

Hedge Funds

NEWS, ANALYSIS AND COMMENTARY

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Alternative Investment Group to Start ESG Fund

BY SIMONE FOXMAN, BLOOMBERG NEWS

Alternative Investment Group, the \$1.5 billion Southport, Connecticut-based fund of funds, is starting a strategy to invest in environmentally and socially responsible hedge funds, according to an e-mail to investors, a copy of which was obtained by Bloomberg.

"Sustainability is increasingly an important issue for many investors and we believe the fund is the first institutional-quality sustainable fund of hedge funds to focus on this area," **Sanford Brown**, a managing director responsible for business development, wrote in the e-mail.

The fund, which will start July 1, intends to allocate money to managers that already invest in a socially responsible manner. Alternative Investment Group will screen underlying managers' investments with a rating firm that analyzes companies' environment, society and corporate governance practices, according to the letter. Managers won't be able to take bullish positions in the 200 largest public coal, oil and gas companies, though they won't automatically be forced to sell other companies with poor ESG ratings.

Money managers of all types are increasingly starting investment products that incorporate ESG criteria. Assets invested such funds have grew to \$4.3 trillion in 2014 from \$12 billion in 1995, according to a *study* conducted by the US SIF Foundation.

Alternative Investment Group's fund will start with seed investors that have locked up their capital for three years. These investors will pay discounted fees — a management fee of 0.6 percent and an incentive fee of 3 percent — and receive 20 percent of the management fees paid by later investors.

Sam Sussman, the firm's head of investment strategy, will lead the new fund, called Alternative Investments Sustainability, LP. It will be the firm's sixth strategy, including one that's run as a managed account.

Catherine Jones, an external spokeswoman for Alternative Investment Group, declined to comment on the new fund.

David Storrs is chief executive officer of Alternative Investment Group, which was co-founded by Storrs and **Stewart Greenfield** in 1996. The firm also has offices in New York and London.

Alternative Investment Group invests in fundamentally-oriented hedge funds, with a focus on smaller and early-stage managers.

FLASHPOINT: GREECE



Hedge funds expect the crisis to blow over after the country's voters back austerity programs in the July 5 referendum: *Special section*

INSIDE

Saba Capital risk officer Dmitry Green joins Mariner Investment Group: On The *Move*

Florida State Board of Administration plans to increase its allocations to global macro funds: From The *Minutes*

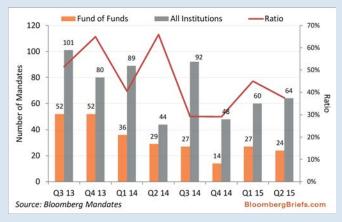
RCMA Asset Management's Doug King says oil prices will fall back below \$50 per barrel even as Chinese demand increases: *Spotlight*

QUOTE OF THE WEEK

"...it's really not all that big a deal on the world stage. This is a country of, you know, not very many people."

— Julian Robertson on Greece (see story)

FUND OF FUNDS MANDATES



BY NATHANIEL E. BAKER, BLOOMBERG BRIEF

Hedge fund mandates sourced from fund of funds firms, which have been declining steadily since Bloomberg began tracking the data in 2013, may be rebounding. The number of fund of hedge fund searches fell to 14 in the fourth quarter of 2014, corresponding to 29 percent of all hedge fund mandates, both all-time lows. In the first quarter of 2015, the percentage of fund of funds mandates was back above 40 percent. Fund of funds mandates have fallen somewhat this quarter, but are still above lows.

Institutional mandates are available on the Bloomberg terminal via MND < GO >. Access is provided to Bloomberg Anywhere clients at buyside firms. Contact your sales representative for questions about accessing the function.

FLASHPOINT: GREECE

Hedge Funds Say Grexit Fears Overdone, Predict 'Yes' Vote in Referendum

Bruce Richards, co-founder of Marathon Asset Management, said Greek voters will back the "most sane economic program," which is to stay in the euro, and predicted Prime Minister Alexis Tsipras will be out of office within 30 days. "He's probably out either way," Richards said in an *interview* on the television program "Wall Street Week" today. "If he takes it off the cliff, there's going to be rioting in the streets come weeks from now when the banks are closing and you have drachma. And if they vote yes, they're voting against" Tsipras's party Syriza, he said.

