

Hedge Fund www.HFAlert.com ALERT

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THE GRAPEVINE

Former **Kingdon Capital** analyst **Susan Gim** joined **SAC Capital's Sigma Capital** affiliate in New York last week as a portfolio manager overseeing an Asia-Pacific equities portfolio. Hong Kong-based trader **Keng Swee Yeo** reports to Gim, who worked at **Mark Kingdon's** \$4 billion-plus stock-trading firm since June 2006.

Former **Pali Capital** staffer **Michael Clurman** joined New York investment bank **Dahlman Rose**, where he sells equity research and stocks to hedge fund clients. April 9 was Clurman's first day at Dahlman, which focuses on industries such as chemicals, mining and transportation that are affected by changes in global commodity demand. Clurman worked for four years at New York broker-
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Soros Unloading Administration Business

George Soros has lost patience with **OpHedge**, a fund-administration firm he launched in 2005, and is now in talks to sell the business to market leader **Citco**.

People familiar with the deal say Citco won't have to pay much for the Rye Brook, N.Y., firm, which started out with seed capital from Soros and **Myron Scholes**, a Nobel Prize-winning economist turned hedge fund manager. OpHedge, which has \$38.7 billion of hedge fund assets under administration, provides middle-office support to **Soros Fund Management**, but Citco already is the primary administrator for Soros' \$27 billion hedge fund shop.

Citco will likely jettison OpHedge's technology, according to people familiar with the deal, though it's not clear what will happen to the smaller firm's 200 employees. In addition to Rye Brook, OpHedge has offices in the Cayman Islands and Shanghai.

Citco, which has \$550 billion of hedge fund assets under management, operates
See SOROS on Page 9

Viking Global Co-Founder Stepping Aside

David Ott, one of two remaining co-founders at hedge fund giant **Viking Global**, is stepping down as chief investment officer.

The Greenwich, Conn., firm, which manages \$12 billion in its flagship Viking Global fund, is telling investors that Ott is switching to part-time status in order to spend more time with his family. He will continue to analyze stocks and mentor investment staffers, but no longer will oversee the fund's portfolios.

Chief executive **Andreas Halvorsen** continues to lead the firm. Taking over Ott's duties are portfolio managers **Tom Purcell**, **Dan Sundheim**, **Jim Parsons** and **Dris Uptis**.

Ott, Halvorsen and **Brian Olson** founded Viking in 1999 after working together at **Julian Robertson's Tiger Management**. The trio were among the first "Tiger cubs" to start their own hedge fund. The Viking Global fund has generated an average annual return of 21%.

Olson split with his partners a couple of years ago, then sued Viking over a pay
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Davidson Kempner Alum Launches Fund

A medical doctor who once ran a large healthcare fund for **Davidson Kempner** has started his own hedge fund operation.

Roderick Wong officially founded **RTW Investments** on March 1 and immediately began trading RTW Onshore and RTW Offshore funds, long/short vehicles that target the healthcare sector. Wong, who launched with less than \$100 million, plans to close the doors to new investors once he raises a total of \$500 million.

Wong and his three partners — including an analyst who worked under him at Davidson Kempner — are focusing on companies that produce drugs, medical devices and diagnostic tools. RTW employs an event-driven strategy to identify opportunities, primarily in equities, but with a smattering of derivative and debt plays.

Wong previously managed Davidson Kempner Healthcare Fund, which peaked
See ALUM on Page 6

Heavy Inflows Prompt Peak6 to Pause

Peak6 Advisors has hit the brakes in its marketing of a hedge fund whose assets under management have more than doubled since mid-2009.

On April 1, the Chicago firm stopped accepting new investors for Peak6 Performance, a \$595 million multi-strategy fund that launched in 2006. The fund is expected to reopen to new investors later this year before topping out around \$1 billion. Existing shareholders can continue to invest for the time being.

It's no wonder the fund has seen heavy inflows, given its performance during the financial crisis. After gaining 9% in 2006 and 7.7% in 2007, Peak6 Performance returned a phenomenal 36.2% in 2008 — when hedge funds lost an average of 18%. The fund gained another 27.2% last year and was up about 2% for the first three months of this year.

With investors mostly on the sidelines during the first half of 2009, the fund's assets under management stood at just \$280 million at midyear. Then investors' purse strings started to loosen up, and the firm hired **Joe Campise**, formerly a capital-introduction staffer at **BNP Paribas**, last August. Soon, investors were flocking to the fund.

Peak6 Performance started out as a volatility-arbitrage fund, trading listed U.S. equity options. **Mike Klearman**, the fund's first manager, resigned in July 2007, handing the reins to **Mike Rothkopf**. In September 2008, Peak6 Performance was

repositioned as a multi-strategy fund, though the emphasis continues to be on volatility arbitrage. Other strategies include long/short equity with a focus on technology stocks, convertible-bond arbitrage and a hybrid portfolio that mixes fundamental, volatility, macro and micro views in trading equities, bonds and options.

