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Hedge Fund ALERT

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THE GRAPEVINE

Millennium Management has added a systematic-futures trader to its portfolio-manager ranks. The New York-based recruit, **Silvia Marinova,** joined the multi-strategy operation last month following a brief stint at **Capula Investment.** She also has served as a portfolio manager at **Taylor Woods Capital,** and earlier traded commodity futures at **Credit Suisse** and **J.P. Morgan.** Millennium, led by **Izzy Englander,** has about $34 billion under management.

Kerrisdale Capital has lost research director **Jordan Giancoli** to **Carlson Capital.** He started in October as a senior analyst at the Dallas firm, founded by **Clint Carlson** in 1993. Giancoli had been at Kerrisdale since 2012, and was promoted from senior analyst to research director in 2013. He earlier worked at **Ondra Partners** and **HSBC.** Kerrisdale's assets

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Seed-Capital Investor Extends Reach to Europe

Stride Capital, a hedge fund-seeding operation led by former **SkyBridge Capital** partner **Don Rogers,** has picked up its first non-U.S. manager.

Last month, Stride invested an undisclosed sum with London-based **Monterone Partners,** led by former **Davidson Kempner Capital** managing director **Markus Taraba.** The Monterone Partners fund, which takes long and short positions in European stocks, generated a 19.4% return during its first 12 months of trading, through Aug. 31. During the same period, the MSCI Europe Local Index fell 6.2%.

Stride, of Stamford, Conn., typically deploys $25 million to $50 million apiece to the startups it backs, providing additional support in the areas of business management, product development and risk management. In exchange, it pockets a share of the managers' fee revenues, while also participating in any investment gains.

Through Sept. 30, the five managers in Stride's portfolio had generated an average

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Side Effects of Slump Weigh on Industry Pros

A former fund-marketing executive now runs a sailboat manufacturer. Home prices in Greenwich, Conn., are plunging. An institutional investor no longer gets wined and dined when he meets with hedge fund managers.

Several years of lackluster performance and declining asset flows are catching up with hedge fund professionals in ways large and small.

The industry's trend line can be glimpsed from composite returns that have been stuck below 5% since 2013; from flow data showing investors yanked a net $60 billion from hedge funds during the first three quarters of this year; and from headlines about once-golden fund managers calling it quits. But news reports and statistics tell only one side of the story.

The other side is populated by industry pros who have had to reinvent themselves. Or change the way they do business. Or downsize their lifestyles.

Take **Carl Fantasia,** a seasoned portfolio manager who counts **Tudor Investment**

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Biggest Fund Investors Show Signs of Fatigue

Following two years of solid growth, the amount of hedge fund investments held by the world's largest institutional investors remained roughly flat over the past year.

The 20 most active hedge fund investors, measured by the values of their limited-partnership stakes, have a combined $269.2 billion invested in single-manager and multi-manager vehicles, according to data compiled by **Preqin** for **Hedge Fund Alert.** That's up just 1.3% from $265.6 billion a year earlier, compared to a 7% growth rate for 2014-2015 and 10% for 2013-2014.

The slowdown appears to reflect increasing skepticism about hedge funds among institutional investors. Indeed, the uptick in assets during the past 12 months may have been driven more by performance gains than fresh capital contributions, considering the HFRI Fund Weighted Composite Index rose 4.2% in the first three quarters. During the same period, hedge funds globally experienced net outflows

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London Shop Targeting LPs in US

Fledgling U.K. fund operator **Quadra Capital** is banking on U.S. investors to fuel its ambitious growth plan.

The firm's debut offering, Quadra Global Equity Alpha, launched in August 2015 with about €10 million ($11 million). Subsequent contributions from European investors, combined with modest investment gains, have boosted the fund's assets to €50 million. But managing partner **Guillaume Touze,** formerly a top asset-management executive at **Barclays,** has set a €1 billion fund-raising target for the global-equities vehicle.

That's where the U.S. market comes in. The London firm has begun focusing its fund-raising efforts on investors in the States, particularly on the West Coast, and plans to organize a road show next year. It also may hire a U.S. placement agent. While the firm went with a UCITS structure for its European investors, Touze and his partners would set up an offshore version for U.S. backers, or offer managed accounts.

Through Sept. 30, the fund was showing a cumulative gain of 3.4%, versus a 6.7% decline for the HFRX L/S Equity Index and 3.1% drop for the HFRX Market Neutral Index. The Quadra vehicle, led by portfolio manager **Paul-Georges Moucan,** runs with net market exposure ranging from negative-20% to positive-60%.

Touze's ambitions go well beyond the global-equity fund. In April, Quadra launched a global-macro vehicle with some €20 million — and a fund-raising target of about €500 million. Indeed, Touze has told his colleagues and investors that he sees the firm growing to €5 billion.

