

Hedge Fund www.HFAlert.com ALERT

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THE GRAPEVINE

Boutique brokerage **Dinosaur Securities** added two staffers earlier this month. **Barry Balduf** joined the firm's Dallas office, where he is focused on capital introduction and prime-brokerage sales. He previously worked for **Societe Generale** in institutional sales. **Thomas Martin** landed a capital-introduction job in Dinosaur's New York headquarters. He previously worked in sales at **Investment Technology Group**, a New York electronic-trading firm.

Horseman Capital's flagship fund has trimmed its notice period for redeeming investors and agreed to waive redemption fees after firm founder **John Horseman** abruptly resigned last week as the fund's portfolio manager. Redeeming shareholders are now required to give only a 30-day notice, down from 90 days. Still, the earliest investors can exit from Horseman Global is Jan. 1. Some investors have expressed concern about the track record of **Russell Clark**, who is taking over management of the \$3.6 billion fund. The vehicle tumbled 23% during the first 10

See **GRAPEVINE** on Back Page

Two Firms Succeed in Raising \$1 Billion-Plus

In a flashback to the go-go days of fast-and-easy fund-raising, two hedge fund operators have managed to raise more than \$1 billion apiece within the past few months.

New York-based **Woodbine Capital**, a global-macro outfit founded by **Soros Fund Management** alumnus **Joshua Berkowitz**, launched its debut fund in January with \$200 million. It's now approaching \$2 billion, with more than \$1 billion coming in during the past three months. On the other side of the Atlantic, London-based **BlueCrest Capital** has added \$4 billion of fresh capital this year — much of it raised in the past few months. The inflow has boosted the firm's assets under management to \$15 billion.

It's not clear just how much of the firms' fund-raising success is due to recent performance, and how much is attributable to a broader shift in investor sentiment. But the fact that BlueCrest Capital International fund has gained 40%

See **FIRMS** on Page 11

Cyprus, Malta Court Hedge Fund Operators

Two European Union outliers — Cyprus and Malta — are making a push to join the ranks of major hedge fund domiciles, offering themselves as low-cost, tax-friendly alternatives to other EU jurisdictions.

The Mediterranean island nations are setting their sights on fund managers who seek the imprimatur of the EU's regulatory structure without the high costs associated with Dublin and Luxembourg, where the lion's share of European funds are currently domiciled. Cyprus and Malta are pitching themselves to European firms at a time when financial regulators on the continent are pressuring managers to move their offshore vehicles onshore by registering them within the EU.

Cyprus also is targeting U.S. managers facing pressure from investors to redomicile hedge funds from the Cayman Islands or Bermuda to more tightly regulated jurisdictions such as the EU. In the coming months, a top trade official from Cyprus is scheduled to meet with representatives of large hedge fund managers in

See **CYPRUS** on Page 10

Funds in Rothstein Case Could Forfeit Gains

Hedge funds that profited from a suspected \$500 million Ponzi scheme in Florida will likely have to relinquish their gains to investors who lost money in the scam.

At least three hedge funds — **Centurion Credit**, **Clockwork Capital** and **Platinum Management** — loaned money to investors in a Fort Lauderdale operation that claimed to finance legal-settlement payments. A lawyer who headed the operation, **Scott Rothstein**, is now under investigation by the **U.S. Justice Department**. Authorities have seized Rothstein's personal assets and his firm, **Rothstein Rosenfeldt**, has been turned over to a court-appointed receiver.

A bankruptcy judge is expected to be appointed on Friday. Soon after, the judge

See **ROTHSTEIN** on Page 6

The next issue of **Hedge Fund Alert** will be published Dec. 2. Happy Thanksgiving!

Firm Pitches Tech Services to Funds

A technology consultant that works in a variety of industries is launching a unit aimed at selling services to funds of funds — two years after it took over the back-office operations of a big player in that sector.

Systems Plus Group of Mumbai will start pursuing fund-of-funds clients through its new unit, **Best Outsourcing**, within two weeks. The subsidiary, also based in Mumbai, plans eventually to offer its services to single-manager hedge funds.