Peak6 decided to temporarily halt new investments in the fund so the manager has an opportunity to put all of the fresh capital to work.

The volatility-arbitrage component has limited capacity. Given the need to balance the size of the vol-arb portfolio with the other strategies, the firm expects to cap the fund at around \$1 billion.

Rothkopf is a partner in Peak6 Investments, the parent company of Peak6 Advisors. Before taking over the Peak6 Performance fund, he ran the parent's proprietary-trading operation and served as risk manager. He is the third-most senior partner of the parent firm.

In addition to overseeing the fund's portfolio managers, Rothkopf runs Peak6 Performance's vol-arb book with **Brian Muller**, another partner in the parent firm. **Neal Joshi** is the convertible-arb manager; **Paul Vabakos** runs the long/short equity book; and **Matthew Hulsizer**, who co-founded Peak6 Investments with **Jennifer Just**, runs the hybrid portfolio.

Investors in Peak6 Performance face a one-year lockup. If they withdraw sooner, they must pay a 3% penalty. After one year, the fund permits quarterly redemptions with notice of 60 days. ❖

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Event-Driven Managers Rake It In

If recent hedge fund allocations counted as an election, event-driven managers would be winning by a landslide.

Investors poured \$19 billion into the strategy during January and February, according to the most recent figures available from **HedgeFund.net**, which tracks 4,973 single-manager funds and 2,134 funds of funds. Global macro was a distant second, with \$11.2 billion of inflows during the first two months of the year. Emerging-market funds came in third, raising a combined \$3.1 billion of fresh capital.

In February alone, event-driven managers took in three times as much money as global-macro funds — \$9.6 billion vs. \$3.2 billion. Multi-strategy funds finished third, with \$3 billion of combined inflows.

In all, event-driven funds have raked in \$56 billion during the past year — more than any other strategy, said **Peter Laurelli**, head of research for HedgeFund.net. For the purposes of its analysis, the firm lumped special-situations funds in with event-driven vehicles because the strategies are similar.

“This is an indication that hedge fund investors want exposure to corporate markets, including equities, but are choosing a strategy which historically has less correlation to broad equity-market returns,” Laurelli said.

In terms of performance, event-driven managers have delivered positive returns for 13 straight months through March, according to preliminary figures from HedgeFund.net. In the January-February period, event-driven funds gained an average of 5.3%.

In the wake of the financial crisis, event-driven firms have made a persuasive case that conditions are ripe for their strategy. Capital markets have stabilized to the point where even junk-rated companies are able to raise money again. There’s also a ton of cash on the balance sheets of companies that became more cautious during the financial crisis. And given the low-growth environment, mergers and acquisitions offer one of the few avenues for expansion.

For event-driven managers, the bottom line is a plethora of investment opportunities. “Since last year, we’ve been pounding the table on this,” said the marketing chief for a prominent event-driven manager.

Event-driven hedge funds are looking particularly attractive to investors who don’t want direct exposure to the broader equity market for fear that the recent run-up in stock prices has been overblown, said one fund-of-funds manager. Another said investors are especially drawn to fund managers with the skill to move among various asset classes, such as distressed debt and merger arbitrage. This way, the manager can hedge against a sharp downturn in either the equity or credit markets.

Managers also have benefited from a drop-off in competition since the credit crisis, which decimated many bank proprietary-trading desks and wiped out a number of event-driven hedge funds. As a result, there’s less capital chasing investment opportunities. ❖

Goldman Expands Administration Unit

For the first time, **Goldman Sachs** will broadly market its fund-administration business, which until now has worked exclusively with the bank’s prime-brokerage clients.

To lead the effort, Goldman just hired **Bob Donahoe** from **Citi Fund Administration**. Donahoe, head of North American hedge fund sales for the Citigroup unit, will wait to join Goldman pending a gardening leave. He joined Citi via its 2007 acquisition of fund administrator **Bisys Group**.

Goldman, meanwhile, has moved the fund-administration business to a new home, transferring it from prime brokerage to the company’s banking unit. The main reason for the reorganization: Goldman wanted to avoid the perception that it might favor prime-brokerage clients that use in-house administration services over those that use an outside firm.

Although Goldman traditionally marketed administration services only to prime-brokerage clients, the business ranked eighth among fund administrators, with \$163 billion under administration at the end of the third quarter 2009, according to **Carbon 360 Research**. Citi ranked sixth with \$200 billion under administration.

According to its own Web site, Goldman’s administration unit now has \$210 billion under administration, with a staff of 160. Though details of its expansion plans remain sketchy, a source close to the firm said Goldman wants to “seriously ramp up this business.”

