

Bloomberg BRIEF

Hedge Funds

NEWS, ANALYSIS AND COMMENTARY

08.02.11

MatlinPatterson's Sukhadwala Starts Nyati Capital

BY KELLY BIT

Mike Sukhadwala, most recently of **MatlinPatterson Global Advisers LLC**, will start New York-based event-driven hedge fund **Nyati Capital Management** as early as the end of this year, according to a person familiar with the matter, who asked not to be identified because the information is private.

Sukhadwala's strategy will include investing in opportunistic, special situations, event-driven and distressed debt, the person said, and he aims to return 15 to 20 percent gross a year.

Sukhadwala was most recently senior portfolio manager and partner at MatlinPatterson, where he managed the Distressed Opportunities Fund from December 2008 to December 2010. He was a portfolio manager with the firm from January 2007 to November 2008. Before that he was senior vice president at **Whippoorwill Associates Inc.** from 2004 to 2006.

From 2002 to 2004 Sukhadwala was a senior economist at **George Hall's Clinton Group Inc.**, where he focused on U.S. and European distressed debt and special situations. He started at **KPMG LLP's** Washington national tax office from 1999 to 2000 as a senior tax specialist, focusing on the taxation of financial instruments.

The new fund's prime broker is **Goldman Sachs Group Inc.**

Event-driven funds have gained 3 percent on average this year, according to **Hedge Fund Research Inc.** The group produced the strongest performance of any hedge fund strategy in the first quarter and in 2010, the Chicago-based firm said in a report, with gains of 12 percent and 3.5 percent, respectively.

Event-driven funds attracted \$7.2 billion in assets in the second quarter and \$2.2 billion in the first quarter, HFR said.

ABN Amro to Start Series of Funds of Funds

MeesPierson, the private bank that merged with Amsterdam-based **ABN Amro Bank NV**, is starting a series of funds of funds as it returns to hedge fund investing after a four-year break.

ABN Amro's private bank may start a fund of UCITS before yearend, according to **Olivier Couvreur**, head of its manager selection. MeesPierson has already launched a fund of managed accounts with **Lyxor Asset Management**, Couvreur said in a telephone interview. It may also start a fund of hedge funds.

ABN Amro, which was nationalized by the Netherlands in 2008, is also searching for four to five hedge funds in the next three months for new allocations in its wealth management arm.

The bank's wealth management division will increase its exposure to single-strategy managers, Couvreur said. It typically invests \$1 to 2 million in funds initially. Allocations that its advisory clients make vary.

ABN Amro will consider all strategies and prefers funds that have at least a three-year track record and quarterly liquidity. It will consider funds with at least \$100 to \$200 million in assets.

—Kelly Bit

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NEW MANDATES

INSTITUTION	ALLOCATION (\$MLN)	SEARCH SPECIFICS	RFP/MORE INFORMATION
MeesPierson (ABN Amro private bank)	\$1-2 in initial investments	All strategies considered. Three year track-record required	Contact institution for more information.
Ohio Highway Patrol Retirement System	TBD	Funds of hedge funds were discussed at July 28 meeting. RFP to follow.	ohprs.org

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RETURNS IN BRIEF

■ **TPG-Axon Partners LP's** Core Fund has gained 10 percent year-to-date through July 22, according to an email sent to investors. From July 1 through July 22 the fund, which does not include TPG's "special investments," returned 4.76 percent, the email said. TPG is run by **Dinakar Singh**.

■ **Och-Ziff Capital Management Group LLC's** OZ Master Fund lost less than 0.1 percent last quarter, the company said today in its second quarter statement. Och-Ziff's Asia Master Fund declined 0.1 percent, the OZ Europe Master Fund fell 1.6 percent and the OZ Global Special Investments Master Fund gained 1.8 percent.

■ **Acuity Capital Management's** Corporate Opportunity Fund Ltd. gained 55 basis points in July. The fund, managed by **Howard Needle**, has returned 4.43 percent year-to-date.

■ **Outpoint Capital Management's** long/short equity fund gained 3.4 percent last month to bring year-to-date returns back into positive territory. The fund, managed by **Jordan Grayson**, has increased by 30 basis points through July 31.

– Compiled by Nathaniel E. Baker

For this week's "Performance Snapshot," featuring fixed-income arbitrage funds, see page 9.

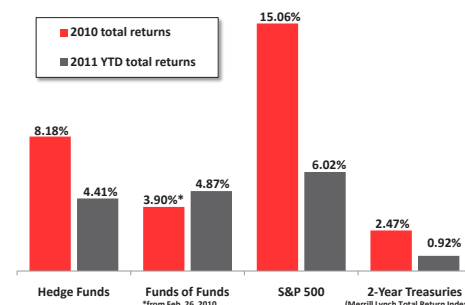
RETURNS BY STRATEGY

STRATEGY	2010 RETURN	JUNE 2011	2011 YEAR TO DATE
Mortgage-Backed Arbitrage	24.60	0.23	8.97
Equity Statistical Arbitrage	3.44	-2.21	7.79
Long/Short Equities	5.76	-0.18	5.97
Market-Neutral	5.50	-1.30	5.22
Merger-Arbitrage	2.09	-1.04	4.74
Capital Structure Arbitrage	13.26	-0.77	4.20
Multi-Strategy	3.65	-1.12	3.66
Fixed-Income Arbitrage	3.65	-0.18	3.36
Long/Short Credit	5.31	-0.98	3.31
Convertible Arbitrage	2.71	-0.42	3.29
Distressed Securities	4.03	-0.44	3.11
Emerging Market Debt	11.98	-0.09	2.94
Global Macro	4.41	-0.82	2.64
CTA/Managed Futures	5.31	-2.16	1.98
Long-Biased Equities	7.15	-0.42	1.95
Short-Biased Equities	1.68	-0.86	-1.12

Source: Bloomberg Hedge Fund Indices
Type HFND<GO> to view return statistics

Hedge Fund Returns

Bloomberg BAIF indices, which represent all funds tracked by Bloomberg data, are the source of the below hedge fund and fund of funds data.



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BRIEF EXCLUSIVES

LAUNCHES

Ex-BofA Bankers Form BulwarkBay Investment Group

Craig Carlozzi and **Michael Hanna** will start **BulwarkBay Investment Group LLC**, a Boston-based, event driven, corporate credit and special situations hedge fund, as early as October, Carlozzi said in a telephone interview.

Hanna, 33, was previously a portfolio manager at **Concordia Advisors LLC**, which he joined in 2005. Before that he worked in the leveraged finance and financial sponsors groups of **RBC Capital Markets LLC** and **Bank of America Corp.**'s corporate investment bank. He has known Carlozzi for more than 10 years.

