

JUNE 30, 2008
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HFIA Winners

Recipients were honored across nine categories. Each winner's case is detailed in this special section.



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ASHMORE SEEKS \$2.5B FOR EMERGING MARKETS PE FUND

Ashmore Investment Management is seeking to raise at least \$2.5 billion by the end of the year for a new global emerging markets special situations fund. Most emerging markets are isolated from the credit crunch gripping the U.S. and Europe, noted **Jerome Booth**, head of research at the \$36 billion firm. The *Ashmore Global Special Situations Fund Five* will invest mainly in private equity positions, as well as distressed and other debt.



Jerome Booth

(continued on page 19)

MANAGED ACCOUNTS ON THE RISE

Separately managed accounts are becoming more popular because hedge fund managers are finding it harder to raise assets and investors are demanding more transparency, liquidity and the ability to negotiate fees. According to a survey by **Deutsche Bank**, 43% of investors now prefer to put their money in separately managed accounts over pooled hedge funds, up from 34% in 2007.

Michael Murray, partner at **Shoreline Trading Group**, said he is seeing more of these accounts being set up as they give investors more control over their assets. Murray said

(continued on page 19)

MOON LIGHT LAUNCHES SRI L/S JAPANESE FUND

Moon Light Capital in Tokyo has launched a socially-responsible hedge fund focused on Japanese companies. Founder **Naoko Takemura** manages the *Moon Light SRI Long/Short Fund*, which began trading with \$350 million last month. While most socially-responsible funds are long-only, Moon Light's latest rollout will short companies it deems irresponsible.

"For short position candidates, we identify companies with likely adverse impact on earnings [...] and companies that do not fulfill their social responsibilities," said **Tomoko Okabe**, who works in business development at the firm. He declined to name specific

(continued on page 19)

6th Annual Hedge Fund Industry Awards PAULSON, HARCOURT WIN TOP AWARDS AT AIN GALA

Paulson & Co. and **Harcourt Investment Consulting** were named *AIN's* Hedge Fund Leader and Fund of Funds Leader of the Year, respectively, at the Sixth Annual Hedge Fund Industry Awards gala dinner on Wednesday.

The event, at **Cipriani Wall Street** in New York, was full of laughs and some surprises, as investors from around the globe joined together to toast the best players of the year. The market may be in the midst of a credit crunch, but **David Moore** of **Moore Holdings**, acting as master of ceremonies,



Michael Steinhardt accepting the Lifetime Achievement Award

(continued on page 7)



At Press Time OakBrook Investments Boosts Assets

Quantitative hedge fund firm **OakBrook Investments** in Lisle, Ill., has grown assets by almost half by securing 10 new mandates totaling about \$400 million. The new funding will bring the firm's assets under management to \$1.5 billion. **Tom Page**, OakBrook's director of marketing, said funds of funds and institutional investors are among the new clients, but declined to name them.

OakBrook has secured six mandates totaling \$322 million for its enhanced index fund, which is down 3.3% year-to-date. The firm's market-neutral strategy has secured \$40 million in new assets so far this year. There are three new accounts still pending, said Page. The verbally-committed assets are expected to fund in July. OakBrook's market-neutral strategy has returned 3.85% year-to-date. Since OakBrook runs its market-neutral fund using large-cap stocks, there is no capacity constraint, Page noted. With the past year's increase in assets, OakBrook has grown its team to include **David Vandergriff**, a senior sales professional, and **Annette Pfoser**, an office manager.

London Start-Up Gains With Oil Derivatives

London firm **BlueGold Capital Management** benefited last month from derivatives plays on oil. The \$850 million *BlueGold Capital Management Fund* is up roughly 130% since its February launch through May 31, primarily due to its exposure to the energy market via futures and options, said Co-Founder **Dennis Crema**. Many funds invest in oil solely through equities, and "we get the sense that there's not a lot of exposure to the oil markets through the derivative world," he said.

"A lot of the financial community has been short [oil] with the hope that the market will pull back," Crema said. "We still think oil prices will be higher [as] demand increases and supply growth continues to disappoint." Eventually, prices will reach a point where consumers will have to reduce demand, he added.

While there are some interesting developments in the alternative energy space, Crema believes the world is at least a decade away from finding a suitable supplement to oil. "Wind, solar, sugar-based ethanol will all help, [these] all need to be explored," he said. "But we need to come out with [something] bigger." Crema does not believe bio-fuels are the answer, explaining that exploration for corn ethanol is harming the world's food supply, rather than helping resolve the energy shortage.

The fund will soft-close on Oct. 1. Crema is speaking with funds of hedge funds and family offices. Once the fund gets a six-month track record, he will begin to market to pensions and endowments. He declined to cite the firm's goal for asset growth. Fees are 2/20. **UBS** and **Morgan Stanley** are the prime brokers.

Crema co-founded the firm with **Pierre Andurand**, cio. Both worked at the **Vitol Group**, Crema as global head of trading and Andurand as head of derivatives.

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**Institutional
Investor NEWS**
INTELLIGENCE FIRST

The Americas

Xavier Hires New Investment Head, Looks At Alts

Xavier University has hired **Maribeth Amyot** as v.p. for financial administration to oversee its \$120 million endowment. The school is also in the midst of creating an alternative investment allocation that was adopted by the board of trustees last year.

Xavier currently invests with seven alternatives managers, representing 20% of the portfolio. These include hedge funds, real estate and private equity, explained Amyot. She expects the fund to consider additional private equity, hedge funds and real estate investments in the coming year. The new monies would primarily come from growth in the overall endowment and not necessarily an increase in the percentage allocated to alternatives, said Amyot.

Xavier has been busy over the past year reshaping its portfolio, with 11 of the fund's 19 managers having been added over the past year. "I'm delighted to be here as Xavier implements its aggressive plans for growth," Amyot said.

Amyot was formerly v.p. for finance and administration at **Western Connecticut State University** in Danbury. At Xavier, she replaced **J. Richard Hirté** who retired in December after 25 years with the Cincinnati school.

Paragon To Take Chinese Companies Public

New York's **Paragon Capital** is seeking Chinese companies with which it will perform alternative public offerings. "There is a big appetite amongst Chinese companies interested in raising assets by listing themselves in the U.S.," said **Kevin Pollack**, managing director. He and Founder **Alan Donenfeld** were in China at the end of May to speak at a conference about reverse mergers, where they received interest from companies. The duo will travel to the country again in July, to speak at a similar conference in Guangzhou.