Systems Plus has been handling the technology operations for one fund-of-funds company, **Banco Santander's Optimal Investment**, for two years. Systems Plus advertises that its services allowed Geneva-based Optimal to reduce its operational costs by 70% and cut its operations staff by more than half. Optimal once had \$11 billion under management, but it shrank considerably after shutting down eight funds that invested in the **Bernard Madoff** Ponzi scheme.

Of the 300-plus employees of Systems Plus, 12 are dedicated to the operations of Optimal, which will become the first client of Best Outsourcing.

The new unit's pitch: Fund managers can cut costs and improve efficiency by hiring Best Outsourcing to handle their operations. Also, clients can focus their in-house staff on quality control, rather than day-to-day operations.

Systems Plus, which has branch offices in London, Geneva and New Jersey, is led by founder and president **Nikunj Jhaveri** and **Sapan Choksi**, who is chief executive. They will also head Best Outsourcing. Systems Plus provides a variety of technology services for its clients, which include beverage and snack giant **PepsiCo**.

Best Outsourcing will allow clients to choose from a menu of operational services. It intends to open offices in each of its clients' home countries. Its Mumbai staff will work the business hours of the client's time zone, as well as be available for after-hours contact. ❖

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Bank Hiring for Fund-Linked Unit

Credit Suisse is hiring more front-office staffers for its fund-linked derivatives group, one of only a few such operations that thrived during the financial crisis.

The unit, headed by **Walter Rotondo**, anticipates that a 10% increase in front-office personnel will be needed to carry out a product-line expansion on the drawing board for next year. It currently employs slightly more than 100 worldwide, including back-office employees. Interviews for two positions — a due-diligence analyst and a customer-service staffer — are now being conducted by the group's U.S. operation, which is headed by **Jeff Jaenicke** in New York. He also intends to fill other positions.

Fund-linked derivatives are highly structured financial products whose values are tied to the share values of actively managed vehicles, such as hedge funds, funds of funds and mutual funds. The Credit Suisse unit offers principal-protected notes, as well as a variety of other fund-linked instruments, such as options, swaps and warrants. The group also finances investors, lending against their holdings.

The unit has gradually grown since getting started in 1998, competing with nearly two dozen other banks that also offered fund-linked derivatives. It is among a handful that emerged unscathed from the financial crisis, along with **Deutsche Bank** and **Societe Generale's Lyxor** unit. Gone from the business in the U.S. are **HSBC** and **RBS**. Meanwhile, **Citibank**, **Merrill Lynch** and **UBS** have been more selective about taking on new business since the crisis took hold.

Jaenicke attributes the group's survival to its focus on controlling risk. "Risk management has always been and continues to be at the forefront of our strategy," said Jaenicke, who has been with the unit from the start.

To date, the group has worked with more than 500 clients, including pension funds, family offices, hedge funds and funds of hedge funds. ❖

Dorset Seeks to Fill Senior Posts

Dorset Management is looking to replace three senior managers who recently left the boutique advisory to start their own firm.

The New York firm, which advises institutional investors, wants to replace former chief executive **Peter Rajsingh** and two former partners, **David Slattery** and **Burton Rothberg**, by early 2010. The three left in July to start New York-based **Castellar Partners**, a hedge fund advisory firm.

Before Dorset, Rajsingh worked at **Global Partners** in New York, where he was responsible for marketing a fund of funds. Earlier in his career, he did a stint at **Morgan Stanley**.

Slattery was Dorset's chief risk officer. He previously was a principal at a commodity trading advisor in Dallas. Rothberg has clocked 30 years in the hedge fund industry, including 20 years as a senior trader at the former **Commodities Corp.** of Princeton, N.J. ❖

Central Park Focuses on FrontPoint

Fund-of-funds specialist **Central Park Group** is teeing up a multi-manager vehicle that would invest most of its capital in hedge funds backed by **FrontPoint Partners**.

Central Park, founded in 2006 by a pair of fund-of-funds pros formerly with **UBS**, plans to begin raising capital on Jan. 1 for CPG FrontPoint Multi-Strategy Fund. The New York firm would steer 80% of the vehicle's assets to FrontPoint, a hedge fund incubator owned by **Morgan Stanley**. In addition, some of the remaining 20% of capital could wind up with former FrontPoint portfolio managers.