Carlozzi, 34, was previously a managing director and partner at **MAST Capital Management LLC**, which he joined in 2003. Before that he was an analyst at Bank of America corporate investment bank.

Joseph Canavan, 49, is the firm's chief financial officer. He was previously CFO and chief compliance officer at **CypressTree Investment Management Co. LLC**. Before that he was senior vice president of investment administration and operations at **State Street Research & Management Co.**

The firm has yet to determine management and performance fees. **Goldman Sachs Group Inc.** is BulwarkBay's prime broker.

— Kelly Bit

Ex-Janus Portfolio Managers Start Small-Cap Strategy

William Bales and **Jakob Holm** have started Denver-based **Bullseye Asset Management LLC**, a long/short U.S. small-cap equity hedge fund.

Bales, 42, was previously portfolio manager of Janus Venture Fund and small cap growth accounts at **Janus Capital Management LLC** from 1997 to June 2010. Before that he was an analyst at Janus from 1993 to 1997.

Holm, 39, was portfolio manager of the Janus Adviser Small Company Value Fund and small-cap value accounts from March 2002 to March 2009. Before that he was an analyst at **Bay Isle Financial Corp.** from December to March 2002 and **Sand Hill Advisors** from July 1997 to November 2000.

Bales chooses growth companies and Holm picks value stocks, Bales said in a telephone interview.

"Based on how we feel and where we are in the cycle, we can build a portfolio appropriately, whether it needs to lean more toward growth or value," Bales said.

The firm charges a 1.5 percent management fee and 20 percent performance fee. The investment minimum is \$1 million. Bullseye's prime broker is **Goldman Sachs Group Inc.**

— Kelly Bit

Former Third Point's Roberts Launches YYC Fund

YYC Capital Management LP, the New York-based healthcare long/short equity hedge fund co-founded by former **Third Point LLC** portfolio manager **Brigette Roberts**, opened to outside investors this month, according to an e-mailed statement.

The firm received an investment from Seattle-based wealth adviser **Freestone Capital Management LLC**, through a **Topwater Capital Partners** managed account. The amount of the investment was not disclosed.

Roberts started YYC in 2009. Before co-founding YYC, she was a partner at Third Point, managing a \$350 million healthcare portfolio. She previously managed a \$100 million healthcare portfolio at **DKR Saturn LLC**.

— Kelly Bit

TREND WATCH

Asia Hedge Funds Trading Autonomy for Partners

BY NETTY ISMAIL

Asia's smaller hedge funds are sacrificing autonomy for organization to help share costs and meet stricter risk standards demanded by investors. At least 10 firms in Asia are now offering services such as trade execution and office support, taking a cut of the manager's revenue or equity in the fund.

Asian funds, which typically had tried to remain independent, are now more tempted to pool efforts after superior returns failed to attract assets, said **Peter Douglas**, principal of Singapore-based **GFIA Pte.**

Rory Dickson in mid-2010 teamed with **Coupland Cardiff Asset Management**, the London-based hedge fund group, to start his CC Asian Evolution Fund. They shared his research driven, stock-picking investment philosophy and could provide back-office and marketing support, he said.

"I've seen a lot of people invest in infrastructure and just struggle to ever recoup that, limping along for ages," Dickson, 41, said in an interview in Singapore. "I won't have to spend days with regulators, risk officers and compliance people; I just focus on running my fund."

"Managers' patience and working capital are running out," said Douglas. "The economics will prevail and these deals will start to happen."

Philip Tye, the Hong Kong-based co-founder and managing director of **DragonBack Capital Ltd.**, said smaller hedge funds can overcome a cash drought by sharing costs to create an organization with the risk and operating standards of a larger firm.

"There used to be something called the Asian pass: investors would come to Asia and recognize that Asian funds were generally smaller and they'd give them a bit of a break," Tye said. "Now, there's no such thing as an Asian pass. You are held to the same standards."

BRIEF EXCLUSIVES...

Huttenlocher Said to Open His Fund to Investors on Dec. 1

Carl Huttenlocher, the former Asia head of **Highbridge Capital Management LLC**, plans to open his own hedge fund to investors on Dec. 1, said three people with knowledge of the matter.

Myriad Asset Management, Huttenlocher's Hong Kong-based firm, is slated to start trading in early September with about \$300 million of money from him and one or two friends, the people said. It will open Myriad Opportunities Fund to other investors once Huttenlocher's agreement not to compete with Highbridge expires, they added.

The Asia-focused fund will trade equities, credit and equity derivatives. **Scott Gaynor**, Myriad's chief operating officer, didn't answer a phone call seeking comment.

Huttenlocher, 38, left Highbridge earlier this year to set up his own shop, deciding to liquidate the \$1.4 billion Asia Opportunities Fund, two people with knowledge of the matter said in March. He also oversaw Asia investments amounting to about 8 percent of the then \$6.5 billion Highbridge Multi-Strategy Fund before his departure.

— Bei Hu

ON THE MOVE

Chris Ruffle Plans New Fund After Leaving Martin Currie

Chris Ruffle, who co-managed the best emerging market hedge fund last year according to Hedge Funds Review, plans a new China offering after he parted company with **Martin Currie Ltd.** late last week following an investigation into a conflict of interest.

Heartland Capital Management Ltd., in which Ruffle holds a 70 percent stake and **Ke Shifeng** the remainder, will in early November acquire Martin Currie's interest in a China joint venture between the companies, Ruffle said by phone from San Francisco. Ruffle, 52, said Ke will join him at the firm that will include Martin Currie's team of 12 analysts in Shanghai.

Ruffle's departure from Martin Currie was agreed to by regulators in London and Washington after an examination of transactions in an unlisted convertible bond issued in 2009 by **Ugent Holdings Ltd.**, a Chinese maker of printer cartridges, Martin Currie said in an e-mailed statement last week. Ruffle, in a telephone interview, denied any wrongdoing.

London-based Hedge Funds Review chose the Martin Currie China Hedge Fund that Ruffle co-managed with Ke as the best in emerging markets last year, and London-based HFMWeek selected it as the best fund in the same category in 2009.

— Kevin Hamlin and Peter Woodfield

Millennium Said to Hire Former BofA Prop-Traders

Millennium Management LLC, the \$11.3 billion hedge fund run by **Israel Englander**, hired a proprietary-trading team formerly at **Bank of America Corp.**, according to a person familiar with the matter.

Linus Wright, 41, and his eight-person team will start at Millennium's London offices this month, said the person. Englander said in November that it was the best time in 15 years to hire traders as banks shuttered their proprietary-trading businesses to comply with the Volcker Rule. Bank of America last month shut a 15-person proprietary bond-trading unit run by **Scott Brown**, three people briefed on the decision said on June 10.

