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Credit Suisse Cuts FoF Headcount

The firm has trimmed 10 staffers from its fund of funds unit, with most of the culled positions based in Europe.

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LEHMAN/NOMURA PRIME BROKER INTEGRATION HITS SYSTEMS SNAG

Combining the prime brokerage businesses of **Nomura Holdings** and **Lehman Brothers** has reportedly hit a costly and unexpected snag that could delay full integration for an undetermined time, potentially stretching to several months or over a year. An official involved with the merger integration plans told *AIN* that in Nomura's acquisition of Lehman's Asia, India and European operations, it received the software for Lehman's cash prime brokerage system—which includes trading, analytics and

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MELLON SUSPENDS SANCTUARY FUNDS

Mellon Global Alternative Investments has suspended dealings on the $344 million *Mellon Sanctuary Fund* and the $426 million *Mellon Sanctuary Fund II*—its flagship event-driven and relative-value funds of hedge funds—as liquidity concerns have arisen from unprecedented volatility in the markets. A number of the underlying funds "have invoked provisions that are intended for periods such as this where acute market illiquidity is coupled with extreme selling pressure," stated an email sent to *AIN* by Spokesman **Jamie Brookes**.

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EX-FSA EXEC: SMALLER FUNDS NEED CLOSER SUPERVISION

The U.K.'s **Financial Services Authority** should monitor the behaviour of smaller hedge fund firms more closely because malpractice is more likely to go unnoticed in these firms. At least that's the view of **Chris Rexworthy**, who was responsible for supervising all hedge fund managers until he left the agency in 2006. He is now director of risk consulting at **IMS Consulting** in London.

Rexworthy told *AIN* that while there are nearly 450 hedge fund managers in the U.K.,

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VAUGHAN-SMITH TO BUY UP FoF BOUTIQUES

Gary Vaughan-Smith

Gary Vaughan-Smith, the fund of hedge funds veteran who led **ABN Amro Asset Management**'s alternatives group until 2006, is seeking acquisitions for his London firm, **SilverStreet Capital**. He hopes to buy up to three fund of hedge fund boutiques, taking advantage of the anticipated shake-out of the industry. Vaughan-Smith told *AIN* he is not aware of any other fund of funds firms seeking to do the same, observing that larger players—including many of the Swiss powerhouses—"have their own problems" brought on by poor

(continued on page 19)

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At Press Time

Pentium Replaces Metals With Biotechs

Vicente Zaragoza, founder of **Pentium Fund**, has removed exposure to precious metals from the Swiss firm's natural resources hedge fund strategy and replaced it with biotechnology stocks.

The biotechnology sector has been least affected by recent price declines.

Vicente Zaragoza

"Cancer doesn't go away because there's a recession," said Zaragoza, and there is constant demand for medical research and developments. By contrast, the metals sector is likely to suffer as aircraft makers such as **Airbus** cut production and consumers rein in their spending on foreign travel.

Zaragoza is bullish on oil stocks. There are some healthy dividends to be had in the sector, such as **Exxon Mobil**, which is currently paying out dividends of about 10%. This looks particularly good when a turn of leverage is applied, said Zaragoza.

Despite the recession, demand for oil should remain stable as U.S. infrastructure is reliant upon it. The process of converting to biofuel as an alternative to oil is both time-consuming and expensive, and so won't affect levels of demand in the near future, noted Zaragoza. He hedges the strategy's exposure by shorting the *S&P500 Index*.

Investors Bet On PE In Spite Of Downturn

Institutional investors worldwide continue to have a long-term positive view of private equity investments despite the recent market downturn. "[Investors] fully understand the challenges facing markets generally and private equity in particular," said **Mark O'Hare**, managing director at alternatives research firm **Preqin**. "Despite this, they are cautiously optimistic of the prospects for private equity and appear set to continue the longer-term trend of making increased commitments to the asset class."

According to a recent survey by Preqin, the prospect of achieving high target returns is the primary motivator behind most institutions investing in private equity. Around 81% of the institutions surveyed said this is the most important factor in a decision to invest. The survey took place during September and October, studying 100 institutional investors globally.

The past five years have been a period of unusually high returns for private equity, said O'Hare. It is, therefore, not a surprise that a majority of the investors surveyed expect returns over the next five years to be lower. Despite this general expectation, there is also a widespread appreciation that funds that have held their investment periods during market downturns have often been among the best-performing historically, he explained. In the U.S., pension plans are increasingly looking to the secondary market to make opportunistic investments and to offload illiquid holdings.

With stock markets currently on multi-year lows, several investors think that "we may be entering a very attractive time at which to be making private equity investments," said O'Hare. The median expected gross IRR is in the 15-20% range and the average expectation among the investors polled is for 17.4%.

The Americas

Nonprofits To Raise HF Allocations Despite Market Woes

Donald Steinbrugge

Despite extreme market turmoil, foundations and endowments are expected to increase allocations to hedge funds in the coming months, according to a straw poll taken among attendees at **Opal Financial Group**'s *Endowment and Foundation Conference* in Boston earlier this month.

While chairing a panel session titled "Hedge Funds: Why Now More Than Ever?", **Donald Steinbrugge** of the **City of Richmond** (Va.) **Retirement System** asked members of the audience to raise their hands if they represented a foundation or endowment currently invested in hedge funds. Roughly 50 people raised their hands. He then asked if any of them were planning to reduce their allocations to hedge funds due to the current turmoil. "Not one single hand was raised," Steinbrugge told *AIN*. When asked if any of them planned to increase their allocations, roughly one-third of them raised their hands, he added.

"It's not a scientific study. But it's a pretty big population," Steinbrugge said. "I think endowments, foundations and pension funds—which have driven a lot of the asset growth over the past five-to-seven years—are very long-term oriented and committed to increasing their allocation to alternative investments over time." And despite many hedge fund managers' returns being down, performance is not nearly as poor as that of traditional long-only managers, he observed.

Ex-Peloton CIO Launches Macro Strat

Geoff Grant, founding partner and cio of the now-defunct **Peloton Partners**, has launched a global macro strategy at his new startup, **Grant Capital Partners**. The *LiquidMacro Fund* rolled out in September with between $100-200 million and has so far posted positive returns, according to **Eric Peters**, portfolio manager at the Santa Barbara, Calif.-based firm. He declined to specify returns, citing firm policy.

Peters, **Perry Parker**, **Stephen Duneier** and **Kit Munday** have all joined the firm as partners. All four worked with Grant at Peloton. The LiquidMacro fund invests in fixed-income, foreign exchange, equity indices and commodities. It does not trade single names, and only invests in liquid markets, including G10 nations and liquid emerging markets—Brazil, China, Mexico, Poland and the Czech Republic. Liquidity is extremely important to the firm, and only countries that have developed strong options markets will be included, Peters said. "Broadly speaking, we think we've entered a multi-year period of much higher volatility. And we expect that to influence all different markets."

Grant was cio of Peloton's multi-strategy fund. Before setting up Peloton, he was head of global proprietary and foreign-exchange trading at **Goldman Sachs**. London-based Peloton became one of Europe's biggest hedge fund blow-ups earlier this year when its $2 billion ABS fund fell foul of the subprime crisis.

Prior to his stint at Peloton, Parker was head of non-franchise trading at **Deutsche Bank**. Duneier was a portfolio manager of the *London Diversified Fund* at **LDFM** and before that, at **AIG Trading**. Peters was director of proprietary trading at **Credit Suisse** and **Lehman Brothers**, while Munday was a proprietary trader at **Nomura Securities**.

Fridson Begins Institutional Marketing

Marty Fridson

Fridson Investment Advisors, launched in May, has begun marketing its *Credit Strategy Fund* to institutional investors including pension plans, Taft-Hartleys and endowments and foundations. "Non-investment grade corporate credit spreads are at historically high levels, which has gotten the attention of institutional investors," said President **Drew Lawton**. The firm manages about $250 million. The strategy focuses on credits at the more senior level of the capital structure with a minimum spread and a minimum loan-to-value. Lawton declined to elaborate on the amounts. The absolute return target is 15-20%.

The firm hopes to raise $2.5 billion for the strategy. Lawton said it has not set a timeframe to reach that goal because commitments are largely reliant on the market. The fund has a one-year lockup and a quarterly redemption cycle. The fee structure is 1.5/20.