Why the focus on FrontPoint? A similar vehicle run by FrontPoint itself — a fund of funds that invests only in FrontPoint managers — was up 13.6% for the first nine months of 2009, compared to 9.8% for **Hedge Fund Research's** fund-of-funds index. Since its inception in 2004, the \$2.2 billion FrontPoint Multi-Strategy Fund has gained an average of 6.8% annually — more than twice the return of HFR's fund-of-funds index.

Still, some market players scoffed at the notion of a multi-manager vehicle so narrowly focused on a single hedge fund operator. Central Park spells out its rationale in a prospectus filed with the **SEC** on Nov. 6. FrontPoint hedge funds operate under a uniform set of trading, risk-management, compliance and accounting guidelines. This simplifies the job of due diligence for Central Park. Rather than worry about dozens of hedge fund operators, each with its own policies and controls, Central Park can focus most of its attention on FrontPoint.

Central Park plans to raise \$250 million for the vehicle. As a rule, Central Park creates multi-manager vehicles for specific brokerages, which then market the products to their clients. It's not clear whether the firm designed the FrontPoint offering with a particular brokerage in mind. Central Park has hired **Fore Fund Services** of Portland, Ore., to market the planned vehicle to brokerage firms with wealthy clients.

CPG FrontPoint Multi-Strategy Fund will invest in nine strategies: quantitative, global macro, credit opportunities, emerging markets, structured credit, debt and equity opportunities, long/short equity with a geographic focus, long/short equity with a sector focus and event-driven.

Central Park's founders, **Mitchell Tanzman** and **Gregory Brousseau**, once ran \$5 billion via funds of funds they set up for wealthy clients of UBS. Unlike most funds of funds, Central Park won't charge a performance fee for the planned vehicle — only a 1.3% management fee. The cost to investors could be more like 5%, however, after brokerage firms tack on their fees.

FrontPoint, a Greenwich, Conn., firm Morgan Stanley acquired in 2006, manages \$9.4 billion via hedge funds and its fund of funds. ❖

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NY Manager Shops Credit Strategy

A credit-focused fund of funds that started out as a friends-and-family operation is now being pitched to outside investors.

New York-based **MB Family Advisors**, set up last year by **Mark Berman**, launched the multi-manager vehicle in January with about \$25 million from Berman and a handful of other investors. Berman is now looking to raise about \$100 million from family offices and small institutional investors. If all goes well, he will set his sights on large institutional players, according to people familiar with his plans.

The vehicle, MB Dislocation Opportunity Fund, seeks a 15-25% return by investing in hedge funds that either provide financing to distressed companies or target distressed securities. The fund of funds currently has investments with nine underlying managers, and MB plans to expand the roster to a dozen funds. The vehicle's year-to-date return is about 27%.

Berman is focusing on distressed credit from two angles. First, he is targeting hedge fund managers that provide rescue financing to troubled firms or debtor-in-possession financing to companies in Chapter 11 bankruptcy protection. He's also deploying capital to managers that invest in the securities of distressed companies or seek to take advantage of mispriced securities in distressed markets.





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Because of the illiquid nature of the strategy, MB Dislocation Opportunity Fund requires an 18-month lockup.

A lawyer, Berman began his career at **Skadden Arps** working on mergers and acquisitions. After leaving the firm, he co-founded **Trinad Partners**, a New York outfit that targets equities and small-market buyouts. Berman then helped set up San Francisco-based **Liquid Realty Partners**, which buys secondary-market stakes in real-estate-investment vehicles. Since leaving Liquid Realty in 2005, Berman has been making opportunistic investments using his own capital and money from a few loyal investors from his previous gigs. In one notable investment, Berman purchased tax receivables from a bankrupt corporation and sold them for a 535% profit. ❖

