

WEEKLY BRIEF: HEDGE FUNDS

– HEADLINES –

Note: The next edition of the newsletter will publish Tuesday, Jan. 8, 2019 due to the Christmas and New Year holidays.

The worst year for hedge funds since 2011 is drawing to a close. Returns evaporated, some big names shut up shop and investors pulled their cash. But there were some bright spots. Among the winners were Crispin Odey and Robert Gibbins's Autonomy, while Horseman and David Einhorn's Greenlight were at the bottom. Read more [here](#).

Goldman Sachs's Petershill may be on the hook for a hefty tax bill on the \$55 million sale of its stake in New York-based Claren Road to Carlyle in 2010. The Goldman unit, which operates entirely from London, must pay \$5.25 million on the sale of its 10% stake, a New York City tax-appeals tribunal ruled earlier in December. The payment may be more after accrued interest from 2014, when Goldman appealed the original levy after an audit.

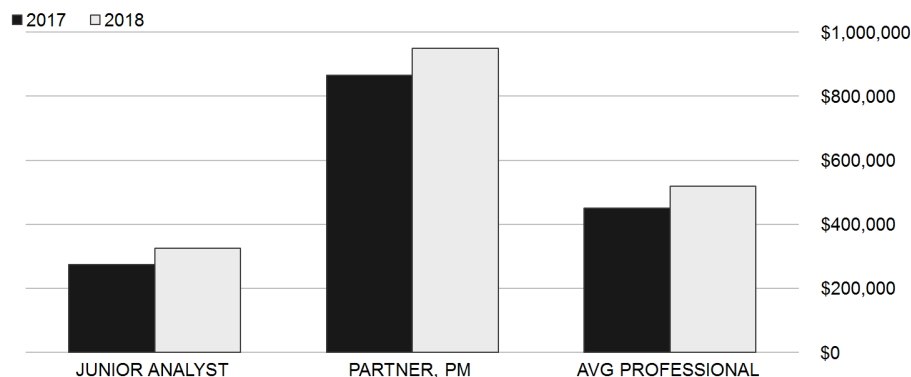
Jack Meyer's Convexity has seen assets fall by almost half since last year, reaching \$1.6 billion at the end of November, as the fund struggled amid the low-rate environment, people familiar said. The Boston-based fund had peak assets of \$15 billion in 2013. It performed as much as 3.7 percentage points better than benchmarks through November after trailing those points of reference by about 1.8 percentage points in 1H 2017.

Stan Druckenmiller warned conditions may become more challenging as central banks pull stimulus from a slowing global economy. He sees lousy returns on stocks for years to come and expects Treasury yields will keep dropping. Key indicators aren't red yet but "they are definitely amber. The highest probability is we struggle going forward."

Hedge fund employees of all stripes, from junior analysts to portfolio managers, have something in common this year: They're all expecting fatter paychecks. They expect median compensation of \$520,000 in 2018, a 16% rise from last year, according to an Odyssey Search Partners survey. Employees are still bullish overall, but their confidence is muted – this time last year they expected a 39% bonus increase versus 21% this year.

COMPENSATION BUMP

HEDGE FUND PROFESSIONALS OF ALL LEVELS AND FIRM SIZE EXPECT GREATER PAY IN 2018



SOURCE: ODYSSEY SEARCH PARTNERS' 2018 REPORT

Pantera said about 25% of the blockchain and digital-currency projects that its ICO fund invested in could be found in violation of U.S. securities laws and may have to refund money to their backers. The California-based fund said the projects may be at risk after the SEC's Nov. 16 announcement that two startups that raised millions by issuing tokens to non-accredited investors didn't comply with securities laws. Read more on Bloomberg [here](#).

Bridgewater's Ray Dalio said a conflicts gauge is at its highest level in more than 70 years. "There is more polarity, more conflict internally, of a sort," Dalio told CNN. He said the inequality issue extends beyond the U.S. into other countries. "If you look at Brazil, if you look at Mexico and if you look in many countries right now, worldwide, you see that there is more political extremism," Dalio said. "It's a negative for the economy."

Paulson has convinced Detour Gold shareholders to overthrow the bulk of the Canadian miner's board of directors, including its interim CEO, ending a nasty six-month proxy battle. Five of the Paulson-backed nominees were chosen, while Detour Chair Alex Morrison and interim CEO Michael Kenyon were removed from the board during a special shareholders' meeting, the miner said in a statement. Read more on Bloomberg [here](#).

