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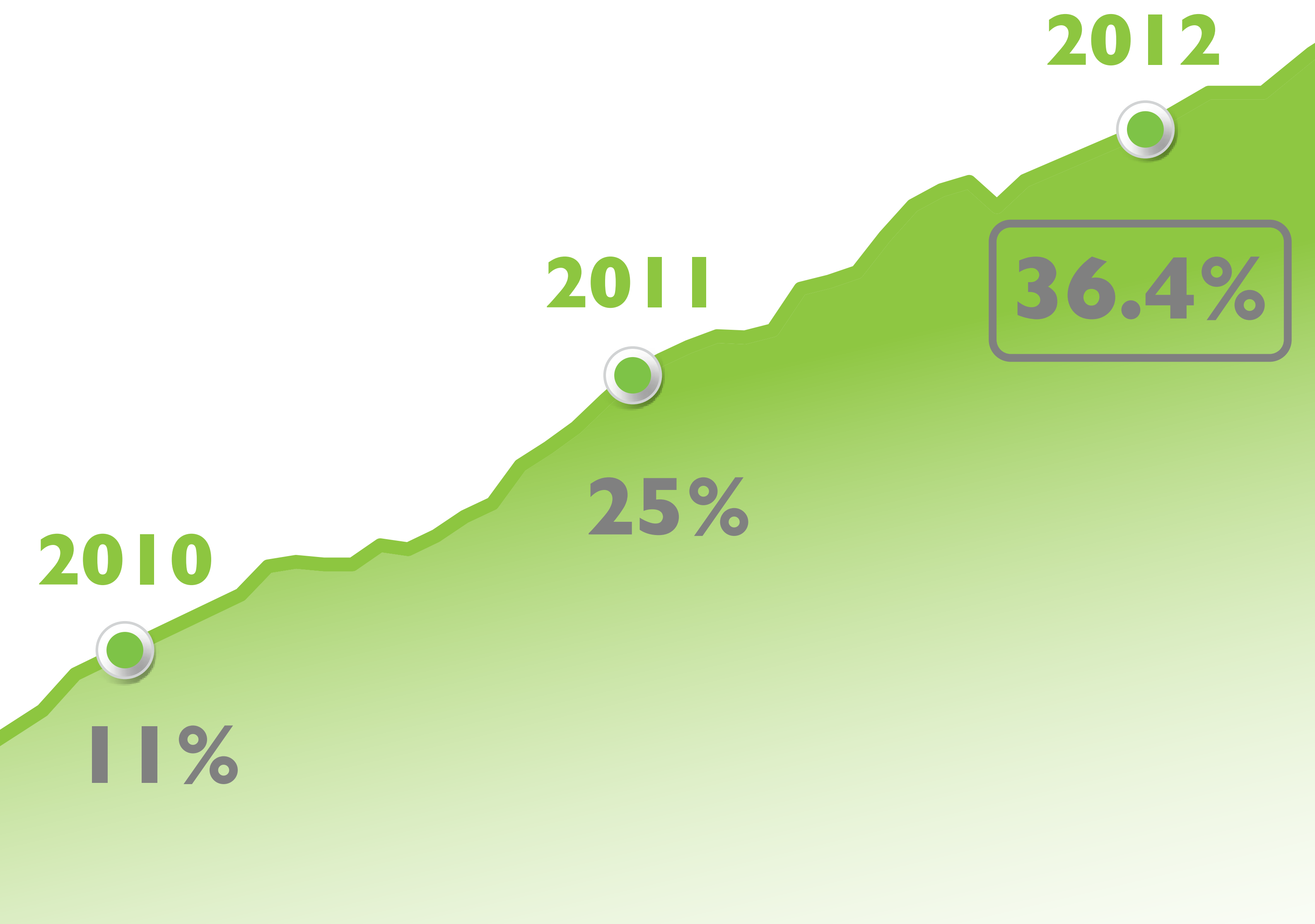
EXANTE 2012



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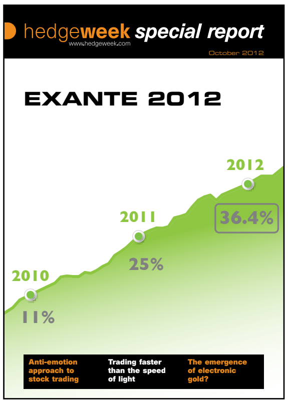

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A one-click approach to accessing alpha

By James Williams

EXANTE is a unique integrated trading and fund platform offering whose genesis grew out of a challenge faced by its five managing partners. All of them came from a trading background and shared a similar evolutionary path when working with different brokers and banks globally, developing algorithms and trading strategies.