Pollack said that investment terms are much more attractive than they are with U.S.-based companies. "There are price-to-earnings ratios that might be less than half of what a similar U.S. company would be valued at," said Pollack. He added that in deals with Chinese companies, the management puts its own shares in escrow and if it doesn't meet certain growth terms it has to give up the shares to the investors. Pollack said that he also sees fewer debts with Chinese companies, so "you don't have to worry about interest payments and debt liabilities."

Paragon is looking for companies with a net income of at least \$5 million over the last 12 months. Pollack said there is no

specific sector that the firm is looking to work with. The firm will arrange for the pre-audit consultant, setup the audit, procure legal counsel, and use the shell companies it has already purchased to perform these APOs. The aim is to grow each company until it reaches a higher exchange like the NASDAQ or AMEX. Paragon invests in these companies through its *Capital LP Fund*, and its offshore counterpart *Paragon Capital Opportunities Fund*.

DDX Lowers Investment Minimums

Toronto's **DDX Capital Partners** is lowering the investment minimums for its Canadian onshore market-neutral technology fund and an upcoming offshore version. The onshore fund's minimum has dropped to C\$150,000 from C\$250,000. The offshore fund was due to have a \$250,000 minimum, but it will actually be set at \$150,000.

Tom Steen, managing partner responsible for business development and marketing, said the minimums were lowered to match the minimum for private placements in Canada. The Canadian government requires a minimum of C\$150,000 and Steen said the offshore fund minimum was lowered to make it consistent between both funds.

DDX Capital Partners U.S. Offshore is expected to launch in July or August with \$5 million. The offshore fund will be a master-feeder fund, with the onshore version fed into it. The firm has been looking to add a chief financial officer to its staff of four (*totalalternatives.com*, May 22). Steen said that it is still on the lookout and will begin a search this summer.

King's Crossing To Launch Multi-Strat Fund

Toronto-based hedge fund firm **King's Crossing Capital** is set to launch a foreign exchange and futures strategy in August, in both domestic and offshore versions. The quantitative strategy, which has not yet been named, will launch with about \$30 million.

CEO **Richard Whelan**, former portfolio manager at **Ontario Teachers Pension Plan**, said the fund will use one foreign exchange algorithm and two futures models. The short-term futures model will trade 35 offerings and the long-term model will trade 25, with an overlap of only six. The short-term model will have a holding period of three-and-a-half days while the long-term model will hold trades for 50 days.

The fund will have a 2/20 fee structure and an investment minimum of \$15 million. President and Chief Compliance Officer **Michael Studer** said the fund has a capacity of about \$2.5 billion.

The Americas (cont'd)

Ex-UBS Pro Lines Up Goldman Cash For Launch

Shane Finemore, ex-managing director at UBS, has formed **Manikay Partners** and will launch a hedge fund Aug. 1. **Goldman Sachs** will invest in the *Manikay Fund*, which will begin trading with over \$300 million. **Frank Lowry**, chairman of retail property firm **Westfield Group**, will also invest in the fund through his family office. COO **Sean McDuffy** confirmed Goldman and Lowry's involvement but declined to elaborate on the size of the investments or the strategy. Finemore was traveling and not immediately available for comment. Spokesmen for Goldman and Lowry's family office did not return calls. **Kelly Smith**, spokeswoman for UBS, declined to comment.

The long-biased opportunistic fund will invest in global equities and arbitrage positions while implementing a short-term trading approach. UBS and **Morgan Stanley** are the prime brokers.

Finemore was head of UBS's U.S. Fundamental Investment Group for five years.

Former UBS Director Joins Brazilian Bank

Eliza Pepper, former head of the manager research group within UBS' alternative investment business, has joined **Itaú Private Bank**, the private banking arm of São Paulo-based **Itaú Group**. She will head up the firm's \$13 billion multi-manager group in a new position, said **Paulo Corchaki**, cio. **Kris Kagel**, spokesman for UBS, confirmed her departure but declined to comment further.



Eliza Pepper

Pepper will oversee Itaú's fund of funds and mutual funds business, performing due diligence and manager research. The firm will hire several analysts to assist Pepper in New York. She oversees a dozen employees in São Paulo and Miami.

Pepper led manager research at UBS from October 2006 until April. She previously spent a decade at Citibank in a similar role.

Itaú will open its latest roll-out, a fund of funds invested solely in Brazil-focused managers, to outside investors for the first time in the next few weeks. The *Best of Brazil Investment Fund* launched in February with private clients' money. **Philippe**

Sremau, head of investor relations, will approach pensions as the firm seeks to increase the fund of funds' assets to \$150 million from \$70 million by early 2009. The fund invests in 12 underlying managers, with roughly 70% exposure to macro strategies and 30% in long/short equity.

Quant Firm Preps 130/30 Launch

San Diego's **Denali Advisors** is raising assets for a 130/30 fund, set to launch by the end of the year with around \$60 million. **Martin Curiel**, vice president, said the firm is making the move because of the success of the short book within its quantitative market-neutral strategy; the strategy is up 8% over T-bill benchmark year-to-date. Curiel said this comparative advantage is the main reason Denali is choosing to launch this new fund.

In addition to its market-neutral fund, Denali manages a large-cap value equity fund and a mid-cap value equity fund, with a total of \$1.15 billion assets under management.

Buckeyes To Boost Alternatives

The Ohio State University is planning to increase its exposure to alternative investments. The Columbus-based school invests in hedge funds, private equity, real estate and natural resources, all of which may be increased over the next year. The Buckeyes have a \$2.3 billion long-term portfolio, which includes a \$1.6 billion endowment.

Ohio State has an 8% target allocation to real estate, which includes an allocation to a real estate investment trust index fund. The school will likely move some of that money to real estate partnerships to help further diversify its portfolio, said **Alvin Rodack**, associate treasurer.

The school also has a 10% private equity allocation, which is now around 4%. It plans to ramp up its exposure over the next few years to diversify the exposure by manager and vintage year, he noted. Ohio State's play includes venture capital and leveraged buyouts, as well as domestic and international private equity. The endowment also has a similar plan for its natural resources slug, which has a 3% target. Ohio State invests less than 1% in the space and plans to boost the allocation over the next few years, said Rodack.