Greylock Capital Management, an emerging-market firm that owns Greek debt, said people will probably vote for the austerity measures in the July 5 referendum. "I think the idea of the referendum took the market by surprise, because it does not seem to help Tsipras in any significant way," Diego Ferro, co-chief investment officer at Greylock, said in a Bloomberg TV *interview*. "We still believe the most likely outcome is an agreement, as it is the only way for Greece to reopen the banks and have a functioning system."

- Saijel Kishan, Katherine Burton and Eshe Nelson, Bloomberg News

• Leon Cooperman, who runs Omega Advisors, yesterday put the chances of Greece quitting the euro at less than 50 percent. "It's hard for me to imagine that this will be a major event for global markets," Cooperman said in a Bloomberg TV interview.

— Joshua Fineman, Bloomberg First Word

Julian Robertson, founder of Tiger Management, said Greece is "really not all that big a deal on the world stage." Calling the situation in Greece "interesting," he said: "Today's just like any other day — some things have come to a head, this Greek thing has come to a head, but it's really not all that big a deal on the world stage. This is a country of, you know, not very many people." People shouldn't get "too steamed up over one or two days."

- Max Abelson, Bloomberg News

Genna Lozovsky, portfolio manager at New York-based Sandglass Capital Management, which invests in emerging markets credit and equity special situations, said Greek voters are most likely to vote "yes" in Sunday's referendum and a new government will eventually take over. "Greek voters will realize that nearly all of the promises made by Tsipras to date have turned out to be false and that they would prefer to earn their livelihoods and retain their savings in euros rather than in a currency managed by Varoufakis," Lovovsky said in an e-mail. "There will be subsequent political developments in Athens and a new government will emerge that will have to scramble to enter a program in order to reopen the banks as soon as possible."

- Nathaniel E. Baker, Bloomberg Brief

• Charlie Chan, a former Credit Suisse Group AG proprietary trader who now runs his own hedge fund, also said the panic over the Greek crisis would pass in a matter of days. "It will probably blow over in the next week or so," Chan said in a telephone interview. "The euro has fully priced in" the crisis.

- Netty Ismail, Bloomberg News

David Halpert, chief investment officer of **Prince Street Capital Management** said that while the country looks bad in the short term, he was "really quite optimistic" in the medium-term and longer-term, "because asset prices have been sold down really quite low and the economy is really at the bottom." The mandate won by the government was to not to take the country out of the eurozone "but rather it was to cut a better deal with their lenders," Halpert said in an *interview* with Bloomberg TV's Angie Lau. A leaner and more efficient Greek economy will be the result, he said.

- Darshini Shah, Bloomberg Brief

Paulson Caught Out in Greek Stocks

John Paulson's Paulson & Co. is among North American funds that bought stakes in four Greek banks last year, according to data compiled by Bloomberg.

Shares in the lenders that raised capital — Eurobank Ergasias SA, National Bank of Greece SA, Piraeus Bank SA and Alpha Bank AE — have fallen by an average of 56 percent since the sales, the data show. Those losses could rise sharply as the country skirts with the prospect of defaulting.

Paulson is the second-largest shareholders in Piraeus Bank. It disclosed a 6.6 percent stake in the bank in the second quarter of 2014, and still held the same amount at the end of March this year, the data show. That stake was valued at about 655 million euros (\$737 million) on the date that the investment was disclosed. The shares closed at just 40 cents on June 26, making the same stake worth just 162 million euros, the data show.

Piraeus Bank also sold its 9.9 percent stake in Athens Water Supply & Sewage Co. to Paulson for 86.3 million euros last May, a bank official said.

A spokesman for Paulson declined to comment.

- Ruth David, Bloomberg News

GREECE: Special Real-Time Brief

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Paulson Health Care Fund is First Launch in 5 Years

Paulson & Co. is starting a fund focusing on health care and related technology and consumer companies.

The new fund, led by **Guy Levy**, will start with \$500 million, according to a letter obtained by Bloomberg News. It's the first fund the New York-based firm has started in five years, and the first that won't be managed by billionaire founder **John Paulson**.

"Guy's talent and expertise in healthcare, pharmaceutical and related sector investing have added significantly to our performance over the past five years," Paulson, 59, wrote in the letter. "These changes represent the natural evolution of our firm."