Hedge Fund Performance

	Oct. Return (%)	YTD Return (%)
BENCHMARK INDICES		
S&P 500	-1.86	17.05
Russell 2000	-6.87	12.68
MSCI EAFE (Europe, Australia, Far East: net)	-1.29	23.87
Barclays Aggregate Bond	0.49	6.24
Barclay/Global HedgeSource 1,900+ funds (unweighted)	-0.18	19.78
CogentHedge 3,100+ funds (unweighted)	-0.40	14.64
Credit Suisse/Tremont Hedge Fund Index 400+ funds (unweighted)	0.13	15.11
Dow Jones		
Hedge fund strategy benchmarks		
Equity long/short	-1.70	2.12
Event driven	1.11	13.39
Merger arbitrage	0.13	6.76
Hennessee Hedge Fund Advisory 1,000+ funds (unweighted)	-0.50	20.12
HFN Hedge Fund Aggregate Average 4,900+ funds (unweighted)	-0.37	16.24
HFRI Fund Weighted Composite 2,000+ funds (weighted)	-0.27	16.62
Equity hedge	-0.74	20.24
Event-driven	0.68	20.73
Macro	-0.62	3.35
Relative value	1.18	22.28
Fund of funds	-0.08	9.75
Emerging market	0.95	35.57
Morningstar 1000 Hedge Fund Index 1,000+ funds (unweighted)	0.09	17.14
RBC Hedge 250 250 funds (weighted)	-0.25	17.20

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Rothstein ... From Page 1

will open a 90-day window during which an estimated 375 investors can file claims to recoup their losses. Legal experts say the court will likely track down early investors that made money off the scheme — including hedge funds that helped finance the operation — and order them to give up their profits to reimburse later investors who were left holding the bag. Some hedge funds could be among the investors that lost money on the scheme and, therefore, could benefit from the clawbacks.

It's unclear how much Centurion, Clockwork and Platinum made or lost by lending money to investors in Rothstein's operation. However, Platinum has said it had nothing invested in the scheme at the time the alleged fraud was exposed earlier this month — suggesting it may have pocketed profits.

Rothstein pitched his investment scheme as a legal-settlement-financing operation that worked like this: He would make discounted lump-sum payments to plaintiffs who had won out-of-court settlements but didn't want to wait months or years to receive the full amounts. Rothstein and his investors would profit as they received the full settlement payments.

One of Rothstein's biggest investors, **Banyon Funding** of Las Vegas, pitched the scheme to at least 15 hedge fund operators. Managers were invited to lend money to Banyon at interest

rates of 20-25%. Banyon, in turn, made profits of 300%-plus on an annualized basis.

Clockwork is the latest hedge fund operator to be tied to the scheme. Headed by **Abraxas "A.J." Discala**, the firm appears to have been set up for the sole purpose of lending to Banyon and making direct investments in Rothstein's operation. Clockwork invested at least \$30 million overall.

Before Clockwork, Discala ran **Brax Capital**, a Beverly Hills firm that billed itself as a merchant bank. Brax is now out of business. Discala is the ex-husband of actress **Jamie-Lynn Sigler**, best known for her role as Meadow Soprano on "The Sopranos."

Platinum, a \$500 million New York firm headed by **Mark Nordlicht**, loaned at least \$50 million to Banyon. Centurion's exposure was at least \$20 million. The New York firm, with more than \$400 million under management, is headed by **Murray Huberfeld**. As of September, the firm's flagship Centurion Credit Group fund claimed a four-year track record with only one down month.

As investors await action by the bankruptcy court, many are planning lawsuits aimed at various parties in the alleged fraud, including **TD Bank**. Investors were told in early 2009 that \$570 million was being held in an escrow account at a TD branch in Osceola, Fla. Some investors now accuse bank officials of offering false assurances about the money. TD Bank has said it is cooperating with the investigation. ❖

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New Funds of Funds Target UCITS

European investors are being offered two new funds of funds that would invest in strictly regulated entities known as UCITS.

Prima Alternative Investments of Milan set up Bright Oak Flex 50 about four weeks ago with roughly €20 million (\$30 million) of seed capital it raised from institutional clients. Meanwhile, **Nara Capital**, a \$70 million outfit based in Geneva, is preparing to launch a pair of multi-manager vehicles: one targeting UCITS funds and the other investing in hedge funds that originate business loans.