Goldman has been providing administration services to hedge funds for 17 years. Based in Jersey City, N.J., the business also has offices in the Cayman Islands, Dublin and Toronto. Among Wall Street banks that offer prime brokerage as well as fund administration, Goldman was the only one that limited its administration business to its prime-brokerage clients. ❖

Brokerage Touts Quant Technology

A brokerage that developed a proprietary program for high-frequency trading has begun marketing its services beyond a few initial clients.

Tor Brokerage of Edgewater, N.J., is focusing its pitch on quantitative hedge fund managers, among others. Using software designed by firm founder **Victor Sandor**, Tor says it can keep overall trading costs, including slippage, to an average of just 4 bp of the share price.

Sandor, a one-time proprietary trader at **Millennium Management**, developed the trading technology for his own hedge fund, Edgewater-based Blue Hill. He initially applied it to managed accounts he ran for a few other hedge fund firms, including **North Sound Capital** of Greenwich, Conn., which is led by **Tiger Management** alumnus **Tom McAuley**.

At Millennium, Sandor managed \$125 million in a statistical-arbitrage portfolio. Before that, he was a vice president of program trading at **Lehman Brothers**. ❖

Silver Creek Retains Some Investors

Fund-of-funds operator **Silver Creek Capital** has transferred nearly \$1.3 billion of investor capital into a “continuation” fund since deciding last year to unwind its two main vehicles.

In October 2009, the Seattle firm gave investors in Silver Creek Low Vol Strategies 1 and 2 a choice: They could either take their money out as the funds managed to withdraw from underlying managers or stay with the firm via a new vehicle, Silver Creek Low Vol Continuation Fund. The new fund was pitched as a more orderly way for shareholders to unwind their investments over time.

In the end, Silver Creek moved \$734 million of capital into an offshore version of the continuation fund and another \$554 million into a domestic account.

The two original funds, which lost more than 28% in 2008, had a combined \$4 billion under management when Silver Creek began the liquidation process in January. The firm expects to take several years to unwind its positions with underlying managers, including the likes of **D.E. Shaw, Elliott Associates, Eton Park** and **Two Sigma**.

Investors opting to withdraw were told last fall that they could expect to get 65% of their money by mid-2013. Investors who chose to move into the continuation fund were told they would get 45% back during the same period, but would pay lower management and performance fees in the interim.

The continuation fund will continue to invest for four years.

During that time, it won't allow redemptions, but will distribute at least 5% of its initial capital per year. After four years, it will liquidate all of its remaining hedge fund investments.

The firm, headed by **Eric Dillon**, continues to manage money for other accounts. As of last fall, Silver Creek had \$6 billion of assets overall and was preparing to launch a multi-strategy fund dubbed Silver Creek Global Partners sometime this year. ❖

Krom River Reopens Commodity Fund

Krom River Investment has resumed marketing its commodity-futures hedge fund with the expectation of soon reaching \$1 billion and closing the doors for good.

The Zug, Switzerland, firm temporarily suspended fund raising last July when it reached a milestone of just over \$700 million. Increased investor demand prompted the managers to reopen the Cayman Islands vehicle in recent weeks.

As of January, Krom River Commodity Fund had \$725 million under management. The vehicle's capacity is \$1 billion.

The fund, which launched in 2006, gained 37% in 2008, then fell 8% last year and another 1% this year through March. Since its inception, the fund has generated an average annual return of 13.9%.

Krom River invests across the commodity spectrum, targeting exchange-based futures and options. It trades “soft” agricultural commodities, such as coffee, cocoa and sugar; agricultural assets, such as wheat, corn, bean meal, lean hogs and live cattle; base metals; precious metals; and energy, including crude oil and natural gas. The firm manages risk primarily by diversifying across 20-30 positions in 25 markets. It also limits leverage to three times equity.

Partners **Chris Brodie** and **Philip Turner** head up the management team, which relocated the firm's headquarters to Zug from London in 2008. ❖

Joel Press Exiting Morgan Stanley

Industry veteran **Joel Press** is leaving **Morgan Stanley's** prime-brokerage group, where he managed relationships with important hedge fund clients.

His destination is unknown, but Press, 63, has no plans to retire, according to a close associate. Nor does he plan to join a competing firm, the associate said. The departure is described as amicable.

Press spent three years at Morgan Stanley as a managing director. He is best known, however, for his previous stint as head of **Ernst & Young's** hedge fund practice.

Press set up the practice in 1989. By the time he left the accounting giant in 2006, Ernst & Young was handling audits for 40% of global hedge fund assets. ❖

Correction

An April 7 item in The Grapevine misspelled the last name of **John Chung**, who recently left his post as controller of **Lyford Group International**. ❖

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Swap Specialist Tries Novel Strategy

A new electronic exchange that seeks to connect investors with struggling homeowners is drawing strong interest from hedge funds.

