

Two former Och-Ziff employees establish Maso Capital in HK, Man Group hires Peach as MD and head of Asian operations APAC, global hedge funds enjoy Japanese inflows after AIJ spooks pension funds

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Before rounding up this week's news, just a reminder to everyone that **this year's special report on Hong Kong's hedge funds industry** is now available. It features plenty of thoughts and comments from the likes of Graham Seaton, head of Asia Pacific prime brokerage at Bank of America Merrill Lynch, Max Gottschalk of Gottex Fund Management, Galaxy Asset Management's Johnson Cheung and Joe Chan as well as leading legal figures such as Rolfe Hayden of Simmons & Simmons. Click here [1] to download it.

Two former managing directors at Och-Ziff Capital Management Group LLC are planning to start their own Asia hedge fund later this year said four people with knowledge of the matter reported *Bloomberg*. Manoj Jain and Sohit Khurana have established Maso Capital, a play on their first names, in Hong Kong and hope to raise USD250million for what will be an event-driven and convertible bond arbitrage fund according to the sources. The pair are just the latest example of Asia's second generation of hedge fund talent, who have worked and honed their skills at large global hedge funds and feel ready to take the plunge and go solo.

That said, capital raising is still as hard as ever, and if the mood at this week's Gaim event in Monaco – the industry's largest event – is anything to go by, managers are quite downbeat. Rather than obsess of raising assets managers need to focus on the primary goal of running a hedge fund: performance. A healthy dose of reality seems to have infiltrated the industry at what is a crucial time for many managers to prove their worth to investors.

"Because they [Jain and Khurana] have come from a large, successful institutional hedge fund, they may be a little insulated about how challenging it is to raise assets for a small fund," Alex Mearns, CEO of Eurekahedge Pte was quoted as saying. Jain was responsible for Och-Ziff's merger arbitrage, event-driven and capital markets investments whilst Khurana co-managed the regional convertible bond pool for the New York hedge fund.

Man Group Plc, the world's largest listed hedge fund with assets of USD59billion, has named Tim Peach as managing director and head of its operations in Asia Pacific. Peach replaces Tim Rainsford, the firm's previous MD for the region who has moved back to London from Hong Kong to head up European sales. According to *Reuters*, Peach, who moved to Asia in 2006 as the head of sales for Southeast Asia at Man Group, will be based in Singapore and oversee the development and execution of the group's overall business strategy in the region. Peach first joined Man in 1997.

Despite the unfortunate event earlier this year that saw Japanese hedge fund manager AlJ Investment Advisors Co hide USD1billion in losses from its pension fund clients, **global hedge** funds are enjoying inflows from Japanese investors who still see the merits of alternative investments. As Bloomberg reported this week, Neuberger Berman Group LLC is winning new mandates to add to the USD4billion it has attracted in Japanese assets since 2004, leading CTA manager Winton Capital is seeing steady inflows, whilst FRM, the FoHF firm recently acquired by Man Group Plc, is starting a new fund. Motoyuki Sato, who runs one of FRM's FoHFs, said: "We have seen an increase in inquiries from our clients, including Japanese pensions," adding that whilst it was unfortunate some pension funds had invested in AlJ they are still looking at alternative investments "as a way to diversify".

Eric Weinstein, CIO of Neuberger Berman's FoHF business in New York commented that the



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Japanese pension market was showing a "greater receptivity to foreign funds". "This increased receptivity gives pension funds a broader set of investment choices, so they will be better able to achieve their investment objectives," said Weinstein. Weinstein confirmed that the firm had continued to win hedge fund mandates from Japanese investors following AIJ.

The bigger issue here, however, is what impact it will have on the Asian hedge fund industry: after all, if Japanese pensions don't trust local managers and simply turn to the biggest most successful global funds, Asian hedge funds could suffer as a result. Hidenori Suzuki, head of the strategic advisory group at JPMorgan Asset Management (Japan) Ltd, said that about 80 per cent of hedge fund investments by pensions are managed by foreign firms. In April, FRM teamed up with Sumitomo Mitsui Trust Holdings Inc to offer a pooled vehicle that invests in managers who trade Japanese stocks. FRM JELS started with about USD19million but hopes to reach USD100million over the coming months by attracting Japanese pension assets. Charles Allard, head of Asian sales at Winton, said that AlJ "had not affected any inflows from pension funds".

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