The UCITS-focused vehicles will deploy capital to funds registered as Undertakings for Collective Investments in Transferable Securities. Such vehicles tend to charge lower fees and offer better liquidity and transparency than a typical hedge fund. As a result, they are able to offer investors daily or weekly redemptions and low minimum-investment thresholds. Unlike most hedge funds, UCITS vehicles target conservative returns and, therefore, sit well with risk-averse investors such as insurance companies and pension funds. They are seen in Europe as a new fund-raising avenue for capital-starved managers.

In launching their new funds of funds, Prima and Nara are borrowing a page from the playbooks of **HSBC's** private bank, **Banque Syz's** 3A fund-of-funds unit and a handful of other multi-manager operators that have recently jumped on the UCITS bandwagon.

Funds of funds have a growing selection of UCITS to choose from, now that a number of prominent European managers have set up UCITS versions of their hedge funds. Among them are two of the U.K.'s biggest managers, **Marshall Wace** and **Brevan Howard Asset Management**. Since the European Union tweaked the regulatory framework last year, hedge fund managers have created about 100 UCITS vehicles. Market players expect the number of UCITS to double by the middle of next year.

Prima expects to raise an additional €180 million by yearend for its UCITS fund of funds. It also expects to create additional share classes for the vehicle, including one aimed at retail investors. The firm is building its portfolio around a "core" group of 15 managers, but will trade in and out of an additional 10 funds based on market trends and performance. "We definitely see UCITS as an extension of the hedge fund business in Europe," said Prima investment chief **Grazia Orlandini**.

Prima, previously known as MPS Alternatives, was a unit of **Banca Monte dei Paschi di Siena** until it was spun off last year. **Clessidra**, Italy's largest private equity shop, took a roughly 70% stake in the firm via its €1.5 billion Clessidra Capital Partners 2 fund. The other 30% stake is owned by Prima management.

Nara, led by **Louis Zanolin** and **Dominique Grandchamp**, is now scouting for seed capital. The firm plans to get both of its new vehicles off the ground during the first quarter of 2010.

Given investors' concerns about liquidity in the wake of last year's market catastrophe, Nara expects its lending vehicle to be a harder sell. The fund will be pitched to long-term investors, such as insurers and pensions. Its investment premise is that

despite the liquidity governments have injected into banking systems around the globe, businesses will continue to struggle with a dearth of credit options for some time to come. "This fund seeks to capture the illiquidity premium in the global lending space," Grandchamp said. But he acknowledged that "investors are still scared to commit capital for longer durations."

Before founding Nara in October 2007, Zanolin and Grandchamp worked together at **Peak Partners**, a Geneva fund-of-funds operator. Nara currently runs a vehicle that invests primarily in hedge funds that engage in asset-based lending. ❖

Big Fund Sacks Healthcare Manager

Diamondback Capital fired its healthcare-stock portfolio manager last week after his book of business suffered losses for the better part of this year and in 2008.

Anthony Scolaro was let go on Tuesday. But many of his analysts had already jumped to other firms, after seeing the writing on the wall in recent months.

Most of Diamondback's \$3.7 billion under management is run through one multi-strategy vehicle, Diamondback Offshore Fund, where portfolio managers focus on specific industry sectors. Scolaro oversaw about \$100 million.

The hedge fund was up 12% for the first five months of this year, following a 2008 gain of 1% — which was far better than the double-digit losses suffered by so many hedge funds. In 2007, the fund posted returns of roughly 19%.

The Stamford, Conn., firm was founded in 2005 by three former executives of **SAC Capital**. **Chad Loweth**, who was a managing director at SAC, is Diamondback's chief operating officer. Former SAC portfolio managers **Lawrence Sapanski** and **Richard Schimel** act jointly as Diamondback's chief investment officers. Before joining SAC, the trio learned the ropes at **Deutsche Bank** and **Morgan Stanley**.

The roughly 30 portfolio managers at Diamondback are kept on a tight leash. They are required to maintain well-hedged positions that make it difficult to benefit significantly from a bull market like the one that's been raging since March. Managers with poor returns are typically given a chance to claw their way back. But in Scolaro's case the firm's leaders lost their patience.