Ralph Liu, who previously ran the Asia derivatives business for both **UBS** and **J.P. Morgan**, launched **InvestorsAlly.com** last week to help investors and homeowners form joint ventures for the purpose of acquiring or recapitalizing residential properties. Liu envisions investor syndicates teaming up with first-time homeowners who need additional capital for a down payment or existing homeowners who require an equity infusion to remain in their homes.

Liu is now in talks with investors — including several “well-known hedge funds” — about a strategy dubbed Flexible and Reversible Joint Home Ownership, or FARJHO. Although he declined to name the fund managers, several big players have been exploring ways to invest in the depressed residential real estate market, including **Paulson & Co.**, **Pimco** and **Dalton Investments**. Liu expects the first investor syndicates to form during the second quarter.

In exchange for their equity investments, the syndicates would acquire stakes in the properties — presumably with a requirement that the homeowners eventually buy out their equity partners as property values rise. Liu said investors and homeowners have the flexibility to structure each joint-venture deal as they see fit.

“The potential is for an enormous marketplace, and the most apparent application might be the situation we’re in now,” said one analyst familiar with Liu’s plans. “You have hedge funds looking for large returns on distressed properties and homeowners facing the bleak prospect of foreclosure.”

In the long run, Liu hopes to create an index that tracks the deals. By providing a benchmark, the index would draw more investors to the exchange, much like a swap index.

Liu has extensive experience structuring swap deals. After stints at UBS and J.P. Morgan, he worked at **China Everbright Bank**, where he was credited with engineering the first interest-rate swap based on the yuan. He currently runs a firm in Newport Beach, Calif., called **Advanced e-Financial Technologies**.

Liu has been developing his FARJHO strategy since 2006. Before the financial crisis, he was close to launching the exchange with backing from major institutions, including **American Home Mortgages**, **IndyMac** and **Lehman Brothers** — all casualties of the housing-market crash. More recently, Liu has discussed the strategy with **Rep. Barney Frank**, chairman of the House Financial Services Committee, as well as officials at the **U.S. Treasury Department**, **Federal Reserve** and **FDIC**.

InvestorAlly.com charges a nominal access fee — \$50 for homeowners, \$100 for investors. If a deal is consummated, then Liu’s firm would collect a modest finder’s fee. ❖

Alum ... From Page 1

in 2008 with about \$750 million under management — making it one of the largest hedge funds in the sector. He started out managing a healthcare book in 2005, and the next year Davidson Kempner promoted the portfolio to a dedicated fund. Wong delivered consistently impressive returns, though the fund lost money in 2008, when the average hedge fund fell 18%. He resigned in early 2009.

Wong’s departure was unrelated to the fund’s performance. Davidson Kempner shuttered the fund after Wong left and required him to wait a year before starting his own firm.

Since March 1, 2009, Wong has managed his own capital as if it were a hedge fund, complete with audited returns and performance reported net of a typical 2-and-20 fee structure. His returns: 66% for 2009 and 18% for the first three months of 2010, including March, after he launched the RTW fund.

Prior to Davidson Kempner, Wong was a healthcare analyst at **SAC Capital’s** Sigma Capital unit in New York. Before that, he researched biotechnology companies for **Cowen Group**.

Wong is joined at RTW by **Naveen Yalamanchi**, also a medical doctor, who was the senior analyst on Wong’s team at Davidson Kempner. **Sabera Loughran**, another partner, is the firm’s chief financial officer. She previously was director of finance at **Prime Capital**, a now-shuttered New York hedge fund shop that ran about \$200 million at its peak. Wong’s third partner, **Maggie Toppin**, is RTW’s operations manager. She previously worked for hedge fund manager **Speece Thorson** of Minneapolis. ❖

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Wells Resumes Stock Lending

Wells Fargo will soon begin lending securities again for the first time since the financial crisis.

The San Francisco banking giant gave the go-ahead within the last few weeks for mutual-fund manager Wells Fargo Funds Management to resume lending stock to hedge funds via their prime brokers, according to two market players familiar with the move. In January, the bank merged its mutual-fund business with **Evergreen Investment Management**, a Boston fund manager.

During the dark days of the credit crisis, many institutions bailed out of the securities-lending business over concerns about counterparty risk. "Wells Fargo's participation is an important step in restoring market confidence, and shows securities lending as a functional risk-managed product," said **Josh Galper**, managing partner of consulting firm **Finadium** of Concord, Mass.

Institutions such as pension plans, custody banks and mutual funds can put their inventory of securities to work by lending shares to short-selling hedge fund managers. Lenders typically charge a fee based on the value of the securities and term of the loan.