Red Kite's \$850 million lawsuit against Barclays has unearthed [trading losses](#) that the bank may have preferred to forget. Two Barclays metals traders were dismissed seven years ago after racking up losses of \$396 million, documents show. At the time, Barclays denied the losses – some of the biggest ever disclosed by a bank in the commodities markets. Red Kite cited the materials as part of the suit into alleged market abuse in copper markets.

UniCredit settled a dispute with Caius Capital that accused the London fund of boosting capital strength by misclassifying certain securities. The Italian bank in turn sued Caius for about 90 million euros (\$102 million). Terms of the "lump sum" Caius will pay weren't disclosed.

Neiman Marcus is disputing Marble Ridge's claims that the retailer defaulted on debt agreements when it transferred the MyTheresa subsidiary beyond the reach of creditors. The chain filed counter-claims in Texas Dec. 15 seeking damages tied to allegedly "false statements" that Marble Ridge made about Neiman in a lawsuit and public letters. Neiman also wants the court to dismiss Marble Ridge's Dec. 10 lawsuit, calling the claims "legally defective."

- ALPHA -**Closures**

Jabre Capital is returning client money in the three funds personally run by Philippe Jabre, said Mark Cecil, a founding partner. The remaining funds, one focused on EM and the other on European credit, will keep operating with outside money. The fund blamed new tech and computerized models for making the market more difficult to anticipate. Jabre's got company: 580 funds have shut this year versus 552 openings, Eurekahedge data show.

Credit-focused River Birch plans to shut after seeing client withdrawals, and losing a key investor, said people familiar. The New York-based firm was co-founded by Bart McDade, who was president and COO at Lehman Brothers when it filed for bankruptcy in September 2008, and Alex Kirk, who held roles at the bank including global head of principal investments. River Birch ran about \$1.7 billion, including leverage, according to a March filing.

Launches

Dharmesh Maniyar plans to spin out his fund from Tudor Investment, and take his six-person team with him, an investor letter shows. A Tudor entity will take a strategic stake in London-based Maniyar Capital Advisors, which will be a standalone firm by January 2020 or earlier. The fund will start with over \$500 million, said a person familiar. Maniyar's macro fund, which uses machine-learning algos, rose 16% this year through the first week of December.

Former BlueCrest stocks head Christian Dalban is preparing to start his own fund more than a year after leaving Michael Platt's firm. Dalban set up LeCap in London last month and is developing an equity market-neutral strategy that uses algos to pick investments. LeCap is expected to start the fund next year.

On the Move

Dmitry Balyasny is putting more skin in the game as he attempts to right his flailing Chicago firm. Balyasny is hiring nine investment teams after firing 10 trading groups across equity long-short, credit, systematic, commodities and macro strategies in November, an investor letter showed. The firm will start next year with \$7 billion of AUM, down from \$11.3 billion in early 2018. Balyasny said the firm will have about 70 investment teams in early 2019.

Li Yifei, chairwoman of Man Group's China unit, is retiring at the end of the year after a decade at the firm, an internal memo showed. Under Li, Man Group pushed into China's fast-growing market for private funds. Hersh Gandhi will assume Li's sales responsibilities in his expanded role as head of sales in Asia Pacific, excluding Japan.

Citadel hired Fabian Blohm, the former co-head of GLG's European long-short equities fund, to help expand one of its investment units. Blohm will join as COO of Citadel's Surveyor business next year, said a spokeswoman. He previously worked for Citadel in London for seven years in quant research and risk-management roles, and left GLG last month. In his new role, Blohm will help run the unit's worldwide operations and support its build-out in Europe.

Andrew Law's Caxton hired former Standard Chartered trader Vibhor Mittal as an associate portfolio manager to help expand in Asia, said people familiar. Caxton now has seven employees in its two-year-old Singapore office.

Hong Kong-based Turiya let go of six staff, including two on its investment team, earlier this month, said a person familiar. The firm, which had about 20 staff, is down 20% this year. The

long-short equities fund returned 25% last year and founder Davide Erro, a former Goldman Sachs trader, remains committed to the business. While a different approach is under consideration, Turiya doesn't plan to return client capital, or become a family office.



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Joel Stainton
Head of Futures Execution, EMEA

Trader Insights

Bank of America
Merrill Lynch

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– VOICES –

Blackstone's McCormick on His Outlook for 2019



John McCormick, CEO of Blackstone Alternative Asset Management (BAAM), spoke to Bloomberg's Shelly Hagan on Dec. 14. His comments have been edited and condensed.

How is your hedge fund business doing?