The school's hedge fund allocation now stands around 20% after having boosted the allocation by 6% since the beginning of the year. Although hedge funds have reached their target, the Buckeyes will probably still look to add managers to diversify the slug, said Rodack. Also still under consideration is a move into portable alpha that was recommended by the school's consultant, **Cliffwater**.

Imperial County Studies Hedge Funds

The \$500 million **Imperial County** (Calif.) **Employees Retirement System** is learning about funds of hedge funds as a way to diversify its portfolio. It would be the system's first foray into the space. The plan has been mulling over the asset class for the past year, and will most likely make a decision whether to move forward at its August meeting, said **David Prince**, administrator. Manager searches are very likely if the board makes an allocation. **Wurts & Associates** is advising the plan. Real estate is the only other alternative asset class that the fund invests in.

CAVU Lines Up Analysts

CAVU Capital Advisors has lined up an industrials analyst who will join the \$275 million South Norwalk, Conn., firm in August. CFO **Jim Gilmore** declined to name the individual.

In late July **Ken Sill** will also join the firm, as a senior analyst for the energy sector. Previously he was a director in the equity research group at **Credit Suisse**, where he was most recently senior oilfield services and equipment analyst. Sill declined to comment, citing Credit Suisse compliance rules. An official at Credit Suisse declined to comment.

CAVU already employs two analysts to cover the consumer and technology sectors, said Gilmore. The two new hires will enable Portfolio Manager **Stephen Schwartz** to divide his time more effectively across the four sectors, he added. Until now, Schwartz has been the energy and industrials analyst, as well as portfolio manager.

The firm has two onshore hedge funds and one offshore. The long/short equity strategy returned 13.5% in 2006 and 15.9% in 2007, and is up 2% this year through May.

Greylock Preps LatAm Fund

Greylock Capital Management will launch the *Greylock LatAm Opportunity Fund* in the fourth quarter. Two **Bear Stearns** execs will come onboard in October to manage the fund. **Ajata Mediratta**, who recently joined from Bear Stearns, declined to name the new hires.

The LatAm fund will buy debt instruments and make private placement structured deals, focusing on high-yield debt. It will invest in small- and mid-cap companies in the smaller countries in South America and the Caribbean, as well as Mexico and Brazil. The fund will seek opportunities in sectors that are performing poorly at present, such as real estate and financials. The firm has not yet decided on fees or the investment minimum. **JPMorgan** will be the prime broker.

The flagship *Greylock Global Opportunity Fund* invests in Asia,

Africa and Eastern Europe, as well as Latin America. Greylock is also preparing to launch an Africa-focused fund in July (*totalalternatives.com*, June 4). Next year, the firm may launch funds dedicated to Asia and Eastern Europe.

Mediratta joined Greylock June 3, along with **Andrey Popel**, **Wei Yeh Sun** and **Anthony Bitz**, all of whom worked for him at Bear Stearns (*totalalternatives.com*, June 6). Greylock hired the Bear Stearns execs to fill the holes of four senior officials who departed a few months earlier.

Europe

Gartmore Closes Two Japan Funds

Gartmore Investment Management has soft-closed two Japan-focused long/short equity hedge funds—the *AlphaGen Tenro Fund* and the *AlphaGen Hokuto Fund*—at \$201 million and \$791 million, respectively. The funds have seen inflows over the past few months and are now at a good size for their strategies to be run in the current market conditions, said **Martin Phipps**, head of alternative distribution.

Justin Bowles and **John Stewart** co-manage both funds. Tenro is a trading strategy which launched in February 2006. It employs leverage up to 300% and accepts high volatility in its concentrated portfolio of stocks. The fund was up 57.9% in 2007 and has returned 18.6% annualised since inception. It is down 5.4% this year through May. Hokuto invests in a more diversified portfolio of around 100 stocks, with a focus on large-caps. The strategy aims for lower volatility than the underlying equity market. It was up 15.8% in 2007 and has returned 8.1% annualised since inception in November 2000. It is up 10 basis points this year through May.

Gartmore has about \$12 billion invested in 18 hedge funds, as well as a number of managed accounts.

Somerset Seeks First Private Equity Manager

Somerset County Council has tendered its first private equity mandate, worth £30 million, for its £1.1 billion pension fund. **Anton Sweet**, funds and investments manager in Taunton, said the cash-positive scheme will benefit from diversifying its portfolio. The investment will be through a fund of funds strategy as this will provide a broader array of funds.

The scheme's pensions commission has considered hedge funds as an asset diversifier but concerns about transparency and level of fees were raised, Sweet said. Private equity "is a more transparent easier way to invest."

The deadline to participate is July 22 and a manager should be

Europe (cont'd)

appointed by the end of the year, with funding to start in the first quarter of next year. The mandate is being funded through the scheme's cash reserves.

The fund invests 67% in equity, 20% fixed income, 10% real estate and private equity will represent 3%. It does not use an investment consultant.

Aylott Taps Former Colleague From ZAN

Japan specialist **John Aylott** has hired an assistant portfolio manager from former haunt **ZAN Partners**. **Dan Forsdyke** joined Aylott's start-up hedge fund firm, **360 Asset Management**, earlier this month. The duo manages the *360 Japan Long/Short Fund*, which launched in March. This is the first hire Aylott has made for his new London firm. Forsdyke said he was at ZAN for four years, conducting trading analysis across various asset classes.

Aylott said his original business plan included the hire of an assistant portfolio manager. Forsdyke spent some of his time at ZAN assisting Aylott in managing the *ZAN Alpha Fund*.

Aylott worked at ZAN Partners from 2005-2007. He left when the private wealth management firm decided not to pursue its foray into hedge funds, closing the ZAN Alpha strategy. He was previously head of Japanese equity trading at **Commerz Securities** in Japan.

Citadel Picks Up Citi Trading Bigwig

Christian Schackmann, head of single stock derivatives trading at **Citigroup** in London, has moved to **Ken Griffin's Citadel Investment Group**. Schackmann started at Citadel last month as a trader on the European options desk in London. He had been with Citi for nine years.

Citi spokesman **Ian Villiers** confirmed the departure and said Schackmann had not yet been replaced. Citadel declined comment.