There's been severe volatility in healthcare stocks since last year, with the sector's stock indexes bouncing around about 40% from high to low. Washington's healthcare debate has made it even more difficult, with generalists tending to shy away from the sector for fear of new regulation.

However, some smaller funds have had great success reading the tea leaves. **Broadfin Capital**, for example, is up 45% so far this year. The New York fund, with about \$70 million under management, specializes in picking stocks of mid-size healthcare companies. "Healthcare reform has created concerns for generalists, who have trouble sorting through the news flow," said **Kevin Kotler**, Broadfin's founder and managing partner. "But there are a lot of opportunities. A lot of the healthcare stocks are very cheap." ❖

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IndexIQ Lands Pension Money

IndexIQ, which has carved out a niche for itself by setting up exchange-traded funds for hedge fund investors, has won a modest allocation from a small public pension plan.

New Haven Employee Retirement last month invested \$8 million with the Rye Brook, N.Y., firm, which manages a series of ETFs and mutual funds that mirror various hedge fund strategies. In essence, the \$162 million pension is seeking exposure to hedge fund returns while minimizing risk.

The commitment from the Connecticut system comes as IndexIQ is launching an ETF that would attempt to replicate the returns of a merger-arbitrage hedge fund. Merger-arbitrage managers target public companies involved in merger-and-acquisition deals, seeking to capitalize on fluctuations in the stock prices from the time the deal is announced to the time it closes.

IndexIQ's ETF will provide exposure to the strategy by trading in and out of stocks in an underlying index of M&A deals around the globe. Instead of shorting the acquiring company — a standard merger-arb play — the ETF will employ futures contracts in an effort to isolate the risk premium tied to the target company.

IndexIQ is pitching its new ETF mostly to funds of funds, wealthy individuals and family offices. The firm will charge its standard management fee of 0.75%. ❖

Cyprus ... From Page 1

New York, Chicago, California and Texas. Cyprus' U.S. campaign, which kicked off in September with a meeting in New York, has drawn the attention of several managers with assets of more than \$2 billion apiece. At least one will be flying to Cyprus in February on a scouting mission.

In its talks with fund managers, Cyprus is playing up its reputation for the lowest corporate tax rate in the EU — just 10%. More generally, Cypriot officials say, the cost of registering a hedge fund and doing business in Cyprus is lower than in other EU nations — a key selling point at a time when many funds are struggling to regain their high-water marks.

"It's an easy sell," said **Aristos Constantine**, Cyprus' trade commissioner. "I challenge anyone to show me another jurisdiction that can fill all the needs of hedge funds."

Constantine, who is spearheading the U.S. pitch with help from the nonprofit **Cyprus Investment Promotion Agency**, also has been taking aim at some of its offshore competitors. For example, he has been highlighting the fiscal woes of the Cayman Islands, as well as growing concerns among investors about the lack of transparency of offshore jurisdictions.

One other benefit Cyprus is promoting: easy access to China, India and other emerging markets thanks to international treaties with those nations. The agreements allow

managers registered in Cyprus to tap investors in the foreign jurisdictions and invest directly in their financial markets.

Cyprus is currently home to 68 hedge funds, with another 10 in the process of registering vehicles there. Tarnished in the 1990s by a Russian money-laundering scandal, Cyprus has since reformed its financial oversight and last week got a positive report from the **International Monetary Fund**.

Malta, which has some 500 hedge funds, mutual funds and other investment vehicles in its jurisdiction, has been courting several London hedge fund operators. Malta is touting an effective tax rate as low as 5% after managers make distributions to fund shareholders. By comparison, recent changes in the U.K.'s tax code have increased effective rates to more than 50%.

"The Maltese authorities are hungry for business," said **Dominique Lecocq**, a partner at boutique law firm **Lecocq Associates** in Geneva. It has recently established an outpost in Malta and is advising at least nine funds there.

A number of other service providers are considering opening offices in Malta, including fund administrator **IDS Fund Services** of South Africa, a handful of custody banks and at least two other European law firms. Since becoming a part of the European Union in 2004, Malta has attracted a cottage industry of service providers, including both local players and global fund administrators **Apex Fund Services**, **Custom House** and **HSBC**.