At Barclays, Touze oversaw a European asset-management unit with €20 billion of assets. Quadra's management team also includes chief operating officer **Chris Egbunike.**

Moucan previously worked at **Amundi,** where he oversaw a global-equities portfolio of up to €2 billion as part of the asset-management giant's team in London. His strategy at Amundi, which he continues to run at Quadra, generated an 11% annualized return from 2005 to 2013. ❖

Future Fund Bullish on Global Macro

Australia's **Future Fund,** already among the world's most aggressive hedge fund investors, is ramping up its exposure to global-macro vehicles.

The A$123 billion ($95 billion) fund, which manages retirement assets for civil-service workers, is rebalancing its alternatives portfolio to brace for an expected increase in financial-market volatility. Its 2015/2016 annual report, released Oct. 27, shows the amount of money it has in global-macro funds jumped to A$10.8 billion on June 30, from A$7.3 billion a year earlier. Global-macro bets now account for a whopping 64% of the Future Fund's $16.8 billion alternatives bucket, which includes hedge funds and other relatively liquid investments but excludes private equity, infrastructure and real estate.

"We believe the forward environment for financial-asset markets is potentially more volatile and the growth and monetary paths of regional economies more divergent," the annual report said. "We have sought to increase allocations to managers and processes which can profit under these conditions."

As part of that process, the fund's investment staff has developed a program to identify new and emerging global-macro managers. The program's initial investment is **Glen Point Capital,** a London startup led by former **BlueBay Asset Management** executives **Neil Phillips** and **Jonathan Fayman.** Glen Point takes a discretionary approach to macro investing, in contrast to increasingly popular systematic strategies. Nonetheless, it reportedly launched with nearly $2 billion, qualifying it as one of the biggest new funds of 2016.

"Our aim is . . . to uncover talented professionals with whom we can form longer-term partnerships on economic and other terms which reflect the value of our support for a fledgling business," Future Fund executives wrote in the annual report.

Glen Point's launch — and Future Fund's bullish stance — come as many investors are pulling back or giving up on macro funds, which trade a mix of stocks, bonds, currencies and derivative instruments based on fundamental analysis of economic trends, technical indicators, or both. In the first three quarters of this year, investors yanked a net $9 billion from global-macro shops globally, according to **HFR.** Meanwhile, the HFRI Macro (Total) Index had risen a scant 1.7%.

"[Global macro] has done so poorly for so long that investors are tired of it," one investor said.

But there are indications that macro funds may be poised for a rebound. A number of blue-chip managers earned handsome profits in October, **The Wall Street Journal** reported on Nov. 1. Among them: **Caxton Associates**, which was up 5.1% for the month as of Oct. 26; Tudor Investment, up 2.1% through Oct. 21; and **Discovery Capital,** which finished the month with a 2.1% gain.

Global-macro managers have long bemoaned efforts by central bankers to pin interest rates near zero in an effort to prop up their economies in the wake of the financial crisis. "Most, if not all, of those distortions will have to reverse at a future point," Caxton chief executive **Andrew Law** wrote in a recent investor letter, according to the Journal. "In our view, it is a question of when rather than if."

In expanding its portfolio of macro investments, Future Fund recently added two managers — **BT Investment** and **Drobny Capital** — to a roster that already included **Man Group's AHL Partners, BlackRock Alternative Advisors, Brevan Howard Asset Management, Bridgewater Associates, Citadel, Civic Capital, GMO Australia** and **QMS Capital.**

In addition to global-macro, Future Fund has increased its exposure to multi-strategy and relative-value vehicles. Its A$4.4 billion allocation to those strategies is managed by just three firms: **Arrowgrass Capital, BlackRock** and **PAG.**

Since it began investing in 2006, Future Fund has doubled its assets solely through performance. It ranks sixth on **Hedge Fund Alert's** list of the world's most active hedge fund investors, with fund stakes totaling $12.7 billion (see ranking on Page 5). ❖

Merced Marketing New Lockup Fund

Merced Capital, a $1.8 billion alternative-investment operation that spun off from **Cargill** in the 1980s, has collected a little more than $100 million so far for its latest lockup fund.

The Minnetonka, Minn., firm aims to raise up to $900 million for the offering, Merced Partners 5, which invests opportunistically in niche financial instruments and hard assets. Merced held an initial equity close in July, netting capital commitments that totaled $105 million as of Oct. 31. It expects to hold a second close before yearend.

Merced Partners 5 locks up investor capital for four years. Earlier funds in the series imposed lockups of 2-3 years.

Merced Partners 4 held a final close in November 2013 with $800 million of equity, exceeding its $750 million target. It will begin liquidating its portfolio around yearend.

In addition to its lockup funds, Merced runs an open-end vehicle dubbed Merced Partners LP that had $270 million of gross assets at the start of the year.