Lawton joined the firm in August. He was previously president and ceo of **Pyramis Global Advisors**. Fridson was founded by Chairman **Rich Hollander** and CEO **Marty Fridson**. **BNP Paribas** provided initial seed capital and operational support for the firm. Lawton declined to elaborate on Paribas's stake.

Environmental Technology: Sustainable Growth

By Jerry Moskowitz, President, FTSE Americas
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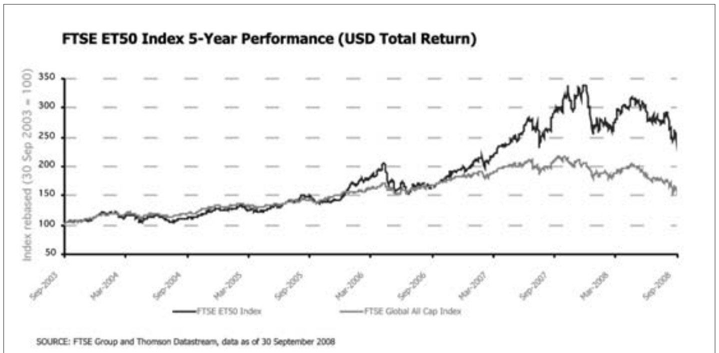
What is "Environmental Technology?"

FTSE defines "environmental technology" companies as those whose core business is the development and deployment of alternative energy, water treatment, pollution control and waste management. The terms "green" or "clean" technology are often used interchangeably with these types of businesses, and the U.S. Environmental Protection Agency defines them as "innovative technologies that have the potential to improve protection of human health and the environment."



What is the investment opportunity?

Because many companies in this sector are not yet publicly traded, venture capital accounts for a good deal of the investment set. Index investing is another popular way to access the environmental technology (ET) market. By benchmarking to an index, investors are able to mitigate risk by capturing the broad environmental technology marketplace rather than selecting individual companies in which to invest. Indices also capture some of the largest publicly traded companies in the ET industry, many of which have more distinct performance records than their younger, privately held counterparts.

The FTSE Environmental Technology Index Series measures the performance of global companies whose core business is the development and deployment of environmental technologies. Created in collaboration with environmental technology specialist Impax Asset Management, the series includes the FTSE ET50 Index and the FTSE Environmental Opportunities All-Share Index and will continue to expand as investors demand investment solutions to capture this growing market.

How is this sector performing?

Despite the volatility and general downturn of global markets over the past year, most notably in recent months, both the FTSE ET50 and FTSE Environmental Opportunities All-Share Indexes have notably outperformed their broad-market counterparts. Total returns for both indices as of the end of the third quarter show that index levels are still up over the past two years.

Who is investing?

Investors in environmental technology are those seeking to:

- Capture the rapid growth performance of an expanding industry
- Invest in companies that are best placed to succeed in a future low carbon environment
- Support the growth and development of the renewable energy and environmental technology sector

The California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) were among the largest and earliest pension plans to recognize this opportunity. CalPERS has allocated $200 million for private equity stakes in ET ventures, while CalSTRS has invested $188 million in environmental technology, $150 of which were renewable energy projects in Europe and the U.S. As the ET industry continues to grow, it is likely that other institutional investors will follow suit in capturing this dynamic market.

The Americas (cont'd)

Cuttone Launches Prime Brokerage Services

Cuttone & Company has launched *Cuttone Global Prime Solutions* (GPS), which includes execution services and prime brokerages services. It gives hedge fund managers multi-asset, multi-currency portfolio reporting, capital-introduction consulting services, execution consulting services and a range of soft-dollar and client-commission agreement options. Cuttone trades in 58 markets.

The firm had been working on its prime brokerage services for about four years to get them ready. While Cuttone offers many of the same services as bulge-bracket firms, it doesn't intend to compete with those firms. The firm serves as an introducing prime broker, providing services to firms who otherwise wouldn't receive them from the bulge brackets. "We're looking to complement the bulge brackets' prime broker business, not compete head on. Cuttone GPS is targeting a different sector of the hedge fund market," said **Fredrick Scuteri**, senior v.p. and head of prime brokerage services.

Clean Energy Fund Boosts Target

Aurarian Capital has delayed the first close of its clean energy hedge fund yet again, but this time for positive reasons. It was supposed to launch in September and then was delayed until Oct. 31 due to delays in writing up paperwork for offshore investors. Now the firm is lining up more investments, as clean energy companies around the world are approaching the fund for capital. The firm plans to have the capital raised to finance these deals by Jan. 31.

Founder **Jason Gold** noted *Aurarian Capital Clean Energy Asset-Based Lending Fund* originally planned on launching with $60-80 million and invest in small U.S.-based alternative energy companies (*totalalternatives.com*, July 9). Gold said due to the credit crunch larger clean energy companies, mainly geothermic and cellulosic ethanol companies, are contacting Aurarian because they have "no where else to go for the money." The firm has also been looking at energy companies outside of the U.S. in places such as the Middle East. "If I can turn trash into ethanol in the United States, I can turn trash into ethanol in Europe and Asia," he explained. The fund has been delayed to accommodate each of these deals and secure enough capital to finance them.

Gold said the fund will now launch with more than $100 million, and with the ability to partner with other hedge funds or integrated oil refinery companies to finance deals, in the size range of $40-$200 million.

Former Bear Stearns Exec. Joins Florida Startup

Barry Bailey

Barry Bailey, a former senior managing director at **Bear Stearns**, has joined Tampa-based **Mascot Capital Management**. The firm, founded by **Ron Pollack**, the veteran short-seller at **Feshbach Brothers**, is preparing to launch the short-biased *Dancing Bear Partners* early next year with $250 million (*totalalternatives.com*, Aug. 27). Bailey will co-manage the strategy alongside Pollack.

Bailey spent over 13 years at Bear Stearns researching and developing short ideas, while building a proprietary research and sales team. He left Bear Stearns in 2005, and has been "watching from the sidelines for the past three years and looking to be back in the game," Bailey said in an E-mail. "Given what has happened, I feel fortunate to have left when I did."

The Dancing Bear fund—a fund that "dances" even in bear markets—will be net-short and will invest across a variety of sectors. The fund will begin investing in North America, but will seek opportunities overseas in the near future.

Despite many managers not being as comfortable short selling, more money is being put to short books now than ever before, Bailey pointed out. "This brings extra volatility into the market," he wrote. "Our approach is net short […] with a unique and differentiated strategy to provide short exposure with less volatility."

RCG Bets Big On Asia

Fund of hedge funds manager **RCG Capital Advisors** is trusting in Asia for its global equity long/short strategy, having increased its underlying managers with India- and China-focused funds to seven from three.

RCG Global Equity Long/Short now has 20 managers, up from 18 this past summer (*totalalternatives.com*, July 15). In addition to adding funds, Manager **Ken Phillips** said he has also been eliminating some poor performers. Phillips declined to name specific funds.

Philips believes that despite recent falls, Asia is a good buy, pointing specifically to how few buyers there are right now. "More thinly-traded emerging markets offer much better upside if you can find managers that can do fundamental research well," he noted.

Originally the Global Equity fund was set to invest 20% in BRIC countries, but Phillips said he became wary of

The Americas (cont'd)

Russia, due to political risks, and Brazil, due to overall political and macro-economic unrest in Latin America. "I'm very impressed with the work ethic in the Asian community," he explained, noting the rapidly-expanding middle class in India and China.

RCG Capital has about $110 million assets under management and is in the midst of marketing its Global Equity fund of hedge funds to pensions and endowments. The fee structure is 1/10 with a minimum investment of $500,000. Phillips declined to provide specific returns for the fund, though he did admit it is marginally in the red year-to-date. When *AIN* last spoke to RCG in July the fund was down a bit more than 2%.

Illinois Firm Ups Tech, Consumer Exposure

Kelly Cardwell

While many hedge funds are reducing their overall exposure in their portfolios, Warrenville, Ill.-based **Central Square Management** is doing just the opposite. Founder and Portfolio Manager **Kelly Cardwell** last month increased exposure to tech, consumer and cyclical sectors in both the long and the short books in his portfolio, and in doing so, posted returns of 1.1% in October. Cardwell upped exposure to 130% long/55% short from 100% long/50% short. Returns for the year through October were 35.8%. "I did take a somewhat unconventional approach," Cardwell said. "There are obviously risks, I could be early [and] could be wrong. My opinion is this volatility has created more opportunities on both sides of the book."