IPM Seeks Portfolio Managers, Eyes Systematic Launches

Informed Portfolio Management is seeking to add two portfolio managers to its 26-strong team in the next six months. The firm is considering launching new long/short systematic strategies, **Anders Lindell**, head of portfolio management, told *AIN*. "There are many teams out there looking for a new home," he observed. He declined to give more details on possible strategies or a timeframe for the launches.

The \$10 billion Stockholm firm has recently been on a hiring spree to support the growing business. **Björn Österberg** has been hired as a portfolio manager, to head up IPM's equity quant team. **Magnus Hagerborn** will join as cfo, a new role created to consolidate various internal duties, said Lindell. IPM will shortly open a distribution office in Geneva and has hired **Jamil Ismail** to be based there as a sales director.

Asia Pacific

VC Firm Pitches Philippines Fund To U.S. Investors

Manila-based firm **ICCP Venture Partners** is marketing its *Pacific Synergies IV* fund to U.S. investors for the first time. The fund invests in U.S. companies that either have a presence in the Philippines or could benefit from exposure to the country. With its three previous funds, ICCP raised money solely from family offices, high-net-worth individuals and institutional investors from the Philippines. Those funds each had \$20 million under management. Chairman **Guillermo Duchangco** said the goal is to reach \$100 million for the fourth fund by also marketing to U.S., European and Middle Eastern investors.

Senior Managing Director **William Valtos** said ICCP is expanding its strategy because the Philippines is a great market

for outsourcing manufacturing for U.S.-based technology companies. Since the firm's inception, ICCP has funded 42 minority-stake investments in 27 countries. Investing in the Philippines is fairly rare, said Valtos, noting that there are only about six-to-eight venture capital funds in the country and no hedge funds established there.

Pacific Synergies IV had its first close at the end of May with \$15 million and recently made its first investment of \$2 million in **Alphion Corporation**, a Princeton, N.J., photonic production company with a factory in the Philippines. Valtos said ICCP hopes to expand the Philippines operation before Alphion goes public in the next year or so.

The minimum investment is \$2 million for institutions and \$300,000 for individuals. The management fee is 2% for investments of more than \$2 million and there is a performance fee of 20%.

SIXTH ANNUAL HEDGE FUND INDUSTRY AWARD WINNERS

PAULSON, HARCOURT

(continued from page 1)

kept the tone light. With a nod to **George Carlin**, his take on the seven words not to use on Wall Street—auction rate securities, CLOs, CDOs, Eliot, and Spitzer—drew laughs and nods of agreement.

After two hours of cocktails and hors d'oeuvres, hedge fund managers, plan sponsors, prime brokers and vendors took their seats for dinner and the awards presentation ceremony. Moore jovially instructed attendees that acceptance speeches should follow the 2/20 rule—they mustn't be longer than two minutes and winners cannot thank more than 20 people.

Hedge fund icon **Michael Steinhardt**, who was presented with the Lifetime Achievement Award, reflected on past market downturns. "Memory emphasizes the losing experiences, perhaps

because you can learn from them," he said. The 25% annual net return of his **Steinhardt Partners** hedge fund from 1967-1995 illustrates that the lesson was learned.

The biggest surprise of the evening was **AdultVest** netting the title of Hedge Fund Launch of the Year. A shocked but delighted **Francis K of 620.8SI(Th1illsonger thaei) A ck5 Td _0 5C ch .2 T* [**

SIXTH ANNUAL HEDGE FUND INDUSTRY AWARD WINNERS

Hedge Fund Leader of The Year

Paulson & Co.



Paulson's Paolo Pellegrini

John Paulson's prescient play on subprime mortgages and the resulting astronomical returns have made him a very rich man and his firm *Hedge Fund Leader of the Year*. Betting that the weakest section of the mortgage market would falter and not recover, Paulson scoured the

debt markets to find the most mispriced securities, researched all mortgage-backed security information extensively and protected his trades with credit-default swaps on asset-backed securities in BBB-rated tranches.

Last year, the *Paulson Credit Opportunity* fund returned 591%, while *Paulson Credit Opportunity II* was up 353%. The firm's event-driven strategies, *Paulson Advantage* and its levered version, *Paulson Advantage Plus*, registered 100% and 164%, respectively, while the flagship merger arbitrage strategies, *Paulson Partners* and *Paulson Partners Enhanced*, brought in 52% and 119%. The firm entered 2007 with \$3 billion. It now manages \$33 billion. Last year Paulson earned over \$3 billion. "It literally was the best trade ever," observed an impressed fund of funds official.

"The beauty of shorting a debt instrument that trades at tight spreads to par is if you're wrong, you lose very little,"

Paulson told *AIN*. "But if you're right, you can make sustainable returns."

"Listen, he had a great call," said one impressed official at a fund of funds in New York. "He saw subprime was overvalued and put his money where his mouth was. Even more important, he got the timing right. A lot of people went in too early. That's pretty amazing."

Years before it happened, Paulson predicted that shorting these markets would lead to triple-digit returns: in November 2006, he held an investor conference at New York's **Metropolitan Club**, including a slideshow of what he predicted would happen to the housing market. He concluded the presentation by forecasting potential returns ranging from 300-500%.

"I have never encountered a manager before that would predict future returns of that magnitude," said **James Hoover**, principal and founder of **Dauphin Capital Partners**, the outsourced cio for **Elizabethtown College's** endowment, which invests in *Opportunity II*.

"When you meet him, chat with him and so forth, he comes across as someone who's quite reserved and confident, but not egotistical," Hoover said. "And you come away with the confidence that this individual has a good understanding of what's required to be successful in this approach. A lot of people in the hedge fund industry tend to get too full of themselves and that's a dangerous attitude to take when you're overly confident. That's certainly not [Paulson's] personality."

Fund of Funds Leader of The Year

Harcourt Investment Consulting

Socially-responsible investing was one of the hottest topics of 2007, and Harcourt cemented its position as a pioneer by launching *Belair Sustainable Alternatives SRI Fund* in November with \$200 million in seed capital from Scandinavian insurance companies **Folksam** and **Storebrand**. Zurich-



Harcourt's Neil Paragiri and Marcel Herbst accept the award from Dylan Curley, UBS Global Asset Management

based Harcourt was also the first hedge fund firm to sign up to the *United Nation's Principle of Responsible Investments Initiative*.

