotai

SPOTLIGHT

Alegra's Riediker on the 'Shrinking Universe' of Opportunities in CLOs

Daniel Riediker, chief executive officer of Vaduz, Liechtenstein-based **Alegra Capital Ltd.**, spoke to Bloomberg's Chris Larson about the firm's asset-backed securities fund and its outlook for collateralized loan obligations for the rest of the year. Alegra's ABS fund has returned 20 percent this year after gains of 50 percent in 2012.

Q: The Alegra ABS Fund focuses on European leveraged loan-backed CLOs. How did that work out during the credit crisis?

A: We started out in 2004, mostly buying equity and mezzanine tranches and some double-Bs. Things worked out well and then the crisis came. We'd been anticipating part of it, so we had a lot of cash in the fund, but we got hit like everyone else. Then, during the crisis, when CLO equity tranches were basically not trading and marked at 1 or 2 cents on the dollar, we still had some cash to invest. You could buy for prices that were absolutely ridiculous: in May 2009, you could buy AA-rated CLO bonds for 10 cents on the dollar. After a lot of analysis, we started to buy secondary positions that were a bit higher up in the capital structure. A few months later, some other investors realized these prices were unrealistic, so we saw more activity, the markets got some more liquidity and we started to see a recovery. We decided to hold on to some equity positions throughout the crisis and continued to add positions higher up the capital structure. Some of those equity positions are paying again and because the loan spreads moved up during the crisis, as you would expect, the payout is better than ever.

Q: The fund has done quite well since the crisis, returning almost 10 percent in 2011, more than 50 percent last year and over 20 percent so far this year.

A: Yes, but that came after a loss of 80 percent in 2008 and the first part of 2009.

We set this fund to make about 10 percent a year, which it did; since inception we're at 10.5 percent annualized.

Q: How do you manage that volatility?

A: We've never managed for volatility. We always manage to hit the returns that we target. Obviously, to get to that 10 percent annualized number, there has been a lot more volatility than anybody anticipated. Part of that was due to the credit crisis, which wasn't unexpected, but the extent certainly was. Everybody knew subprime was not passing the sniff tests. We weren't involved in those, but the securitization of leveraged loans -- people thought, and we thought, those were solid. Some were perhaps a bit aggressive, but nobody expected that AA-rated bonds would lose 90 points.

Q: And that created a buying opportunity for you and other funds.

A: There has been such a wealth of value to be picked up, but that universe is shrinking by the day. As markets normalize, I think our investors understand that you can't produce these returns forever. The underlying asset is credit and credit pays you solid margins if you do it right. But you can't expect to make 30, 40, 50 percent every year.

Q: That said, what's your expectation for the rest of the year?

A: I think we're going to see a flat summer, and maybe even some negative months. But we're still expecting to see the year closing at higher level than we currently are, probably 5 to 10 points higher than we're at now. The reason is simple: you still have a chunk of these performing equity structures, the junior tranches, and they pay nice hefty coupons. And all the remaining paper is trading up, so they'll still yield nicely, even if you don't see any capital appreciation.

Q: Are investors returning to CLOs and to funds like yours?

A: I'd say the interest has increased across the asset class. But as an investor, you want to understand what you're getting into. You want to see me or someone from our team, what our philosophy is. And frankly, we don't want investors to just put their money in. I want to understand why they want to invest. I think that's something that many asset managers underestimate: knowing your clients is as important as the clients knowing you. If there's a crisis again, I need to be able to pick up the phone and explain things to them. And I want to be able to explain to them that this has been great, that we're all happy with the returns of late, but that they shouldn't expect this to go on forever. That's why I say it's crucial that you, as a manager, understand the rationale of your client, and that they understand what you do.

AT A GLANCE



Age: 46

Residence: Vaduz, Liechtenstein

Professional Background: Zurich Insurance Group, Alegra Capital

Charitable Work: Includes cycling the "Tortour," a nonstop, 1,000 kilometer race around Switzerland (total elevation: 14,500 meters), to raise money for the Laureus Foundation.

Hobbies: Cycling, skiing, ice hockey (board member of a team in the Swiss National League)

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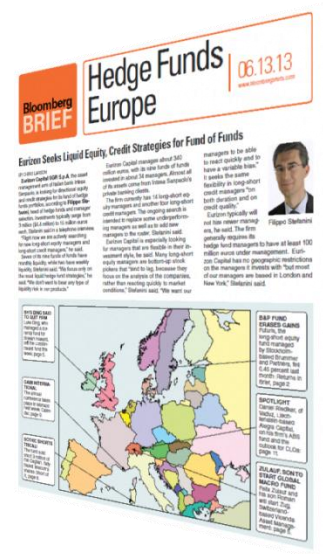
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