Wright's team, which left the bank in April, traded relative value. The London-based group was part of Bank of America's proprietary-trading business before the firm bought **Merrill Lynch & Co.** in 2009.

Wright joined Bank of America in 2007. His team includes **Paul Cloke**, **Suketu Shah** and **Stephanie Allen**, the person said.

— Saijel Kishan

Jana Partners Holds Talks With McGraw-Hill

BY ZEKE FAUX

McGraw-Hill Cos. rose as much as 5.1 percent in late trading yesterday after holding talks with **Jana Partners LLC**, which said it bought a stake in the publisher and owner of Standard & Poor's.

McGraw Hill discussed "business, corporate structure, operations, management and board composition, strategy and future plans," New York-based Jana Partners said yesterday in a regulatory filing.

The fund's disclosure came as McGraw-Hill considers divesting businesses, according to **Douglas Arthur**, an analyst at **Evercore Partners Inc.** New York-based McGraw-Hill said in June that it planned to sell its broadcasting group. Chief Executive Officer **Terry McGraw** said last week that the unit lacked scale and its growth prospects were limited.

"This is a company that has been a mini-conglomerate of information database businesses, none of which are all that related," Arthur said in a telephone interview from New York. "The education business is capital intensive, low margin and plodding in growth."

McGraw-Hill jumped to \$43.51 in late trading after the filing was posted. Earlier, the shares fell 19 cents to \$41.41 on the New York Stock Exchange.

McGraw-Hill's financial units buoyed the company's earnings in the second quarter, offsetting a drop in sales in the education division. Net income climbed to \$211.1 million, or 68 cents a share, from \$191.1 million, or 61 cents, a year earlier. Sales at Standard & Poor's, the world's largest bond rater, advanced 19 percent to \$480.3 million.

Jana Partners, which manages about \$3 billion, holds a 5.2 percent stake in McGraw-Hill, together with the Ontario Teachers' Pension Plan, according to the filing.

A spokesman for the fund, declined to comment. A McGraw-Hill spokeswoman, didn't immediately respond to messages seeking comment.

MARKET CALLS

Arbess Stands by Natural Resources, Growth Bets

Daniel Arbess, manager of the Xerion fund at **Perella Weinberg Partners**, said he is still convinced the fund's natural resources growth bet, which has contributed to a 2.9 percent loss this year, will be profitable, in a investor letter obtained by Bloomberg.

"Our thematic bias in favor of resources and companies benefitting from global growth simply hasn't worked so far this year, but we see no basis in economic or corporate data to abandon our conviction," Arbess said in the firm's June commentary letter. "We are confident this month's losers that we are still holding will recover and move ahead."

Xerion posted a 2.9 percent loss in June, due to equity, credit and macro strategies that fell during the month, the letter said.

— Kelly Bit and Nathaniel E. Baker

Metacapital, Providence Disagree on Prospects of IIOs

Metacapital Management LP and **Providence Investment Management LLC** unveiled contrasting views on the outlook for inverse interest-only securities, or IIOs, in letters to investors last month.

Metacapital, the \$899 million hedge fund run by former **Lehman Brothers Holdings Inc.** trader **Deepak Narula**, is bullish on the securities, which are created from government-backed mortgage bonds.

"We continue to believe that these are some of the better opportunities in the investment landscape," wrote Narula, whose fund returned 52.6 percent in 2010. "There's been a secular shift in residential lending practices" that restricts refinancing, he said.

The fund used bets of this type to help fuel its 21.7 percent first-half return, Narula said in the July 26 letter. Metacapital considered reducing its holdings IIOs two months ago after a rally reduced potential returns, then decided against the move, he wrote.

The monthly payments offered by IIOs amid "much stricter underwriting guidelines" mean that New York-based Metacapital's commitment was justified, he said in the letter. Metacapital gained 1.2 percent last month, according to the letter.

Metacapital is wagering that IIOs and interest-only mortgage-bond slices, or IOs, will continue outperforming as the U.S. government seeks to shrink its "footprint" in the home-loan market. It's also anticipating that bond managers will seek to balance their portfolios with investments whose returns are "inversely correlated with the general health of the housing market and the economy," Narula said.

Metacapital's current views on the debt contrast with those of Providence Investment, the Providence, Rhode Island-based firm led by Chief Executive Officer **Russell Jeffrey**. His approximately \$1.2 billion mortgage-backed securities fund gained 19.9 percent in the first half of 2011 and 31.2 percent last year, according to a report to investors.

Jeffrey told investors in letters last month that the mortgage-bond market is too crowded with wagers on limited refinancing and that IIOs may only offer positive returns in a scenario in which interest rates remain unchanged.

While slumps in non-agency mortgage bonds have prompted Narula's fund to buy more of those securities, prepayment bets in the agency market remain the most attractive, he wrote. That's also partly because Democratic and Republican lawmakers are unlikely to work jointly toward legislation to loosen refinancing rules for government-backed loans, he said.

Based on likely prepayment speeds the IIO debt offers "hedged spreads" of 7 percentage points to 9 percentage points more than the London interbank offered rate, with yields of about 20 percent to 25 percent, Narula said in the letter.

Providence Investment recently decided to "reduce risk and remain highly vigilant," Jeffrey said in a July 7 letter. His firm's fund rose 0.5 percent last month.

"We currently believe most mortgage securities are priced to perfection with valuations that leave very little, if any, margin of error in terms of interest rate, prepayment, credit, liquidity and volatility assumptions," Jeffrey wrote.

— Jody Shenn and Saijel Kishan

RESEARCH ROUND-UP

New hedge fund-related research and other points of interest

The Securities and Exchange Board of India published a "Concept Paper on Proposed Alternative Investment Funds Regulation for Public Comments." SEBI would "not try to regulate the business risks" of hedge funds, preferring to "provide some minimum ground rules for disclosures and governance practices to minimize conflict."