As Gatis Eglitis, one of the managing partners, tells Hedgeweek, once they started to launch their own hedge funds, they encountered a challenge: each time a new entity was set up for proprietary trading it involved having to set up new relationships with counterparties. Actually getting everything set up and structured was a timely, inefficient process; something that EXANTE's managing partners observed was also proving to be a problem for fellow friends running asset management businesses.

To meet this challenge, EXANTE was established in March 2011. It received its licence from the Malta Financial Services Authority end-June 2011. Unlike other fund platforms, EXANTE is an organic institution, blending multi-asset fund support with first-class trade execution services using a sophisticated technology infrastructure.

Says Eglitis: "We know exactly what are the needs of fund managers. We talk the same language, when they ask for a service we immediately understand their requirements because we've been in their shoes. Similarly to grandma's cookies which taste much better than those from a store, we initially designed the infrastructure for self-use only. Our platform is therefore more intuitive and easy to use in comparison to others.

"We've made it our mission to design a first-class infrastructure and view ourselves as a benchmark of transparency in the financial services industry. The fact that our customers are running successful cross exchange and asset class arbitrage proves that we are fulfilling our mission statement because the business of arbitrage requires superior infrastructure and transparent execution."

Although not exclusive, there exists a quantitative/high frequency trading slant to EXANTE. This is understandable given the managing partners' backgrounds. Picking up on the trading challenges referred to earlier, Eglitis explains: "Every asset manager faces an exhausting relationship establishing processes with counterparties. They find themselves having to deal with multiple brokers and departments to negotiate commercial conditions, credit lines, risks and connectivity issues. In some cases this process is so slow that either market opportunities or customer assets start flooding away.

"This story is common to all managers that deal with multiple asset classes like currencies, fixed income, commodities, stocks and futures. They end up juggling numerous platform providers, connectivity gateways, data vendors, and are forced to deploy a sophisticated buy-side back office tool to calculate the portfolio NAV at the end of each day.

Gatis Eglitis

"So the niche to us was obvious: we couldn't find any broker giving quality DMA access to all markets and instruments with competitive conditions, advanced STP capability and real-time risk monitoring from one account. We created the business for ourselves to overcome these problems and complexities, using the best technology ingredients. Today we share this solution with our friends and asset managers facing similar challenges."

Trading and hedge fund listing are two separate core offerings with EXANTE. The latter is a similar concept to fund listing on an exchange with the sole difference being that it is done on a trading platform. On the platform, hedge funds are treated similarly to cash equities. For any manager wishing to join the platform, which already includes a number of billion-dollar funds, EXANTE's team works closely with them discussing the strategy in detail, and ultimately deciding whether the manager is good enough to list on the platform.

EXANTE's fund platform is potentially a game-changer for the industry. Currently, it has 35 investment management companies, managing around 100 funds. The one-point-click model gives investors the opportunity to invest directly in those funds. More importantly, for hedge fund managers they can trade fast and efficiently, across asset classes, in addition to benefiting from the marketing opportunities that arise from listing and potentially attracting new investors.

Anyone can view the funds. Potential new clients can simply download a demo for free, familiarise themselves with the interface and the funds composing EXANTE's index, and decide whether to open an account or not. Minimum investment, confirms Eglitis, is USD1million.

Key platform features

The first point to emphasise is that no one else is giving qualified investors the opportunity to directly invest into hedge funds on such a platform. The fact that all the funds are listed means investors can rotate into and out of different managers as they wish, and actively manage their portfolios directly. They can either build their own fund of funds, or choose to diversify their risk and take broad exposure by investing in the index of managers which EXANTE is now building.

"This allows investors to ultimately have full control of their investment, instead of depositing with a bank where risk is not transparent and the premium is close to zero," says Eglitis.

Secondly, all the funds listed on the system have gone through due diligence. That sets it apart from other fund databases which list funds, but cannot claim to have done due diligence on every one. "There are lots of funds that we have approached from various databases that we cannot place on our system because we are reluctant to expose our customers to such managers. What we offer is quality content," states Eglitis.

