Asian billion-dollar club shrinks, Harcourt Investment Consulting appoints Claire Liou…

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Hong Kong and Singapore have suffered a reverse of fortunes as they compete with New York and London as major centres for the world's biggest hedge funds.

Referring to a survey produced by an industry publication, the *Financial Times* this week reported that the number of hedge fund groups managing more than USD1billion has fallen to 18, having stood at 21 six months ago. By contrast, New York has further strengthened its position as the hedge fund industry's leading centre; its "billion dollar club" has grown from 139 to 153. London is pretty much unchanged, its number dropping by one to 56, with collective AUM holding steady at USD255billion. Total global hedge fund assets rose 4 per cent in the first half of 2012 to USD2.2trillion, roughly half of which came from net new inflows.

Harcourt Investment Consulting has strengthened its alternative product distribution strategy in Asia by hiring Claire Liou reported *Investment Europe* this week. Hong Kong-based Liou will report to Ulrich Behm, CEO of Vontobel Asia; Harcourt is part of Switzerland's Vontobel group. Behm was quoted as saying: "This step reflects our identification with the Asian market and our working to strengthen and expand our alternative asset distribution activities in the region." Previously Liou worked in business development roles at Vision Investment Management and Haitong International Asset Management. She also worked as a portfolio manager at Proxima Alfa Investments and as a commodities trader at Barclays.

Investors should be prepared to deviate from the crowd and find strong performers according to Hugh Forward, managing director of New York-based Cross Border Alternatives, reported *AsianInvestor* this week. It's long been the case that hedge fund investors, particularly institutional investors, have favoured the biggest brand managers, but in Asia especially the performance of the region's billion dollar hedge funds has not always been spectacular.

For some reason they refuse to covet investment in smaller managers with several hundred million in AUM, who have generated good returns through several market cycles and been around for seven or eight years, because, said Forward, "they think there must be something wrong with them." He added that the due diligence process has become standardized and that if a manager ticks enough boxes it's assumed they have to be good. "That's why performance is so bad," said Forward, who's firm was established three years ago to advise HNW families.

This attitude by investors can largely be attributed to their desire to avoid reputation risk; why risk investing a lesser-known manager who could potentially go under? Better to stick to the well-known talent. If one were to use a market analogy here it's a case of investors applying a herd mentality. Forward went on to say that investors should tolerate longer lock-ups, particularly in less liquid strategies such as small-cap equities or distressed debt, to give the manager "more flexibility to enable him to operate more efficiently".

John Ho's Janchor Partners has enjoyed huge success in adopting this approach, where investor capital has a three-year lock-up. Maybe more should follow; after all, institutions are pragmatic when it comes to hedge fund investing and less likely to redeem just because a manager is going through a tricky period. If investors are so focused on liquidity then, as Forward rightly points out, they should just invest in mutual funds.

One way that managers could attract new investors is to be more flexible in their fee structure, with Forward suggesting that the incentive fee could be deferred until the client leaves the fund. "Managers have to come up with more innovative fee structures," said Forward, who added that family office interest would be huge if they did. This is an interesting point and perhaps one that

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Asia's hedge fund managers – that is the sub-USD1billion managers – could focus on.

Rather than trying to compete endlessly with the big guys for institutional money, a more flexible fee structure could potentially open up the floodgates for family office assets: if they were then able to combine that with a lock-up commitment, those managers running a few hundred million in AUM could well enjoy significant growth. And who knows, that earlier figure of Asia's hedge fund industry losing market share to New York and London could be reversed in one fell swoop.

In other news, **the Shanghai Hedge Fund Association (SHFA) has announced the appointment of two industry veterans,** Anthony D'Silva and Christian Stoiber, as members of the International Advisory Council within the association. D'Silva serves as Managing Director of Apex Investments/Apex Fund Services in Shanghai. Apex Fund Services administers over 300 funds and has over USD15billion in AuA. Apex Investments was established in 2008 in Shanghai to specialize in China deal sourcing and due diligence. Stoiber is an investment banker with over 20 years' industry experience. Currently he is Managing Director of Aquila Capital, overseeing the build-out of the group's Asian operation in respect to its three core businesses. These include: financial assets, real assets, and fund structuring. Prior to joining Aquila Capital Stoiber spent 12 years at Barclays Capital, acting as Managing Director and Head of Financial Institution Structuring in Hong Kong.

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