As of January, Wells' mutual-fund business managed \$246 billion in 128 funds, making it the 11th-largest U.S. money manager. The bank acquired Evergreen via its yearend-2008 takeover of **Wachovia**. In January, Wells announced it was folding Evergreen into its mutual-fund business. ❖

Itros Founder Resurfaces at New Firm

Healthcare-stock specialist **John Schroer** is setting up a new hedge fund — his first since he folded his once-\$200 million **Itros Capital** five years ago.

Schroer, the one-time head of research for investment-management giant **Invesco**, aims to launch a long/short equity fund in June with capital from family and friends. He would then begin marketing the vehicle to outside investors in July. Based on early talks with prospective investors, Schroer expects to quickly raise \$50 million or more.

His firm, **Schroer Capital** of Denver, has hired several key personnel, including research chief **Barry Kurokawa**, who previously worked with Schroer at Invesco, and marketing head **Jennifer Coffey**. At the end of this month, the firm expects to hire **Tom Hall**, formerly of **Goldman Sachs**, as chief financial officer.

The fund, Schroer Capital Partners, would take a fundamental-research approach to picking U.S. healthcare stocks. What sets him apart from other healthcare-focused portfolio managers is his experience as a short-seller. At Invesco, Schroer ran a mutual fund called Invesco Global Health Sciences that had the flexibility to short stocks. Most managers in the sector — particularly those who favor biotechnology stocks — maintain a long bias, which means their funds can be extremely volatile. Indeed, a number of healthcare-oriented

hedge funds have blown up over the years due to their long biases.

Schroer demonstrated his short-selling abilities at Itros, which he founded in 2001 after resigning from Invesco. Itros never had a losing year, and assets under management quickly grew to about \$200 million, but Schroer shuttered the firm in February 2005 for personal reasons. Later that year, he joined an **SAC Capital** spinoff called **HealthCor Management**, which also focuses on the healthcare sector. He worked as an analyst at the New York firm, resigning in 2008 to launch a new hedge fund.

Kurokawa previously ran his own hedge fund firm, **ProMed Advisors** of New York, which he shut down in mid-2008 after 12 years. Before that, he worked with Schroer at **Trust Company of the West** and then Invesco.

For Coffey, who joined Schroer Capital on March 16, marketing represents a new role. She previously worked on the investment side at various fund-of-funds operators, most recently at **Lasair Capital** in New York. Earlier in her career, Coffey was a fund-of-funds portfolio manager at **Credit Suisse**, which was an early backer of Schroer's first hedge fund. Coffey is working for Schroer from an office in New York.

Before quitting to join Schroer, Hall worked at Goldman for 10 years. Most recently, he was co-manager of the Jersey City, N.J., office of Goldman's hedge fund administration business. ❖



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British Virgin Islands Tightens Reins

British Virgin Islands, a popular domicile for offshore hedge funds, is making key changes to regulations that have been on the books for 14 years.

The House of Assembly, the main legislative body for the self-governing U.K. territory, is poised to approve the Securities and Investment Business Act of 2010, which would replace the Mutual Funds Act of 1996. Among the most significant provisions in the legislation:

- Hedge funds would be required to conduct annual audits and submit the results to the **Financial Services Commission**. As is the case with the Cayman Islands, the leading offshore jurisdiction, the audit results would be kept private.
- Fund managers would be required to notify the regulator of any changes in directors or service providers.
- The minimum investment would remain \$100,000, but the bill would eliminate a number of loopholes in the existing law. The new law would only make exceptions for so-called related parties, such as hedge fund staff, who can continue to invest in smaller increments.

The legislative initiative comes at a time when offshore jurisdictions face increasing scrutiny from U.S. and European investors concerned about the safety of their investments. “The proposed changes are long overdue, as hedge funds have moved a long way from 1996,” said **Richard May**, a partner at law firm **Walkers**, which operates a major offshore fund practice.

Among offshore jurisdictions, British Virgin Islands ranks second behind the Caymans in terms of the number of domiciled funds. Many fund managers prefer British Virgin Islands because it is significantly cheaper than either the Caymans or Bermuda when it comes fund-registration fees and the cost of doing business.

Fund managers domiciled in British Virgin Islands must register their vehicles either as “private” hedge funds or “professional” hedge funds. Private funds are permitted to have no more than 50 investors of the managers’ choosing, while professional funds are open to all accredited investors. ❖

Swiss Funds Favor More Oversight

Switzerland’s hedge fund managers have approached the country’s financial regulator with an unusual request: They want more regulation.

Under the current framework, the nation’s **Financial Market Supervisory Authority** will register only those managers that operate funds domiciled in Switzerland. Managers of offshore funds — including most of the country’s biggest hedge fund operators — don’t qualify for registration and are considered unregulated under Swiss law.