The Paulson funds have rebounded since last year, when they posted their second-worst performance in the firm's 21-year history. The firm has benefited this year from successful wagers on energy and health-care mergers. A spokesman for Paulson declined to comment.

Paulson also wrote in the letter that **Sheru Chowdhry** and **Ty Wallach** will become co-portfolio managers of the Paulson Credit Opportunities Fund, which he had previously overseen alone. The credit fund gained 590 percent in 2007.

- Simone Foxman, Bloomberg News

Della Parola to Start 'Behavioral Quant' Strategy

Della Parola Capital Management, a \$100 million investment firm founded by three finance professors, is starting its first hedge fund.

The Fort Collins, Colorado-based firm will start a "behavioral quant" fund in July with about \$30 million, according to chief investment officer **David Mascio**. The firm, which has been in operation since 2005, builds algorithms that can make decisions about stocks. The firm's models attempt to predict broad market sentiment and identify the best- and

worst-performing industries, then make decisions about which companies to buy and sell each day by analyzing the causes behind a stock's volatility.

"We try to apply the academic rigor in finance to the practical application of managing money within our strategies," Mascio said in an interview this month.

Mascio was most recently an adjunct professor of finance at Colorado State University's College of Business. He was previously the chief investment officer at Poudre River Valley Trust Company. **Kenton Zumwalt**, a former finance professor at Colorado State University who retired last year after 21 years, is chief market strategist. The firm's chief risk officer is **Hong Miao**, also a professor at Colorado State .

The firm manages three other long-only strategies that are intended to beat benchmarks while limiting volatility.

- Simone Foxman, Bloomberg News

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ON THE MOVE

Saba's Green to Join Mariner as Chief Risk Officer

Mariner Investment Group, the \$13.5 billion hedge fund firm, hired **Dmitry Green** from Saba Capital Management to become chief risk officer.

Green, 43, joined the firm after five years at Boaz Weinstein's Saba, where he oversaw risk management and technology, according to a statement from New York-based Mariner. His last day at Saba was June 26 and he started at his new job yesterday, where he will report to the firm's operating committee, according to a spokesman for Mariner Investment Group.

Green was replaced by Grace Cao, who joined Saba from Goldman in 2011, according to a person with knowledge of the firm. Saba's assets have fallen to about \$1.5 billion from a peak of \$5.5 billion after the firm lost money over the past three years. A team of commercial mortgage bond traders led by Toby Maitland Hudson left Saba earlier this year and started at Cello Capital Management in May.

A spokesman for Saba declined to comment on the departure.

Before joining Saba, Green was head of risk management at BlueMountain Capital, a credit-focused hedge fund firm, from 2007 to 2010.

- Simone Foxman, Bloomberg News

Rokos Hires Nomura Economist Cailloux

Chris Rokos, a former top trader at Brevan Howard Asset Management, hired economist **Jacques Cailloux** from Nomura Holdings Plc to help start his new hedge fund.

Cailloux, who took over as Nomura's chief European economist in 2012, will join later this year as head of macro research, said Alan Kilkenny, a spokesman for Rokos in London. Cailloux and a spokeswoman for Nomura declined to comment.

Rokos, 44, is recruiting as he converts his family office with pledges from outside investors. Borislav Vladimirov, a former colleague at Brevan Howard, and Stuart Riley, who used to work as Asia-Pacific co-head of macro trading at Goldman Sachs Group Inc., both signed up earlier this year.

Before joining Nomura, Cailloux was European economist at Royal Bank of Scotland Group Plc. The graduate of Universite Paris-Sorbonne previously worked for JPMorgan Chase & Co., BlueCrest Capital Management, Barclays Plc and Deutsche Bank AG.

Rokos, who specializes in trading around macro-economic themes, generated more than \$4 billion as a trader at Brevan Howard. He sued his old firm last year to void an agreement preventing him from managing external money until 2018. He settled in January and Brevan Howard will have "a financial interest" in the startup, the two parties said at the time.