All four of our platforms at BAAM have raised incremental capital this year. The three newer parts of the business – participating in asset manager economics with the GP stakes and seeding platform, liquid alternatives and the direct investing platforms – have been growing collectively at a faster rate than the more traditional business of building portfolios for institutions.

What's your outlook on seeding next year amid the volatility and headwinds facing the industry?

We're seeing an opportunity to do fewer seeds, but larger launches. We're looking to partner with people who already have a significant following and reputation in the industry, with a really strong institutional track record at a well-known place. The size of our seed could range from \$50 million to \$200 million.

Why focus on larger launches and fewer seeds now?

We have always made relatively large seed investments because we want managers to have enough day-one capital so that they can focus solely on generating great performance out of the gate, as opposed to being distracted by the need to raise additional capital to support the business. As regulatory and other costs increase and institutions focus on having fewer, more strategic relationships, we believe that scale is increasingly important.

What strategies do you like and dislike going into 2019?

Quantitative strategies, global macro and structured credit are where we continue to see opportunities and we think they may be positioned to continue to thrive in 2019. Strategies like long-short equity and event-driven have been more challenged recently and we would expect that to continue into next year.

You're coming up on the one-year mark as CEO, what is your year-end goal?

We are focused on protecting investor capital in what is a very volatile market. We are making significant investments in technology and infrastructure because the next generation of investor solutions is going to be driven by more quantitative tools and methods. So my first big senior hire this year was a chief technology officer.

Both on the investment and operations side, tech is having a significant impact on our business. For example, on the investment side, across all of our platforms, we're making sure we can look at data in a seamless way.

Geographically, where are the best opportunities?

Right now, Asia looks particularly interesting to us – whether it's some of the structural changes going on in Japan with the stewardship code, or in Australia where there's a Royal Commission looking at the banking system and then you have a new insolvency and bankruptcy code in India. The China opportunity is one we are tracking very carefully as that market continues to evolve.

Do you see an economic slowdown next year?

Our house view is that we don't see an imminent economic slowdown. Our economy overall appears to be healthy. There's a lot of volatility now. Without knowing which way markets will go, an environment where there is more uncertainty and volatility is typically a good thing for what we do.

– MARKET CALLS –

Chase Coleman's Tiger Global raised its Fiat Chrysler stake to \$1.2 billion, making it the second-largest investor in the Italian American company. The U.S. fund now owns 5.1% of Fiat Chrysler, up from 4.1% at the end of 3Q. Tiger Global increased its stake to 79 million shares as of Dec. 4, according to a regulatory filing. The fund had 62.17 million Fiat Chrysler shares at the end of September, according to Bloomberg data.

For Triada, which focuses on pan-Asian corporate credit, 2019 offers abundant buying opportunities after the region's worst bond sell-off in a decade this year. "There's a wealth of opportunities for good trades next year," said Monica Hsiao, the ex-CQS portfolio manager who started the Triada Asia Credit Opportunities Fund in 2015. Her team is currently refreshing work on credits with the view to increase high-yield bond exposure in their portfolio.

Philipp Oil is betting booming U.S. shale output and weaker oil demand growth will "keep the market oversupplied" despite OPEC output cuts. The fund, founded this year by former Millennium partner Andrew Dodson, is up 3.8% between its inception in July and November. Dodson, who manages less than \$100 million, told investors he saw few directional bets in oil, but was expecting Brent and WTI to sink further into contango.

Activist Investors

From paint to drugs to telecoms and now liquor, **Paul Singer and his Elliott** have stepped up their pace of campaigns in Europe, agitating for changes that boost returns. Elliott's Pernod Ricard stake last week caps a busy year for the firm in Europe, where it's zeroed in on firms it considers poorly run or ripe for a sale or split. Notable investments include German drugs and chemicals conglomerate Bayer, and the ongoing tussle at Telecom Italia.

Quarz said Singapore's Sunningdale is "severely undervalued" and urged management to boost investor confidence by providing more information on products, businesses and strategic plans. Quarz has an almost 5% stake in the firm, according to a letter. It sees 40% upside in Sunningdale. Sunningdale said it will "explore all options that may unlock value for shareholders" and recommendations will "receive the appropriate consideration."

Starboard Value took a stake in Magellan Health with an aim to improve its performance or explore a potential sale, people familiar said. Starboard believes Magellan could achieve higher margins through better management of its health-care segment.

Ides Capital is pushing for changes at Perceptron as the industrial metrology company trades at a significant discount to larger peers, said a person familiar. Ides began taking a stake in Perceptron earlier this year and recently helped to get Jay Freeland, former CEO of competitor Faro Technologies, elected to the board after.