Now, the **Swiss Funds Association**, the industry’s leading trade group, is in discussions with the regulator about expanding registration to cover all Swiss managers. Why? A big reason

is the European Union’s proposed Alternative Investment Fund Managers regulatory framework, which would limit hedge fund marketing to managers based in the E.U. Although Switzerland is not part of the 27-nation bloc, E.U. officials have signaled that they would make exceptions for managers based in countries that have a regulatory structure similar to that of the E.U.

Switzerland’s hedge fund industry has long been viewed as lightly regulated. For investors, that wasn’t considered much of a problem until many Swiss funds of funds got caught up in **Bernard Madoff’s** fraud. That, combined with the pending regulatory changes, has led leading Swiss managers to call for stricter regulatory oversight — particularly registration for offshore fund operators that market to European investors.

Among the firms understood to be backing the move are **Jabre Capital**, a convertible-arbitrage specialist led by **GLG Partners** alumnus **Philippe Jabre**. Switzerland also is home to some of the most prominent multi-manager firms, including **Banque Syz**, **Credit Suisse**, **GAM** and **Union Bancaire Privee**.

“Everyone would welcome regulation that doesn’t discriminate funds on the basis of domicile,” said **Matthaeus Den Otter**, head of the Basel-based Swiss Funds Association. “We’re working with the regulator to see to what extent we can level the playing field.”

In its annual report, released last week, the Financial Market Supervisory Authority acknowledged that it is studying the potential impact of the E.U. proposal on Swiss hedge fund operators, which manage a combined \$250 billion. ❖

Viking ... From Page 1

dispute. He lost the case last year.

This is not the first time that Ott has pulled back from his leadership role. In 2003, he took a six-month leave from Viking, prompting the firm to shutter a consumer-stock portfolio he had been running. ❖

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Soros ... From Page 1

14 offices in the major global financial centers.

OpHedge has been on the auction block for at least a year, but there have been no other bidders. "Obviously, for the two key principals, Soros and Scholes, this represents an exit you would think the two have wanted for awhile," said **Brian Shapiro**, president of **Simplify**, a New York firm that supplies technology to fund administrators. "At heart, they are really investors, not administrators."

The financial crisis turned out to be something of a double-edged sword for fund administrators. On the one hand, global hedge fund assets shrunk by as much as 25%. But on the other

hand, investors began pressuring fund managers to hire third-party administrators to objectively value their assets. As a result, some of the biggest administration firms have quickly returned to their pre-crisis asset levels.

Many smaller firms haven't been so fortunate, however. Industry insiders predict a wave of consolidation as smaller firms either fail or get gobbled up by larger rivals. Last month, for example, **State Street** completed its purchase of **Mourant International**.

The deal boosted State Street's assets under administration to roughly \$600 billion, including hedge funds and other alternative investments. Citco remains the market leader in terms of hedge fund assets. ❖

CALENDAR

Main Events

Dates	Event	Location	Sponsor	Information
April 19-23	Fund Forum Asia 2010	Hong Kong	ICBI	www.icbi-events.com
May 2-4	Global Hedge Fund Summit	Southampton, Bermuda	Institutional Investor	www.marhedge.com
May 12-14	Emerging Managers Summit	Chicago	Opal	www.opalgroup.net
June 14-17	GAIM International 2010	Monaco	ICBI	www.icbi-events.com
June 28-July 1	Fund Forum International 2010	Monaco	ICBI	www.icbi-events.com
Sept. 26-28	Alpha Hedge Institutional Investment Conference	San Francisco	Institutional Investor	www.marhedge.com
Oct. 3-6	Fund Forum Middle East 2010	Bahrain	ICBI	www.icbi-events.com
Jan. 18-20	GAIM USA 2011	Boca Raton, Fla.	IIR	www.iirusa.com