- Simon Kennedy and Will Wainewright, Bloomberg News

FROM THE MINUTES

Florida's State Board of

Administration plans to increase its allocations to global macro hedge funds, currently 2 percent of its strategic investments portfolio, "to get that up to 8 percent to 10 percent over the next 12 to 24 months," according to comments attributed to Trent Webster from the *minutes* of its March 23 investment advisory council meeting. SBA separately "hired one more managed futures manager this quarter," to increase its allocation to "8 or 9 percent," completing the creation of its commodity trading adviser portfolio.

Orange County Employees Retirement System was scheduled to increase Beach Point's long-short credit mandate to \$125 million at its June 24 investment committee meeting, according to the agenda. The investment, "in a custom account structure," will be funded from OCERS's diversified portfolio segment.

Teachers' Retirement System of the State of Illinois was scheduled to discuss "new business" on "absolute return" at its June 25 investment committee meeting, the agenda said.

 Pyramis Global Advisors's Steve Rosen, David Bagani and Kristen Shofner were scheduled to discuss "high yield CMBS" at Alaska Retirement Management Board's trustees meeting on June 18 and 19, according to the agenda.

- Nathaniel E. Baker, Bloomberg Brief

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Crescat Capital Says Yuan to Crash on Unpegging

Crescat Capital, the Denver-based hedge fund firm, is shorting the Chinese yuan against the U.S. dollar as it expects China's central bank to abandon the currency peg within a year.

"We believe that the currency is massively overvalued," **Kevin Smith**, CEO and founder of the firm, said of the yuan. The firm is shorting the yuan against the dollar through put options in the currency swap markets, he said.

The position, which Crescat Capital has held for almost a year, "has not worked out in our favor yet," Smith said. "But we have renewed the options because they are so cheap, they're something that you can afford to wait until something happens because we think the imbalances are so extreme and so obvious."

Crescat Capital was founded in 2005 and manages a long-short equity fund, a global macro strategy and separately-managed accounts focused on large-cap stocks. It has "a nine-year track record of developing and capitalizing on diverse macroeconomic themes in a variety of market environments" including the housing bubble and financial sector crisis according to a marketing document obtained by Bloomberg.

Crescat's Global Macro Fund has gained an annualized 16 percent since its Jan. 1, 2006 inception. Its Long/Short Equity Fund gained 8.7 percent since May 1, 2000 and the managed accounts have returned 11.3 percent since Jan. 1, 1999, according to the document. Before starting the firm Smith worked at Kidder Peabody and PaineWebber the document said.

- Hema Parmar, Bloomberg Brief

Richards Says China Stocks to See Large Decline

Bruce Richards, co-founder of Marathon Asset Management, said Chinese stocks are due for a big decline and depressed prices on emerging-market debt are presenting opportunities in Latin America and Asia.

"There could be a substantial correction with China because it's had a huge MARKET CALLS, REVISITED BY HEMA PARMAR, BLOOMBERG BRIEF

Whitebox Advisors in a May 2014 letter to investors *said* it was shorting 18 stocks as part of a "Never Never" index. The Minneapolis-based firm, founded by **Andrew Redleaf**, christened "Never, Never" as an homage to Benjamin Graham reversing his concept of "Net, Nets."

COMPANY	STOCK TICKER	RETURN SINCE MAY 1, 2014				
Advisory Board Co/The	ABCO	-6%				
athenahealth Inc	ATHN	-9%				
Infoblox Inc	BLOX	34%				
Concur Technologies Inc*	CNQR*	55%*				
Cepheid	CPHD	36%				
Salesforce.com Inc	CRM	34%				
Equinix Inc	EQIX	32%				
Facebook Inc	FB	40%				
Kate Spade & Co	KATE	-36%				
LinkedIn Corp	LNKD	26%				
Marketo Inc	МКТО	1%				
NetSuite Inc	Ν	16%				
OpenTable Inc*	OPEN*	51%*				
OPKO Health Inc	OPK	85%				
Palo Alto Networks Inc	PANW	163%				
Shutterfly Inc	SFLY	17%				
Under Armour Inc	AU	69%				
Workday Inc	WDAY	2%				
Source: Bloomberg						

*company acquired

Only three of the stocks named by Whitebox were trading at lower prices as of yesterday's close. Two — Marketo and Workday — were only slightly higher from May 1, 2014. Eight have returned 30 percent or more since that time, led by Palo Alto Networks Inc., which has risen 163 percent. Two companies, OpenTable and Concur Technologies, were acquired at premiums of more than 50 percent over their May 1, 2014 closing prices. "I believe, over the long term, the value of a stock must be the appropriately discounted sum of all future cash flows," Redleaf said in an e-mail last week. "By that standard I continue to believe most of these stocks will ultimately disappoint their owners."

run-up," Richards said in an interview on the television program "Wall Street Week" that aired on June 28.