Armistice, which has an activist stake in Clovis Oncology, has encouraged the cancer drugmaker to pursue a sale, said a person familiar. The fund has been in contact with Clovis's management about the matter. Last month, Armistice disclosed in a securities filing that it had amassed a 9.8% stake, making it Clovis' second-biggest holder.

Sachem Head contends US Foods is undervalued relative to its food-distribution peers and could better its performance through steps such as improving prices and courting high-margin customers. Scott Ferguson's fund said in an investor letter that US Foods could benefit from many of the steps taken by its rival Sysco, which was targeted in 2015 by investor Trian.

- RETURNS -

Returns were compiled from people familiar, investor letters and other Bloomberg News reporting.

Gains

Jeffrey Talpins's Element soared 26% through November and **Robert Gibbins's Autonomy** is up almost 16% in its global macro fund, said people familiar. The funds were both almost flat last month. **Brevan Howard's** Master Fund gained about 12% through November, reversing its worst-ever annual performance since starting in 2003 and looking at its best year since at least 2011, when it gained 12.2%. The funds stood out among their macro peers.

Gresham Quant ACAR rose just over 28% in the first 11 months, including a 2.8% return in November, an investor update showed. The gains were largely driven by the \$105 million fund's exposure to European energy markets. Gresham's fund is among a subset of CTAs trading esoteric markets, like cheese or obscure chemicals.

Crispin Odey, whose main fund lost 65% in the three years through 2017, is making a strong comeback. Odey returned an impressive 48% through November via his flagship money pool. A vocal critic of central bank policies, Odey has also made money on his long bets this year.

Vanhau's macro fund gained almost 15% this year through November, according to a client letter. The fund made all of this year's profits from Asia currencies, rates and equities, said CEO Vishweshwar Anantharam. Vanhau turned bearish on the yuan and stocks from April as trade tensions escalated. Separately, the **True Partner Fund** returned 24% through November, profiting from the return of volatility, said co-CIO Govert Heijboer.

In Asia, **Dantai's stock fund surged 47%** in the 11 months through November. It made those gains by keeping the value of bullish bets close to that of bearish ones.

Losses

PointState is headed for its worst year on record after 4Q losses pummeled the macro fund. It slid about 12% this year through November, and has extended losses to about 15% in its main strategy, said people familiar. Equity bets account for much of the losses, and the plunge in oil prices in 4Q weighed on the fund's energy company investments. PointState also has exposure to Argentina, which has suffered a 50% drop in its currency this year.

QIM's Quantitative Tactical Aggressive Fund, which uses algos to trade stocks and ETFs, is on track for its second annual loss in 10 years. The fund is down almost 41% this year after surging 60.5% in 2017, an investor document showed.

Balyasny's Atlas Global fund declined 3.9% in November, worsening its year-to-date loss to 5.3%, according to an investor letter. Roughly 70% of last month's drop was in equities in sectors such as health care, energy and industrials. Yet, the biggest allocation remains in equities at 76% at the end of November.

As GAM shocked investors with the forecast of a record loss, hidden in a list of unexpected writedowns was a \$62 million charge for a quant fund unit that it acquired two years ago. The reason? One of the unit's funds fell 29% this year through November, wiping out last year's gains, investor letters show. Another is down about 15% in the same period. This shows how GAM's troubles go beyond outflows prompted by a star manager's suspension in July.

Pierre Andurand's fund fell 5.9% last month, deepening this year's decline to 17%, said a person familiar. The losses put the Andurand Commodities Fund on the cusp of the first annual decline since its inception five years ago.

The market sell-off has led to double-digit declines at some China-focused funds. **Greenwoods's** \$1.8 billion Golden China Fund swung to a 20% loss in the first 11 months after 2017's stellar 52% gain, an investor update shows, while the \$213 million **Zeal China Fund** shed almost 22%, having made 32% last year. The \$1.5 billion **Quantedge Global Fund** sunk 24.5% through November, headed for its worst annual return.

The Horseman European Select Fund, started in 2005, was down 29% through Dec. 12, according to a client newsletter. The \$104 million hedge fund, run by Stephen Roberts, gained almost 40% last year and was 141% net long equity exposure at the end of October, according to another update.