<http://www.sebi.gov.in/commreport/alternativeinvestment.pdf>

Stock and bond market volatility do not have a significant impact on hedge fund returns in emerging markets, according to "Market Volatility and Hedge Fund Returns in Emerging Markets," a paper by Ohio University economists **Shamila A. Jayasuriya** and **Bolong Cao**:

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1647773

Strategies dedicated to European credit, "event/stressed situations," and emerging market equity and commodities are among "attractive risk-on trades" supported by the present high-volatility environment, according to the Opalesque 2011 U.K. Roundtable. The event, held July 5 in London, also covered emerging managers, fund administration for start-up hedge funds, FATCA and FBAR regulations and the risks and benefits of UCITS funds. Participating in the roundtable were **Dermot Butler**, **Custom House Group**; **Melissa Hill**, **Sabre Fund Management**; **Eoin Murray**, **Callanish Capital Partners**; **Morten Spenner**, **International Asset Management**; **Joe Taussig**, **Taussig Capital AG**; **Julian Treger**, **Audley Capital**; **Mark Leader**, **Sloane Robinson**; **Charles Tritton**, **DePutron Fund Management Ltd**; and **Loic Fery**, **Chenavari Investment Managers**:

<http://www.opalesque.com/RT/RoundtableUK2011.html>

Inherent biases by fund managers can be detected and "progressively" controlled, according to a paper by **Simon Savage** of **GLG Partners LP**. "This can be facilitated through an objective feedback process which helps to nurture investment talent and improve the quality of decision making over time," Savage writes:

<http://www.maninvestments.com/shared/assets/pdf/man-viewpoint/glg-view/2011/glg-views-july2011-skill-luck-human-frailty.pdf>

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13F FORENSICS: GOLDMAN SACHS

Hedge funds, led by **Lansdowne Partners Ltd.**, were net sellers of **Goldman Sachs Group Inc.** in the first quarter as the company's shares dropped to levels not seen since the 2008-90 financial crisis.

Lansdowne, Europe's largest hedge fund, sold all of its 4,941,291 shares in the first quarter. **Columbus Circle Investors**, **Conatus Capital Management LP**, **Omega Advisors Inc.** and **Stevens Capital Management LLC** were among other hedge funds liquidating their holdings of the investment bank.

Citadel LLC was the biggest hedge fund buyer of Goldman stock in the first quarter, adding 935,397 shares. The five largest acquirers added just 2.83 million shares compared to over 7.84 million shares divested by the five largest sellers.

A **Sanford C. Bernstein & Co.** report yesterday said Goldman stood to lose fixed-income trading revenue if the U.S. credit rating is downgraded. The New York-based investment bank's share price has dropped by over 20 percent so far this year.

—Nathaniel E. Baker

Largest Hedge Fund Shareholders

HEDGE FUND	SHARES HELD	MARKET VALUE ON MARCH 31*	MARKET VALUE ON JULY 29*	LAST CHANGE (SHARES)	PERCENTAGE OF PORTFOLIO	PERCENTAGE OF PORTFOLIO DEDICATED TO FINANCIAL COMPANIES
Brookside Capital Investors Inc.	2,000,000	317	269	-297,100	4.37	14
Atalanta Sosnoff Capital LLC**	1,205,395	191	162	-659,435	1.94	13
Pzena Investment Management LLC	1,042,534	165	140	101,190	1.40	34
Citadel LLC	994,724	158	134	935,397	0.59	23
Maverick Capital Ltd	817,742	130	110	817,742	1.36	15
Numeric Investors LLC	594,921	94	80	125,311	1.66	19
Vinik Asset Management	461,000	73	62	461,000	1.07	23
Valinor Management LLC	381,529	61	51	91,050	2.69	21
Trilogy Global Advisors LLC	368,162	58	50	-81,760	1.13	19
Taconic Capital Advisors LP	360,000	57	48	360,000	1.60	22
Tetrem Capital Management Ltd	336,091	53	45	45,258	1.05	25
Blue Ridge Capital Holdings LLC	315,000	50	42	-465,000	0.84	28
Samlyn Capital LLC	256,500	41	35	256,500	1.24	32
KR Capital Advisors Inc.	243,911	39	33	-3,164	4.57	11
D. E. Shaw & Co.	222,426	35	30	-256,987	0.16	15
AQR Capital Management LLC	215,263	34	29	-50,316	0.25	16
Pentwater Capital Management	191,602	30	26	121,669	1.21	12
Millenium Management LLC	189,728	30	26	164,989	0.28	17
Hunter Global Investors LP	189,600	30	26	89,600	2.28	27
Water Street Capital Inc.	156,100	25	21	-166,650	0.91	37
Alyeska Investment Group LP	155,492	25	21	155,492	0.60	19
GLG Partners LP	152,974	24	21	41,846	0.70	20
BBR Partners LLC	150,000	24	20	-466	21.30	78
Tiger Management LLC	143,500	23	19	6,200	5.88	6

*\$millions ** data for second quarter 2011

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REGULATORY/COMPLIANCE

Banks Protected Against Hedge-Fund Default, FSA Says

Hedge-fund defaults pose a limited risk to the stability of the financial system because banks have reduced their potential losses, the U.K. Financial Services Authority said in a report last week.

Hedge funds' "footprint remains modest within most markets" when measured against the size of their holdings, the FSA said in the report. The average potential loss for a bank in the survey in the event of a hedge fund default is less than \$50 million, the survey found.

"Counterparties have increased margining requirements and tightened other conditions on their exposures to hedge funds since the financial crisis, increasing their resilience to hedge fund defaults," the report said.

Hedge funds and private-equity firms have come under scrutiny from lawmakers who said they were partly to blame for the financial crisis. The EU approved measures last year to require hedge fund managers to restrict bonuses and increase disclosure to regulators.

About 75 percent of hedge funds reported positive returns for the period from April to September of last year, the FSA said in a separate survey published on its website in February.

— Ben Moshinsky

Cardinal, Dakota Firms May Settle With Madoff Trustee

Cardinal Management Inc. and **Dakota Global Investments Ltd.**, two investment firms sued by the liquidator of **Bernard Madoff's** firm, are exploring a settlement of trustee **Irving Picard's** claims, according to a court filing by the trustee.

Jeff Butler, a lawyer for the two firms, didn't immediately respond to a call and e-mail seeking comment.

— Linda Sandler

SEC Suit Against Gabelli Reinstated by Appeals Court

Marc J. Gabelli, a former portfolio manager of Gabelli Global Growth Fund, must face a lawsuit brought by the U.S. Securities and Exchange Commission, a federal appeals court said, reversing a lower-court ruling.

The SEC alleged in a 2008 complaint that Gabelli, a son of founder **Mario Gabelli**, had authorized the fund to be market timed by Folkes Asset Management, now known as **Headstart Advisers Ltd.**, and that **Gabelli Funds LLC** Chief Operating Officer **Bruce Alpert** had allowed it to continue.

The U.S. Court of Appeals in New York yesterday reversed a decision by U.S. District Judge **Deborah A. Batts** dismissing the complaint on the grounds that the SEC waited too long to seek civil fines. Batts last year also threw out securities fraud claims against Alpert. The appeals court ruled the claim for civil penalties isn't subject to time limitations.

"Finding at this stage in the litigation defendants have not met their burden of demonstrating that a reasonably diligent plaintiff would have discovered this fraud prior to September 2003, we conclude that the SEC's prayer for civil penalties survives defendants' motions to dismiss and must be reinstated," U.S. District Judge **Jed Rakoff**, acting as an appeals judge in the case, said in the ruling.

Gabelli Funds LLC agreed to pay \$16 million in April 2008 to settle market-timing claims by the SEC.