As investors look elsewhere, Richards said he sees "good opportunities" in emerging-market debt, including Brazil, Argentina, Mexico, China and Indonesia as prices are low.

New-York based Marathon, which oversees \$12.5 billion in assets, also has

a "very positive" outlook on Europe, according to Richards.

"Wall Street Week" is produced by SkyBridge Media, an affiliate of SkyBridge Capital, which sometimes has other business relationships with the shows participants, advertisers and sponsors, pays Fox stations in key markets to broadcast the show.

— Julia Leite, Bloomberg News

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June 30, 2015







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LEGAL/COMPLIANCE

Puerto Rico Creditors Said Drawing Battle Lines

A group of more than 35 hedge funds has gone from standing ready to pour more than a billion dollars into cash-strapped Puerto Rico to preparing for battle against the island territory — and one another — in a default.

Governor Alejandro Garcia Padilla triggered the unraveling of a potential \$2.9 billion oil-tax bond deal for Puerto Rico's Government Development Bank by signaling his desire to restructure the island's debt rather than raise new capital, according to three people with direct knowledge of the matter.

The hedge funds that were preparing to fund the bulk of that deal are now focusing on ways to protect their stakes, including through litigation, said one of the people. Some creditors are also in talks to break off into new groups, the person said.

"You are going to see additional creditor organization efforts, new groups form, and perhaps existing groups splinter," **Aaron Rosen**, a principal at **Archview Investment Group**, a Stamford, Connecticut-based hedge-fund that manages about \$900 million, said by telephone. "Bondholders are going to have to check their specific exposures and see which groups they should be in and which ones they shouldn't be in."

Garcia Padilla has turned the island's rescue efforts on their head. In a televised speech on June 29, the governor said he will seek to delay payments on the island's \$72 billion in debt for "a number of years," and he called on officials to come up with a debt restructuring plan by Aug. 30.

His comments sent the prices on some Puerto Rico bonds tumbling to all-time lows, while both Standard & Poor's and Fitch Ratings cut the commonwealth's ratings deeper into junk. With traditional municipal-debt investors shunning its bonds, the island faces a stultifying cash crunch and the government expects its development bank to run out of capital by Sept. 30. Puerto Rico's new fiscal year starts on July 1 and lawmakers on June 29 passed a budget that would enable it to make payments on central-government debt. The U.S. territory is grappling with a jobless rate double the national average and a debt load bigger than every U.S. state except California and New York.

The creditors own about \$4.5 billion of Puerto Rico's debt and are led by **Fir Tree Partners** and **Monarch Alternative Capital**. They had been proposing terms for the bond deal since at least February, people with knowledge of the matter told Bloomberg last week. It would siphon money to the GDB, which handles the island's debt transactions and lends to the commonwealth and its agencies, by repaying debt owed by its highway authority.

The decision by investors to quit the deal and focus on other remedies comes after Garcia Padilla said in an interview with the New York Times published on June 28 that investors should be prepared to sacrifice if they want the island's economy to grow. He said in a televised speech on June 29 that Puerto Rico's debt is unpayable and needs a complete restructuring.

Russ Grote, a spokesman for the hedge funds at **Hamilton Place Strategies** in Washington, and David Millar, a spokesman for the **GDB** at Sard Verbinnen & Co. in New York, declined to comment.

Prices on Puerto Rico general obligation bonds maturing July 2035 fell to as low as 68.3 cents on the dollar from 76.8 cents on Friday, data compiled by Bloomberg show. — Laura J. Keller and Michelle Kaske, Bloomberg News



Hedge Funds Targeted by Senate's Wyden in Tax Bill

The owners of hedge fund-backed reinsurers, including one tied to **John Paulson**, could have to pay more taxes or shift their focus under a bill introduced by Senator Ron Wyden to counter what he called abuses by offshore companies.

