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Hedge Funds Europe

News, analysis and commentary

Bloomberg Briefs

July 28, 2017

# Fundana Seeks Equity Managers for Fund of Funds

By Suzy Waite

**Fundana SA**, a $1.1 billion Geneva-based investment adviser, is looking to add as many as six long-short equity managers to one of its funds of funds by the end of the year.

Fundana's flagship Prima Capital Fund plans to make small allocations to new managers who have a proven track record at established hedge funds, according to **Dariush Aryeh**, chief investment officer of the firm's funds of funds. Initial investments typically range from $1 million to $5 million, depending on the size and track record of the funds, and can be increased to as much as $80 million over time, he said.

"The main reason for investing so early is that we get to know the managers when no one else is looking," Aryeh, who is a member of Fundana's investment committee, said in a July 25 telephone interview. "When that manager gets bigger — say with $400 million or $500 million in assets — that's when we can make him a core position."

The fund is bullish on equity managers following years of poor performance and redemptions across the hedge fund industry, which has created opportunities on both the long and short side, according to Aryeh. Equity hedge funds gained 5.3 percent on an asset-weighted basis in the first half of the year, the most among the main strategies tracked by Hedge Fund Research Inc. Hedge funds on average rose 2.5 percent on an asset-weighted basis in that time, according to the data provider.

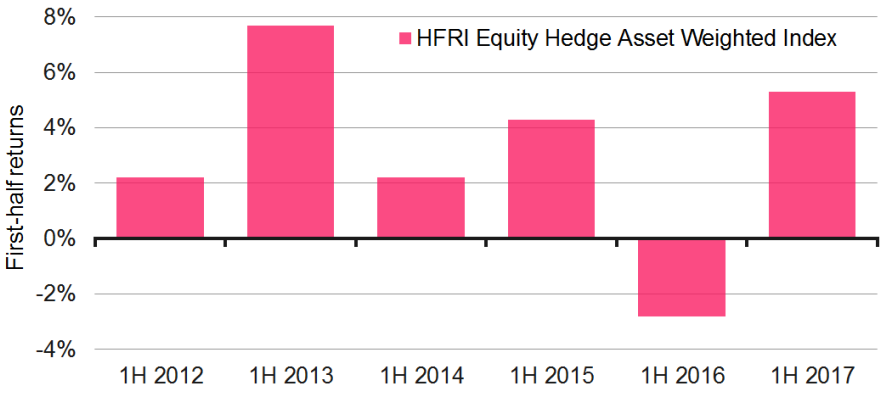
The due diligence process takes at least two months. The firm already selected six new managers for allocations in the first half of the year, Aryeh said. The fund is currently invested in 30 long-short equity managers, with a capacity for as many as 40.

Fundana will also cut six of its existing slate of long-short equity funds by the end of September. Fundana typically cuts exposure to funds that grow assets too quickly, which often weighs on performance relative to peers, Aryeh said. He declined to name the funds.

The cuts will allow Fundana to allocate more to existing funds that have posted strong performance, including **Engadine Partners**, **Honeycomb Asset Management**, **Alight Capital Management** and **Nexthera Capital**, Aryeh said. Fundana may raise allocations to these four funds in the coming months, bringing total ticket sizes to between $60 million and $80 million apiece by mid-2018, he said.

Fundana's flagship fund of funds is up 5.9 percent this year through June 30 and has gained an annualized 6.5 percent its inception in 1993.

## Equity Funds See Best First Half Since 2013




Source: Hedge Fund Research Inc.

## Number of the Week

## 26 times

Amount **Portland Hill** *boosted* the assets of its main fund by in just five years. The long-short equity and event-driven fund, which started trading in 2012, now manages more than $1 billion.