Branching out into another new area, the firm made a foray

into commodities last year with the *Belvista Commodity* series of funds, rolling out two UCITS III offerings and an offshore commodity fund. And in a year when many funds of funds struggled to preserve capital, none of Harcourt's 16 funds lost money. Under the leadership of CEO **Peter Fanconi** and CIO **Christophe Grünig**, the firm's headcount reached 90 and assets under management hit \$5.5 billion, up 22% from the end of 2006.

The firm won numerous institutional mandates, including recently being appointed to advise **Bank Sarasin's** fund of hedge funds platform. "It was not a hard decision to choose them as investment advisor and this nomination supports our decision that we have picked the right partner," Sarasin's Chief Operating Officer, **Nils Ossenbrink**, told *AIN*.

Jean Keller, ceo of rival Swiss fund of funds firm **3A**, gave Harcourt his backing, describing it as "a good firm, a good business model and a formidable competitor."

SIXTH ANNUAL HEDGE FUND INDUSTRY AWARD WINNERS

Emerging Manager of The Year

Algebris Investments



Algebris' Davide Serra

Davide Serra and **Eric Halet's** London shop raised \$1.1 billion before rolling out *Algebris Global Financials* in October 2006—touted as the largest ever launch for a sector hedge fund—and the fund has since more than doubled to \$2.7 billion. The fund's performance has lived up to the hype, returning about 55% since inception.

"The firm is truly global in its investments," said **Daphne Bradshaw-Mack**, head of hedge fund investments at **Bessemer**

Group, one of the seed investors in the fund. "It uses the broad definition of financials—not just banks—and it is a true long/short hedge fund." She also pointed to the strong macro outlook which informs the firm's bottom-up stock-picking and their specialisation and networks of relationships. "In an industry that's changing a lot they are very open to learning and incorporating new ideas," she added.

Algebris has the backing of renowned activist manager **Christopher Hohn**, whose firm, **The Children's Investment Fund Management**, has a stake in it. Perhaps reflecting Hohn's involvement, Algebris has recently become involved in shareholder activism. "We have taken a public stance in the **ABN Amro** deal and became active in **Generali** to improve corporate governance and returns last year," noted Serra. "We have had some positive effect on the company already and are still trying to improve it."

Hedge Fund Launch of The Year

AdultVest

Francis Koenig raised eyebrows when he set up the first hedge fund firm focused on adult entertainment companies. He founded Beverly Hills-based AdultVest to exploit the billions spent on adult entertainment every year, and launched the *Priapus Investment Fund* last summer.

"We've got an entire industry that's been overlooked by Wall Street and by the institutional investment community," Koenig said. "When I realized there was a multi-billion industry with no buyers and all sellers, I honed in and said 'hey, this is one of the most profitable businesses in the world, and it will never go away.' There are six billion people on the planet and we all have a natural instinct to procreate."

"Listen, it's a great strategy," said an official at a fund of funds firm in New York. "Everyone thinks about it [...] but no one else had the nerve."

Priapus made its first investment in **iPorn.com**, a Web site that AdultVest is expanding to include mobile phone downloads, pre-recorded and live videos, and online dating. Koenig believes iPorn.com is worth up to \$1 billion. In May, the fund acquired Colorado-based **VCG Holding Corporation**,



which buys gentlemen's clubs. AdultVest will eventually sell these companies on. An appealing factor for investors is that the firm will not take its performance fee until 100% of capital is returned to clients.

"It's pretty innovative," said **David Ficksman** of **Troy Gould Attorneys**, AdultVest's lawyer. "It's a substantial market. Investors are interested to get into an untapped marketplace."

Koenig shrugs off the risqué factor. He pointed out that at the end of the day, the investment business is about making investments and putting your investors first. "It's not about [...] a matter of opinion; it's a matter of fact. It's 'can you take a dollar and turn it into ten?' It's 'can you take \$10 and turn it into \$100, or take \$100 and turn it into \$1,000?'" he said. "We can do that. Not many people can."

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Francis Koenig lifts his trophy

SIXTH ANNUAL HEDGE FUND INDUSTRY AWARD WINNERS

Institutional Manager of The Year

The Blackstone Group



J. Tomilson Hill gives thanks for Blackstone's award

Already a leader in private equity and real estate, Blackstone has doubled hedge fund assets to over \$40 billion in just over a year. This growth, combined with innovative fund launches and an attention-

grabbing acquisition, make Blackstone *AIN's* choice for Institutional Manager of the Year.

Led by **J. Tomilson Hill**, Blackstone's fund of hedge funds arm, **Blackstone Alternative Asset Management**, launched a seeding platform with a private equity-like structure and commitments of over \$1 billion. The *Blackstone Strategic Alliance*

Fund has already invested in four high-performing managers with an expectation of six more, all at around \$100 million each. Spotting a timely opportunity, BAAM also launched the *Value Recovery Fund* in January with commitments of over \$500 million, to take advantage of disruption in the residential mortgage market. BAAM prides itself on being driven by investors, reverse-engineering its offerings to ensure they meet the specific needs of its clients.

Blackstone has also made significant advances with its single-manager hedge fund unit. The firm made big news when it acquired **GSO Capital Partners** in March, accounting for \$4.5 billion of the roughly \$10 billion Blackstone now runs in single-manager hedge funds. The group also kick-started **A.M.N. Advisors**, an Asia-focused event-driven fund, luring **Aaron Nieman** from **S.A.C. Capital** division **Canvas Capital Management**. And in a move to further diversify its global investor base, the firm hired **Philip Anker**, former **Citigroup** alts guru, to expand its single-manager hedge fund activity.

Public Fund Investor of The Year

Teacher Retirement System of Texas

The Teacher Retirement System of Texas's creative approach shone through this year when it faced a Texas legislature-imposed 5% cap on hedge fund allocation, at odds with the scheme's desire to ramp it up to 10%. In response, TRS set its own parameters for what constitutes a hedge fund by identifying nine criteria which determine what is counted within the 5%



Britt Harris of Teacher Retirement System of Texas

allocation. The scheme sought to tap the expertise of talented hedge fund managers by investing solely in their long-only books. TRS hopes its hedge fund performance will justify a rethink by the state legislature. Recent performance bodes

well: hedge fund returns are 7.5% year to date despite market

turbulence.