Third is the level of transparency it offers clients. People can see the performance and price of each fund just like any other financial instrument. Going forward, Eglitis says the platform will provide full fund profiles and allow users to filter their searches: either by geography, strategy, size of fund or other criteria.

On manager selection, Eglitis stresses that the critical factor is the ability to generate meaningful alpha. In that sense, EXANTE is not too concerned about the types of strategies on the platform, but rather their quality. "What counts when assessing a manager is the audited historical performance chart as this shows past volatility. If performance is exceptional we make sure that there is nothing lying underneath the tip of the iceberg. If not, we are happy to work with them and list their fund."

One interesting future development will be the creation of a ratings system for those managers listed on the platform. This, though, is not an immediate focus: rather it's on building out the index. Eglitis explains how this is created: "We take the 20 top performers to currently construct the index. Going forward, that figure will climb to 50, 100, as we look to develop a benchmark of top performers across all asset classes. The managers chosen will be based on a series of quantitative and qualitative criteria such as year-on-year returns, Sharpe Ratio, Sortino Ratio, managers' edge in the field, etc."

Such has been the success of the underlying managers over the last two years that "If you had invested in the EXANTE Hedge Fund Index in March 2010, you'd currently be up 36.4 per cent," notes Eglitis.

Actual AUM on the platform is USD1.5billion. Looking ahead to the remainder of the year, Eglitis comments: "We already have a pipeline of 100 managers. We hope to have 100 managers listed on the platform – including the 35 existing managers – by the end of the year." ■

Volatile markets play into the hands of multi-arbitrage shop

Andris Kaneps

"We really like risk-on risk-off markets. I personally think this is going to continue for some time yet. The eurozone issue is not going to be solved imminently and I expect to see a lot of volatility in the future," comments Andris Kaneps, director of MTG Capital Management.

The firm's investment philosophy is to generate positive long-term capital appreciation by employing a multi-arbitrage systematic trading system developed by Kaneps and his small team.

Development of the strategy has been gradual. The MTG Multi-Arbitrage Fund has been running since March 2010, but the genesis of the strategy goes back six years. As Kaneps explains: "We started out trading arbitrage opportunities in FX markets. Then, towards the end of 2008, we decided to strengthen the strategy by broadening it out to a wider range of asset classes."

And with good reason; between November 2008 and October 2009 the NAV per share grew by 211 per cent.

The algorithm MTG Capital developed now trades a variety of markets and instruments, looking to exploit price inefficiencies in the same assets across different global exchanges. Typically these include: stocks, futures, ETFs, and FX. Trading strategies include, among others: stocks versus ETFs, ETFs versus futures, exchange-listed and OTC instruments.

Prior to launching the hedge fund the strategy was quite high frequency says Kaneps, typically trading up to 1,000 positions daily: "We've kept the HFT part of the strategy but we've also developed more long-term arbitrage strategies such as index arbitrage. We hold baskets of index futures, sometimes for up to one week."

Since the fund's inception it has generated an impressive 154.6 per cent in net returns, averaging monthly gross returns of 7.8 per cent. Last year, the fund returned 68.07 per cent and is already up 36.48 per cent through July 2012. Having started six years ago with limited partner capital, Kaneps and his team have built a USD25million hedge fund. "Our monthly notional turnover is USD1.5billion, which gives you an indication of the level of frequency we're employing," comments Kaneps.

In terms of style allocation, the MTG Multi-Arbitrage Fund is weighted 60 per cent towards futures spreading and 30 per cent equity market neutral. The other 10 per cent is weighted towards cash versus futures. The main geographical focus is Europe but with an office and staff in China, Asia is becoming an increasingly important market for MTG Capital.

The ability to constantly evolve and develop new trading strategies is integral to the firm. Says Kaneps: "We see the strategy moving deeper into equities and bonds. The business can't rely on one strategy; you have to constantly develop new ones."

Last September, at the height of market volatility, the strategy had one of its best months, returning 14 per cent. As the fund is trading market inefficiencies it favours whipsawing markets.

"When people ignore logic and run for safety, that's when we start to make money. If you look at ETFs versus stocks, price inefficiencies tend to be quite narrow in benign markets, but when the markets go crazy they explode. Market volatility really helped us in all our strategies last year from stocks and ETFs through to futures," comments Kaneps.