- U.S. -

RETURNS (%)	NOVEMBER	2018
VOCE CAPITAL	7.1	8.1
PERSHING SQUARE CAPITAL	5.0	11.3
RENAISSANCE INSTITUTIONAL EQUITIES	3.3	10.8
GRESHAM QUANT ACAR	2.8	28.1
MIG MASTER*	2.5	5.5
BARNEGAT	2.3	6.8
HONEYCOMB MASTER*	2.1	8.6

QIM QUANTITATIVE TACTICAL AGGRESSIVE*	1.7	-40.7
THIRD POINT OFFSHORE	1.3	-5.2
KRENSAVAGE PARTNERS	1.3	14.3
SOMA PARTNERS	1.1	24.4
AUTONOMY	0.6	15.7
CADIAN	0.6	17.2
JANA PARTNERS	-0.2	2.1
COATUE QUALIFIED PARTNERS	-0.2	-0.7
ELEMENT CAPITAL	-0.4	26.0
JANA NIRVANA	-0.5	1.7
ALKEON GROWTH PARTNERS	-0.7	-2.6
MOAB MASTER*	-0.8	-6.6
MARTO CAPITAL MASTER*	-2.0	4.3
WHALE ROCK FLAGSHIP	-2.0	2.6
MILLENNIUM	-2.8	4.2
CITADEL	-3.0	8.5
GREENLIGHT CAPITAL	-3.5	-27.8
BALYASNY ATLAS GLOBAL	-3.9	-5.3
LIGHT STREET MERCURY MASTER	-4.0	5.5
POINT72	-5.0	0.0
HUNT LANE CAPITAL	-5.6	-8.7
BALYASNY ATLAS ENHANCED	-5.6	-7.9

SOURCE: BLOOMBERG NEWS

*Estimate

- EUROPE -

RETURNS (%)	NOVEMBER	2018
MFM GLOBAL THEMATIC L/S	2.8	-6.5
H2O GLOBAL L/S OPPORTUNITIES	0.5	1.7
PALOMAR	0.4	7.4
LYNX*	0.4	-1.5
LC EQUITY	-0.8	-5.9
GEMSSTOCK	-0.9	-3.5
DORMOUSE	-1.1	9.0
LIMMAT QORE DIVERSIFIED	-1.8	-12.3
MW TOPS UCITS	-3.0	-3.8
THREE ROCK GLOBAL MACRO	-3.3	1.0
SAEMOR EUROPE ALPHA	-3.9	-3.3
Z EUROPE (USD)	-5.1	-6.3
ANDURAND COMMODITIES	-5.9	-17.0
AAM ABSOLUTE RETURN (USD)	-8.5	2.2

SOURCE: BLOOMBERG NEWS

*Estimate

- ASIA -

RETURNS (%)	NOVEMBER	2018
MANAS ASIAN EQUITIES VALUE	7.4	-6.6
ACCUDO ASIAN VALUE ARBITRAGE	5.9	-3.4
ASTRAL VALUE	5.1	-5.0
WYKEHAM CAPITAL	3.0	-3.6
SEGANTII ASIA-PACIFIC EQUITY MULTI-STRATEGY	1.9	8.1
ATHOS ASIA EVENT DRIVEN	1.1	2.0
GRATICULE ASIA MACRO	0.7	-5.7
TOTUS ASIA	0.4	8.2
TRUE PARTNER	-0.3	24.1
OPTIMAS GLOBAL ALPHA	-0.4	15.0
JUDAH VALUE ACTIVIST	-0.8	80.5
GCI SYSTEMATIC MACRO	-1.3	2.0
DANTAI NON-U.S. FEEDER	-2.8	46.6
QUANTEDGE GLOBAL	-4.0	-24.5
BLACK CRANE ASIA OPPORTUNITIES	-7.3	-9.9

SOURCE: BLOOMBERG NEWS

- CALENDAR -

Date	Organizer • Event	Location
Jan. 3, 2019	NY Alt Invest Roundtable • Wall St. to Pennsylvania Ave, and Back	New York
Jan. 22	Catalyst • Alternative Investing Funds East	New York
Jan. 28-30	MFA • Network 2019	Miami
Jan. 29-30	BattleFin • Discovery Day Miami	Miami
Jan. 30-Feb. 1	Context Summits • Miami 2019	Miami
Feb. 12-13	Milken Institute • MENA Summit	Abu Dhabi
March 4	Catalyst • PE & Direct Deals	New York
March 6	Markets Group • ALTSHK	Hong Kong
March 14	Markets Group • ALTSLA	Los Angeles, Calif.
March 20	Sohn Conference Foundation • Sohn Geneva	Geneva

DISCLAIMER: This information was compiled by Bloomberg from multiple sources, public and private, and is deemed to be accurate, but not definitive or exhaustive. Questions should be addressed to the event organizer.

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