A key advantage of domiciling a fund in Malta is cost savings, said **Michael Xeureb**, director of **Malta Financial Services Center**. Fund registration costs a third to half of what it does in Dublin and Luxembourg. And service providers can run their businesses at about half the cost because labor and office space is so much cheaper. Malta's cost of living is about half that of the U.K.

Another feature that's drawing the attention of managers is Malta's rules on redomiciling hedge funds. Unlike many other jurisdictions, Malta allows funds to relocate from the Caymans or other offshore domiciles without having to be liquidated. "This is a very significant feature of the Maltese fund legislation, and a number of people are looking at it as they attempt to bring their funds onshore to appease investors and regulators," said attorney **Simon Tortell**, who recently established a firm in Valetta, Malta.

Despite the opportunities, both Malta and Cyprus remain mindful of their status as upstarts competing with more established jurisdictions both offshore and in the EU. "Momentum is a serious factor," said **Ray Iler**, a hedge fund consultant at **Deloitte** who has more than a decade of experience in the Cayman Islands. "There are more than 9,000 funds in the Caymans, and that is serious momentum." ❖

Correction

An item in The Grapevine on Nov. 11 incorrectly reported that analyst **Dan Welden** left **Diamondback Capital** a year ago. In fact, he left in late October to join **Avesta Capital**. ❖

Firms ... From Page 1

year-to-date clearly has helped entice investors. “Some sizeable tickets are being written to well-established managers with good track records, robust operational infrastructure and lack of restructurings in 2008,” said **Anita Nemes**, global head of capital introduction at **Bank of America**.

But there’s also evidence that investors in general are finally coming off the sidelines in the wake of last year’s market debacle. After suffering net outflows of \$146 billion in the first six months of 2009, the hedge fund industry eked out \$1.1 billion of net inflows in the third quarter, according to Chicago-based **Hedge Fund Research**. A fair number of fund operators have managed to raise \$200 million to \$500 million this year. Still, only a handful have cracked the \$1 billion barrier.

In addition to Woodbine and BlueCrest, **Odey Asset Management** has ramped up assets under management to \$6.5 billion, from around \$3 billion at the start of the year. The London firm’s flagship fund, Odey European, has seen its assets more than double to \$1.5 billion. Investors have been drawn by the fund’s year-to-date gain of about 45%, on top of an impressive 20% return last year.

Odey is still accepting investors, but only selectively. “We don’t want investors to chase performance,” said **David Stewart**, the firm’s chief executive. “We want them to understand what we’re doing.”

Two other managers that have joined the \$1 billion club are Los Angeles-based **Oaktree Capital**, which recently received \$1 billion from sovereign-wealth fund **China Investment Corp.**, and **Capula Investment**, which will end the year with \$1.1 billion of fresh capital. Partly owned by a **Goldman Sachs** private-investment fund, Capula is a \$4 billion manager known for making bets on bonds, futures and interest rates.

In the wake of its fund-raising success, Woodbine has stopped accepting new investors. Berkowitz generated a great deal of buzz when he went solo last year, largely because of his stand-out performance at Soros. Berkowitz produced an average annual return of more than 30% over three years while running \$1 billion for **George Soros’** firm.

But his maiden fund, debuting at the height of the financial crisis, launched with substantially less money than the \$1 billion the market originally anticipated. Since then, however, Berkowitz’s fund-raising efforts have steadily gained traction. In addition to his track record, investors have been drawn by the liquidity of his global-macro strategy, as well as the investment opportunities at a time of sharp disparities among regional economies. Before closing to new investors, Woodbine’s fund drew large amounts of capital from three pension funds, as well as from existing investors looking to top off their allocations.

“Money has started to flow,” said **Michael Rosen**, investment chief of **Angeles Investment Advisors** of Santa Monica, Calif. “Those funds that either had good performance or struggled less last year and are performing well this year are seeing inflows.”

Pension funds, in particular, have been drawn to managers that have lowered fees, loosened liquidity, improved transparency and otherwise aligned their interests with their investors. “From October 2008 to June 2009, many plans had frozen, halted or postponed their allocation decisions,” Rosen said. “That has changed. We’re back to a more normal environment.”