MTG Capital is currently setting up an FSA licensed investment manager to attract institutional money, but as with all arbitrage strategies, the fund will remain capacity constrained. "The next step is to get the fund to USD100-200million. That AUM figure will allow us to remain nimble and maximise alpha generation in the fund," concludes Kaneps. ■

MTG Multi-Arbitrage Fund

Sharpe Ratio	3.94
Assets Under Management	USD 26.31m
Return since inception	189.38%
Percentage of positive months	100%
Years in operation	2.5
Strategy	Multi-strategy
Included in EXANTE Hedge Fund Index	Yes

Trading faster than the speed of light...

Hendrik Klein

Hendrik Klein and his team at Zurich-based Da Vinci Invest AG have been trading futures on Eurex since 1995, using a sophisticated algorithm to track economic indicators. In 2009, when Need to Know News brought out a computer-readable news feed, Klein immediately implemented it into the Da Vinci algorithm. The proprietary strategy that resulted was highly successful, generating nearly 14 per cent between August and December of 2009.

The following year it made modest gains of 7 per cent but amidst the volatile, event-driven market climate of 2011 the news-based trading strategy came into its own, generating an impressive 58.6 per cent: a total return of 78.3 per cent since August 2009. On 1 June 2011, Da Vinci structured it as a fund: the Da Vinci K Squared Tachyon Fund. The fund was officially launched to external investors on 1 January 2012 and despite not being able to trade for the first five months because of technical issues, the strategy is already up 17.7 per cent through July; generating 16.6 per cent in July alone.

As its name implies, speed lies at the heart of the strategy; 'tachyons' are sub-atomic particles believed to be faster than the speed of light. That it uses an algorithm to scans news feeds for economic indicators to place trades makes the Tachyon fund a cross between a global macro and an event-driven fund. Either way, it's the first fund of its kind.

"We use special news feeds that try to optimise their way from the source to the co-location: you need to co-locate your servers next to the exchange or data centre to minimise latency," says Klein, who says that the fastest order executed, to date, was 0.6 milliseconds. "We currently have co-locations in Frankfurt and Chicago but might expand to Moscow, London. But this strategy isn't just about speed and news feeds – the secret sauce is the algorithm itself. We've spent years of research developing its parameters."

What the algorithm is essentially doing is predicting how specific instruments will behave when a piece of news comes out. Although not definitive, there's a high probability the markets will move the way the algorithm predicts according to Klein.

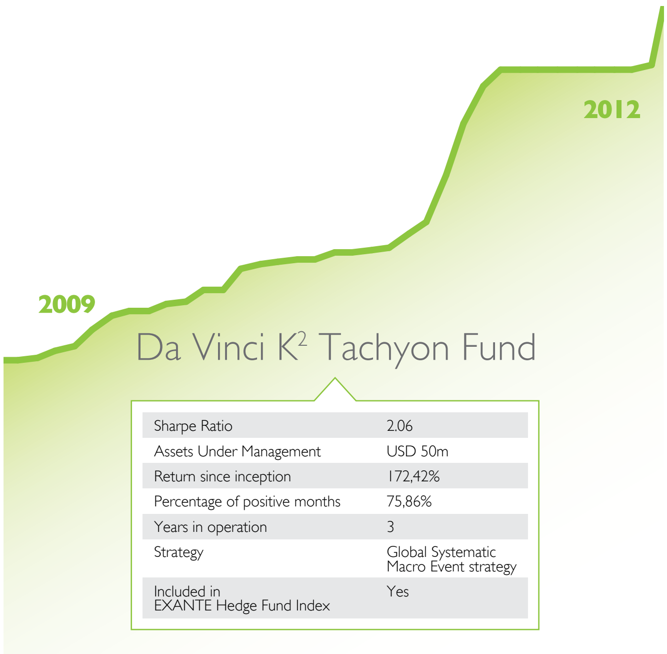
The strategy currently trades six futures markets: three index futures – the Dax, EURO STOXX 50, and SMI (Swiss Market Index), and three interest rate futures – the Bund, Bobl (5-year German bond) and Schatz (2-year German bond). "We want to expand beyond futures to cover news and events in other asset classes," confirms Klein.

"Certain events have certain impacts on specific instruments. We'll look to therefore expand the range of instruments we trade with time."

The Tachyon fund thrives off market surprises. If investment banks and economists get their estimations wrong, i.e. unemployment figures, that's when the strategy excels. "The markets are less predictable than in the past. Experts are becoming less accurate in their estimates, which gives us opportunities," says Klein. "If everything is in line, we don't trade."