Two-thirds of the portfolio is invested in technology companies, with the remainder in consumer and cyclical sectors. The *Central Square Capital Fund* invested in **Microsoft** when it was trading at roughly $20. "I felt confident I wouldn't lose money on Microsoft in the low 20s," Cardwell said. "I felt like the worst case is already priced in, so if anything goes right, the stock goes higher." Mid-day Tuesday, Microsoft was trading at $23.11. Cardwell declined to specify other companies he was invested in.

Cardwell launched the fund in August 2007 and will take a more active approach to fundraising early next year. For now, he is keeping his head down and managing his portfolio. Next year, he will approach high-net-worth individuals, family offices and funds of hedge funds.

Argent De-Lists Arbitrage Fund

Argent Financial Group has removed the *Argent LowLev Convertible Arbitrage Fund* from the **Irish Stock Exchange**, effective Nov. 4. This follows similar steps taken by the firm last month to de-list or suspend the NAV of three other funds. Most of the shareholders in the LowLev fund have redeemed and only about ten investors remain—most of which are management, **Henry Cox**, a managing director in Bermuda, told *AIN*. Argent will continue to send out statements to investors but it doesn't make sense to continue to use an exchange, he added.

There have been no new subscribers into the fund for over a year, said Cox. The strategy is down about 10% this year through September. In its heyday in 2005, the fund managed $1.4 billion. It now runs just $30 million, of which 90% is management money.

Last week Argent de-listed the *Argentum Multi-Strat Fund* and the *Argent Credit Opportunities Fund*, both of which were also trading on the Irish Stock Exchange. On Oct. 1 Argent suspended the NAV of its *Argent Classic Convertible Arbitrage Fund*, which remains listed on the **Bermuda Stock Exchange**. The fund employed **Lehman Brothers** as one of its three prime brokers and as shareholders did not approve setting aside these assets in a separate share class, the fund couldn't be valued, said Cox. Argent is working with Lehman's administrator, **PricewaterhouseCoopers**, to rectify the situation.

Seer Plans Managed Account

Seer Capital Management, a startup founded by **Deutsche Bank** alum **Philip Weingord**, will launch a managed account in the next two weeks. The firm signed on a European institution which invested several hundred million dollars, said Co-CIO **Richard d'Albert**. He declined to name the institution or specify the amount that will go in the managed account. Weingord used to run Deutsche Bank's global markets division in the Americas and d'Albert ran global securitized products.

In addition to the managed account, the firm is preparing to launch the *Seer Capital* fund early next year (*totalalternatives.com*, Sept. 19). The credit strategy will focus on whole loans, long/short residential and commercial mortgage-backed securities, other asset-backed securities, and special situations.

With all of the de-leveraging across the banking sector, and the reallocation of capital from equity into debt, now is a good time to launch, d'Albert pointed out. The fund will exploit the distressed markets and seeks to take advantage of the wide spreads and the high levels of credit support. "The value proposition in our market is far and away the best that we've ever

The Americas (cont'd)

seen in our entire careers," d'Albert explained.

Seer Capital is fundraising and is approaching pensions, endowments, foundations, family offices, funds of hedge funds and high-net-worth individuals as it seeks to raise between $300 million and $500 million by launch. It will soft-close at $500 million. Fees are 2/20 with a high-water mark.

Atlanta Firm Preps L/S Strat

Atlanta startup **Cielo Alternatives** is preparing to launch its maiden hedge fund Jan. 1. **Scott Wilkins**, formerly of **Morgan Stanley**, founded the holding company **Cielo Group** last year and originally planned to launch the long/short strategy on Oct.1, but given the current marketplace, has postponed the launch until next year. The firm is also contemplating signing on a seeding firm. Wilkins declined to comment. Further details about the fund's asset size and its strategy could not be learned.

Before forming Cielo, Wilkins was an equity analyst covering consumer goods from 1993-2006 at various banks, including **Deutsche Bank**, **HSBC** and **SG Securities**. He worked in Morgan Stanley's private banking division from 2006-2007.

Ex-Citi Director Joins Conn. Marketer

John Fell, former head of the North American capital introduction team at **Citigroup**, has joined **Spearhead**, the third-party marketing firm founded by **Fortress Investment Group** veteran **Matthew Root**. Fell joined the Washington Depot, Conn.-based firm on Nov. 3 as managing director. He spent four years at Citi heading up the 10-person cap intro team.

Spearhead is likely to make up to two more hires in the next quarter. It primarily markets hedge funds and private equity funds to investors in the U.S., but will begin reaching out to Europe as it adds to its five-person staff.

The firm markets six hedge fund managers—a European long/short strategy, an emerging markets manager, a macro fund, an activist strategy, a natural resources fund and a micro-cap manager. It is likely to add more in the future. "In the long run we want to have a good mix of strategies," said Root. He declined to name the existing hedge funds.

Root spent two years at Fortress, spending most of his time raising money for its *Drawbridge Global Macro Fund*. When he joined, the fund had $318 million. By the time he left to set up Spearhead three years ago, assets were roughly $2.8 billion.

Ex-Ivory Exec Plotting Own Firm

Raji Khabbaz, former portfolio manager at Los Angeles-based **Ivory Investment Management**, is starting his own hedge fund firm, believed to be called **Silver Arrow Capital**. He left Ivory several month ago and could not be reached.

Khabbaz joined Ivory in June 2006. Previously he was ceo and portfolio manager at **Pierce Street Capital Management**, and before that he co-founded **Highline Capital Partners**.

N.Y. Alts Firms Boost Compliance

Private equity firm **Cerberus Capital Management** and hedge fund shop **QVT Financial**, both in New York, are among alternatives firms increasing their compliance efforts. Cerberus has hired **David Boyhan** as director of enterprise content management, while QVT has appointed **Shawn Kreiger** as its first chief compliance officer.

Boyhan joined Cerberus in late October from **Merrill Lynch**, where he was a compliance official dealing with records management. He will report to **Andrew Kandel**, chief compliance officer. Boyhan will be responsible for maintaining the firm's records management system and data protection and will work with the IT department to ensure that best practices in compliance are applied across the firm. Until now the role has been shared between a couple of people in the IT and compliance departments, said Kandel, adding that it made sense to create a "point person" for the job. Calls to Boyhan were not returned by press time.

At QVT, Kreiger's hire marks the first time the firm has had a dedicated CCO. Until now, the compliance function has been handled by an official who held another executive title, Kreiger said. He declined to comment further. Kreiger previously worked with **AIG Investments** as global head of policies and procedures, assistant general counsel and interim CCO. An official at AIG Investments said the firm has not replaced Kreiger.

Europe

Credit Suisse Trims FoF Unit

Credit Suisse cut 10 staffers from its fund of funds group two weeks ago, reducing its headcount to 82. Most of the cuts were made in London and Zurich, an industry insider familiar with the situation told *AIN*. **Suzanne Fleming**, a Credit Suisse spokeswoman, declined to comment.

Reasons for the cutbacks are likely due to a combination of poor performance and redemptions, the official said. Three of the firm's multi-strategy funds of funds are reportedly likely to see assets drop to $500 million from roughly $1 billion by year's end, the official said. Specific performance numbers could not be learned.

Thomas Babcock, an analyst, is known to be among the staffers let go. Babcock was based in New York and could not be reached.

Lunzer Samples New Fine Wine Firm

Peter Lunzer, one of the wine industry's best-known fund managers, has launched a new fine wine investment firm—**Lunzer Wine Investments**. Stock market volatility brought on by the current economic climate means that the confidence of many investors is at an all-time low, said Lunzer. As a result, investors are considering different strategies and asset classes through commodity-based investments such as fine wine, either as a direct investor or through a fund of funds.

Fine wine is now a proven tax-efficient asset class: wine is typically treated as a wasting asset and is therefore exempt from capital gains tax, explained Lunzer. The wine market is based upon simple supply and demand. A producer can only generate a unique and finite amount of wine each year. As this is happening, the wine is maturing and becoming more desirable, which leads to an increase in demand.

In addition to managing wine investment portfolios valued at £10 million, LWI will initially manage wholly-owned, segregated portfolios for institutional investors, private offices and very high-net-worth individuals. It is working on the launch of its first fund, planned for early next year, Lunzer noted. The minimum investment is £500,000 for institutions and £100,000 for family offices and high-net-worths, with a recommended five-year investment period.