—Chris Dolmetsch

Donald Longueuil Sentenced to 30 Months in Prison

BY PATRICIA HURTADO

Former **SAC Capital Advisors LP** portfolio manager **Donald Longueuil** was sentenced to 30 months in prison for his role in an insider trading scheme.

"I made mistakes," Longueuil told U.S. District Judge **Jed Rakoff** before he was sentenced in New York. "I crossed the line. I broke the law."

Longueuil, 35, pleaded guilty April 28 to a four-year conspiracy to commit securities and wire fraud and to securities fraud in a case that also included former SAC portfolio manager **Noah Freeman**, **Samir Barai**, founder of Barai Capital Management, and **Jason Pflaum**, an analyst who worked for Barai.

All four men have pleaded guilty to federal charges. Freeman and Pflaum are cooperating with the government in its investigation. Longueuil and Barai aren't cooperating.

"There is a bedrock of hard facts that can't be ignored," Rakoff said before sentencing Longueuil. "The crime was, in the court's view, not a one-time aberration. The crime was one that has infiltrated too much of the business of this country."

Longueuil admitted that after reading a newspaper article about a federal probe of **Primary Global Research LLC**, he went to his office and took pliers to two drives on his computer, destroying them. Prosecutors said he walked 20 blocks and dumped the parts in four different garbage trucks.

Rakoff cited Longueuil's acts as "a flagrant flouting of the most elementary rule of law and morality."

Longueuil, who worked in SAC Capital's CR Intrinsic unit in New York from July 2008 to July 2010, was accused of giving information to Freeman.

"I want to counsel others before they cross the line like I did," Longueuil told the judge. "I have one life to live and I forever tainted it. I take full responsibility for my mistakes and I am dedicated to rebuilding my reputation."

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OVER THE HEDGE

■ **Marathon Asset Management LP** analyst **Mario Caicedo** recruited six co-workers to serve on the host committee for the Bowery Mission Young Philanthropists "An Evening on the Bowery" event last week.

Caicedo, 33, was co-chairman of the party, held at the Bowery Hotel terrace.

Marathon hosts included **Jeffrey Stroll**, **Michael Alexander**, **Andrew Brady**, **Matt Breckenridge**, **Daniel Pine** and **Gary Uhliar**. They made up about a third of the committee. Their minimum financial commitment was \$250 each.

The party included dancing, cocktails made with Catdaddy Carolina Moonshine, and a silent auction with items such as a \$1,500 night at the Lower East Side club Southside and a one-year New Museum of Contemporary Art membership.

The Bowery Mission, established in 1879, offers food, shelter, job training, legal aid and housing placement to men, women and children. Last year the Mission spent \$8.5 million on its programs.

Caicedo has lived near the Bowery Mission for 10 years. About five years ago he talked to one of the homeless men and decided to volunteer.

"I came to it as a neighbor," Caicedo said. "I've been so blessed my whole life, so getting involved made sense."

His role as co-chairman of the event required a \$1,000 donation. He serves meals twice a month.

The event far exceeded its goals of selling 75 tickets and losing no more than \$1,000, said host committee member Tom Summers, a restaurant designer: 250 people bought tickets and the event raised almost \$25,000.

— Amanda Gordon

■ The Connecticut Hedge Fund Association organized a sailing event to benefit the Young Mariners Foundation, a sailing program for underprivileged children in Stamford, Connecticut. Volunteers from the program provided spectator boats. The 12 metre Yacht Development Foundation provided the yachts for the sail.

Kent Holden, founder of **Holden Capital Management LLC**, found a place for a couple of reporters on his sailboat.

Attendees included **George Schultze**, chief executive officer of **Schultze Asset Management LLC**; **Rainer Busch**, managing partner and founder of **Mercury**

Partners & Co.; **Ethan Doyle** of **Princeton Capital**; **Theresa Patti**, managing director at **QFS Asset Management LP**; and **Anthony Lombardi**, who works in alternatives marketing at **Gamco Investors**.

Young Mariners teaches children water safety and how to swim, then enrolls them in a 5-week summer sailing program that they can stay in for three to five years. The organization serves 140 children annually, with a budget of \$350,000.

— Amanda Gordon

■ **MSD Capital LP** co-founder **John Phelan** and his wife, Amy, a Guggenheim Museum board member, will host WineCrush, a dinner and wine tasting event at their Aspen, Colo., home tomorrow night. The party caps the first day of the Aspen Art Museum's annual ArtCrush event, now in its eighth year. Seven-time Tour de France winner **Lance Armstrong**, who joined the Aspen Museum board this year, is scheduled to attend. All 350 available tickets for ArtCrush were gone before the announcement went out, and there's a waitlist of 100 hopefuls.

— Patrick Cole

Paul Ruddock Gives Millions to V&A

INTERVIEW BY FARAH NAYERI

Lansdowne Partners Ltd. Chief Executive Officer **Paul Ruddock** has helped raise 120 million pounds (\$196 million) for the overhaul of London's Victoria & Albert Museum and co-funded the revamp of its Medieval and Renaissance galleries.

Ruddock, 52, has been on the V&A's board for nine years and chairman for the past four. A donor to the British Museum — with his name on a gallery — he joined the board of New York's Metropolitan Museum of Art in January. His lifetime donations are "in the tens" of millions of pounds.

"Everybody who can afford to should give some time to some charity, because that's about giving back to society: Society has been good to you," he says. "Whether it's helping out with the local church group, at the soup kitchen, or as a trustee of a charity."

"A lot of people in our financial industry have skill sets which are very good" for philanthropy, he says.

Ruddock has shunned the media since his company got slammed for profiting from a short position in **Northern Rock Plc**, the lender that was nationalized after suffering the U.K.'s first run on a bank in more than a century. Newspapers said Ruddock made 100 million pounds on the collapse.

"It is public record that Lansdowne, on behalf of the funds that it managed, made significant profits from shorting Northern Rock," he says. "We lost money on Northern Rock for two years on that short,

then we made some money." Still, "the large amounts of money" some have quoted are "wildly exaggerated," he says.

Ruddock says he spends at least 10 hours a week on the V&A. He has coaxed his friends **Michael Hintze** (of **CQS U.K. LLP**) and William and Judith Bollinger into giving to the museum. The V&A now has in-house fundraisers who target donors by income tier and lure wealthier benefactors by finding out their passions.

Ruddock was born in Solihull in central England. His parents "came from very poor backgrounds," he says. He got a first-class law degree from Oxford University, then found the British legal profession "very snobbish and hierarchical."

"I wanted to go somewhere where, if I was really good, I could make some money sooner rather than later," he says.

He joined **Goldman Sachs Group Inc.** in London in 1980, left in 1984 for **Wertheim & Co.**, and co-founded Lansdowne in 1998.