All trades placed by the system are short-term – just a couple of minutes at the start and end of each day – after which the portfolio reverts back to cash. Incredibly, since August 2009 the largest drawdown has been just 0.8 per cent. This underscores the strength of the algorithm Da Vinci has created.

Looking forward, Klein says they will market the fund externally, but not too aggressively: "We want to scale it, broaden the number of events we look at, and build capital steadily. If we got to USD100million overnight the performance would decrease and there'd be less money to allocate. We'll take our time." ■



Sharpe Ratio	2.06
Assets Under Management	USD 50m
Return since inception	172,42%
Percentage of positive months	75,86%
Years in operation	3
Strategy	Global Systematic Macro Event strategy
Included in EXANTE Hedge Fund Index	Yes

Consistency drives performance of WEELS fund

"Delivering sustainable value" lies at the heart of the investment philosophy at Wermuth Asset Management, a German family investment firm co-founded by Jochen Wermuth and Dr. Dieter Wermuth with principal offices in Wiesbaden and Moscow. In 2003, WAM opened up its Greater Europe Fund (GEF), which had been running since 1998 with internal capital. Underpinning the fund is a quantitative model that picks stocks by assigning them a "long", "short" or "neutral" tag.

Sergey Ilchenko, Head of the Quant Department, along with Yury Roslavlev and Tikhon Moiseev, advises a spin-off version of GEF, called the Wermuth Quant Eastern Europe Strategy (WEELS) fund, which focuses on Russian equities. GEF has been using the quantitative approach since February 2012.

"In WEELS we employ a similar strategy to the Greater Europe Fund. The main difference is that GEF uses 2x leverage. GEF can take up to 200 per cent net long and 60 per cent short exposure," confirms Ilchenko.

The team developed auto execution software for trading. However, it incorporates human analysis when necessary, benefiting from the macroeconomic expertise of Dr. Dieter Wermuth.

"What differentiates the fund from other Russia-focused funds is that we combine fundamental analysis, which we use as a risk management tool, with technical analysis. For example, if a company's stock price is affected by market rumours, the quant model can't detect these. In such instances, we switch off trading. We've already done that a couple of times this year where technical analysis is temporarily sidelined and a more discretionary approach is taken," explains Ilchenko.

The WEELS portfolio only targets the most liquid large-cap Russian stocks that can be liquidated within five days at most, but preferably within one day. "We are limited to around 40 stocks in total," states Ilchenko, adding that the current AUM of the strategy is approximately USD17million. Funds that invest in Russia tend to be long-biased because Russia's equity market is undervalued; the costs involved for shorting are up to 10 per cent p.a. of the transaction value.

Entry and exit points are decided by a trend-following system which also generates signals telling the advisor for how long a specific position should be held. For example, a 'short' signal might be two days, "medium" would be up to one week, while "long" would be up to one year. The system works for both long and short positions in the book.

"This helps to smooth net exposure. In choppy markets, short-term trading strategies are not as effective as long-term holding strategies," says Ilchenko.

Consistency of performance is very much the name of the game. The fund's best performance came in 2009 when it generated returns of over 50 per cent. To minimise drawdowns, Ilchenko explains that for every equity position the algorithm uses an embedded call option. This helps create positive skewness, meaning the strategy is more likely to have large positive than negative returns.

Recently, the team started to use an FX hedge overlay. Even though the fund was up 6 per cent in 2011 in dollar terms, Ilchenko says it could have ended in negative territory. "This is a true hedge and tends to be employed only when there is a ruble depreciation. By using futures we are able to control downside currency risk."

The fact that Russia's stock market is prone to significant swings actually benefits quant funds like WEELS. "As long as that continues we will try to make money from the ups and downs. One of the keys to our success is having a systematic strategy that is consistent over time," states Ilchenko. ■

Wermuth Leveraged Quant Eastern Europe Strategy

Sharpe Ratio	1
Assets Under Management	USD 17m
Return since inception	713%
Percentage of positive months	61%
Years in operation	7
Strategy	Russia Long Short equity
Included in EXANTE Hedge Fund Index	Yes

Applying evolutionary ideas to algorithmic trading


Gregory Fishman

Gregory Fishman is one of the managing partners of Automated Intelligence Systems, an independent scientific institute established in Saint Petersburg in 2006. The team, which comprises some of the top Russian minds in mathematics, physics and IT, takes its inspiration from nature. By studying complex ecosystems, and how they evolve, they have developed a sophisticated algorithm based on artificial intelligence to trade the financial markets.