Lunzer, a 30-year fine wines veteran, is the firm's ceo and cio. Previously, he was cio of **The Wine Investment Fund**, which he co-founded in 2003. In the last five years, this fund returned 108% net of all fees.

Frankfurt Shop Revisits Delayed Launch Plans


Georg Nauerz

Nauerz & Noell expects to launch several new funds, all of which were delayed because of market turbulence and asset-raising difficulties. The first fund to launch will be a long/short commodities strategy, which could debut in the first quarter of 2009; this is likely to be followed by equity hedge funds focused on Europe and Asia. A real estate fund with a target capacity of €5 billion—originally slated to launch back in March—could also roll out next year, according to CEO **Georg Nauerz**.

The Frankfurt firm made plans for the commodity and long/short funds in mid-2007 (*totalalternatives.com*, Aug. 24, 2007), but opted to hold off once the credit crunch hit. Market uncertainty not only meant that investment opportunities appeared more risky; it also became harder to raise assets for Nauerz & Noell's existing managed futures and U.S. long/short equity strategies, said Nauerz. The firm decided to concentrate on trading its existing funds, rather than launching more. The U.S. equity fund is up a respectable 12.9% year-to-date, and Nauerz hopes this will lead to more inflows. Once it hits €100 million, the firm will launch a Europe long/short fund, followed by an Asia version.

First, the boutique will roll out its commodities strategy. "It's almost impossible to see it launching this year," said Nauerz, adding that Q1 2009 is more realistic. The strategy has been running internally as a real-time test portfolio. It has returned 4% in the last four months, hitting its target for low volatility and a stable return of roughly 1% a month.

The real estate fund is still planned, but the launch will effectively be the second phase of Nauerz & Noell's move into property. The firm has already invested in a large tower project in Abu Dhabi which has a target sale price of €1 billion (*totalalternatives.com*, Jan. 7). The development is likely to take another three years but a sale could be completed by next summer, at which point the firm would roll out the fund and make more investments, said Nauerz.

Europe (cont'd)

The Future Is Green

Pioneer Believes In Ecology Despite Tough Markets

Pioneer Investments believes green investing is still a profitable investment despite the current market environment. According to **Christian Zimmermann**, portfolio manager, green and sustainable investments will continue to develop across Europe and Asia, though it's uncertain how much they will grow.

Zimmermann runs Pioneer's *Global Ecology Fund*, which has grown to just under €1 billion since inception in March 2007. He sees most demand for the fund in Asia and Northern and Central Europe. A change in perception of green investments is already in place, he explained, as more investors look to ecology as a diversifying asset class.

The fund, which returned 11% last year against its benchmark's -3%, is best suited to pension funds as it has a long-term investment horizon, Zimmerman said. A double-digit return might be difficult to obtain during current markets, he said, but an 8% return is good. "We have to be realistic." As market environment recovers, investors' confidence in equity markets will return, he added.

The fund invests mainly in the U.S., Germany and Japan, with minor stakes in France, Switzerland and the U.K. It prefers investing in industrials, materials and utilities. It does not invest in tobacco, weapons, alcohol, gambling and pornography. It also excludes companies violating human or labour rights or using child labour. The fund undergoes a rigorous investment process, using **Oekom Research** as its sustainable investment screener and **E.Capital Partners** as its environmental, social and governance researcher.

Pamplona Shuts Energy, Transport HF

Pamplona Capital Management has closed its energy and transportation hedge fund due to fundraising difficulties. In the current environment Pamplona was struggling to grow the \$15 million *E + T Global Fund*, Partner **Nick Gordon Smith** told *AIN*. It only had three or four external investors.

The fund was managed by **Lars Titland**, who left Pamplona

Europe (cont'd)

at the end of September. Titland said he has not lined up a new position elsewhere. The fund had capacity to grow to $300-400 million over the next two or three years (*totalalternatives.com*, April 25). It launched mid-2007.

+85% YTD

Mulvaney Sees Record Gains In October

Mulvaney Capital Management's systematic commodity and futures program saw its largest-ever monthly return in October, recording an estimated 45.5%. This brings year-to-date performance to over 85%. Commodities and financials contributed about equally, Founder **Paul Mulvaney** told *AIN*. The *Global Markets Fund*'s positions played on the strength of the dollar and the weakness of commodities, which were exacerbated by heightened expectations of a global recession, he added. He declined to comment in more detail until the figures have been confirmed.

Assets in the program have now grown to $115 million from $100 million at the end of September. Mulvaney wants to grow it to $500 million (*totalalternatives.com*, Oct. 13). November's outperformance beats February of this year—previously the highest monthly gain the strategy had recorded when it brought home 28.86%. It launched in May 1999.

Martin Currie Readies TMT Launch

Andy Sowerby

Martin Currie will roll out its ninth single-strategy hedge fund on Dec. 1., focused on the technology, media and telecoms (TMT) sector. The Edinburgh shop has lined up $5 million seed capital from friends, family and existing investors in the firm, **Andy Sowerby**, managing director of marketing, distribution and product development, told *AIN*. The fund will be managed by Director **Jamie Mariani**, who is assisted by **Jane Coull** and **Luca Fasan**.

TMT accounts for 17.4% of the *MSCI World Index*. Companies in the sector generally have strong balance sheets, low gearing and high cashflow yields, said Sowerby. New technologies are constantly being developed and there is often great disparity between companies, which results in strong contenders for shorting. The fund is not constrained by market-cap or by country and it will also look at opportunities where the sectors converge.

The firm has been running a test portfolio internally since January 2007, which has returned 10.2% annualised. Current capacity is $1 billion. Initially Martin Currie will talk to its existing investors, and then family offices and funds of hedge funds. The firm is seeing more interest from endowments and foundations in the U.S., said Sowerby. The minimum investment is $250,000. Fees are 1.5/20 with a high-water mark.

Martin Currie manages $1.4 billion in hedge funds. As well as its eight sector- or country-focused hedge funds, it offers *Omnium*—a blend of all of them. It is also considering launching new hedge funds focused on the industrials and consumer sectors and is running test portfolios for the funds (*totalalternatives.com*, Sept. 7). Martin Currie tends to launch a new hedge fund every 12-18 months, said Sowerby.

Skandia Preps Alts Fund In Sweden

Skandia Investment Group is preparing the launch of its *Skandia Alternative Investments Fund* in Sweden, having only been available to U.K. investors until now. CEO **Jamie MacLeod** said the fund will give investors a high level of diversification with a low correlation to traditional asset classes. It has worked in the U.K., "so it will work in the Nordics too," he said.

The fund aims to provide investors with long-term capital growth by investing in a diversified range of alternative asset classes. When combined, these alternatives are typically expected to deliver absolute returns over rolling 12-month periods, MacLeod said.

In June, Skandia's subsidiary **Skandia Investment Management** launched the U.K.'s first multi-asset alternative investments fund, blending together 11 alternative investment strategies. It was the only fund available that gave investors, through a single fund, access to a range of alternative institutional funds, MacLeod explained.

Funds of hedge funds will be managed by **Fulcrum Asset Management**, while timber will be run by **Mellon Bank**. **BlackRock** will handle precious metals, **KBC Asset Management** will deal with water and **TG RARE/Macquarie** will manage infrastructure. Commodities and currency will be managed by **Morgan Stanley**, while **Morley** will handle global macro economic allocation. **JPM Highbridge** will be in charge of equity market neutral and **Commerzbank** will run volatility.

SIG was established a year ago, joining **Skandia Group**'s three fund companies—**Skandia Global Funds**, **Skandia Fonder** and Skandia Investment Management. SIG oversees assets worth $130 billion worldwide.

Asia Pacific

Permal Extends Notice Period

Permal Investment Management has temporarily extended its usual 20-day notice for redeeming assets to 95 days. When the suspension will be lifted is unclear; the decision rests with each fund's independent board, said **Alastair Crabbe**, v.p. of global marketing & communications. Permal, one of the largest fund of funds managers with roughly $35 billion under management as of Oct. 1, will review the policy monthly.

The move is in response to current market conditions amid other funds changing their liquidity terms or considering doing so. So far, just one of Permal's 212 underlying managers has suspended redemptions, but more are expected to. Also, lenders are more reluctant to lend to investment funds and credit facilities are being scaled back. Without the change, Permal would run the risk of having to redeem holdings out of necessity and sell positions at a discount.