## Inside

Performance for **Petrus Advisers**, **Adar Macro**, **Parus Fund** and **Quadra Capital**: *Returns in Brief*

**Citadel** hires ex-Barclays portfolio manager **Simon Herbert** to help in London buildout: *On the Move*

**Borea Asset Management** says junk rally in Norway is far from over, credit manager **Capital Four** girds for high-yield 'dislocations': *Market Calls*

Assets managed by alternative UCITS funds grew over the second quarter, according to a report by Kepler Partners: *Research Roundup*

## Quote of the Week

*"This has been a very tricky year for currency trading with most major FX markets being fairly range bound, even if Brexit and the Trump rally has had significant short-term impact."*

— Patrik Safvenblad, chief investment officer at London-based Harmonic Capital, *revisiting* his bearish call last year on Europe

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# Returns in Brief

A look at hedge fund performance in June and year-to-date. Funds in the chart below that are not mentioned in the accompanying text were reported in past issues of the Brief, Bloomberg News stories or were compiled from investor letters or other documents seen by Bloomberg News.

■ **Petrus Advisers** rose 2.4 percent in June, bringing gains in the first six months of the year to 9.1 percent, according to an investor letter seen by Bloomberg News. The Petrus Advisers Special Situations Fund, managed by **Klaus Umek**, benefited from a "long active position in a squeeze-out situation, followed by positive contributions from our active picks in real estate as well as oil field services sectors," **Oliver Skutil**, a senior associate, said in a July 25 email. The firm's short positions in e-commerce, food services and selected real-estate stocks also contributed to the gains, he said, declining to discuss specific companies. The special situations fund has gained an annualized 14.7 percent since it began trading in 2009. London-based Petrus Advisers manages 150 million euros ($175 million) firmwide, Skutil said.

*— Suzy Waite*

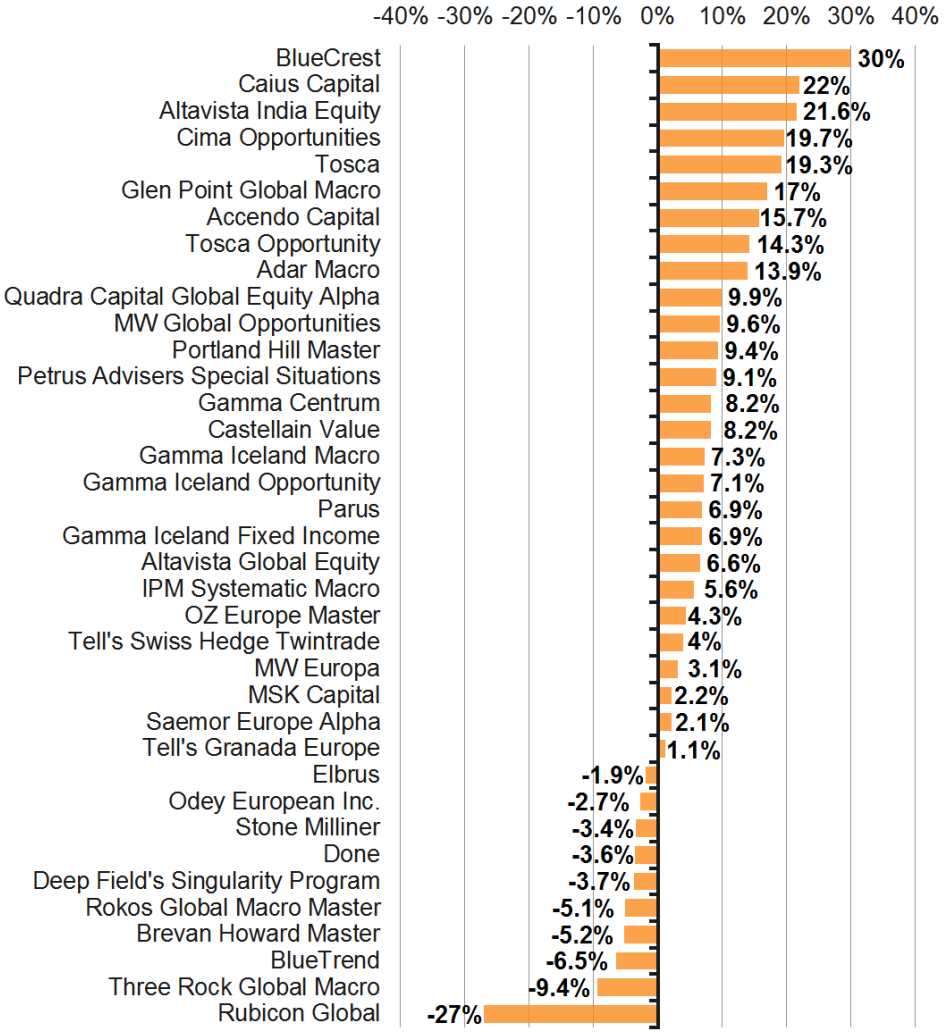
■ **Adar Capital Partners**' main macro hedge fund is up 13.9 percent in the first half of the year following a 0.6 percent loss in June, said **Zev Marynberg**, chief investment officer at the $1.8 billion firm. The Adar Macro Fund, which mainly invests in fixed income and equities in Latin America and Europe, boosted its holdings in Europe in the second quarter, according to a letter to investors seen by Bloomberg News. The fund also increased its position in Germany commercial real estate company TLG Immobilien AG in the quarter, which added to this year's gains, as did an investment in long-term senior bonds issued by Portuguese Novo Banco. Other positive contributors include investments in Argentina's oil company YPF SA, bonds issued by Petroleo Brasileiro SA and Ukrainian sovereign bonds, Marynberg said in a July 25 instant message. The fund has gained an annualized 20 percent since it began trading in August 2013, according to Marynberg, who manages the Cayman Islands-domiciled fund from Jerusalem.