Merced's investment focus encompasses high-yield debt, real estate, equipment and transportation assets. The business was founded in 1988 as **EBF & Associates** by three former Cargill executives — all of whom have since retired. EBF changed its name to Merced in 2014. ❖

Moore Recruit Struggled at Highbridge

It turns out an executive **Moore Capital** recently hired to help oversee its largest fund had been forced out by his previous employer, **Highbridge Capital.**

Kevin McNamara joined Moore around October as co-head of Moore Macro Managers Fund, which deploys capital to multiple portfolio managers within the firm and had $7 billion under management as of February. Moore relied on an executive-search firm to handle the placement, but a source said McNamara already was friends with Moore founder **Louis Bacon.**

McNamara previously spent about two years at **J.P. Morgan's** Highbridge unit, where his responsibilities included recruiting portfolio managers. Shortly after he started in the job, Highbridge moved McNamara to London to help develop its European business.

Now comes word that Highbridge executives showed McNamara the door after several portfolio managers he had hired were pushed out for performance reasons. Among them were **Wayne Chambless,** who now works in **Millennium Management's** Sowega Capital unit, and **Chris Procaccini,** who has re-emerged at **Hutchin Hill Capital.** Sources said both Chambless and Procaccini are performing well in their new positions.

McNamara had joined Highbridge from Millennium, where he oversaw commodity trading. He started at Moore as Moore Macro Managers Fund was struggling with a year-to-date loss of 4% through mid-October. The vehicle has produced an annualized return of 12% since 1993.

The $4 billion Moore Global Investment Fund, which launched in 1989, is roughly flat year-to-date. That vehicle, for which Bacon serves as portfolio manager, has generated a 16.4% annualized return.

Overall, Moore had $14 billion under management as of June 30, down from $15.5 billion at yearend 2015.

As for Highbridge, it was running $5.2 billion in hedge funds at yearend 2015. ❖

More Red Ink for 3G Hedge Fund

An energy-focused hedge fund run by private equity powerhouse **3G Capital** continued to lose money in the third quarter.

The long/short equity vehicle, 3G Natural Resources Fund, lost 1.1% in September, dropping its year-to-date return to minus-11.3%. The fund is on track for its worst annual showing since launching in 2013.

Its annualized return is about 7%, including this year's losses. During the same period, the S&P GSCI commodity index has fallen by about 20% on an annualized basis.

3G is best known for leading some of the biggest buyouts in the food business, including **H.J. Heinz** and **Burger King.** It made headlines in 2015 for teaming up with **Berkshire Hathaway** to orchestrate the merger of Heinz and **Kraft Foods.**

3G was managing about $32 billion, on a gross basis, at yearend 2015 — most of it via private equity vehicles it runs on behalf of a core group of ultra-wealthy families. 3G Natural Resources Fund accounted for $1.8 billion of the total. Another hedge fund, 3G Fund, had $744 million of regulatory assets. ❖

Ex-Navy SEAL Catches Gabelli's Eye

An equity fund managed by a former Navy SEAL has taken in its first chunk of outside capital — from no less a figure than mutual fund legend **Mario Gabelli.**

The fund manager, **Michael Zapata,** began investing in 2013 with a small amount of friends-and-family money. With Gabelli's investment, Zapata now is running about $10 million at his New York firm, **Sententia Capital.**

Boosted by Gabelli's endorsement, Zapata has begun a formal marketing campaign with hopes of raising up to $100 million. He already has several investors in the pipeline.

Zapata employs fundamental research to identify undervalued companies, including those involved in turnarounds and other special situations. He spent 10 years in special operations for the Navy, including multiple tours of duty in the Middle East. He left the military in 2011 to enroll in **Columbia Business School,** where he earned an MBA.

Gabelli is chairman and chief executive of **Gabelli Funds,** a mutual fund company he founded in 1976. The New York firm has $40 billion under management. ❖

Equinox Parts Ways With Top Execs

Alternative mutual fund manager **Equinox Funds** has lost two senior executives in the wake of settlements with the **CFTC** and **SEC.**

Vance Sanders, who occupied the dual posts of chief financial officer and chief technology officer, left in the past week or so, destination unknown. He had been on board for nine years, working in the Denver office of the Princeton, N.J., firm.

It's unclear when general counsel **Philip Liu** departed, though his biography remains on Equinox's website. Liu, who worked in Princeton, joined the firm in 2009 from **HSBC.** In addition to legal work, his role included product development.

Equinox, which specializes in managed-futures offerings in the form of mutual funds, came under regulatory scrutiny in 2013 for allegedly misleading some investors and overcharging them for certain services. In a February settlement with the SEC, Equinox agreed to refund investors $5.4 million of management fees it had collected from 2004 to 2011, plus interest. The company also paid a $400,000 fine.

A month later, it agreed to pay the CFTC a $250,000 penalty. Equinox neither denied nor admitted any wrongdoing.