The change should allow the fund's managers to pay attention to generating returns, not liquidity constraints. The next available redemption date is expected to be Feb. 28, 2009; notices are due Nov. 25. The firm will place greater emphasis on improving underlying manager liquidity and increasing the number of separate accounts.

In mid-October, the firm announced plans to make discounted secondary-market investments into existing hedge funds, as distressed investors are forced to exit. *Permal Hedge Fund Opportunities* has a target size of up to $500 million and should launch in November.

CP2 Hires Trio

Australian infrastructure specialist **CP2** has appointed three staffers to its investment team. **Don Conway** joins as global head of direct investments, **Tim Heaton** has been hired as head of direct investments, and **Fraser Gemmell** has been recruited as deal leader. All three positions have been newly-created in a bid to take advantage of the recent market downturn, said CEO **Peter Doherty**. "We are currently taking advantage of the re-pricing of assets to secure long-term value for our clients and build the strength of our team," he explained.

Conway, who will lead CP2's direct investment team from Sydney, joins from **Allco Equity Partners**, where he was an executive director. Heaton joins from **Deutsche Bank** in London, where he was part of its industrials M&A team. Gemmell has

Asia Pacific (cont'd)

spent the last five years as a private equity investment manager at **Oakwood Global Finance**.

The firm manages around $3 billion.

Japan-Focused Startup Postpones Launch

Shen Yi Financial Advisors, the startup founded by **Sonny Shen** and **Eric Tsang**, has pushed back the launch of its Japan-focused hedge fund. It was originally supposed to roll out the *Abacus Absolute Alpha* fund, which will run the same strategy as the firm's managed account, in November, but will wait until early next year. Shen Yi has been running the $9 million managed account for a Hong Kong-based fund of funds firm since January and through Oct. 31 it posted returns of 4.6%.

Once the Abacus fund launches with sufficient capital—the firm hopes to raise another $12 million—the managed account will roll over into the hedge fund, leaving Shen and Tsang to manage the Japan-focused, market- and sector-neutral quantitative strategy. They are in talks with European- and U.S.-based fund of funds firms and family offices. "This environment is extraordinary for hedge funds and funds of funds at the moment," Tsang said. "[We're] really trying to work it out with them."

The Abacus fund will mirror the managed account, which invests solely in Japanese companies primarily on the large-cap *Nik225* and small-cap *Topix 1000* indices. It will eventually invest across Asia in the consumer, materials, industrials and financial sectors, among others (*totalalterantives.com*, Sept. 17).

Dechert Bolsters Greater China Capabilities

Dechert has added three new partners to its growing Hong Kong office. **Michael Hickman**, **Liang Tsui**, and **David Chu** will focus on China-related transactions, such as M&A and foreign direct investments. Hickman and Tsui, both former partners with **Fried, Frank, Harris, Shriver & Jacobson**, have joined as corporate and securities partners. Chu, a former partner at **Heller Ehrman**, joined as a partner in the white collar and securities litigation group.

Tsui advises private equity firms, investment banks and major multinationals on public and private mergers and acquisitions, private equity, and foreign direct investment transactions. Based in China for more than a dozen years, he advises clients on competition law, executive compensation, environmental law, compliance, and corporate governance and other aspects of China-related transactions. He has also advised on corporate restructurings, investment and joint venture projects.

Chu has experience with internal and government investigations, including in the Foreign Corrupt Practices Area, other regulatory matters (particularly those concerning compliance issues in both Asia and the U.S.), securities-related and shareholders' disputes, and cases of director fraud and liability. Chairman **Barton Winokur** said Chu will assist multinational clients with investigations relating to their Asian activities and cross-border litigation.

Hickman, with over two decades of experience in China, represents multinationals and financial institutions on China-related transactions, including mergers and acquisitions, direct investments, restructuring, and capital markets transactions. He also counsels on cross-border compliance and regulatory matters.

With the addition of the trio, Dechert's Greater China practice now has 18 legal professionals based in Hong Kong and Beijing.

Middle East & Africa

Bonds, Oil Holdings Whack Iraq Fund

Godvig Capital Management's Iraq-focused hedge fund, the $23.6 million *Babylon Fund*, was down 5.9% in September. This was due primarily to the bearish sentiment in the markets, which hurt its positions across T-Bills, bonds and equities, wrote Portfolio Manager **Björn Englund** in a letter to investors.

Iraqi bonds suffered heavily during the month; they account for 18% of Babylon's assets. In equities, specific positions in oil exploration companies **WesternZagros** and **DNO** were hit particularly badly. In the Iraqi markets, the top 15 companies by market capitalisation, which make up about 70% of market cap, lost a few percent on average. The smallish hotel sector was an exception—it "roared north on the back of the improved environment for land and real estate investments," says the letter. The fund had an 11% allocation to the service and tourism sector.

Godvig is continuing to add to the fund's equity exposure (*totalalternatives.com*, April 23). "Iraqi investments are not for the faint-hearted," writes Englund, and investors have stuck with the fund. So far no redemptions have been requested. Englund did not return calls.

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.

Coffey Abandons Startup Plans, Joins Moore

GLG Partners' star trader **Greg Coffey** has abandoned plans for his own hedge fund firm to join **Moore Capital Management** as co-cio. The Australian trader is taking a team of 12 from GLG with him when he joins **Louis Bacon**'s firm on Nov. 10. (*The Wall Street Journal*)

Goldman Takes Hit

Goldman Sachs hedge fund *Goldman Sachs Investment Partners* is down $989 million since its January launch. The equities-oriented fund launched with more than $6 billion but dropped 13% in the third quarter and 15.5% for the year through September. The fund is managed by ex- proprietary trading desks heads **Raanan Agus** and **Kenneth Eberts**. (*Financial Times*)

Paulson Mulls Acquisitions

Treasury Secretary **Henry Paulson** is considering acquiring stakes in non-bank financial companies. The move would inflate the $700 billion rescue package and could slow the department's acquisitions of banking assets. (*Bloomberg*)

Pimco Halts Dividends

Pacific Investment Management Co.'s *High Income Fund* has halted dividend payments because it has dipped below the required assets-to-borrowing ratio, with fund assets dropping by more than 50%. (*Bloomberg*)

Carlyle Fundraises For Tech Fund

The Carlyle Group has raised €530 million for *Carlyle Europe Technology Partners II*, a fund that that will initiate small buyouts of European technology companies. (*Financial Times*)

KKR Adds Italy Advisor

Kohlberg Kravis Roberts has appointed **Gianemilio Osculati** as a senior advisor, based in Italy. He will work with KKR Director **Mattia Caprioli** to develop the firm's investment portfolio in Italy.

Mellon Adds Middle East MD

BNY Mellon Asset Management has named **Thomas Connolly** as a managing director and head of asset management for the Middle East, based in Dubai. He joins from the **Abu Dhabi Investment Authority**. Connolly is charged with creating the asset management business in the region from Mellon's base at the **Dubai International Financial Centre**.

Deephaven Halts Redemptions

Deephaven Capital Management has frozen redemptions on two of its hedge funds—a $1.6 billion multi-strategy offering and a $70 million volatility fund—after investors requested large redemptions.

Hedgies Cooling On Asia

Struggling hedge funds are looking to Asia operations as a place to cut costs amid the global financial crisis that has hit holdings and liquidity levels. **Ramius**, **GSA**, **TPG-Axon**, **Concordia** and **Tantallon Capital** have all been making cuts out east. (*Financial Times*)

UBS Secures $1.5B

UBS has raised more than $1.5 billion for an infrastructure investment fund, with a 15-year term. It will be followed by another offering in 2009. (*Financial Times*)

Legg Mason Plans Cuts

Legg Mason plans to trim one-third of the 147 positions at **Legg Mason Capital Management**, mostly from research support, compliance and operations. This follows reports of a 53% plummet in assets this year. (*Bloomberg*)

Tenaska To Close PE Fund

Tenaska Capital Management has announced plans for the final close of *TPF II* at $2.4 billion. The fund will invest in the energy and infrastructure sectors.

Point Nine Lands In Cyprus

Hedge fund technology service firm **Point Nine** has opened its new office in Cyprus, the firm's second office opening in 2008, following a New Delhi outpost. (*HedgeCo*)

Durant Preps Japan Fund

Durant Capital Management is readying a *Japan Absolute Return Fund* to launch before year's end. The large-cap fund uses a fundamental model-driven strategy and will be managed by **David Stewart**. (*FINalternatives*)

MF Global Adds Information Chief

MF Global has hired **Avram Kornberg** as chief information officer, handling technology projects, including development, production and infrastructure, data center and global disaster recovery plans. He joins from **Moore Capital Management**.