*— Suzy Waite and Nishant Kumar*

■ Parus Fund, a $1.4 billion long-short equity strategy managed by **Parus Finance** in London, fell 1.4 percent in June as investments in Google, Apple and Chinese online fashion retailer Vipshop hurt performance, according to an investor letter seen by Bloomberg News. The fund still gained 6.9 percent for the first half of the year, the letter showed. Short positions in Seagate Technology, a hard disk-drive manufacturer, and U.K. grocer Tesco as well as a long position in Chinese Internet giant Alibaba were the top performers, according to the letter. Parus Finance did not respond to emails seeking comment. Spokesmen for Seagate and Tesco declined to comment.

*— Suzy Waite*

## Year-to-Date Returns Through June




Source: Bloomberg Briefs

■ **Quadra Capital Partners**' global equity long-short fund is up 9.9 percent in the first half of the year after gaining 0.2 percent in June, according to an investor document seen by Bloomberg News. The Quadra Capital Global Equity Alpha fund, which launched on Aug. 7, 2015, benefited from long positions in Palo Alto Networks, Acuity Brands and L'Occitane, while long positions in Gamesa, Sociedad Quimica y Minera de Chile and Imperial Brands detracted from returns, the document shows. A spokeswoman for the London-based firm, which manages $55 million, declined to comment.

*— Melissa Karsh*

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# On the Move

## Citadel Hires Ex-Barclays Trader in London Buildout

By Suzy Waite and Nishant Kumar

**Citadel** hired former Barclays Plc portfolio manager **Simon Herbert** to help build out its European bond business.

Herbert will join the firm's relative-value investing team in London, reporting to senior money manager **Diego Megia**, said spokesman Zia Ahmed. He'll be part of the global fixed-income team led by **Edwin Lin** in New York.

Chicago-based Citadel, the $27 billion hedge fund run by billionaire Ken Griffin, is boosting staff at a time when peers such as Moore Capital Management, Tudor Investment Corp and Brevan Howard Asset Management reduce workforces. It recently added Colin Lancaster from Balyasny Asset Management to build a new macro trading unit in London; Sebastian Barrack from Macquarie Group as head of commodities; and Eric Felder from Magnetar Capital Partners to lead multi-asset investing.

Citadel's global fixed-income and macro-trading investment unit made almost 10 percent in the first half of the year as some of the industry's best-known hedge funds suffered. Andrew Law at Caxton Associates posted record losses while Alan Howard's flagship fund had the worst loss for a first half since the fund began trading in 2003.

Funds betting on economic trends have struggled to post gains amid record-low interest rates, small price swings and central banks printing money. Macro funds made 1.2 percent on average in the first six months of the year, compared with a 3.4 percent return across all hedge-fund strategies, data from Eurekahedge show.