"For over 10 years now this loophole has allowed some hedge fund investors to avoid paying hundreds of millions of tax dollars," Wyden, the top Democrat on the Senate Finance Committee, said in a statement on June 25. "It's time we shut it down for good."

Hedge-fund managers can lower the rate they pay on profits and postpone the bills indefinitely by routing investments through reinsurers in offshore locations like Bermuda. **David Einhorn** and **Dan Loeb** are among hedge fund managers who set up reinsurers outside the U.S., and the companies have said they are legitimate businesses taking on risks from primary insurers, and not tax dodges.

Under the bill, a company couldn't qualify as an insurer for tax purposes if insurance liabilities are less than 10 percent of assets. When the ratio is 10 percent to 25 percent, the determination would be based on "facts and circumstances," according to an overview of the bill. "Legitimate insurance companies will be able to meet the 25 percent test."

PacRe Ltd., a reinsurer set up by Paulson, had a ratio of about 1 percent at the of of 2012, said a report by the Joint Committee on Taxation on Bermuda-based insurers in 2013. Loeb's **Third Point Reinsurance Ltd**. had a ratio of 11.9 percent.

The Internal Revenue Service, in proposed rules in April, said favorable treatment shouldn't apply to companies that borrow insurance executives from another firm. Paulson's PacRe has relied on Bermuda-based Validus Holdings Ltd. for underwriting staff. Manoj Gupta, who handles investor relations at Third Point Re, didn't return a message seeking comment, nor did spokesmen for Paulson and Validus.

— Sonali Basak and Selina Wang, Bloomberg News

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HEDGE FUNDS ADDED TO BLOOMBERG THIS WEEK

The following hedge funds were added to Bloomberg's database this week. Access the Hedge Fund Database Portal by typing *HFND* on your Bloomberg Terminal. To view U.S. hedge fund managers, users must fill out an Accredited Investor Form and Qualified Purchaser Questionnaires (*HFND4*).

TICKER	BLOOMBERG ID	FUND MANAGER	MANAGEMENT COMPANY	OBJECTIVE	MANAGER LOCATION	INCEPTION DATE	PRIME BROKER
CFIGOAB CN	BBG009DW81Q6	Nandu Narayanan	BPI Global Asset Management	Macro Discretionary Thematic	Canada	5/12/1995	N/A
CAARUSD LX	BBG009GZWL76	Steeve Brument	Candriam Luxembourg SCA	Managed Futures Systematic	France	6/22/2015	N/A
GOOGFFN CN	BBG009GZPBG6	Peter H Puccetti	Goodwood Inc	Long Short Equity	Canada	1/2/2014	NBCN Clearing Inc
MIMFSPC KY	BBG009H5K016	Team Managed	Gottex Penjing Asset Management HK Ltd	Managed Futures Discretionary	Hong Kong	4/1/2014	Credit Suisse
HILCLNL CN	BBG009GZP855	Tony Batek	Hillsdale Investment Management Inc	Long Short Equity	Canada	12/31/1999	N/A
HILUPNL CN	BBG009GZPBP6	Team Managed	Hillsdale Investment Management Inc	Long Biased Equity	Canada	2/29/1996	N/A
BMBGWUA KY	BBG009F7SBL0	Team Managed	Partners Consultants Ltd	Multi Strategy	Cayman Islands	11/11/2014	N/A
RWCFMEB KY	BBG009H550M0	Team Managed	RWC Asset Advisors US LLC	Emerging Market Equity	U.S.	4/30/2015	Morgan Stanley
WBGOPFI US	BBG009F4BWV8	Brian D Singer Thomas Clarke	William Blair & Co LLC	Macro Diversified	U.S.	9/1/2009	Credit Suisse
ZEGHGPA KY	BBG009DZX5P3	Team Managed	Zeta Group Holdings Ltd	Multi Strategy	Hong Kong	6/30/2015	N/A

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SPOTLIGHT

RCMA's King Sees Brent Falling Below \$50 on Oversupply

Doug King, co-founder and chief investment officer at **RCMA Asset Management**'s \$240 million Merchant Commodity Fund speaks to Bloomberg Brief's Will Wainewright about his view on oil and Chinese demand for commodities.

Q: You had a great 2014. What drove that performance?