Swiss Shop Launches FoF

Zurich-based **Eucalyptus Investment** has introduced the *Eucalyptus Relax Fund*, a fund of hedge funds that invests in underlying managers in the commodities, infrastructure, emerging markets, healthcare, new technology and energy sectors. (*FINalternatives*)

KKR Delays IPO

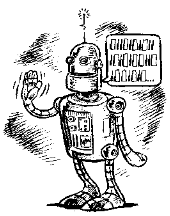
Kohlberg Kravis Roberts has delayed plans to go public until 2009 following the steep losses suffered by its Amsterdam-listed affiliate. The firm has been planning to merge with **KKR Private Equity Investors** (**KPE**) and list on the **New York Stock Exchange** since July 2007. (*Reuters*)

Blue Mountain Freezes Credit Fund

Blue Mountain Capital Management froze its largest hedge fund following considerable redemption requests, to avoid selling assets in a bear market. The $3.1 billion *Blue Mountain Credit Alternatives Fund* was down 2.4% through October, outperforming the *HFRX Global Index*, which lost 19.6%. (*Bloomberg*)

PE House Expands Life Sciences Team

Truffle Capital has tapped **Antoine Pau** as an investment manager within its life sciences unit. Pau comes from audit firm **Mazars**, where he spent the last three years auditing pharmaceutical and biotechnology companies and investment funds.



Data Zone

Performance Snapshot: Long/Short Equity Hedge Funds

EUREKAHEDGE

The table below displays some of this year's top performing long/short equity hedge funds, according to data provided by **Eurekahedge**.

Fund	Manager	Region	Sept. '08 Return	2008 Return	2007 Return	Annualised Std. Deviation	Sharpe Ratio	AuM (US$ Million)
Eurekahedge Long / Short Equities Hedge Fund Index	-		-6.82	-14.14	14.48	7.50	1.33	-
Long Short Equities								
Sextant Strategic Opportunities Hedge Fund	Sextant Capital Management	North America	-0.20	100.44	48.13	68.80	1.41	Not Disclosed
Strand US Fund	Strand Asset Management	North America	32.53	65.43	11.92	26.70	0.61	Not Disclosed
Hyerdale Capital	Hyerdale Management	North America	15.75	64.52	-7.02	37.03	0.91	2
ChinaFund Cayman	Senturion Assets	Greater China	-7.21	52.40	10.52	32.46	1.38	90
CPIM Global Financials Fund	Cambridge Place Investment Management	Global	32.47	40.91	49.40	21.92	1.01	26
Reynard International Partners	Reynard Asset Management	Global	8.20	37.66	15.70	23.53	-0.32	66
CGR Capital Managed Account	CGR Capital	North America	6.70	37.01	48.25	12.69	3.18	3
PB Equity Fund	PB Capital	North America	4.44	29.39	12.25	7.72	4.81	Not Disclosed
Brummer & Partners Futuris Hedge Fund	Futuris Asset Management	Europe	7.84	28.37	9.23	14.58	1.10	558
LYZ Global Offshore Fund	LYZ Capital	Global	0.86	27.37	-18.79	16.75	0.16	309
Financial Institution Partners III	Hovde Capital Advisors	North America	-4.37	26.33	35.89	12.40	1.28	148
Forum Global Opportunity Fund	Forum Asset Management	Emerging Markets	2.05	25.12	79.81	20.72	1.36	28
Octagon Tactical Short Fund	Octagon Capital Management	Asia inc Japan	6.11	24.78	-12.03	12.35	-0.18	51
Artradis Naga Short Bias Fund	Artradis Fund Management	Asia ex Japan	4.88	21.57	2.57	12.28	-0.14	29
Tairen China Fund	Tairen Capita	Greater China	9.26	21.54	93.07	23.65	3.32	162
Nest Mile High FIM	Nest Investimentos	Brazil	8.35	19.59	12.34	9.25	2.95	16
BlackRock UK Emerging Companies	BlackRock Investment Management International	Europe	-2.40	18.68	13.25	6.40	2.73	903
NuWave Long/Short Portfolio	NuWave Investment Corp	North America	0.85	18.19	4.88	7.38	0.49	Not Disclosed
Polaris Constellation Fund	Polaris Capital	Middle East & Africa	-6.90	17.11	3.98	12.60	1.41	33
TT Financials Long Short Fund	TT International	Global	4.11	16.74	17.53	8.93	1.14	98
Regional Long / Short Equities Indices								
Eurekahedge Asia Long / Short Equities Hedge Fund Index	-	-	-5.11	-18.45	18.54	7.68	0.94	-
Eurekahedge Europe Long / Short Equities Hedge Fund Index	-	-	-7.52	-13.33	7.40	7.78	1.14	-
Eurekahedge Latin American Long / Short Equities Hedge Fund Index	-	-	-6.60	-9.20	16.02	12.46	1.36	-
Eurekahedge North America Long / Short Equities Hedge Fund Index	-	-	-7.30	-10.20	12.31	7.68	1.30	-

Notes:
*** Ranked by 2008 YTD Return**

Eurekahedge Commentary

September was a brutal month for equity-focused strategies, which lost 6.8%, as volatility spiked dramatically, the markets were unduly driven by technicals, and steady de-leveraging over the past few months diluted the performance of market neutral funds. Also, the profitability of positions on the capital structures of troubled financials became reliant on the unpredictable bailouts doled out by the US government and other central banks, as a result, affecting the performance of North American (-7.3%) and European (-7.5%) long/short managers.

Long/short managers allocating to Latin America (-6.6%) were also hit hard, as the sharp selloff in commodities negatively impacted equities across the region; the MSCI Latin America lost nearly 20% on the month. Asian managers lost 5.1%, with Asia ex-Japan-focused allocations suffering notable losses as real estate and banking related sectors saw sharp erosion in value; markets like Hong Kong (-15.3%), Singapore (-13.9%) and India (-13%), among some others, saw double-digit losses during the month. However, Japanese managers fared relatively better (-3.1%), despite a 13.3% decline in the TOPIX owing to a record 22% slump in exports to the US, in August.

Mandate Scoreboard

Powered by: iisearches
iisearches.com

The table below shows new allocation commitments gained by alternative managers year-to-date through November 5. 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	9	1337
7	99	Credit Suisse	7	1224
8	165	Alinda Capital Partners	8	1095
9	5	The Blackstone Group	11	1086
10	131	BridgePoint Capital	6	1075
11		First Reserve Corporation	8	970
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
16		FountainVest	4	689
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	57	Baring Asset Management	5	517
27		Capital Guardian Trust Company	1	500
	332	Deutsche Asset Management	1	500
	111	Mellon Capital Management	1	500
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	36	Partners Group	5	35
42	261	Lazard Asset Management	2	354
43		Franklin Templeton Investments	1	350
44		Apollo Alternative Assets	3	344
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	4	270
58	80	Schroder Investment Management	3	270
59		Summit Partners	4	260
60	178	Asia Alternatives Capital Partners	3	250
		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	105	HarbourVest Partners	8	217

Rank	2007	Firms Hired	Wins	Total
71	8	Lehman Brothers	6	215
72	19	BlackRock	9	210
73	39	Adams Street Partners	4	210
74		The Banc Funds Company	2	200
	97	The Jordan Company	2	200
		State Street Global Advisors	2	200
77		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
83	349	Siguler Guff & Co.	10	196
84		ABN AMRO Asset Management	1	196
		Capital Dynamics	1	196
86		Highland Capital Management	2	190
87	77	AXA Rosenberg Investment Management	1	190
88	208	Quantum Energy Partners	3	180
89	349	Austin Capital Management	2	180
90		RCG Longview	1	175
91	43	Lexington Partners	4	172
92	106	EIM Group	1	170
93		Towerbrook Capital Partners	4	165
	149	Vista Equity Partners	4	165
95		AnaCap Financial Partners	1	165
96		Levine Leichtman Capital Partners	4	160
97	27	New Mountain Capital	3	160
98		Aisling Capital	2	160
99		Evergreen Pacific Partners	2	150
100		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
105		Angelo, Gordon & Company	3	145
	349	Yucaipa American Funds	3	145
107	24	K2 Advisors	2	140
108		Macquarie Bank	1	140
109	162	Henderson Global Investors	1	139
110		Private National Mortgage Acceptance Company	1	130
111		ABRY Partners	3	125
112	71	UBS Global Asset Management	6	123
113		Abbott Capital Management	4	120
114		Gold Hill Venture Lending Partners	2	119
115		Harris Alternatives Investment Mgt	2	118
116		Great Hill Partners	4	115
117	80	Hancock Timber Resource Group	4	110
118	39	Adams Street Partners	3	105
119		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
123		AvalonBay Communities	1	100
		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
137	9	Pantheon Ventures	4	96
138	72	Abbott Capital Management	3	95
139	204	Lime Rock Partners	2	95
	284	Starwood Capital Group	2	95