A year ago, Equinox was close to selling its business to Boston investment shop **Continuum Capital.** But Continuum walked away as the regulatory probes dragged on.

Equinox had about $1.8 billion under management at yearend 2015 — most of it in a vehicle that funnels client capital to quantitative commodities shop **Campbell & Co.** The architect of Equinox's mutual fund business, **Richard Bornhoft,** relinquished the title of chief investment officer early last year and sold his ownership stake in the company.

Equinox's parent, Equinox Group, is controlled by **John Pallat 3d.** ❖

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totaling $60 billion, according to **eVestment.**

Recent headlines suggest that public pensions in particular have soured on hedge funds. **New Jersey Investment Council,** for example, said in September that it planned to halve its hedge fund portfolio — currently the 12th largest in the world, with $8.6 billion (see ranking on Pages 5-7).

On the other hand, three of the five largest limited partners are pensions: **APG,** a Dutch pension manager that invests on behalf of Stichting Pensioenfonds ABP ($22.8 billion of hedge fund stakes); **CPP Investment Board** ($13.8 billion); and **Texas Teachers** ($13.2 billion).

"Although they account for the majority of the most high-profile announcements surrounding hedge fund withdrawals over the past year, it is in fact public pension funds that have risen most in the ranks of the largest investors," said **Amy Bensted,** who covers hedge funds for Preqin.

That trend could reverse in the coming year, however, if more large pensions follow the lead of New Jersey Investment Council, one of the most aggressive hedge fund investors in recent years. **Calpers,** the nation's largest public pension, had been among the top 20 limited partners until 2014, when it abruptly dismantled its hedge fund portfolio. And **Maryland State Retirement,** which ranked 13th last year with $7.8 billion of hedge fund stakes, dropped off the list this year.

Even Texas Teachers, whose commitment to hedge funds includes a minority ownership stake in **Bridgewater Associates,** appears to be having second thoughts. **David Kelly,** who chairs the Texas Teachers board, recently quipped about hedge fund managers: "It seems like at the next gas station, we should stop and tell those guys to get out and get us something to eat, and then drive away as fast as we can."

The top-20 ranking is led by two sovereign wealth funds. **Abu Dhabi Investment Council** remains in a league of its own, with a $58 billion hedge fund portfolio, unchanged from last year. In second place is **China Investment Corp.,** which holds $34.4 billion of hedge fund stakes, up from $29.9 billion a year earlier.

Among the top 20, the most aggressive hedge fund investor is **Howard Hughes Medical Institute,** whose $5.7 billion of fund stakes accounts for 30% of its overall assets. The institute debuts on the list this year in 17th place. Other institutions with outsized allocations to hedge funds include **University of Texas,** whose fund holdings amount to more than 28% of its overall assets; **Stanford Management** (25%); and **Texas County & District Retirement** (24.4%).

University of California Regents, which manages retirement assets for the University of California system, appears on the list for the first time this year, with $10.9 billion of hedge fund investments — good for eighth place. Regents recently increased its allocation target for hedge funds to 15%, while at the same time culling its portfolio of underperforming managers.

And **AIG** dropped off the list, reflecting chief executive **Peter Hancock's** increasing disillusionment with hedge funds. "It's not an efficient use of our capital, so we'll be diminishing our allocation to hedge funds," Hancock told **Bloomberg** in January. Since then, AIG has submitted redemption requests for some $4 billion of hedge fund assets.

Preqin, a London research firm focused on alternative investments, culled the top 20 from its database of more than 5,000 investors. The data is obtained directly from the institutions, as well as from regulatory filings, financial reports and Freedom of Information Act requests. Hedge Fund Alert supplemented Preqin's data with its own reporting. The ranking counts only primary investors in hedge funds, and excludes asset-gatherers such as funds of funds and wealth managers. ❖

Correction

A Nov. 2 article, "'Short Activists' Capitalize on Investor Angst," mistakenly referred to **Spruce Point Capital Management** as Spruce Point Management. ❖