TRS made its foray into hedge funds prior to most pension plans and continues to seek new ways to choose investments. TRS has also reduced volatility by 40% in the past year by TRS overhauling its portfolio. TRS also upped its allocation for other alternatives to 25%, a move reinforced by the growth of its alternative investment team to 10 from two.

"They are clearly a leader in allocating more to the sector, diversifying their portfolio and establishing strategic relationships," said **Joe Hill**, director of client relations, **Halcyon Asset Management**.



Harris receiving the award from Investcorp's Lora Goldwater

SIXTH ANNUAL HEDGE FUND INDUSTRY AWARD WINNERS

Corporate Pension Fund Investor of The Year

Railway Pension Trustee Company



Stephen Sullens of The Blackstone Group, accepting the award on Railpen's behalf

Railpen stood out for wholeheartedly embracing hedge funds—still an unusual move for a U.K. pension scheme, and particularly impressive for an industry-wide scheme. Railpen had to pitch its hedge fund plans to these separate

privatised businesses. “We have one pool of assets across the scheme, but 100 different clients,” noted **Keith Shepherd**, head of investment management.

The fund has taken the bold step of allocating to emerging managers, albeit via a fund of funds structure. Eschewing the fear of the unknown that might prevent other pension funds from taking the plunge, Railpen was attracted to the potential returns and diversification that emerging managers could provide, said

Shepherd. “We looked at the evidence about what you can get out of new managers,” he said of the decision to invest in **Blackstone Alternative Asset Management’s** seeding platform. “By just adding another fund of funds manager, we thought we would get too diversified.”

Having made its first allocation in 2004, Railpen has moved to ramp up its exposure, which stands at 7-8% and is expected to move higher. “For the U.K. we’re relatively early into this, and we put in an amount we thought could make a difference,” said Shepherd. Aside from Blackstone, the fund invests in three diversified funds of hedge funds, but is actively assessing the benefits of strategy-focused funds of funds and even direct investment in single-manager hedge funds.

The scheme does not use a consultant, relying instead on its in-house team to make investment decisions. **Gideon Berger** of Blackstone said Railpen is “pretty much unparalleled” as a sophisticated investor. “Having met with literally hundreds of institutional investors I can’t think of anyone who is more thoughtful from a portfolio perspective,” he said.

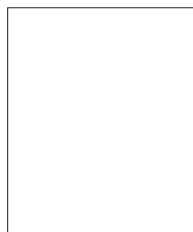
Nonprofit Investor of The Year

Texas Christian University

TCU is leading the pack when it comes to innovation in alternative investing. It has ramped up its hedge fund allocation to 23% in the past year, and also showed foresight by betting on the right side of the subprime crisis. About 10% of its hedge fund exposure was placed with **Paulson & Co.**

CIO **Jim Hille** has taken the university’s hedge fund portfolio to 16 funds from four in the past 18 months, with no help from an outside consultant. Of those funds, about 60% are directional while the rest are absolute return.

“Some may criticize us for doing it with pretty lean resources,” Hille noted, referring to the three-man investment team he leads. “But I think we do more than a pretty good job.” Over the past three years the endowment has seen average returns of 11-13% for its directional funds and 8% for its absolute return funds. But Hille is not sitting back. He recently asked the university’s board to stop defining hedge funds as an asset class, a move that will give the university more flexibility when investing in the strategies.



Jim Hille of Texas Christian University

One manager with whom TCU’s invests described Hille as a cio who understands the importance of asset allocation. “He’s very hands-on as a manager and with the due diligence he goes through,” she said.

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Hedge Fund Consultant of The Year

Jaeson Dubrovay, NEPC

Since Dubrovay joined NEPC in 2006 to head up its hedge fund research group, the firm's hedge fund assets under advisement have almost doubled to \$19 billion. He has helped put NEPC on the map as one of the leading hedge fund advisors,

and revamped the research team's structure and due diligence process, according to clients and marketers.

Dubrovay has assisted the firm's largest clients in implementing hedge fund portfolios for the first time. His thorough knowledge of the hedge fund industry and 20 years of experience make clients comfortable with his advice, said **Sean Gill**, head of alternatives research at NEPC. "He's very influential in that way. He knows what's really going on and what kinds of trades are happening." When a hedge fund's

strategy doesn't fit a particular search Dubrovay is conducting, he still often helps managers fine-tune their marketing materials and process so they can succeed at winning business from NEPC and other consulting firms in the future.

Dubrovay has been instrumental in the **South Carolina Retirement System's** portfolio overhaul, assisting the fund in placing several billion dollars with funds of funds and direct hedge funds. CIO **Bob Borden** and Dubrovay "have great chemistry. If Jaeson has an idea, Bob is certainly willing to entertain it and vice versa," said **Rhett Humphreys**, South Carolina's consultant at NEPC. Dubrovay has also worked closely with the **San Bernardino (Calif.) Employees Retirement System** on credit investments. He has been meeting with most of the 150 managers that responded to San Bernardino's RFP. "Jaeson amazes me in that he attends so many conferences, supervises a team, and does so much research and due diligence work at the same time," said **Allan Martin**, who advises San Bernardino.

Dubrovay recently participated in the **President's Working Group on Financial Markets**, contributing to teams focusing on best practices for hedge funds and investors.

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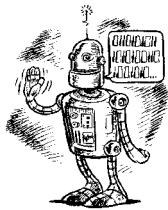
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PERFORMANCE SNAPSHOT: GLOBAL MACRO HEDGE FUNDS



The table below displays some of this year's top performing global macro hedge funds, according to data provided by Eurekahedge.