# Milestone

## Ex-Eton Park Manager's Fund Tops $1B in Five Years

By Suzy Waite

**Portland Hill Capital**, started by former **Eton Park International** executive **Thierry Lucas**, has boosted the assets of its main fund by 26 times to more than $1 billion in just five years, according to an investor letter seen by Bloomberg News.

Portland Hill Master Fund, a long-short equity and event-driven fund, started trading in June 2012 with $38 million under management. It has returned a cumulative 69 percent since then, the letter shows. Lucas, the London-based firm's chief investment officer, declined to comment.

The fund handed investors 9.4 percent in the first half and gained 1.9 percent in June. Over its five-year lifespan, the annualized return was 11 percent. The Master Fund's worst year came in 2014 when it rose just 0.6 percent, followed by its best performance in 2015, when it returned 18.5 percent, according to the letter.

Investors are allocating more money to betting on corporate events such as mergers, acquisitions and spinoffs. Swiss money manager Notz Stucki & Cie, Paris-based Lyxor Asset Management and fund-of-funds 50 South Capital are among firms increasing their exposure to event-driven strategies as Europe's increasingly buoyant economy and record-low interest rates make for good deal-making opportunities.

These funds are among the top-performing strategies this year, making 5.8 percent through June 30, according to data provider Eurekahedge. That compares with an average 3.3 percent gain across all hedge funds.

Before founding Portland Hill, Lucas was a partner and senior member of the investment team at Eton Park in the U.K. capital from 2004 to 2011. He has also worked in Goldman Sachs Group Inc.'s equities division.

### Research Round-up

- Assets managed by alternative UCITS funds grew by 2.2 percent, or 5.9 billion, in the second quarter to reach $272 billion, according to Kepler Partners' second-quarter Alternative UCITS Report. Macro, multi-asset and equity long-short are still the largest strategies by assets with $86.1 billion, $51.4 billion and $45.1 billion, respectively, the report showed. The fastest growing strategies were event-driven and multistrategy, adding 9.1 percent and 14.4 percent, respectively, to their total assets. Credit, commodities and volatility arbitrage strategies all saw a decrease in assets. "After delivering a good start to 2017, alternative UCITS managers are well positioned to benefit from increasing demand for uncorrelated strategies," Georg Reutter said in the July report, which examined the 540 funds in Kepler's Absolute Hedge database. "As markets continue to be driven by macroeconomic and political change, we do not see this subsiding soon."

*— Melissa Karsh*

- The European hedge fund industry added $18.3 billion in assets so far this year to reach $524.2 billion as of June, according to data compiled by Eurekahedge. This follows a $29.3 billion contraction in assets under management in 2016, the data provider said in its July report. In June, European managers had net inflows of $1.8, while incurring performance-based losses of $1.2 billion. Europe-focused funds have returned 14.1 percent in the first half of the year, following a 0.2 percent gain in 2016.

*— Melissa Karsh*

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# Market Calls

## Borea Says Junk Rally in Norway Is Far From Over

It's not over yet. There's room for the high-yield bond market in Norway to rise even further, according to **Borea Asset Management AS**.

"Spreads can continue to narrow," **Willy Helleland**, chief investment officer at Borea, said by phone on July 25. "There's still more to catch up on spreads, at least in our segments."

Norway's junk bond market has continued to rally in 2017. Since its low in March last year, the DNB High Yield Norway Total Return Hedged Index has risen 36 percent to an all-time high.

Borea, which manages about 2.3 billion kroner ($290 million) in high-yield debt, sold all its oil-service bonds in 2013. That helped the Borea Hoyrente fund to return, on average, 8.1 percent a year since its inception in 2012.

"We're very skeptical about oil services," Helleland said. "It's difficult to be positive on the oil price. We've preferred to buy industrial companies in Sweden and Denmark to spread the risk."

It's also shunning fish farming companies, which have benefited from a doubling in salmon prices over the past five years and issued debt at rates that were "too low" to be of interest to the fund. Borea Hoyrente's largest holdings are zircon and titanium company Tizir, LNG carrier Gaslog and Norwegian savings banks.