BIGGEST HEDGE FUND INVESTORS

Top 20 Institutional Investors in Hedge Funds

Data compiled by Preqin, with supplemental reporting by Hedge Fund Alert

	Institution	Type	Total Assets ($Bil.)	Hedge Fund Assets ($Bil.)	The Skinny
1	**Abu Dhabi Investment Authority** Abu Dhabi	Sovereign wealth fund	$773.0	**$58.0**	Operates three externally managed investment mandates. Two are hedge fund-specific, investing across discretionary global macro, relative value, event-driven and equity hedge strategies. The third is a systematic trading mandate comprising quantitative strategies and commodity-trading advisers. In July 2016, Abu Dhabi expanded alternative-investment staff and began increasing internally managed portfolio.
2	**China Investment Corp.** Beijing	Sovereign wealth fund	814.0	**34.4**	Managing director Roslyn Zhang slammed hedge fund performance while attending the SALT Conference in May 2016, saying too many managers are guilty of "herd mentality." Still, fund's hedge fund assets are up 15% since fourth quarter 2015. Began investing in hedge funds in 2009. Has deployed capital to Blackstone, Capula Investment, Morgan Stanley Alternative Investment and Oaktree Capital.
3	**APG** Amsterdam	Pension manager	455.0	**22.8**	Paulus Ingram, who oversaw hedge fund investments, left in September 2016 to launch ARC Fiduciary, a Greenwich, Conn., investment shop focused on businesses that fit the U.N.'s Sustainable Development Goals. His former responsibilities are being handled by other executives pending a permanent replacement. APG, which mainly runs money for Stichting Pensioenfonds ABP, has been investing in hedge funds since 2001.
4	**CPP Investment Board** Toronto	Public Pension	270.0	**13.8**	Cracks top five with almost 9% increase in hedge fund assets since fourth quarter 2015. In April 2016, senior managing director Pierre Lavallee told Financial Times that hedge funds have added "significant" value. Has invested with AQR Capital, Brevan Howard Asset Management, Bridgewater Associates and Pershing Square Capital.
5	**Texas Teachers** Austin	Public pension	129.0	**13.2**	Hedge fund bucket has increased 12% since fourth quarter 2015. But in September 2016, chairman David Kelly called for a review of the portfolio, indicating he was dissatisfied with performance. For three years ending June 2016, the portfolio generated a 2.7% annualized return, versus 11.2% for S&P 500 Index. Has been investing in hedge funds since 2001, deploying capital to AQR Capital, Fir Tree Capital, GoldenTree Asset Management, MKP Capital and PDT Partners, among others. Bought minority stake in Bridgewater Associates in 2012.
6	**Future Fund** Melbourne, Australia	Sovereign wealth fund	95.0	**12.7**	Opportunistic investor often rebalances its portfolio. Currently ramping up exposure to discretionary macro funds, in part by targeting emerging managers in that area. Known for aggressively negotiating favorable fee structures. BlueCrest Capital, Brevan Howard Asset Management and Bridgewater Associates are among blue-chip managers it has worked with.
7	**Ohio Public Employees** Columbus, Ohio	Public pension	86.0	**11.1**	Slipped from fifth place a year earlier, but maintains 14% allocation target for hedge funds. In June 2016, despite heavy pressure from unions, board voted down proposal to consider reducing allocation. Favors blue-chip managers including AQR Capital, Bridgewater Associates, Canyon Capital and Graham Capital. Also invested with Visium Asset Management prior to collapse amid insider-trading scandal.

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BIGGEST HEDGE FUND INVESTORS

Continued From Page 5

	Institution	Type	Total Assets ($Bil.)	Hedge Fund Assets ($Bil.)	The Skinny
8	**University of California Regents** Oakland, Calif.	Public pension	$98.0	**$10.9**	Streamlining hedge fund portfolio from about 30 to 10 managers, redirecting capital to strongest performers. Makes first appearance on top-20 investors list after substantially raising target allocation for hedge funds in fourth quarter 2015. Portfolio includes funds run by Adage Capital, Elliott Management, Viking Global and York Capital.
9	**GM Asset Management** New York	Corporate pension	76.0	**10.8**	Hedge fund assets up 75% since fourth quarter 2015, and now account for 14% of overall assets. Has invested with Cerberus Capital, ESL Investments and Stone Lion Capital. Runs more than 30 retirement plans for U.S. auto giant and its affiliates.
10	**University of Texas** Austin	Endowment	37.0	**10.5**	Chief executive/chief investment officer Bruce Zimmerman resigned in October 2016 after nearly 10 years on the job. Interim replacement is senior managing director Mark Warner, who oversaw investments in emerging markets and natural resources. Texas was among first endowments to invest in hedge funds, starting in 1997, and 28% allocation is among the largest. Has invested with Baupost Group, Eton Park Capital, Farallon Capital and Owl Creek Asset Management, among others.
10	**GIC** Singapore	Sovereign wealth fund	350.0	**10.5**	Elevated Jeffrey Jaensubhakij to deputy chief investment officer in April 2016. Also created positions overseeing private equity, real estate and infrastructure investments. Former investment chief Ng Kok Song now on board of Makena Capital, which runs $18 billion for institutional investors.
12	**New Jersey State Investment Council** Trenton, N.J.	Public pension	74.0	**8.6**	Hedge fund assets increased substantially in past year, but trend has reversed since council's September 2016 decision to slash allocation target in half, to 6%. So far has redeemed from Arden Asset Management, Brevan Howard Asset Management, Canyon Capital, Centerbridge Partners, Omega Advisors and ValueAct Capital. At same time, committed $1 billion to BlackRock for separate account investing in hedge funds with low fees.
13	**Ontario Teachers** Toronto	Public pension	129.0	**8.0**	Dropped from seventh place last year as hedge fund portfolio shrank by about a third. Savvy risk manager has been consolidating fund roster, targeting top performers. Has invested with GMO, Marshall Wace and ValueAct Capital. Also gave money to Deimos Asset Management, a multi-strategy operation that folded in 2016.
13	**New York Common Fund** Albany, N.Y.	Public pension	79.0	**8.0**	State Department of Financial Services slammed Comptroller Thomas DiNapoli in October 2016 report for paying $1 billion in "excess" fees for poor-performing hedge funds. DiNapoli's office called report "uninformed." Recent investments include $250 million for distressed-debt fund run by Oak Hill Advisors and $300 million for a Brookfield infrastructure fund. Also allocated to vehicles run by Farallon Capital and Semper Capital.
15	**Varma Mutual Pension** Varma, Finland	Pension manager	46.0	**7.4**	Slipped from 12th place a year earlier, but maintains 16% target allocation for hedge funds. Diversified portfolio of some 45 funds includes vehicles run by Blackstone, D.E. Shaw, Elliot Management and York Capital. Doesn't plan to add to portfolio during fiscal year ending June 2017.