A: We posted a 59.3 percent gain last year, a record year since inception with the best month being December when the fund rose 19.5 percent. The OPEC meeting on Nov. 27 was central to our gain at the end of the year. We were already shorting oil, but the meeting caused us to strengthen our bearish view. This was vindicated as the price plunged during December. We also had a structural bearish bias on the coal and iron ore markets that also fell heavily in December.

Q: What conclusions did you draw from that OPEC meeting?

A: This turned out to be an amazing meeting. After huge pre-meeting hype, the meeting was over within a few hours — these can often run into days. There was defiance in the statement regarding maintaining OPEC production with other producers restricting production if necessary and a casualness about it with the next meeting not scheduled for another seven months. For me, it flashed market share fight and subsequent price war. The market had been complacent for several years and this meant a huge readjustment as OPEC seemed no longer willing to be the "swing producer."

Q: How has your fund performed this year?

A: Less well. The fund is around zero for the first five months of the year. We expected the oil price to remain lower than it has done. Oil demand has been stronger than we anticipated, but I don't know how much of that is real demand, as opposed to "filling up the pantry" now because it was cheap. We are very skeptical about whether the demand numbers we are seeing will be maintained through the second half of this year. We see the oil price going lower from here, Brent crude could well head below \$50 a barrel again in our view. We don't believe the world is growing as much as it needs to grow to mop up the oversupply.

Q: What else is the fund betting on?

A: China's demand for commodities remains in an upward trajectory in general. The reason we have declining prices in most commodities is due to the incredible response in supply that has occurred globally to meet this demand. For example, the world has added over 200 million acres of land producing corn, wheat and soybeans in the last 10 years. One area where Chinese demand growth is declining is coal. Imported demand for coal into China will decline in 2015 as domestic coal mines are supported and a diversification into cleaner gas powered capacity continues. The world will therefore continue to be structurally oversupplied, with coal and prices continuing to trend lower until one of the major producers bite the bullet and cut back.

Q: Are there plans to grow the fund?

A: The Merchant Commodity Fund is capable of managing more than \$1 billion comfortably. The fund's assets peaked at \$2.3 billion in 2008 and we ran over \$1 billion in the markets for five years between 2007 and 2011, so that sort of size is perfectly feasible. Our performance last year led to a significant uptick in enquiries and due diligence requests, but that has yet to translate to an increase in the size of the fund. Commodities in a multi-year bear market remain a cold sector to a lot of investors, with equity markets seen as offering greater opportunities by contrast. However, as seen last year, even bear

Age: 48

markets which were the norm when I started my career, offer huge investment opportunities.

Q: Do you manage any other hedge funds?

A: No, but the fund manager, RCMA Asset Management, is linked to the RCMA Group, a physical commodity trading group, which Mike Coleman and I acquired separately in 2010. The core of this business is supply-chain management and we physically distribute annually over a billion dollars of commodities such as rubber, cotton, white sugar, fertilizers and coffee around the world. Mike and I worked in that sort of business when we were at Cargill prior to starting the hedge fund.

Q: How does your ownership of RCMA Group benefit your hedge fund?

A: The main opaque area in commodity trading and investing is demand. The supply side of the equation is overly analyzed by all, with abundant statistics readily available. Our link to a substantial physical business allows us to extract real time data on global demand in commodities such as rubber. Rubber is a hugely predictive indicator to global GDP as it is extensively used in the industrial sector via the manufacture of tires for trucks and heavy industrial machinery. We started to get bearish on oil and other industrial commodities such as iron ore in the spring of 2014 based on our view that global GDP was significantly below perceived estimates. This view was formed as our sales of rubber worldwide were proving to be disappointing despite a price fall of 30 percent from 2013 price levels.