Fund	Manager	Region	May '08 Return	2008 YTD return	2007 return	Annualised Std Deviation	Sharpe Ratio	AuM (US\$ Mln)
Eurekahedge Macro Hedge Fund Index**		-	0.94	2.28	12.23	4.38	1.60	-
Global Macro								
Crescat Global Macro Fund	Crescat Partners	Global	13.20	40.46	77.71	25.51	2.38	48
Clarium	Clarium Capital Management	Global	11.20	36.07	40.38	23.78	1.44	5127
3a Global Growth Fund	3a Asset Management	Global	-2.62	28.30	111.02	10.81	1.86	Not Disclosed
The Black Marlin Fund	Shell Cove Capital Management	Global	-0.41	28.23	-3.49	21.94	0.67	13
Richo Offshore Hedge Fund	Richo Gestora de Investimentos	Brazil	6.59	19.39	8.45	24.64	0.88	63
Pivot Global Value Fund	Pivot Capital Management	Global	0.10	17.04	48.47	10.37	1.36	481
CCP Quantitative Fund - Babbage Class	Cantab Capital Partners	Global	2.96	12.64	7.97	8.09	1.60	51
G4 Fund SPC - Class Multi-Strategy	Claritas Investimentos e Participações	Latin America	0.42	12.58	2.12	16.83	0.88	111
QFS Global Macro Fund	QFS Asset Management	Global	3.88	12.17	36.38	14.61	0.53	89
MLM Macro - Peak Partners Offshore Fund	Mount Lucas Management Corp	Global	-0.18	12.01	22.51	19.77	0.63	376
Excalibur Absolute Return Fund	Excalibur Funds Management Pty	Global	1.54	10.29	21.39	10.83	2.32	16
Harmonic Global Fund - Macro Class	Harmonic Capital Partners	Global	4.78	9.52	2.87	10.77	0.29	Not Disclosed
QFS Currency Fund	QFS Asset Management	Global	0.63	9.23	8.71	14.41	0.43	700
Quantedge Global Fund	Quantedge Capital	Global	-0.60	9.12	18.85	33.23	1.10	20
QFS Currency Fund	QFS Asset Management	Global	0.62	8.73	10.38	14.25	0.66	206
Graham Global Investment Fund II Ltd - Multi Trend Portfolio	Graham Capital Management	Global	1.87	8.71	11.12	13.73	0.34	238
Japan Macro Fund	Asia Genesis Asset Management	Asia inc Japan	2.33	8.64	11.95	37.60	0.38	719
Auriel Global Macro Fund	Auriel Capital Management	Global	-0.85	8.36	-10.71	12.25	0.19	579
Porcupine Global Macro Plus	Castlestone Management	Global	1.78	8.27	8.07	8.88	0.98	108
CCP Quantitative Fund - Archimedes Class	Cantab Capital Partners	Global	5.88	8.07		13.73	2.36	76
Other Macro Indices								
Eurekahedge Emerging Markets Macro Hedge Fund Index	-	-	2.76	2.26	16.62	6.36	2.26	-

Notes:

* Ranked by 2008 YTD Returns

** Based on 74.38% of the funds reporting their May-08 returns as at 20-Jun-2008

Eurekahedge Commentary

Macro managers had a good month this May, as the Eurekahedge Macro Hedge Fund Index rose a decent 0.9%. Most of the month's gains were realized from exposure to the commodity markets, as some commodities (such as crude oil, which made another record high last month), staged strong rallies during the month. The consequent rise in inflation negatively impacted investor sentiment, hence going some way in pulling down most equity indices from their intra-month highs; the MSCI World Index, after gaining over 3% intra-month, finished the month up 1.1%. Such moves across equities, during the month, afforded managers with opportunities on both the long and the short side. Furthermore, marginal strengthening of the US dollar against the euro (0.4%) and healthy appreciation against the yen (1.5%), contributed to some gains for managers investing in the currency markets.

In terms of regional mandates, emerging market-focused managers were up a solid 2.8%, largely owing to their exposure to equities (among some other asset classes) across regions such as Latin America and Eastern Europe & Russia. Equities across both regions rallied strongly, on the back of support from strong oil prices, among other things.



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- **Keith Allman**, Managing Director, **NSM CAPITAL MANAGEMENT** principal Trainer and Founder, **ENSTRUCT**
- **Ben Branch**, Professor of Finance, **UNIVERSITY OF MASSACHUSETTS, AMHERST** and Chapter 7 Bankruptcy Trustee, **BANK OF NEW ENGLAND CORPORATION**
- **Walter Curchack**, Partner and Chair of the Bankruptcy, Restructuring and Creditors' Rights Practice Group, **LOEB & LOEB LLP**
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Fund & Location	Total Assets	Mandate Size	Mandate Region	Asset Type	Consultant	Comments
Ricardo Group Pension Fund , Shoreham-by-Sea, UK	128	-	Global	Hedge funds	Watson Wyatt	The scheme is analysing hedge funds with plans to make its maiden foray by the first quarter of 2009.
Johns Hopkins University , Baltimore	2900	-	US	Real estate, private equity	Callan Associates	The endowment fund will review its alternative investments as part of an ongoing asset study to include real estate and private equity. It has plans to increase the exposure based on favorable market conditions and manager performance.
Royal Borough of Kingston upon Thames Pension Fund	649	-	Global	Not specified	Mercer	The scheme will examine alternatives next year and is mulling its first foray into the asset class. No specific timeframe has been set yet.
Stichting Shell Pensioenfond , The Hague	62280	-	International	Private equity, hedge funds	-	The fund plans to increase its exposure to both asset classes. No funding specifics have been set yet.
AP-Fonden 2, Gothenburg	37670	-	Global	Hedge funds	-	The fund plans to revisit hedge funds by next year. It may hire a consultant next year to advise on the allocation. No further specifics have been set. The scheme exited hedge funds four years ago as the investments did not yield expected returns.
Midland Independent Newspapers Pension Scheme , Birmingham, UK	281	-	Global	Not specified	Watson Wyatt	The scheme is planning to make its maiden foray into alternatives later this year. It has not yet set specifics on minor classes, the investment size or funding for the proposed investments.
Ohio State University , Columbus	1500	300	US	Not specified	Cliffwater, LLC	The fund plans to more than double its alternatives allocation by investing an additional \$300 million. It plans to hire an undisclosed number of asset managers.
Marin County Employees Retirement Association , San Rafael, Calif.	1500	-	US	Private equity	Callan Associates	The fund plans to issue an RFI for private equity consultants. It is seeking to identify opportunities and implement private equity strategies that will diversify its portfolio.
Barnardo's Staff Pension Scheme , Essex	748	-	Global	Funds of hedge funds	Lane Clark & Peacock	The scheme is analysing funds of hedge funds with a view to making a maiden foray into the asset class by the end of the year.
State Universities Retirement System of Illinois , Champaign	16000	-	US	Private equity	Ennis Knupp + Associates	The system has increased its private equity target to 6% from 5% and plans to commit \$300 million annually to the asset class for the next three years.
Denver Public Schools Retirement System	3000	30	US	Private equity	Callan Associates	The fund plans to increase its private equity allocation to 7% from 5%. The scheme has awarded \$30 million to two newly-hired managers and the remaining \$30 million is on the table, with the fund seeking external managers for the brief.
Ann Arbor (Mich.) Employees Retirement System	427	35	US	Hedge funds, timber, private equity	Gray & Company	The scheme is targeting an additional 8% alternatives boost in hedge funds, timber and private equity.
Gloucestershire County Council Pension Fund , Gloucester	1810	-	Global	Not specified	None	The fund is in the early stages of analysing alternatives for the first time. It has not yet specifics on the asset class to be introduced, the funding or the time frame for the allocation.
Scandinavian Airline Systems U.K. Pension Fund , London	74	-	Global	Hedge funds	-	The scheme is analysing hedge funds with a view to making a maiden foray by the third quarter 2008 for diversification and enhanced returns.
Oyak (Armed Forces Pension Fund) , Ankara	7785	-	International	Energy, infrastructure, commodities	-	The fund plans to invest EUR1.3 billion in international assets. It is mulling alternatives such as infrastructure, commodities or energy with a focus on the U.S or the European region. The allocation will be made this year.
S.H. Cowell Foundation , San Francisco	180	-	US	Hedge funds, venture capital	-	The fund plans to increase its investments in hedge funds and venture capital this year, following its ongoing asset allocation study.
Teachers Retirement System of the State of Illinois , Springfield	40600	1200	US	Private equity	R.V. Kuhns & Associates	The system plans to commit between up to \$1.2 billion to private equity investments during the fiscal year, which begins July 1, 2008.
Electrolux Pensionsstiftelse I , Stockholm	215	-	Global	Private equity, hedge funds	-	The scheme is eyeing an increase in its alternatives exposure including private equity and hedge funds by early 2009.
Millennium Inorganic Chemicals (UK) Pension Scheme , Lincolnshire	138	-	Global	Not specified	-	The scheme is planning to make a first move into alternatives later this year. It has not yet set specifics on minor classes, the investment size or funding for the proposed investments.
Maine Public Employees Retirement System , Augusta	11400	570	US	Private equity	Ennis Knupp + Associates	The board approved a new 5% allocation to private equity strategies, as part of its long-term asset allocation target.
Alameda County (Calif.) Employees Retirement Association , Oakland	5336	530	US	Private equity	Strategic Investment Solutions	The fund approved a maiden foray into alternatives with an eye on private equity at 10%.