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BIGGEST HEDGE FUND INVESTORS

Continued From Page 6

	Institution	Type	Total Assets ($Bil.)	Hedge Fund Assets ($Bil.)	The Skinny
16	**Texas County & District Retirement** Austin	Public pension	$25.0	**$6.1**	Maintains aggressive 25% allocation target, with investments in 33 funds. Relationships include Brevan Howard Asset Management, Highline Capital, MKP Capital, Och-Ziff Capital and York Capital.
17	**Howard Hughes Medical Institute** Chevy Chase, Md.	Foundation	19.0	**5.7**	Only foundation on top-20 list typically holds 10-20 hedge fund positions. Maintains aggressive 30% target allocation. Has invested with Ellington Management, Merced Capital and Och-Ziff Capital.
17	**BT Pension Scheme** London	Corporate pension	53.0	**5.7**	Among the biggest U.K. pensions, BT has invested with BlueCrest Capital, Bridgewater Associates and Dexion Capital. Also owns alternative asset manager Hermes Investment, which had £26 billion ($32 billion) under management in fourth quarter 2016.
19	**Stanford Management** Stanford, Calif.	Endowment	22.0	**5.5**	Vera Minar, who oversaw absolute-return and fixed-income strategies, left in April 2016 to join Seattle alternative-investment shop Columbia Pacific Advisors. Her departure followed those of four other managing directors since chief executive Robert Wallace arrived in March 2015. Unclear what impact, if any, personnel changes will have on hedge fund program.
19	**Boeing Co. Pension Fund** Chicago	Corporate pension	56.0	**5.5**	Hedge fund assets have fallen about 10% since fourth quarter 2015, but target allocation remains steady at 10%. Has worked with Alyeska Investment, Basso Capital and GCM Grosvenor.

Effects ... From Page 1

and **SAC Capital** among his prior employers. When he set out to launch his own fund in 2014, the expectation was that he'd have little trouble lining up backers. But two years later he has abandoned that effort and taken a job as a portfolio manager at multi-strategy equity shop **Folger Hill Asset Management.**

Or consider **Brooke Parish,** who spent nearly 10 years as a partner and head of marketing at blue-chip fund operator **York Capital,** followed by stints at **Oakum Bay Capital** and **New Providence Asset Management.** Three months ago, he purchased yacht-design company **Sparkman & Stephens,** where he holds the title of chairman.

Parish hopes to return to the hedge fund business one day, but believes the industry is ripe for a shakeout.

It isn't just hedge fund managers and marketers who are scrambling to reposition themselves. Mini prime broker **Gar Wood Securities** has launched a business line aimed at companies that need help raising debt and equity capital. The initiative was driven, in part, by a slowdown in the pace of hedge fund launches.

And **Tom Ducrot** left **Morgan Stanley's** prime-brokerage group earlier this year to help start an index business aimed at capitalizing on increasing demand for passive investing — among the many pressures facing hedge fund managers.

Or consider that top-tier rents in 25 Midtown Manhattan office buildings occupied largely by hedge funds and other fee-rich financial firms fell 4% during the six months ended Sept. 30, according to **JLL.** "The demand is very weak," said **Cynthia Wasserberger,** a managing director at the real estate broker.

One large allocator to hedge funds said he, too, is seeing evidence of a slump — and not just in the tearsheets fund operators send him. In the past, managers and marketers typically took him out to dinner at expensive restaurants when they wanted to review their performance or discuss new opportunities. Now, they're more likely to grab lunch.