Some market players expect the hedge fund industry to regain its pre-crisis mark of around \$2 trillion of assets at some point next year. Hedge funds now manage about \$1.5 trillion overall. ❖

LATEST LAUNCHES

Fund	Portfolio managers, Management company	Strategy	Service providers	Launch	Equity at Launch (Mil.)
Bronson Point Partners Domicile: U.S. and Cayman Islands	Larry Foley, Paul Farrell and Andrew Strober Bronson Point Management. Southport, Conn. 203-644-2569	Long/short: equity	Prime brokers: Credit Suisse, Goldman Sachs, Morgan Stanley Law firms: Walkers, Willkie Farr Auditor: Ernst & Young Administrator: Morgan Stanley	Jan.	
MB Dislocation Opportunity Fund Domicile: U.S. ← See page 4	Mark Berman MB Family Advisors, New York 212-396-4733	Fund of funds	Law firm: Sadis & Goldberg Auditor: Acquavella Chiarelli Administrator: Press Schonig & Co.	Nov.	

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THE GRAPEVINE

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months of this year. Clark previously managed Horseman Emerging Market Opportunities Fund, which is now unwinding so Clark can focus his attention on Horseman Global. John Horseman is staying on as chief executive of the firm.

Mark Jennings joined **LOM Group** in Bermuda this month as a deputy manager. He is raising capital and managing accounts for LOM Securities, one of several LOM units that run a combined \$750 million via hedge funds and other investments. Jennings worked as a trading assistant at **Blackstone Group** before being laid off about a year ago. He previously did stints at Blackstone subsidiary **GSO Capital**, **J.P. Morgan's Highbridge Capital** and **AllianceBernstein**.

Rodrigo Cesar de Carvalho, a partner and fixed-income manager at **Maua Investimentos**, will soon leave the Sao Paulo, Brazil, firm. Since 2005, he has worked on Maua's multi-strategy global-

macro portfolio, which will now be managed by firm founder **Luiz Fernando Figueiredo, Fernando Monteiro, Ian Lima** and **Yuri Bialoskorsky**. The Maua Brasil Fund's assets tumbled from over \$1 billion last year to under \$150 million during the first quarter of 2009 amid a stampede of redeeming investors. The fund had some \$200 million under management as of Oct. 31. Year-to-date gains stand at 6%, following a 3% loss in 2008.

A. Michael D'Arpino left the hedge fund industry last month to return to brokerage firm **Tullet Prebon**. He had been a director at alternative-investment shop **Global Fund Exchange** of Oyster Bay, N.Y., before starting at Tullet on Oct. 12 as a senior vice president working on mortgage-backed securities. Prior to Global Fund Exchange, D'Arpino clocked a couple of years as a managing director at **Clinton Group**, a New York hedge fund manager. He previously spent 17 years at New York-based Tullet as a managing director and chief operating officer.

Robert Ryan, Ketchem Creek Capital's finance chief, left the New York firm last month. Ryan had joined **Rick Sherlund's**

startup less than six months ago following stints at **Chilton Investment** and **Satellite Asset Management**. Sherlund, a star technology analyst who spent 25 years at **Goldman Sachs**, established Ketchem Creek early this year after working for a short time at **Galleon Group**.

MTR Invest, an Amsterdam shop that manages a 2-month-old quantitative fund, has rebranded itself as **QTR Invest**. A trademark dispute with U.S. brokerage firm **Miller Tabak Roberts Securities**, also known as MTR, triggered the name change. QTR principals **Henk-Jan Ramaker, Eric van Sprang, Menno Dreischor** and **Bas Nagtzaam** have renamed their debut vehicle QTR Fund.

Singapore-based **Riley Paterson Management** is no longer accepting new investors for its Asian Opportunities Fund. According to a Nov. 4 letter to investors, the fund's 16% gain this year has propelled it to its limit of \$300 million under management. **Daren Riley**, an alumnus of **Macquarie Bank**, and **Stewart Paterson**, formerly of **Credit Suisse**, established the firm in mid-2007.

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