"A lot of people view contemporary art as a business, so they're trying to figure out who's going to be the next star," he says. "I have no interest in that."

A father of two, Ruddock is married to Jill Shaw Ruddock, a U.S.-born ex-banker who is on the board of the Donmar Warehouse Theatre and just released a candid, interview-based book on menopause (proceeds go to charity).

Still enthralled by his job and the "curveballs" thrown his way — most recently, the Japanese tsunami and Mideast uprisings — he is preparing for a new challenge: raising another 100 million pounds for the V&A's redevelopment.

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PERFORMANCE SNAPSHOT: FIXED-INCOME ARBITRAGE

A look at some of the best-performing fixed-income arbitrage hedge funds that report to Bloomberg data. Only funds that have reported performance through at least June 30 are included. For questions please contact Anibal Arrascue at aarrascue@bloomberg.net

By Year-to-Date Returns

FIRM	FUND	MANAGER	INCEPTION DATE	SHARPE RATIO	RETURN %
Barnegat Fund Management Inc	Barnegat Investments Limited-Class B	Bob Treue	1/1/2001	1.96	12.12
Nomura Global Alpha LLC	NGA Capital Feeder Fund Ltd-I	Rajiv Sobti	7/1/2008	1.55	9.91
III Associates	III Fund LP	Clifford Viner	1/1/1999	4.42	9.54
Horizon Asset Management Inc	Horizon Credit Opportunities Offshore Fd Ltd	David Kingsley	12/29/2006	4.90	8.73
Pamplona Capital Management LLP	Pamplona Credit Opportunities Fd-A EUR	Yves Leysen	9/1/2008	1.67	7.29
Concordia Advisors LLC	Concordia Municipal Opportunities Fd III LP	Christopher Dillon	3/31/2006	2.23	6.15
III Offshore Advisors	III Select Credit Fund Ltd-A	Clifford Viner	1/1/2008	3.80	5.73
Rimrock Capital Management LLC	Rimrock High Income PLUS Fund LP	Dave Edington	11/29/2002	3.71	5.09
Prudence Investment Management Ltd	Prudence Enhanced Income Fund	Qian Chad Liu	1/1/2009	3.15	3.83
Concordia Advisors LLC	Concordia G-10 Fixed Inc Relative Value LP	Arun Puri	6/1/1994	1.65	3.61

By Trailing 5-Year Annualized Returns

FIRM	FUND	MANAGER	INCEPTION DATE	SHARPE RATIO	RETURN %
Symphony Asset Management LLC	Andante Fund LP	Jenny Rhee	10/1/1999	1.75	21.06
Barnegat Fund Management Inc	Barnegat Investments Limited-Class B	Bob Treue	1/1/2001	0.68	15.55
Rimrock Capital Management LLC	Rimrock High Income PLUS Fund LP	Dave Edington	11/29/2002	0.97	14.01
Capula Investment Management LLP	Capula Global Relative Value Fd Ltd-A USD	Yan Huo	9/30/2005	1.71	11.27
EMF Financial Products LLC	EMF Fixed Income Fund Ltd-2AA	Eric Flanagan	10/31/2001	0.63	11.22
Coast Asset Management LLC	Coast Value Fund I Ltd	David E Smith	12/31/1998	1.02	10.71
Concordia Advisors LLC	Concordia G-10 Fixed Inc Relative Value LP	Arun Puri	6/1/1994	0.59	10.61
Prologue Capital LLP	Prologue Feeder Fund Ltd-A	David Lofthouse	2/1/2006	2.06	9.68
Aviva Investors Global Services Ltd	Aviva-G7 Fixed Income Cell-USD	Shahid Ikram	1/30/2004	2.64	8.96
Sanctum FI LLP	Sanctum Fixed Income Fund-B USD	Jeremy Corn	8/29/2003	0.51	7.54

FOR SHARPE RATIO CALCULATION METHODOLOGY TYPE FLDS SHARPE <GO> ON BLOOMBERG. "RISK FREE RATES" IDOC 2047613 <GO>

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HEDGE FUNDS ADDED TO BLOOMBERG THIS WEEK

The following hedge funds were added to Bloomberg's database this week. Access the Hedge Fund Database Portal by typing HFND <GO> on your Bloomberg Terminal. To view U.S. hedge fund managers, users must fill out an Accredited Investor Form (Option 13).