Evolutionary theory, says Fishman, is "one of the methodologies we use to decide what is reasonable to research and what isn't". In a similar fashion to David Harding's Winton Capital, which famously takes a rigorous scientific approach to the markets, AIS has applied its collective expertise to build, in effect, a sentient algorithm that evolves as market conditions change.

This has allowed Fishman to build an incredibly strong track record of performance, delivering significant returns due to the small amount of proprietary money that has, to date, been traded. The strategy – a high frequency trading platform – now trades with USD10million.

"We made some algorithms to do high frequency trading. The main algorithm is based on lots of maths and physics, a mesh of ideas. That's our core strength: designing complex systems using a framework of maths, physics and IT. Each idea does something different, but they are all connected," explains Fishman.

As mentioned, the strategy currently uses proprietary money to trade, although there are now plans to open it up to external investors. So successful has the algorithm been in recent times that last year AIS won a competition hosted by Micex RTS (Moscow stock exchange) as the best trading strategy, netting Fishman USD30,000 in prize money.

"Our daily trade turnover is about USD1billion, roughly 10 per cent of the Russian market turnover," confirms Fishman. "Between September and December 2011 we publicly made 8000 per cent."

The team at AIS essentially views the financial markets as an ecosystem; an organism that self-regulates, adapts and evolves. It's the ability to find patterns in nature that has helped build the algorithm, which uses pattern recognition to trade.

"Yes, we view the financial markets as if it were any other ecosystem. If you go to a forest you'll find an ecosystem and you can build lots of parameters to model it: we're applying a similar approach to the stock markets. Every idea we develop is based on evolutionary systems. It's basically artificial intelligence: our algorithm is like a robot that can trade the markets and think for itself," explains Fishman.

The strategy trades Russian stocks, derivatives, the FX spot market, and also trades Russian paper on the London Stock Exchange. Fishman believes that once the strategy is established into a hedge fund structure it will have an initial short-term capacity of USD500million.

For any HFT platform, speed is important but as Fishman points out: "We have co-locations in Moscow, London, Frankfurt, New York and we also have partners in Chicago. Latency is important but is not critical. The algorithm itself is the critical point. This is the competitive edge that we have."

The fund will be called Quantum Brains Capital: appropriate given that the brain remains one of the most complex systems to fathom. "We plan to target annualised returns of 30 to 70 per cent in the fund. Our advantage is having a strong IT team, all of whom come from the University of Saint Petersburg, and a strong science team all of whom came from the top technical Universities of Saint Petersburg and Moscow." ■

Quantum Brains Capital Fund

Sharpe Ratio	7.37
Assets Under Management	USD 14.2m
Return since inception	184,66%
Percentage of positive months	100%
Years in operation	1
Strategy	Adaptive Statistical Arbitrage and HFT
Included in EXANTE Hedge Fund Index	Yes

The anti-emotion approach to stock trading

Dmitry Dudoukin

Dr. Anton Dudoukin and Dmitry Dudoukin are partners in Courant Asset Management Ltd. Courant Asset Management is the managing company of Courant Fund. Current Fund's AUM is USD28.7million. Courant Fund is an equity long/short strategy that uses systematic short-term trading models.

The strategy was first developed back in 1998, but it wasn't until June 2007 that the decision was made to structure it as a hedge fund; that year, between June and December, it returned 13 per cent. Courant then started accepting external investors from 2008 onwards.

"Our average annual returns over the last five years are 16.15 per cent. We were rated number seven in the top ten equity long/short category for best performance over the past three years by BarclayHedge: generating three-year compound annualised returns of 28.27 per cent," says Dmitry Dudoukin. The BarclayHedge report was published in the second quarter of 2012.

The Courant fund trades a universe of roughly 2,000 of the most liquid large-cap stocks in the US market and uses a countertrend strategy to buying and selling stocks. "We use proprietary statistical scanning models every day to scan the market for low-price stocks to buy (in a falling market), and high-price stocks to sell (in a rising market)," explains Dudoukin.

What makes this strategy so compelling, given that last year it generated returns of 27.95 per cent, is that it uses no leverage. Net exposure ranges from -100 to +100, meaning gross exposure at any given time never exceeds 180 per cent.