"You get well paid for lending money," he said. "Lending money at 5-6 percent interest rate to good companies gives a very good risk/reward."

The fund is normally leveraged to 120-130 percent and is adjusting its risk by investing in "safer" bonds with an average rating of BB. While Helleland is still mostly avoiding the oil service sector, he bought BW Offshore after its restructuring.

*— Jonas Cho Walsgard*

## Capital Four Girds for High-Yield 'Dislocations'

European high-yield investors should prepare for shakier times.

The market may look "benign" now, but with interest rates set to rise from record-low levels there will be "a lot of dislocations," according to Danish hedge fund manager **Capital Four**.

"It's very difficult to imagine that this won't create huge amounts of opportunity going forward," Chief Executive Officer **Sandro Naef** said in a phone interview. "No one knows how this is going to turn out. No one has experienced that."

Years of extreme central bank stimulus and signs of an economic recovery in Europe are driving down yields on the riskiest bonds, bringing them closer to investment grade debt. The Bloomberg Barclays Pan-European High Yield Total Return Index has risen more than 50 percent in the past five years as demand for junk bonds has soared.

Copenhagen-based Capital Four, which manages about 10 billion euros ($12 billion), focuses on the merits of individual companies rather than macro trends. Its Credit Opportunities Fund has returned 14 percent a year since its inception in 2010, with 6.5 percent volatility.

"This is the time to be very cautious," said **Rene Kallestrup**, a portfolio manager at Capital Four. "Spreads are extremely tight at the moment. We're running a very low leveraged fund."

The fund is ramping up long exposure to senior secured leveraged loans, especially in more "defensive" companies. It's short the iTraxx Crossover and individual weak credits. It's clear that the current credit cycle has reached its extreme, and companies that couldn't sell debt three to four years ago are now managing to find funding, Naef said.

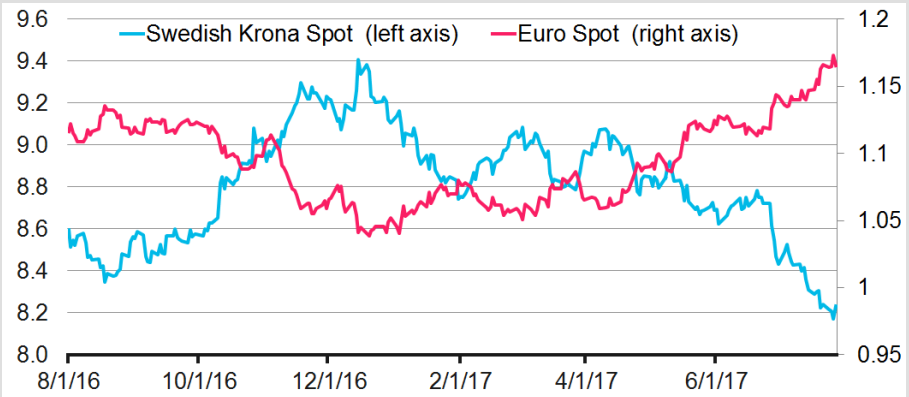
*— Jonas Cho Walsgard*

## Market Calls, Revisited

By Suzy Waite

Last August, London-based **Harmonic Capital Partners** was bearish on Europe and short several currencies, including the euro and Swedish krona against the U.S., Canadian and Australian dollars as a result of this view.

"The euro needs to see growth in Europe before strengthening and currently there is no European growth, at least not compared to the U.S.," **Patrik Safvenblad**, chief investment officer, said at the time. "The uncertainty surrounding Brexit has definitely not helped, although this is less of an issue for the euro area than for the U.K."




Source: Bloomberg

From Aug. 1, 2016, through July 27 of this year, the krona rose 5.1 percent against the U.S. dollar, while the euro strengthened 5.4 percent against the greenback in that time. "This has been a very tricky year for currency trading with most major FX markets being fairly range bound, even if Brexit and the Trump rally has had significant short-term impact," Safvenblad said in an July 25 email.