Mandate Scoreboard (cont'd)

2008 Tally

Rank	2007	Firms Hired	Wins	Total
141		Sun Mountain Capital	1	90
142	89	Macquarie Funds Management	4	86
143	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
149	51	TCW Group	5	85
150		Longitude Capital Management	4	85
151		NuVista Energy	1	84
152		Morgan Stanley Investment Management	4	82
153		Grosvenor Group	1	81
154		GI Partners	2	80
155		Hutton Collins & Company	1	78
156	318	Horsley Bridge Partners	2	75
		LIM Advisors	2	75
158	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
166		BlueOrchard Investments	1	74
167		Clayton, Dubilier & Rice	2	70
		LLR Equity Partners	2	70
169		Southwest Funding	1	69
170		EACM Advisors	1	68
171	64	Natural Gas Partners	2	65
172		Aristeia International	2	63
173		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
178		Chicago Equity Partners	1	60
		GenNx360 Capital Partners	1	60
		Mesirow Asset Management	1	60
		Milestone Partners	1	60
		Ruffer Investment Services	1	60
		Split Rock Partners	1	60
184	14	GAM	2	57
185		AMP Capital Investors	2	56
		ANZ Asset Management	2	56
187	140	Wellington Management Company	3	54
188	126	Aetos Capital	2	53
189		Advent Capital Management	3	52
190	264	LGT Capital Partners	2	51
		The Riverside Company	2	51
192	93	Exponent Private Equity	1	51
193		Aberdare Ventures	1	50
		Apax Europe	1	50

Rank	2007	Firms Hired	Wins	Total
	247	Cardinal Partners	1	50
		Citi Alternative Investments	1	50
	124	Davidson Kempner International Advisors	1	50
		Edgewater Funds	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
		Towerbrook Capital Partners	1	50
215		Baring Private Equity Partners	1	49
		NSR-PE Mauritius	1	49
217		HFA Asset Management	1	47
218		Fletcher Asset Management	1	45
219		ERE Rosen Real Estate Securities	1	42
220		Lincolnshire Management	2	45
221		Austin Ventures	1	40
		European Credit Management	1	40
		Graham Partners	1	40
		Robeco Institutional Asset Management	1	40
225	205	TimberVest	2	38
226		Emerging Capital Partners	2	35
227		AIG Global Investment Group	1	35
		BNY Mellon Asset Management	1	35
	85	Crestview Capital Partners	1	35
		Sandell Asset Management	1	35
231		Aurora Capital Partners	2	30
232	200	Black River Asset Management	1	30
		Dover Street	1	30
		H.I.G. Capital	1	30
		Knightsbridge Advisers	1	30
		M.D. Sass	1	30
		MKP Capital Management	1	30
	233	Parish Capital Advisors	1	30
		PFM Advisors	1	30
		SGAM Alternative Investments	1	30
	235	Silver Point Capital	1	30
		Swander Pace Capital	1	30
	178	Tailwind Investment Partners	1	30
		Tricadia Capital Management	1	30
		Tuninvest Investment Group	1	30
		Weston Presidio Capital	1	30
247		GroFin Capital	1	29
		Handelsbanken Asset Management	1	29

This Week's Completed Mandates

2008 Tally					Week of November 3 Wins		
Rank	2007	Firms Hired	Wins	Total	Client	Asset Type	Amount
9	5	The Blackstone Group	11	1086	Teachers Retirement System of the State of Illinois	Private equity	50
26	57	Baring Asset Management	5	517	Norton Rose Retirement Benefits Scheme, U.K.	Not specified	21
41	36	Partners Group	5	355	CARE Super, Australia	Private equity	20
70	105	HarbourVest Partners	8	217	New York State Teachers' Retirement System	Private equity	50
154		GI Partners	2	80	Teachers Retirement System of the State of Illinois	Private equity	50
193		Edgewater Funds	1	50	Teachers Retirement System of the State of Illinois	Private equity	50
272		H3 Global Advisors	1	24	Mercer, Australia	Commodities	24
313	235	Accel Partners	1	10	Delaware Public Employee Retirement System	Private equity	10
313		Centerbridge Capital Partners	1	10	Delaware Public Employee Retirement System	Distressed debt	10
357	302	Commonfund	1	4	St John's University, Minnesota	Distressed debt	4

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

Alternatives Manager Search Directory

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
California State Teachers Retirement System (CalSTRS), Sacramento	169,155	0	US	Private equity	Pension Consulting Alliance	The fund will decide in February whether to increase the range of its private equity portfolio to 3-15% from 4-11%. It could not be ascertained whether the increase will lead to manager hires.
Colleges of Applied Arts & Technologies Pension Plan, Mississauga, Ontario	4,659	0	Canada	Private equity	Mercer	The scheme may make its first private equity commitment in the second quarter of next year.
Davis Service Group Pension Plan, London	242	0	Global	Various	Capita Hartshead	The scheme is planning to make its first moves into global private equity, hedge funds, infrastructure and commodities. Allocations will follow the recommendations of its upcoming biennial asset-liability matching study, which will start by the end of 2008.
InterContinental Hotels UK Pension Plan, Berkshire	485	0	Global	Hedge funds	Hewitt Associates	The scheme plans to hire a replacement manager for funds of hedge funds by the end of first quarter of 2009, following poor performance by UBP Asset Management.
Kent County Council Superannuation Fund, UK	4,152	0	Global	Various	Hymans Robertson	The scheme plans to raise its private equiy allocation in next two years, but no specifics on manager hires or funding for the exposure are set yet. It also plans to make initial investments in infrastructure and distressed debt in the same timeframe.
Korean National Pension Service, Seoul	182,000	0	Korea	Infrastructure, real estate	Unknown	The scheme plans to invest KRW2.5 trillion in domestic equity, infrastructure and real estate by teaming up with the Blackstone Group. It may hire external managers for the initiative. The move is a 50%-50% partnership with Blackstone and the scheme has not decided on the exact amount to be invested in each category.
Norfolk County Council Superannuation Fund, Norwich	3,070	0	Global	Hedge funds	Hymans Robertson	The scheme is eyeing a possible move into funds of hedge funds. It has not set specifics on the funding, size and timeframe.
Norton Rose Retirement Benefits Scheme, London	65	0	Global	Commodities, infrastructure	PSolve Asset Solutions	The scheme is considering its first moves into commodities and infrastructure by next year to boost returns. It has not yet decided on the timeframe, size, funding or manager hires.
Pensionskasse Stadt Zurich	14,200	0	Global	Not yet known	ECOFIN Investment Consulting	The scheme is analysing alternatives with a view to increasing exposure in the coming years. It has not yet determined the asset class under consideration, size or timeframe for any new investment.
Pentegra Group, White Plains, N.Y.	2,100	0	US	Hedge funds	None	The plan is seeking to de-risk its portfolio and will consider upping its hedge funds allocations by 2%. A decision may be made upon the completion of its asset study, which is scheduled for the second quarter of next year.
San Bernardino County (Calif.) Employees Retirement Association	5,300	40	US	Private equity	NEPC	The fund will consider investing $40 million in mezzanine finance in Q1 2009 and may seek two managers to handle the brief. An RFP will not be issued.
San Jose Police & Fire Retirement Plan, Calif.	3,000	0	US	Real assets	NEPC	The fund recently received an educational presentation on real assets. It may begin seeking managers in the next few months.
Scottish Borders Council Pension Fund, Roxburghshire	426	0	Global	Various	Aon Consulting	The scheme is planning to make its first alternatives investments by mid-2009 and is targeting private equity, hedge funds and infrastructure. Specifics on new manager hires or the size of investments have not yet been set.
St. John's University (Minn.), Collegeville	145	0	US	Not yet known	DeMarche Associates	The fund will analyze its alternatives portfolio and may make additional commitments to the asset class. It has not targeted a specific strategy and may await the results of a portfolio review, due in the fourth quarter of next year.
New Mexico Educational Retirement Board, Santa Fe	8,000	0	US	Timber	ORG Real Property	The fund is seeking qualified managers to handle a timber portfolio of undisclosed size. An RFP will not be issued.
New Mexico Educational Retirement Board, Santa Fe	8,000	450	Global	Tactical asset allocation	NEPC	The fund plans to issue a request for information seeking three managers for a global tactical asset allocation portfolio, later this month. No further details are available.
Nestle U.K. Ltd. Pension Fund	4,039	0	Global	Various	None	The fund has postponed its plan to raise alternatives exposure until next year due to poor manager performance and market volatility. The potential raise will target sub-classes including hedge funds, private equity, commodities and infrastructure and the specifics will be set by mid-2009.
New York City Retirement Systems	105,000	0	US	Hedge funds, infrastructure	Callan Associates	The fund is considering some conservative hedge fund strategies for possible commitments this year, and may also invest in domestic infrastructure.