"We use value signals and number of technical indicators in the statistical model to identify which stocks to buy and sell on a short-term basis. We buy stocks that are falling, and if they continue to fall we buy again: we do this up to four times for certain positions using 2 per cent of the fund's NAV.

"The maximum exposure for a single long position in the fund is 8 per cent of the fund's NAV. For shorts, the biggest exposure for any single position is 6 per cent," says Dudoukin.

Research lies at the heart of the operation. For every hour of daily trading, seven hours are spent analysing data. One of Courant's key differentiators compared to other similar funds is this disciplined approach to research and risk management. If the team doesn't like elements of the strategy that worked a year ago, but not today, it conducts new quantitative research, draws conclusions and then decides how best to implement new ideas.

In that sense the strategy constantly looks at what was done in the past to decide how best to trade in the present. Everything is constantly evaluated to ensure the model is successful.

"Everything is 100 per cent systematic in our trading. Nothing is done on emotion. We are anti-emotion. That's why people invest their money with us," states Dudoukin.

The strategy's best performance came in 2009 when it returned 34.8 per cent. Most of these gains came from short positions says Dudoukin. The market was very choppy, causing stocks to climb for a few days then fall again, which played straight into Courant's hands. The strategy tends not to favour markets that move slowly or have low volume, which has by-and-large been the case in 2012: the fund is currently near flat, up 0.03 per cent YTD.

"It's normal for the strategy to be flat for a period of time, like this year, because we need volume and movement in the market. We need investors to be active, which right now they aren't." ■

Courant Fund

Sharpe Ratio	0.7
Assets Under Management	USD 28.98m
Return since inception	114,38%
Percentage of positive months	70,97%
Years in operation	5
Strategy	Statistical Stocks Long/Short
Included in EXANTE Hedge Fund Index	Yes

The emergence of electronic gold…?

"I hope our fund will be the first hedge fund to take advantage of using Bitcoins," explains Anatoliy Knyazev in Moscow. One of Exante's managing partners, Knyazev confirms that the firm is currently in the process of structuring the fund, with a view to launch this autumn.

Bitcoin is a decentralised, digital currency that could revolutionise the world of payments. It refers to both the open source software used to trade the electronic currency, as well as the currency itself. An anonymous group developed the concept in 2009, publishing a white paper that detailed the crypto-currency algorithms and proof of how Bitcoin worked.

As Knyazev explains: "Bitcoin is basically an electronic version of cash, or gold. Each user has a file on the computer representing their wallet. It has a unique public key which you use to send and receive money." In order to use received Bitcoins, the user needs to have the private key that matches the public key the Bitcoin was received with.

Bitcoins function the same way as cash: every transaction made is irreversible, and if, for whatever reason, the Bitcoin wallet is lost, there is no way of retrieving it: "What's lost is lost, what's transferred is transferred," says Knyazev.

The Bitcoin system is peer-to-peer. All transactions are visible, and by using cryptographic algorithms Bitcoin is able to verify every successful transaction. What this does is build an ever-growing chain of transactions, allowing users to see where Bitcoins have been traded.

It's still early days for Bitcoin, which remains a highbrow concept. However, one of the features that could prove critical to its success is in-built deflation. This is because the rate at which Bitcoins arrive into the system is pre-determined. That rate follows a pre-determined curve, which will drop at a future point causing the inflow of new Bitcoins to reduce.

"With Bitcoin you have a process called 'mining', which involves the accrual of Bitcoins. To mine at a significant rate one needs custom designed hardware with GPUs or FPGAs," says Knyazev. This lies at the heart of Exante's investment strategy in the Bitcoin fund: to raise assets in US dollars and euros and purchase

Bitcoins, whose value should increase over time as more users mine them.

"We will hold the Bitcoins securely in a Swiss vault over a period of three, five, 10 years. The fund will be a regulated entity through which institutional investors will be able to access the Bitcoin market," says Knyazev.

As the rate at which Bitcoins are added to the system is controlled, it means that the more people mine, the less each of them is likely to get: currently the number of bitcoins mined averages 7,200 per day but in the near future this will drop to 3,600 bitcoins per day, and will continue to decline. Therefore, the acquisition of bitcoins will become more and more competitive.