Looking ahead, Harmonic Capital is negative on growth in Australia and Canada, particularly versus the U.S., he said. "We are relatively neutral on Europe, but within Europe we are bearish on Sweden and the U.K. and bullish on Norway." He declined to discuss specific positions.

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# Calendar

To submit an event email mkarsh@bloomberg.net. The "event" column links to websites.

| DATE | ORGANIZER | EVENT | SPEAKERS/ATTENDEES OF NOTE | LOCATION |
|---|---|---|---|---|
| July 30 | HFC | *London Surrey Ride* | Email fgray@hfc.org for more information. | London |
| Aug. 21-22 | Humboldt University | *Recent Advances in Mutual Fund & Hedge Fund Research* | Bastian von Beschwitz, Ashley Wang & Dan Li, Federal Reserve; Francesco Franzoni, USI Lugano & Swiss Finance Institute. | Berlin |
| Sept. 6 | Markets Group | *Northern Europe Institutional Investor Forum* | Carlo Farina, CERN Pension Fund; Martin Gubler, Zurich Invest; Aurele Storno, Lombard Odier Pension Fund. | Copenhagen |
| Sept. 7 | Hedge Fund Standards Board | *Annual General Assembly* | To be released. | London |
| Sept. 11-13 | CBOE | *6th Annual CBOE Risk Management Conference Europe* | Carl Lindberg, Second Swedish National Pension Fund; Roni Israelov, AQR; Neale Jackson, 36 South; Arne Staal, Standard Life; Samuel Vazquez, Capital Fund Management; Alex Orus, Principalium. | The Grove, Hertfordshire, UK |
| Sept. 13 | Markets Group | *Private Wealth Germany Forum* | Nancy Curtin, Close Asset Management; Andre Wieland, AMW Multi Family Office; Gavin Rankin, Cit Private Bank. | Munich |
| Sept. 19-20 | ALFI | *Global Distribution Conference* | To be released. | Luxembourg |
| Sept. 20-21 | WBR | *The InvestOps Summit* | Edward Wierenga, NN Investment Partners; Igor Lobanov, Lega & General; Leontien Van Den Oever, PGGM. | London |
| Sept. 26-27 | informa | *UCITS & AIFMD London 2017* | James Klempster, Momentum Global; Roberto Colapinto, Abalone; Martin Fahr, Oaktree; Farid Gargour, Park Value; John Lowry, ML Capital. | London |
| Sept. 28 | Legends 4 Legends | *Legends4Legends 2017* | Leda Braga, Systematica; Russell Clarke, Horseman; Bruce Richards, Marathon; Alex Roepers, Atlantic Investment Management. | Amsterdam Eye Museum |
| Sept. 28-29 | TBLI Group | *TBLI Conference Nordic 2017* | Simon Smiles, UBS; Annelie Gotbring, AMF; Matt Christensen, AXA; Noelle-Claire LeCann, AlphaSource; Morten Halborg, Skandia. | Stockholm |
| Oct. 2-3 | informa | *ITAS Ireland* | Furio Pietribiasi, Mediolanum; Kieran Fox, Irish Funds; Doug Gordon, Davy Asset Management; Olwyn Alexander, AIMA. | Dublin |
| Oct. 3-4 | Bloomberg | *BuySideWeek 2017* | Topics include a macro outlook and the future of active management. | London |
| Oct. 3-4 | Prestel & Partner | *Family Office Forum* | To be released. | London |
| Oct. 18 | informa | *Hedge Fund Emerging & Startup Manager Forum* | Clayton Heijman, Privium; Rozenn Peres, New Alpha AM; Lofti Ledjemi, King William Street Capital; Mike Cartier, Culross Global. | Zurich |
| Oct. 24 | Markets Group | *Private Wealth France Forum* | Arnaud Gandon, Heptagon Capital; Christian Armbruester, Blu Family Office; Haig Bathgate, Tcam. | Paris |
| Oct. 24-25 | informa | *Fund Manager Selection* | Ramon Tol, Blue Sky; Astrid Smit, PGB; Jakob Moller Hommel, Kirstein Investments; Denise Le Gal, Brunel Pension. | London |

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