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(continued from page 1)

companies the fund will short.

“Among positively-screened SRI candidates, we identify those with the largest upside prospect based on their earnings momentum, then review those every quarter for long positions,” Okabe said. This includes companies focused on environmental technology, alternative energy for automobiles and electronics, healthcare and services for the disabled.

Moon Light believes in the long-term growth of Japanese companies, as valuations are extremely low now, Okabe added.

Okabe is marketing the fund and is speaking with pensions, endowments, foundations, funds of hedge funds, family offices and high-net-worth individuals as he aims to increase the fund's assets to \$500 million by year's end. Fees are 1/20 with a \$1 million investment minimum.

Prior to founding the firm in 2003, Takemura was a partner at **Bowen Capital Management** in Hong Kong, managing a Japanese growth equity fund for six years. She previously managed Japanese and Asian equity funds at **Nomura Securities Group**. Moon Light manages two other hedge funds.

—Suzy Kenly

MANAGED ACCOUNTS

(continued from page 1)

managers are embracing the option—and are also more willing to negotiate lockups and management fees—because managed accounts complement their funds, giving managers another avenue for asset-raising. Managed accounts are also increasingly appealing to small hedge fund firms, as they help assets under management to grow at a faster rate, Murray observed.

Harvest Volatility Management, the new shop set up by **Credit Suisse** veteran **Rick Selvala**, is running only managed accounts. The amount of work that goes into a managed account mirrors that of a fund. But in today's economic climate, with so many investors holding cash and hesitant to make allocations, managed accounts are appealing to investors because they provide higher transparency than a pooled fund, said Selvala.

Christopher Wolf, managing partner at San Francisco fund of hedge funds **CogoWolf**, said his firm is keen to accommodate institutions by setting up managed accounts; it manages \$100 million, one quarter of which is handled via managed accounts. Running a managed account allows the firm to customize its top-down macro approach for an investor, he said. By tailoring each account to meet investors' needs, the firm is opening itself up to bigger management fees that stem from successful activity and higher returns.

Murray said he doesn't see this as a fleeting trend, but a more permanent change. “As the hedge fund industry matures,

separate managed accounts will continue to grow and become a more acceptable means for investors and managers to partner,” he said.

—Corrie Driebusch & Sarah Ilene Klein

ASHMORE SEEKS

(continued from page 1)

The investment minimum is \$10 million. Ashmore expects to deploy the capital in the next two years, said Booth. This will allow the firm to then raise money for further funds, giving investors access to all vintages, he explained. The firm will draw on relationships it has already built up in the emerging markets. There will be approximately 15 investments worldwide, across a range of sectors. Previous investments have included projects in energy, telecoms, real estate, utilities and infrastructure.

There will be a seven-year lockup with a three-year reinvestment period. The fund will not use leverage. The firm's average internal rate of return on all executed deals is more than 38% annualized.

—Harriet Agnew

Quote Of The Week

“There are six billion people on the planet and we all have a natural instinct to procreate.” —**AdultVest** Founder **Francis Koenig** on why the adult entertainment industry will never go away (see story, page 9).

One Year Ago In Alternative Investment News

AIN's fifth annual Hedge Fund Industry Awards were held at **Gotham Hall** in New York. **Bulldog Investors** and **Eden Rock Capital Management** were named Hedge Fund Leader and Fund of Hedge Funds Leader, respectively. [Since then, Eden Rock has debuted an asset-backed lending fund of funds (*AIN*, Nov. 30) and is preparing to launch a distressed opportunities fund of funds later this year (*AIN*, Feb. 20). Bulldog's **Phil Goldstein** is preparing for a public battle with **William Galvin**, Massachusetts' Secretary of the Commonwealth, over allegedly failing to restrict prospective Bulldog investors from accessing advertising content on its Web site. He was honored at this week's awards dinner for Outstanding Contribution to the Hedge Fund Industry].

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