"No one wants to be the one who submits a huge expense receipt right now," the investor said. "Unless you are way up or [it's for] a massive investor."

Untold numbers of industry professionals, meanwhile, are cutting back on personal expenditures amid declining compensation. A survey recruiting firm **Odyssey Search Partners** conducted in September found portfolio managers expect their 2016 pay, including yearend bonuses, to be 34% less than last year. No wonder home prices in Greenwich fell 7.5% in the third quarter, according to a report by broker **Douglas Elliman Real Estate** and appraiser **Miller Samuel.**

"You start sharpening the pencil, and those $5 million compensation years are now $1 million, and then there's the tax guy that's coming after you," said an industry source. "People are not seeing the incomes that they're used to. They say, do I really want to carry a house with $20,000 a month in expenses and send two or three kids to private school?"

How much sympathy this elicits from people outside the industry is another question. The Odyssey survey found portfolio managers, on average, still expect their 2016 compensation will exceed $700,000.

"I am in touch with my hedge fund brethren and nobody is having a good time out there," a former fund marketer said. "And then again, no one is sorry for them." ❖

CALENDAR

Main Events

Dates	Event	Location	Organizer	Information
Nov. 28-29	Robin Hood Investors Conference 2016	New York	Robin Hood Found.	www.robinhood.org
Jan. 30-Feb. 1, '17	Network 2017	Miami	MFA	www.managedfunds.org
Feb. 1-3	Context Summits Miami 2017	Miami	Context Summits	www.contextsummits.com

Events in US

Dates	Event	Location	Organizer	Information
Nov. 14	Cap Intro: Emerging Markets-Commodities Alt. Invest.	New York	Catalyst Financial	www.catalystforum.com
Nov. 14	Advanced Hedge Fund Tax Forum	New York	FRA	www.frallc.com
Nov. 14	Alternative Investments Summit	Seattle	SAIA	gosaia.com
Nov. 14-15	Endowment & Foundation Forum	Boston	Opal Financial	www.opalgroup.net
Nov. 14-15	Real Estate Family Office & Private Wealth Mgmt. Forum	Miami	IMN	www.imn.org
Nov. 15	Private Wealth Tri-State Forum	New York	Markets Group	www.marketsgroup.com
Nov. 15	Evidence-Based Investing Conference	New York	IMN & Ritholtz	www.imn.org
Nov. 15	Hedge Fund Financial Reporting	New York	FRA	www.frallc.com
Nov. 15-16	Wealth Management	Miami	Terrapinn	www.terrapinn.com
Nov. 15-16	Quant Risk Americas 2016	New York	CFP	www.cefpro.com

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Chesapeake Adds to Liquid-Alts Menu

Long-time futures investor **Chesapeake Capital** has launched another alternative mutual fund.

The Richmond, Va., firm, led by **Jerry Parker,** began trading Rational Dynamic Momentum Fund last month with $15 million. Chesapeake serves as a subadvisor to **Rational Funds,** a Huntington, N.Y., mutual fund sponsor that handles marketing and investor relations.

Chesapeake is known for its systematic, trend-following approach to trading commodity futures. The new fund has a diversified portfolio encompassing forwards, futures and options on a universe of 200 commodities and financial instruments. It also trades individual stocks — highly unusual for a managed-futures vehicle.

Parker founded Chesapeake in 1988. For years, the firm managed commodity hedge funds for wealthy individuals and institutional investors. But in 2012, it switched its focus to mutual funds and rolled out its first offering in partnership with liquid-alternatives specialist **Equinox Funds.** That vehicle, Equinox Chesapeake Strategy, has stood out as the top-performing commodity mutual fund over the past three years, according to **Morningstar,** with gains of 22.7% in 2014, 3.1% in 2015 and a loss of 1.5% this year through Oct. 31.

The strategy of the new Rational Dynamic Momentum Fund is similar to that of Equinox Chesapeake, except it uses less leverage.

A third mutual fund, Monte Chesapeake Macro Strategies, has been losing money for three years running: down 6.5% in 2014, 3.9% in 2015 and 2.4% year-to-date as of Oct. 31. Chesapeake also manages a portfolio for a variable-annuity product marketed by **Mariner Investment.**

Chesapeake's assets have declined markedly from a peak of $2 billion in 2007. It now runs $180 million. "It's been a slow drain," Parker said. "Our hope is this will reverse by moving over to a mutual fund structure."

The firm's assets have risen from about $125 million a year ago.

Parker is known in commodity-trading circles as a star pupil of legendary trader **Richard Dennis'** "turtle" training program, a trend-following system for trading in the futures market. ❖

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year-to-date return of 10.2%. Four of the five were up by double-digit percentages. Meanwhile, one seed, **Barnstar Asset Management,** liquidated its fund at the end of the first quarter following sharp losses.