Events in US

Dates	Event	Location	Sponsor	Information
April 18-20	Foundations & Endowments Investment Summit	Miami	Marcus Evans	www.marcusevans.com
April 19	Spring Asset Management Thought Leadership Summit	New York	RCA	www.rcaonline.org
April 19	Alternative Investing Forum Spring 2010	New York	Catalyst Financial	www.catalystforum.com
April 20	Introduction to Hedge Funds	New York	FMW	www.fmwonline.com
April 21	Investing in Private Equity Funds	New York	Argyle Exec. Forum	www.argyleforum.com
April 21	Hedge Fund Operations & Technology	New York	FTF	www.ftfnews.com
April 21	Meet the Managers Panel	Atlanta	SEHFA	www.sehfa.com
April 22-23	Private Client Conference	New York	SIFMA	www.sifma.org
April 26-27	Commodity Markets Course	Chicago	NYIF	www.nyif.com
April 28	Commodity Risk	New York	NYSSA	www.nyssa.org
April 28-30	Spring Life Settlements Conference	Washington	LISA	www.thevoiceoftheindustry.com
May 4-5	Value Investing Congress 2010	Pasadena, Calif.	Schwartz Tilson	www.valueinvestingcongress.com
May 4-6	InterGrowth 2010	Miami	ACG	www.acg.org
May 4-7	Operations Conference & Exhibit 2010	New York	SIFMA	www.sifma.org
May 6-7	Structured Products Americas	Miami	Incisive Media	www.incisive-events.com
May 10-11	Hard Assets Investment Conference	New York	Summit Business	www.summitbusinessmedia.com
May 10-13	RiskMinds USA 2010	Boston	ICBI	www.icbi-events.com
May 11-12	Native American Finance	Phoenix	IMN	www.imn.org
May 12	GAIM Breakfast Series	New York	IIR	www.iirusa.com
May 13-14	Distressed Real Estate	New York	Private Equity Intl.	www.peimedia.com
May 14	Meet the Managers Forum	New York	Infovest 21	www.infovest21.com
May 17-18	Effective Hedge Fund Tax Practices	New York	FRA	www.frallc.com
May 17-18	High Frequency Trading & Quantitative Strategies	New York	Global Media	www.globalmediadynamics.com

To view the complete conference calendar, visit [The Marketplace section of HFAAlert.com](http://TheMarketplace.com)

Firm Builds War Chest for Next Crisis

An investment manager is laying the groundwork for a distressed-bond fund in anticipation of a renewed credit crisis.

In recent weeks, **Checchi Capital** of Beverly Hills has been talking to institutional investors, family offices and wealthy individuals about a closed-end fund that would start investing only if spreads blow out to their late-2008 levels — something the manager expects to happen within two years. Checchi seeks to raise \$2 billion for the strategy, but is prepared to launch with less if another meltdown materializes sooner than he expects.

The planned vehicle, CCA Distressed Opportunity Fund, has several unusual features. Investors face a four-year lock-up. But if the credit rebound continues for the next two years, Checchi would return investors' capital and abandon the effort.

To sweeten the deal for investors concerned about possibly locking up their capital for nought, Checchi will charge a management fee of less than 1% before the fund begins investing and 1.5% once capital has been put to work. There is no performance fee.

Managing partner **Adam Checchi** — whose father, **Alfred Checchi**, unsuccessfully ran for governor of California in 1998 — is positioning the firm so it can start investing as

soon as credit conditions hit bottom. The plan is to begin buying once the 20-day moving average for the Barclays High Yield Index exceeds 1,000 bp over Treasuries. The credit market last experienced that level of distress from the third quarter of 2008 to the second quarter of 2009.

In addition to the commingled fund, Checchi would invest in the strategy via managed accounts. The minimum investment for managed accounts is \$25 million.

Before establishing Checchi Capital with his father in 2007, Adam Checchi was a partner at **Airline Restructuring and Consolidation Partners**, which launched an unsuccessful bid to merge **Northwest Airlines** and **Delta Air Lines**. Prior to that, he worked in **Goldman Sachs'** Los Angeles office as an investment banker from 2003 to 2005.

The senior Checchi made a fortune advising the **Bass** family and orchestrating a number of buyout deals, including the successful takeover of Northwest Airlines in 1989. Alfred Checchi started Checchi Capital mostly to manage his family money, though the firm currently runs about \$100 million via two commingled vehicles: CCA Core Account and CCA International Bond Fund. During the 18 months ended Dec. 31, 2009, the core account lost 3.1%, while the international bond fund gained 8.2%. ❖

Lyxor's Latest Offering: a China Fund

Lyxor Asset Management has added the first pure China play to its sprawling managed-account platform.

The Paris firm teamed up with **Martin Currie**, a \$19 billion Scottish manager, to launch Lyxor/Martin Currie China Dragon Fund on April 12. Martin Currie, which has extensive experience in Asian markets, serves as portfolio manager of the long/short equity vehicle, while Lyxor will take the lead in marketing the fund.

By setting up separate accounts with hedge fund managers, Lyxor can offer investors more transparency and easier liquidity than a commingled fund. In the wake of the financial crisis, investors have been eager to sign up, boosting assets under management to \$10.5 billion — more than double what Lyxor had in early 2009.

For its part, Lyxor has been rapidly expanding its menu of managers. It has added 15 since the start of the year, bringing the total to 115 offerings. Recent additions include such marquee names as **Caxton Associates**, **Marathon Asset Management** and **Tudor Investments**.