TICKER	BLOOMBERG ID	FUND MANAGER	MANAGEMENT COMPANY	STRATEGY	MANAGER LOCATION	INCEPTION DATE	PRIME BROKER
ADGCMVC KY	BBG001Y0R8D8	MANJEET MUDAN	ADG Capital Management LLP	Global Macro	U.K.	7/1/2009	Goldman Sachs
BARAKST KY	BBG001Y0SHS1	Team Managed	Barak Fund Management Ltd	CTA/Mgd Futures	Mauritius	2/1/2009	
CSFIAD MV	BBG001Y3Y826	MARC SORMANI	Capital Strategy Funds Sicav plc	Directional Fixed Income	Switzerland	7/8/2011	BofA Merrill Lynch
CONBFBU ID	BBG001XZKSH1	A. DI CARPEGNA	Controlfida Management Co Ltd	CTA/Mgd Futures	Switzerland	7/14/2011	
STGBGRW GU	BBG001Y3YK9	Team Managed	E.I. Sturdza Strategic Management Ltd	Long/Short Equities	Switzerland	7/13/2011	
YANAFXE BH	BBG001XT6GN0	Team Managed	Emerging Asset Management Ltd	CTA/Mgd Futures	Bermuda	7/1/2011	
YANOSFX BH	BBG001XT73W8	Team Managed	Emerging Asset Management Ltd	CTA/Mgd Futures	Bermuda	7/1/2011	
YANAFXU BH	BBG001XT6H12	Team Managed	Emerging Asset Management Ltd	CTA/Mgd Futures	Bermuda	7/1/2011	
FALILIE LX	BBG001Y26PD9	Team Managed	Falcon Private Bank Ltd	Directional Fixed Income	Switzerland	12/8/2010	
INNCEED MV	BBG001XWY1M6	TEAM MANAGED	Innocap Global Investment Mgmt	Merger Arb	Canada	7/27/2011	
CYRSUSE KY	BBG001Y21NJ3	FRANCOIS BONNIN	John Locke Investments SA	CTA/Mgd Futures	France	7/5/2011	MF Global Holdings Ltd
KERRCAP US	BBG001Y1Z4R1	SAHM ADRANGI	Kerrisdale Capital Management LLC	Eq Fdmntl Mkt Neut	U.S.	7/1/2009	Interactive Brokers LLC
LOHENGR BM	BBG001Y0RSX2	Team Managed	Lohengrin Management Ltd	CTA/Mgd Futures	Bahamas	6/1/2011	
MANOMS8 CU	BBG001XJQ7X9	Team Managed	Man Investments Ltd	Global Macro	Ireland	11/11/2002	
MAN3AHL CU	BBG001XH3Y69	Team Managed	Man Investments Ltd	Global Macro	Ireland	12/3/2009	
MAN220L CU	BBG001Y25839	Team Managed	Man Investments Ltd	Global Macro	Ireland	8/27/1997	
MRUSPXC ID	BBG001XWY1B8	Team Managed	Merchant Capital Ltd	Multi-Strategy	U.K.	6/1/2011	
MRUSPXD ID	BBG001XWYH69	Team Managed	Merchant Capital Ltd	Multi-Strategy	U.K.	6/1/2011	
MRUSPXE ID	BBG001XWYS10	Team Managed	Merchant Capital Ltd	Multi-Strategy	U.K.	6/1/2011	
METTRNC MV	BBG001XX9LR3	Team Managed	Metatron Capital SICAV plc	CTA/Mgd Futures	Malta	6/30/2011	Interactive Brokers UK
METGLMA MV	BBG001XX9LF6	Team Managed	Metatron Capital SICAV plc	Global Macro	Malta	6/30/2011	Societe Generale SA
METDIFX MV	BBG001XX9JZ9	Team Managed	Metatron Capital SICAV plc	CTA/Mgd Futures	Malta	6/30/2011	Interactive Brokers UK
MPTEURO VI	BBG001Y3LZN7	DIEGO STELLA	MPT Asset Management Corp	CTA/Mgd Futures	Uruguay	6/30/2009	
MPTGBPA VI	BBG001Y3SK17	DIEGO STELLA	MPT Asset Management Corp	CTA/Mgd Futures	Uruguay	6/30/2009	
MPTUSDA VI	BBG001Y3SF36	DIEGO STELLA	MPT Asset Management Corp	CTA/Mgd Futures	Uruguay	6/30/2009	
MQSCAPA US	BBG001XX9N80	ROBERT GELFOND	MQS Asset Management LLC	Global Macro	U.S.	7/1/2008	UBS AG
EQMCFIL SM	BBG001Y21646	JACOBO LLANZA FIGUEROA	N+1 SYZ Gestion SGIIC SA	Eq Statistical Arb	Spain	7/15/2011	
SYNMEDI US	BBG001XX6V58	JOHN P FRAUNCES JR	Synaptic Capital Group LLC	Long/Short Equities	U.S.	3/1/2010	
TRECE2U US	BBG001Y0SKF8	LUIZ F CARVALHO	Tree Capital LLC	Long/Short Equities	U.S.	6/1/2011	
TRRMBIN KY	BBG001Y3ST90	EUGENE H KIM	Tribridge Capital Management Cayman Ltd/Cayman Islands	Global Macro	Hong Kong	8/5/2011	Citigroup
TRRMBMI KY	BBG001Y3SKG1	EUGENE H KIM	Tribridge Capital Management Cayman Ltd/Cayman Islands	Global Macro	Hong Kong	8/5/2011	Citigroup

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Calendar

To submit an event email hedgebrief@bloomberg.net

DATE	EVENT	FEATURING	LOCATION	CONTACT / REGISTRATION
Aug. 4, 4:30pm	Bloomberg Seminar: How to Launch a Hedge Fund and Stay in Business	Keynote address by Ho Han Ming, AIMA. Panelists Thomas Chan-Soo Kang, Fortress Asia; Danny Yong, Dymon Asia Capital.	Bloomberg office, Singapore	Email name, phone number, company to spseminar@bloomberg.com
Aug. 5, 4:30pm	Bloomberg Beach Bus to the Hamptons	Complimentary ride to all major stops in the Hamptons. Food, cocktails, entertainment, 30-minute presentation on Bloomberg FX features.	Bloomberg headquarters, New York	Rachel Ault, +1 212-617-1358, rault@bloomberg.net
Aug. 10, 6:30pm	YJP Hedge Fund Conference: An Evening with Leon Cooperman	Leon Cooperman, Omega Advisors; Ricky Sandler, Eminence Capital.	Chelsea Pearl, New York	http://www.yjpnewyork.com/hfsummit/
Aug. 16-17	IPARM Southeast Asia 2011	Shaji Chandrasenan, Monetary Authority of Singapore; Tiraneh Tehranchian, Matrix Group.	Grand Cophthorne Waterfront Hotel, Singapore	iparmasia.com
Aug. 18, 6pm	New York Hedge Fund Roundtable Monthly Event	"Hedge Funds and the Media," followed by raffle to benefit Hedge Funds Care.	New York (exact location provided to attendees)	newyorkhedgefundroundtable.org
Aug. 23	Bloomberg Chile Economic Summit	Jose de Gregorio, Central Bank of Chile governor; Alan Farcas, Felipe Larrain, Minister of Finance.	Museo de Artes Visuales, Santiago	Tracy David, +1-646-834-5021, mdavid20@bloomberg.net , bloomberglink.com
Sept. 6-9	Hedge Funds World Asia 2011	Jim Sweeney, Boyer Allan; Edwin Burton, Virginia Retirement Systems; Stephen Keating, George Washington University.	Hong Kong	terrapinn.com
Sept. 8	Bloomberg Global Inflation	Grace Gu, BlackRock Multi-Strategy Hedge Fund; Donald Lindsey, CIO, George Washington University; Laurence Meyer, Macroeconomic Advisers.	3LD Art & Technology Center, New York	Tracy David, +1-646-834-5021, mdavid20@bloomberg.net , bloomberglink.com
Sept. 13	Argyle Executive Forum's 2011 Investment Forum for Endowments, Foundations and Pension Funds (New York)	Brian Abrams, Alcatel-Lucent Investment Management; Donald Lindsey, GWU; Kim Vaccari, New Jersey Transit Corp.	New York (exact location provided to attendees)	argyleforum.com
Sept. 13	CTA Expo Chicago	"Focuses on the development of managed futures and the CTA community."	UBS Tower, Chicago	http://www.ctaexpo.com/
Sept. 13	Merlin Securities Capital Development Single Manager Dinner	Closed-door, single manager dinner with 15 investors.	New York (exact location provided to attendees)	Patrick McCurdy, +1 212-822-2009, pmccurdy@merlinsecurities.com
Sept. 13	FX Invest West Coast	Keynote address: Eric Busay, CalPERS.	San Francisco	Sam Lawson, +44(0) 20 7004 7519, http://fxinvestwestcoast.com
Sept. 13	Corporate Counsel Magazine's 5th Annual Hedge Fund General Counsel Summit	Scott Sherman, Blackstone; Karl Wachter, Magnetar Capital.	Harvard Club, New York	Sheila Brennan, +1 212-457-7917, sbrennan@alm.com
Sept. 14	FINForum's Annual Hedge Fund Summit	Keynote by Joseph McAlinden, Catalpa Capital Advisors.	Princeton Club, New York	finforums.com
Sept. 15	Bloomberg Markets 50 Summit	Ray Dalio, Laszlo Birinyi, Whitney Tilson, Wilbur Ross; Carson Block, Muddy Waters; Bill Browder, Hermitage Capital.	The Morgan Library, New York	Kristen Hensley, +1-646-834-5033, khensley@bloomberg.net , bloomberglink.com
Sept. 15	Hedge Funds Care's 4th Annual Los Angeles Benefit	Light appetizers and open bar.	Los Angeles	http://hedgefundscare.org
Sept. 15, 6pm	Hedge Funds Care's 3rd Annual Connecticut Cocktails on the Sound	Cocktail party.	48 Signal Road, Stamford, Conn.	hedgefundscare.org ; Sponsorships available. Contact Sarah Blaker, sbaker@hedgefundscare.org
Sept. 18-20	II Conference's 12th Annual Family Office Wealth Conference	"Designing a Course of Action for Affluent Families in the Midst of Revolutionary and Evolutionary Global Transformation."	Montage Resort & Spa, Laguna Beach, California.	By invitation only. iiconferences.com for more information
Sept. 19-20	Ucitsindex.com's UCITS Alternatives Conference 2011	Speakers Kristof Bulkai, Thames River; Christophe Reech; Robert Beer.	Kongresshaus Zurich	ucitsindex.com
Sept. 20	Thompson Hine's Annual Hedge Fund Event	"Capital Introduction After Dodd-Frank." Steve Shafer, Covenant Financial Services.	Harvard Club, New York	Angela Saunders, 212-908-3906
Sept. 20-21	CFA Society of Calgary's 2011 Wealth Management Conference	"Opportunities in the Next Investment Frontier."	Calgary TELUS Convention Centre	CalgaryCFAociety.com
Sept. 22-23	Connecticut Hedge Fund Association's Global Alpha Forum	"Navigating Uncharted Waters." Harold Ford Jr.; Whitney Tilson; Orin S. Kramer; Anthony Scaramucci	Hyatt Regency Greenwich (Conn.)	http://globalalphaforum.com