Writing to his investors last week, Rogers said the position in Monterone "establishes a new foothold for Stride outside the U.S. as we look to execute on our global investment and business-building mission."

He pointed to unusual fee terms offered by Monterone, including a sliding-scale management fee that could drop as low as 75 bp, depending on asset growth, and a hard 6% hurdle the fund has to reach before limited partners are charged performance fees.

"Few seeders would embrace this type of structure, but we believe it is a sensible approach that matches the return objectives of the fund," Rogers wrote.

Stride's other investments include stakes in **Greenhaven Road Capital, LRV Capital, North Elm Capital** and **Viex Capital** (formerly Vertex Capital). Viex, an activist shop that recently secured temporary representation on the board of data-storage company **Quantum,** was up 13% year-to-date as of Sept. 30.

North Elm gained 12.7% during the first nine months of the year. The firm is led by **David Rockwell,** who previously co-founded **Tiger Management** seed **North Oak Capital.**

Rogers typically raises equity for seed investments on a deal-by-deal basis, but he's now talking to investors about forming a commingled seed-capital fund. "Traditional hedge fund seeding has suffered from a focus on building what is already popular, prioritizing rapid AUM growth over credible differentiated strategies," he wrote in the letter. "Stride challenges this traditional seeding model by focusing on long-term structural advantages, the persistence of a manager's investment opportunity and their ability to execute."

It's unclear how much money Stride lost on its investment in Barnstar. The Aventura, Fla., firm had about $50 million under management in the first quarter of 2015. A year later, its gross assets totaled less than $20 million. Barnstar was down 30.6% during the first 10 months of 2015. ❖

LATEST LAUNCHES

Fund	Portfolio managers, Management company	Strategy	Service providers	Launch	Equity at Launch (Mil.)
Monsoon India Dynamic Alpha Fund Domicile: U.S. and Mauritius	Gautam Prakash Monsoon Capital, Bethesda, Md. 301-222-8000 marketing@monsooncapital.com	Equity: long/short	Law firms: Hirschler Fleischer and IC Legal Auditor: RSM Administrator: NAV Consulting and GFin Corporate Services	Nov. 1	$2.3

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have declined from about $450 million at the start of this year to $193 million as of Oct. 1. In August, founder **Sahm Adrangi** was arrested in the Hamptons on charges of drunk driving and misdemeanor cocaine possession. Carlson was running a little more than $20 billion on a gross basis at yearend 2015.

Hutchin Hill Capital has installed **Steve Rosen** as an in-house recruiter. His mandate: identify promising U.S. equity portfolio managers for the $3.7 billion multi-strategy operation. He reports to **Richard Mazzella,** who joined the New York firm last month as a member of the office of the chief investment officer. Mazzella supervises Hutchin Hill's portfolio managers. Rosen previously worked at **UBS.** Hutchin Hill is led by **Neil Chriss.**

Carson Block's Muddy Waters Capital has picked up a chief financial officer. **Scott Devinsky,** who also holds the title of chief compliance officer, arrived at the short-biased activist shop last month from **Ratan Capital,** where he occupied similar positions. He joined Ratan in April 2014. Earlier, he held the title of chief financial officer at both **First Oak Capital** and **Seasons Capital,** and served as controller at **Eastbourne Capital.** San Francisco-based Muddy Waters launched a fund in January with $100 million from a single backer. The firm currently runs $145 million on a gross basis.

John Smith joined **Paloma Partners** two weeks ago as a managing director in the Greenwich, Conn., firm's risk-management department. He most recently spent 12 years at **UBS'** fund-of-funds business. Joining Paloma represents a reunion of sorts for Smith. From 2001 to 2004, he worked at now-defunct **Telic Management,** a statistical-arbitrage hedge fund that received backing from Paloma. **Donald Sussman** founded Paloma in 1989. The firm has $5.3 billion under management.

Real estate-focused **Northwood Securities** has hired a chief financial officer. **Heather Paduck** is working in the Denver office of the New York firm, which invests in REITs and other publicly traded real estate businesses. She previously spent more than seven years at **Pembroke Real Estate,** most recently as chief financial officer, and has worked at **Fidelity Investments** and **PricewaterhouseCoopers.** Northwood, the liquid-securities arm of real estate investment shop Northwood Investors, was managing $590 million, on a gross basis, as of Aug. 31.

Fir Tree Partners is giving investors additional time to decide if they want in on a drawdown-style fund targeting distressed energy investments. The vehicle, Fir Tree Special Opportunities Fund 7, originally was scheduled to hold a final close on Oct. 1. But "given our constructive outlook on the opportunity set," Fir Tree recently told investors it will keep the window open until April 1. The offering has met with strong demand. Fir Tree has taken in more than $173 million for an onshore version and at least $68 million for an offshore companion, according to a Nov. 2 filing with the **SEC.** The contributions include some $30 million from current and retired Fir Tree executives.

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