AT A GLANCE



Education: BSc (Hons) Mathematical Engineering, Loughborough University **Professional Background:** Cargill, Crown Resources **Hobbies:** Golf, ballet **Favorite Restaurant:** C London, Mayfair

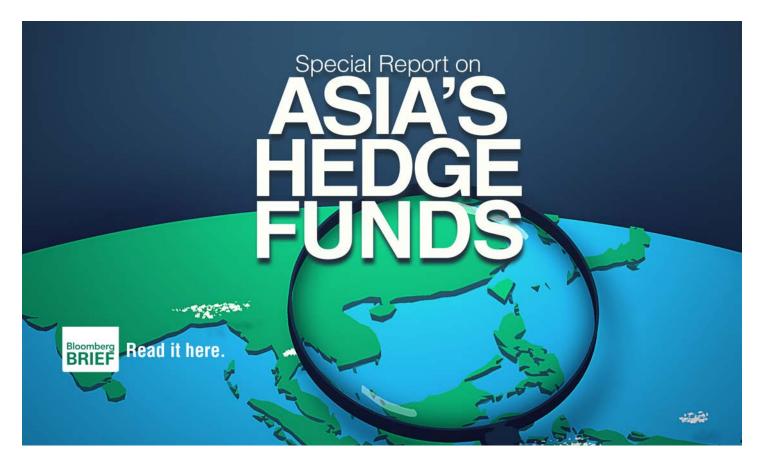
Why I enjoy working in commodity markets: It is a fast changing fascinating industry because it all pertains to the real economy. Investing and trading in commodities requires deep knowledge and that is why most top commodity traders are old and gray!

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June 30, 2015



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CALENDAR TO SUBMIT AN EVENT E-MAIL HEDGEBRIEF@BLOOMBERG.NET

The "organizer" and "event" columns link to websites, where available. "Attendees of note" links to the individual's BIO page, where available, on the Bloomberg terminal. This functionality may be limited to terminal users viewing the Brief in Chrome browsers.

DATE	ORGANIZER	EVENT	SPEAKERS/ATTENDEES OF NOTE	LOCATION
July 7	BofA Merrill Lynch	Emerging Manager Conference	Managers to announced to attendees.	Chicago
July 9	Investment Management Institute	Alternative Investment Consultants Summit	William Dahab, Dahab Associates; Charles Colfer, Segal Rogerscasey; Todor Todorov, Towers Watson; Chris Solarz, Cliffwater.	Hyatt Regency, Greenwich, Conn.
July 15	CNBC, Institutional Investor	Delivering Alpha	Presentations by Paul Singer, James Dinan, Richard Perry, Eric Mindich, Barry Rosenstein, Leda Brega.	The Pierre, New York
July 20-22	Opal Financial Group	Public Funds Summit East	Announced to attendees.	Newport Marriott
July 22	Education Reform Now	6th Annual Take 'Em To School Poker Tournament	Guest player <i>David Einhorn</i> . Event chairs include <i>Whitney Tilson</i> . Event committee includes <i>Jason Mudrick</i> .	Gotham Hall, New York
July 23	BofA Merrill Lynch	The Long Game: Investing in Uncertain Times. A Global Macro Forum	Managers to be announced to attendees.	New York
July 27	New York Hedge Fund Roundtable	Roundtable with Michael A. Gould-Wartofsky	Michael A. Gould-Wartofsky, author of "The Occupiers."	New York
July 29	Alternative Asset Events	Liquid Alpha Summit	One-on-one meetings with investors. Speakers to be announced.	University Club, New York
July 29	Hedge Funds Care	New York Young Professionals Summer Benefit	TBD	Attic Rooftop and Lounge, New York
Aug. 4	New York Hedge Fund Roundtable	Roundtable with Joseph Stiglitz	<i>Joseph Stiglitz</i> to speak on "The Great Divide: Unequal Societies and What We Can Do About Them."	New York
Aug. 17-18	BNP Paribas Investor Capital Services	Fifth Annual Southeast Hedge Fund Forum	Managers to be announced to participants. E-mail investorcapitalservices@us.bnpparibas.com for more information.	Durham, North Carolina
Sept. 4	Goldman Sachs	Credit and Event-Driven Hedge Fund Forum	Managers to be announced to attendees.	New York
Sept. 9	New York Hedge Fund Roundtable	Hedge Funds Impact on the Philanthropic Community	Panel moderated by Doug White, Columbia University.	New York
Sept. 9	UBS	Global Hedge Fund Conference	Managers to be announced to attendees.	New York
Sept. 16-17	Morgan Stanley	Global Hedge Fund Manager Forum	Managers to be announced to attendees.	Greenwich, Conn.

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BLOOMBERG BRIEF: HEDGE FUNDS

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