

## Sharp Peak Capital shuts up shop, Asian hedge funds see AUM climb slightly to USD144billion...

By mkitchen

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There's not been a lot to shout about, aside from the odd high profile fund launch, for Asia's hedge fund industry this year. **Poor performance relative to other regions is yet further evidence of the over-concentrated bias of Asian hedge funds toward equities:** even though the MSCI Asia Pacific Index has returned 8.2 per cent so far in 2012, the MSCI World Index has returned 13 per cent. Asia ex-Japan equity long/short funds, according to Eurekahedge, have returned a disappointing 1.49 per cent through August.

**Dhawal Mehta, head of India equity investments at Reliance Asset Management Pte** in Singapore was quoted by *Bloomberg* as saying: "Most Asian funds have been focused on the equity space and that hasn't done well. In the US and Europe, you have more variety in terms of the kind of funds."

According to Hedge Fund Research, an incredible 77 per cent of funds in the region are equity-related. One manager noted that fundamental stock pickers have found it a challenging year because quality stocks "haven't done as well as cyclical ones that are more sensitive to economic moves". "Managers are caught between a rock and a hard place as investors want the Asian story, but with developed market levels of risk," commented Peter Douglas, principal of GFIA Pte, which advises investors on hedge fund allocation.

Despite economic growth still in evidence, Asian LSE fund managers need to find better ways to beat the market: after all, that's what investors are paying fees for.

Nevertheless, a new survey by one of the region's hedge fund publications shows that **total AUM managed by Asian hedge funds rose slightly to USD144billion in the first half of 2012.** As reported by *China Daily*, assets rose 2.5 per cent, or USD3.5billion, through June compared with six months ago. This has no doubt been helped by some high-profile launches such as Alp Ercil's USD940million fund and investor patience, with institutions more willing to ride through the tough times and look at the bigger picture than bolt through the gate at the first sign of waning performance.

The survey found that assets managed out of Hong Kong grew by USD6.5billion to USD47.1billion. In contrast, assets in Singapore fell just over USD1billion to USD19.8billion. More worryingly, Japan saw its assets plummet 41 per cent to USD5.72billion: a tiny figure for such an advanced economy.

Looking at technology news, *Wall Street & Technology* reported this week that **Australian hedge fund manager MST Capital has selected TradingScreen's TradeSmart execution management system** to trade FX, equities and derivatives. The firm is also set to use TradingScreen's multi-asset class transaction cost analysis (TCA) tool. "MST Capital's requirements in terms of the asset classes they needed to trade and their strong emphasis on risk management were aligned with TradingScreen's core strengths," commented Nathan Walker, head of sales for southeast Asia and Australia. **Philippe Buhannic, CEO, TradingScreen**, added that it was critical for the buy side to leverage a global multi-asset trading system "to generate alpha to spot and execute on market opportunities, closely manage risk, and have an efficient workflow meeting the high standards of asset management today".

Finally, **Hong Kong-based Sharp Peak Capital has called it quits after suffering double digit losses** since its launch in October last year, reported *Reuters* this week. Apparently, through July this year the Sharp Peak Vega Fund, a volatility hedge fund designed to profit on wide price swings, had lost 15.5 per cent and 21.5 per cent since inception. This is just the latest in a total of 73 Asia-focused fund closures in 2012.

Volatility funds have gained favour in recent times as investors look to protect themselves from tail risk events. One of the “Greeks” used in equity options, Vega measures an option contract’s sensitivity to changes in the volatility of the underlying asset: the nearer to expiration, the lower the volatility becomes, in a similar way that bond yields move toward par upon maturation.

Sharp Peak sat on Philip Tye’s DragonBack Management platform. The fund was co-founded by Jean-Guy Renard, Jonathan Hodgson, and Nils Razmilovic.

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