The Martin Currie fund marks a new direction for Lyxor's managed-account business. Other accounts offered through the platform were set up to replicate existing hedge funds run by sought-after managers. However, Martin Currie created the China vehicle exclusively for Lyxor investors. Like most other funds Lyxor offers, China Dragon Fund has weekly liquidity and a minimum-investment threshold of just \$100,000.

Lyxor, a unit of **Societe Generale**, is shooting to boost its assets under management to \$25 billion by 2012. ❖

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- **Vincent Bendetti**, Head of Infrastructure, **New Jersey Division of Investment**
- **David Darst**, Chief Investment Strategist, **Morgan Stanley Smith Barney**
- **John Hyland**, Chief Investment Officer, **United States Commodity Funds**
- **Deborah Fuhr**, Global Head, ETF Research and Implementation Strategy, **BlackRock**

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LATEST LAUNCHES

Fund	Portfolio managers, Management company	Strategy	Service providers	Launch	Equity at Launch (Mil.)
Schroer Capital Partners Domicile: U.S. and Cayman Islands ← See Page 7	John Schroer Schroer Capital, Denver 646-673-8621	Long/short: equity, emphasis on healthcare	Prime broker: UBS Law firm: Schulte Roth Auditor: Rothstein Kass Administrator: Goldman Sachs	July 1	
CCA Distressed Opportunity Fund Domicile: U.S. ← See Page 10	Adam Checchi Checchi Capital, Beverly Hills 310-432-0010	Distressed bonds	Prime Broker: Schwab Institutional Law firm: Latham & Watkins Auditor: Rothstein Kass Administrator: Fairview Custodian: Schwab Institutional	Mar. 15	
RTW Onshore Fund RTW Offshore Fund Domicile: U.S. and Cayman Islands ← See Page 1	Roderick Wong RTW Investments, New York 646-597-6980	Long/short: equity, emphasis on healthcare	Prime broker: Goldman Sachs Law firm: Seward & Kissel Auditor: Rothstein Kass Administrator: Goldman Sachs	Mar. 1	Under \$100

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THE GRAPEVINE

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dealer Pali, which filed for bankruptcy protection on April 1.

Ashutosh Tyagi, who used to be a senior analyst at **1798 Global Partners** of New York, accepted a position last week with hedge fund shop **Scopia Capital**, also in New York. He will continue to focus on the stocks of pharmaceutical companies.

Ajai Thomas has left his post as a salesman and relationship manager in the New York office of fund administrator **Fortis Prime Fund Solutions**. He's expected to start work at an undisclosed company on April 16. Fortis Prime, where Thomas worked for five years, is an administration unit of Brussels-based Fortis.

The "hedge fund hotel" operated by **Cuttone & Co.** could soon be expanding beyond the three hedge funds that currently use its space and services. Two different teams of independent traders recently approached the New York firm to inquire about using its office space,

said **Fredrick Scuteri**, head of prime brokerage at Cuttone. Both teams would continue clearing trades through other broker-dealers. Cuttone, which launched its prime brokerage last year, provides clients with trade execution, as well as middle- and back-office services. The firm's hotel has space for another 35 traders.

Fixed-income professional **Guy Haselmann** started as a director at **Scotia Capital** this week. The subsidiary of Bank of Nova Scotia hired Haselmann to focus on bond sales to hedge funds, as the firm strives to win **Federal Reserve** approval to become a primary dealer of U.S. government securities. Last month, Haselmann left fund-of-funds operator **Gregoire Capital** of Millburn, N.J., where he was a principal and sat on the firm's investment committee.

Fund administrator **Columbus Avenue Consulting** hired five staffers in the past month, in what it says is a response to an increase in its client base. The firm, with \$5 billion under administration, now employs 30 people. Its latest recruits are three accountants and a marketing asso-

ciate in its new Manhattan office space, as well as an accountant in Dallas.

Technology analyst **Greg Zolman** left **Zilkha Investments** to join startup fund manager **Serendiv Capital** last week. He is a vice president on the New York firm's investment team. Serendiv is an event-driven equity fund set up recently by **Atticus Capital** alumnus **Dilan Sirtunga**. Atticus shuttered all but one of its funds last year after the departure of its founder, **Timothy Barakett**.

Brad Schneider, who previously worked at **Apollo Investments**, recently arrived at **Sound Point Capital**, where he works on the New York firm's Credit Opportunities Fund. Sound Point was founded in 2008 by **Goldman Sachs** alumnus **Gregory Finck** and corporate-bond specialists **Stephen Ketchum** and **Peter Smith**.

Atish Nigam is bound for **Steve Cohen's SAC Capital**, following his graduation from **Harvard Business School** in May. Nigam will join the firm as an analyst under **Andrew Immerman**, a former **Viking Global** equity manager who is running an industrial-stock portfolio at SAC.

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