"The system will peak at 21 million Bitcoins in 2020. Right now, in terms of where we are on the curve, around one half of the Bitcoins have been mined globally. The rate of circulation is higher in the early stages and slows down with time. So even though it's only taken three years to mine half of the Bitcoins, it will take another 10 years to mine the remaining half," explains Knyazev.

The niche fund strategy plans to launch with around EUR1million and Knyazev is excited about its prospects:

"As soon as Exante's clients hear about a smart new idea they tend to want to get involved. We are confident this will be the case with the Bitcoin fund." ■

Spirit of entrepreneurism delivers cumulative returns of 480%

Mark Nordlicht & Uri Landesman

"I like to describe ourselves at Platinum Partners as entrepreneurial traders. We select and promote entrepreneurs who have an understanding of how to structure transactions in a way that caps the limit to the downside while giving us all kinds of upside opportunities," says Uri Landesman, president and managing general partner of the New York-based firm.

Platinum Partners was started by Mark Nordlicht in 2003. Nordlicht's background was in trading natural gas volatility. He also specialised in making senior secured loans to private companies. These two strategies are still used by Platinum today in its flagship multi-strategy fund: Platinum Partners Value Arbitrage fund.

Since 2003, the fund has built an enviable track record, generating average annualised returns of 20.13 per cent – outpacing the firm's target of 15 per cent annualised. Its best performance to date came in 2007 when it returned 53 per cent, which Landesman attributes to a number of factors: "Three of our underlying strategies had their best ever years, no single strategy underperformed, and also we started that year with a relatively low asset base, which meant the gains we made had a big impact. The best strategy was volatility trading in natural gas. Uncertainty in the markets allowed us to set up some trades that created a tail-risk for free and made impressive gains," confirms Landesman.

The PPVA fund accounts for USD700million of the firm's USD1.125billion in AUM, and as Landesman says, one of the hallmarks of the firm's success is the ability to swing back and forth across different strategies. "We are completely focused on risk-adjusted returns. That has enabled us to deliver returns of over 20 per cent net of fees to investors, along with a high Sharpe Ratio (3.31). We try to avoid correlation between strategies at all times."

Those strategies range from long/short equity, event-driven, energy arbitrage, asset-based convertible debt (direct lending), volatility arbitrage to physical commodity arbitrage. "Portfolio Managers who get turned away from box-ticking institutions find a home with us. Over the last decade we've built a reputation as the place to go, particularly for idiosyncratic strategies," says Landesman.

Within the PPVA fund, long/short equity accounts for up to 20 per cent of the risk allocation, with three quant strategies, three energy-focused portfolios and two Asian trading strategies accounting for another 40 per cent; the direct lending strategy is between 10 and 12 per cent.

Although mindful of the challenges of increased correlation within global equity markets, Landesman says that the current team of four managers is about to become five, with a clear emphasis on telecoms, media and technology (TMT): "The new hire will be a media expert," says Landesman.

Last year's performance – up 21.03 per cent – was largely thanks to the special situations side of the book, says Landesman: "One strategy, which we call physical commodity arbitrage, is with a 71 per cent stake we own in Black Elk Energy, a private oil and natural gas producer in the Gulf of Mexico; this enjoyed a fairly significant write-up last year. The other big contributor was our event-driven healthcare basket, specifically an investment in biopharmaceutical firm Navidea."

Landesman confirms that the PPVA fund's two event-driven baskets are set to become three: event-driven healthcare, event-driven energy, and 'event-driven other': which covers all other strategies, particularly those focused on China. "The main theme we're playing over the long-term in China is the transition of the lower classes to middle class and taking advantage of their increased purchasing power." YTD the PPVA fund is up 8.20%. ■

Sharpe Ratio	3.31
Assets Under Management	USD 1.1bn
Return since inception	480,33%
Percentage of positive months	88,7%
Years in operation	9.5
Strategy	Multi-strategy
Included in EXANTE Hedge Fund Index	Yes

EXANTE

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EXANTE's Online Multiproduct Platform provides the best possible environment for Quantum Brains Capital Fund business as a part of Fishman Group. We highly appreciate the current progress and look forward to enhance our cooperation with EXANTE.

Gregory Fishman
Managing Partner of Quantum Brains Capital,
First prize winner of the MICEX & RTS award
"Best Private Investor 2011" in Russia

2010

2012

EXANTE Hedge Fund Index

Equally weighted audited performance of 20 top performing Hedge Funds listed with EXANTE's Online Multiproduct Platform.

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