For further information on iisearches' daily search leads and searchable database of mandates awarded and lost since 1995, please visit iisearches.com or contact Keith Arends at 212 224 3533 or karends@iinews.com.

LEHMAN/NOMURA

(continued from page 1)

clearing tools—but not the U.S.-based hardware, which went to **Barclays Capital**. As a result, Nomura is faced with compatibility issues with the hardware supporting its own synthetic prime brokerage operations, and an unknown but surely hefty bill to get the systems to work together.

On top of that, some software may be missing and there is speculation that Nomura was expecting more than it received. Lehman officials are meant to meet with Nomura officials soon to discuss the nuts and bolts of the integration.

The operations of Nomura's roughly 70-strong prime brokerage operations, which are primarily London-centered but have a presence in New York, Tokyo and Hong Kong, will be unaffected. But the timeframe for full integration is anybody's guess. Before Nomura can proceed it needs to know what, if any, Lehman trade processing hardware can be salvaged. Barclays has been aggressively building its business and may not be willing to give up anything. The hardware is based in New York and New Jersey, with a backup in London.

The workout gives Lehman's prime brokerage personnel, retained in what many view as a generous package, very little to do in the meantime. The firm's head of prime brokerage sales, **Robert Laible**, will refocus on electronic trading soon. He declined to comment. Other Lehman prime brokerage personnel either declined to comment or did not return calls. Last week the firm named two co-heads of prime brokerage. **Gunner Burkhart** will be in charge of Europe and **Tim Wanamaker** will head Asia-Pacific.

Both Wanamaker and Burkhart come from Lehman. Part of Nomura's intent with the Lehman deal was to change Nomura's culture, which should be evident in the number of ex-Lehman personnel placed in senior roles. The consensus is that this move should benefit Nomura's Japan operations, but could ruffle some feathers abroad where its practices were more Western.

While the delay is seen as embarrassing, now isn't the worst time to be revising a prime brokerage platform. Broker/dealer-backed prime brokerages are revising their businesses in response to the higher cost of funding and less appetite for securities lending. Bank-based platforms are adjusting to new demands from clients for the ability to bring in their own custodians and segregate their money in case of default.

One bright spot: the merging of Nomura's and Lehman's sales trader teams is complete and equity sales and trading is online.

—Doug Cubberley

VAUGHAN-SMITH

(continued from page 1)

performance and redemptions.

Vaughan-Smith said that roughly 80% of fund of funds firms manage just 20% of industry assets combined. Many of the smaller boutiques, which grew organically when the hedge fund industry was booming, will find themselves in a difficult position now that market conditions have severely hurt performance and investor appetite, he said. Despite this, he expects hedge fund returns—and by extension those of funds of funds—to pick up again, probably within a year.

SilverStreet will seek to acquire fund of funds shops with up to $300 million each under management. The firm does not favour any particular strategy but Vaughan-Smith said it is unlikely to target firms focused on niche areas, such as asset-based lending. He is open to bringing teams onboard, or to buying funds and inheriting investors without the original portfolio managers. He does not have a target price in mind for any acquisition and this would depend on what is being bought in each instance. The source of financing for acquisitions could not be ascertained.

Vaughan-Smith co-founded SilverStreet last year with **Alex Da Costa**, who worked with him at ABN Amro. The firm manages $600 million, mainly on behalf of institutional clients.

—Robert Murray

MELLON SUSPENDS

(continued from page 1)

These include gates, lockups and suspensions, he said.

The offerings are managed by Directors **Derek Stewart** and **Scott MacDonald**. The strategy, which launched in July 2001, is down about 14% this year through September. This slightly outperforms the *HFRI Fund of Funds Composite Index* which is down 12% for the year. Almost all of the strategy types have performed badly this year, with convertible arbitrage and bank loans the hardest hit in September, said Brookes.

An announcement to the **Irish Stock Exchange** on 31 October stated that Mellon has suspended the calculation of net asset values and the issue, repurchase and switching of shares in the funds of funds until further notice. "We are actively working to find a solution to this suspension, working with our underlying fund managers as well as within the remit of our management," read Brookes' email. "When the Directors of the Fund have decided on a solution that will benefit all shareholders the suspension will be lifted."

The Sanctuary fund allocates 33% to long/short credit, 15% to managers that invest in bank loans, 14% to distressed, 11% to special situations, 11% to convertible arbitrage, 5% to capital structure arbitrage and 2% to merger arbitrage; and holds 9% of its assets in cash. Sanctuary II invests in more than 90% of the same managers. Brookes declined to disclose any names of individual managers. *—Harriet Agnew*

EX-FSA EXEC

(continued from page 1)

the FSA focuses on the 30 largest firms on a risk-adjusted basis. He said the FSA employs roughly the same number of staff to monitor these 30 firms as to monitor 3,000 smaller firms—including the remaining 420 hedge fund shops.

This has its failings because the larger a firm gets the more it invests in its infrastructure and compliance, implementing more controls, said Rexworthy. In smaller firms, where these checks are not always in place, contraventions can go undetected, he said.

Rexworthy acknowledged that the FSA is unlikely to tighten regulation across the board because it has such wide powers and requirements already, with finite resources. **Joseph Eyre**, a press officer at the FSA, said: "We regulate on the basis of risk to our objectives and generally those large firms that pose the greatest risk to our objectives attract the closest supervision."

The FSA may not have the resources to increase monitoring smaller firms directly but there are other ways of doing this, according to **Sunil Chadda**, head of alternative investments at **Carne Global Financial Services**. Regulations imposed on prime brokers, administrators and other counterparties are likely to increase, so "[the FSA] can effectively regulate hedge funds by stealth," he said. This is likely to hit hedge funds financially, with prime brokers passing on to their clients any increased costs incurred as a result of additional monitoring. "The hedge funds will have to pay," said Chadda.

Still, Rexworthy advocates the "bobbies on the beat argument": there needs to be more patrolling of smaller firms, who should get "the feeling of [the FSA's] warm breath on their necks," he said.

Such a move would mean a reversal of thinking on the part of the FSA, however, and would have severe resource implications, said **Andrew Baker**, deputy ceo at the **Alternative Investment Management Association**. He added that it would represent a change of philosophy by the regulator as to where the risks lie, from a financial stability point of view to an emphasis on market conduct risks.

Generally, the FSA should pay more attention to large global investment banks, clearing houses and building societies as this is "where the rubber meets the road for millions of families," said **Timothy Spangler**, a partner at law firm **Kaye Scholer**. "We'd have been better served if those on the hedge fund beat [at the FSA] had been on the **Northern Rock** beat," he quipped. *—H.A.*

Quote Of The Week

"We'd have been better served if those on the hedge fund beat [at the FSA] had been on the Northern Rock beat."—**Timothy Spangler**, *a partner at law firm **Kaye Scholer**, responding to calls for greater supervision of smaller hedge funds (see story, page 1).*

One Year Ago In Alternative Investment News

ING Investment Management veteran **Anu Sahai** founded **Anew Capital Management**, the first woman-managed hedge fund firm devoted to India… **Mesirow Advanced Strategies** opened a temporary office in London with an eye to establishing a permanent base there… Dallas-based hedge fund firm **Spinnerhawk Capital Management** shut down.