SPOTLIGHT

Caerus Global Investors' Ward Davis on the Two Faces of the U.S. Consumer

Ward Davis, founder and portfolio manager of **Caerus Global Investors LLC**, the New York-based hedge fund focused on consumer discretionary stocks, spoke with Bloomberg's Nathaniel Baker on the diverging characteristics of U.S. consumers, ideas both long and short and his fund's ability to raise capital.

Q: Tell us more about your investment strategy.

A: We run a low net global consumer-focused fund. Our average net exposure since launch has been under 4%. Every idea in our portfolio, both long and short, seeks to generate its own alpha. Portfolio construction is bottoms-up fundamental. We don't pair-trade. We rarely use ETFs. Typically we have about 30 names long and 30 short. Our average gross exposure has been 130% since launch.

Q: What's your current view on consumer stocks?

A: The sell-off several weeks ago has been particularly hard-felt on consumer discretionary names. The reasons for that correction are predominantly macro-oriented; sovereign debt issues in Europe, our own sort of crisis here in the U.S. It has not been based on fundamentals. That has created a lot of risk-reward on the long side in certain consumer discretionary stocks.

Q: Such as?

A: I would highlight two turnaround apparel manufacturing ideas. One is Liz Claiborne, which is divesting some under-performing divisions to highlight the value of its core assets: the Kate Spade brand, growing north of 80 percent. Kate Spade we think is Ralph Lauren a dozen years ago. The other idea is Quiksilver. The company took a big misstep several years ago when it bought Rossignol. They ended up divesting it for less than a quarter of what they paid. They're three years past that divestiture. Net debt has been cut in half. The company has freed up its balance sheet and gotten back to growing its core brands globally.

Q: There has been a lot of attention

recently on the over-leveraged U.S. consumer. Do you share this concern?

A: It's sort of the tale of two cities. The more affluent part of the population is gainfully employed, feeling pretty good and spending. There do not seem to be any signs that spending pattern has dissipated in a meaningful way, as evidenced by June same store sales. On the other hand, the lower-end consumer continues to feel pressure from unemployment, wages and the brunt of this pocket of inflation, mainly in the form of higher gas prices. Those consumers are living paycheck to paycheck, so discretionary spending is very weak and there's no prognosis for it to get any better.

Q: Might other countries, specifically China, pick up the slack?

A: One of the bigger themes in the portfolio is trying to come up with unique ways to get exposure to consumption and discretionary spending within China. One of our best ideas is the largest budget hotel operator in China: Home Inns. It's growing 20 to 25 percent in room growth and commensurate Ebitda, but is trading at a big discount to its U.S. lodging peers that have effectively no growth.

Q: Let's discuss the Bearish side.

A: Looking at the back half of this year and into 2012, the cyclical tailwinds are rolling over. You're going to have a fairly notable decline in the rate of revenue growth for the sector. Companies are also facing

unprecedented levels of input cost inflation. Almost every company is in the process of implementing from three to 12 percent price increases. They're doing that in an economy that still has fairly high unemployment, stubbornly high gas prices, no real wage growth, no improvement in house prices. Invariably you're going to see a pushback on unit demand. People are going to shift to lower-priced menu items. You could see some pretty big margin pressure. Some companies will be able to successfully pass through pricing, but my guess is that the majority probably will see some pushback. For apparel manufacturers and apparel retailers, there are fairly problematic levels of inventory at specific companies.

Q: For example?

A: H&M with 20 percent inventory growth and less than 10 percent revenue growth.

Q: Your fund celebrated its one-year anniversary on July 1. You've raised over \$230 million in what everybody is saying is an extremely tough environment for hedge fund startups. How?

A: There's growing demand for sector specialists. We have an experienced team dedicated to consumer. Everybody here has been through a number of spending cycles. Finally, there's the low volatility characteristic of our portfolio. We've been annualizing a double digit return with less than a third the volatility of the overall market. Investors tend to like that.

AT A GLANCE



Age: 47

College/University/Grad School(s): Undergraduate at Washington & Lee ('86), MBA at Amos Tuck School of Business, Dartmouth ('93)

Professional Background: Retail and consumer analyst at MFS Investment Management and Zweig Fund. Partner at Chilton Investment Co, co-founded Trivium Capital Management in 2002.

Family: Four kids

Hobbies: Avid surfer

Favorite Vacation: Surfing in Costa Rica.

Favorite NYC Restaurant: Raoul's