

# Allenbridge HedgeInfo

UK's leading independent alternatives consultant



BEST HEDGE FUND INVESTMENT ADVISORY FIRM 2010

July 2010

**Institutional  
Investor**

NOMINATED AS HEDGE FUND CONSULTANT OF THE YEAR 2010

Authorised & Regulated by the FSA

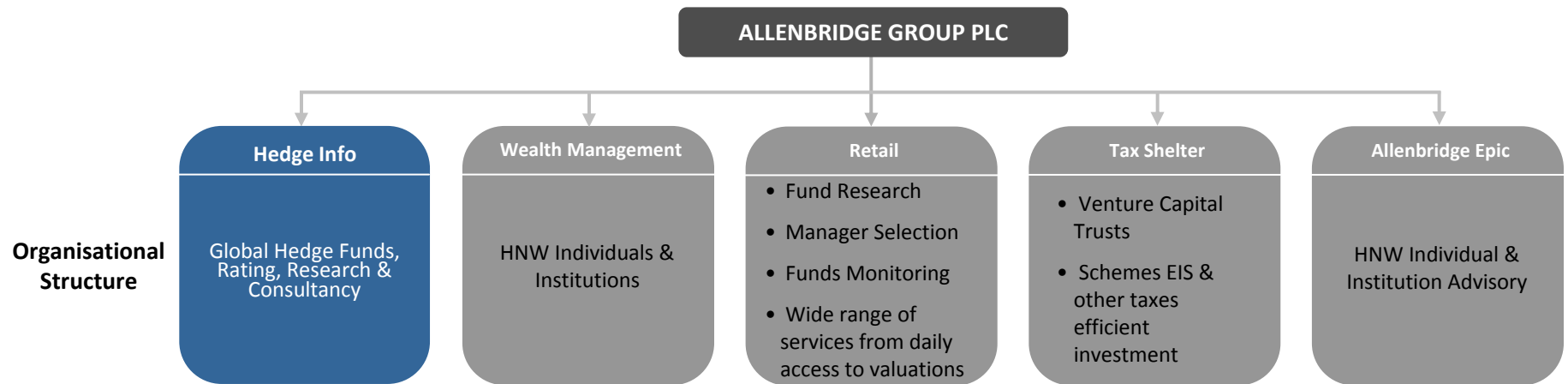
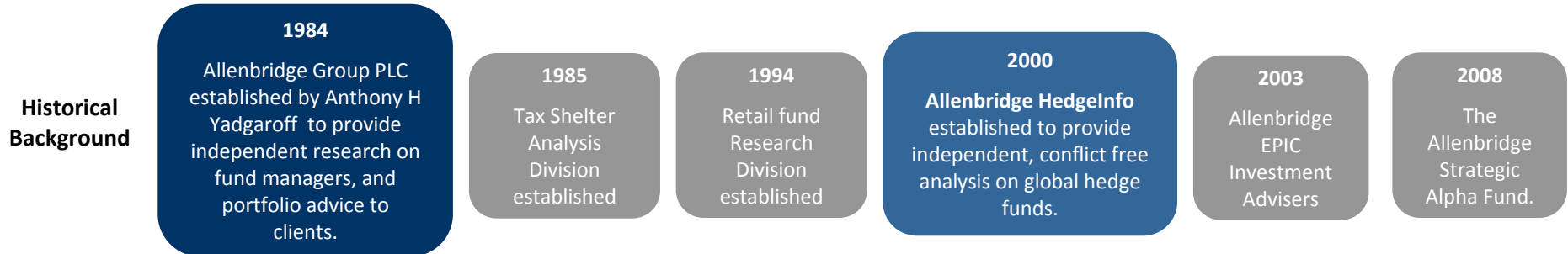
Member of NAPF

Member of AIMA

**Allenbridge**  
HEDGEINFO

# Allenbridge Group Overview

**Allenbridge Group** covers a wide range of financial customers, small and large retail clients up through the HNWI market, and institutional & banking investors. The common thread across its business activities is high quality research into fund managers, aimed at producing exceptional performance for our clients.



# Allenbridge Group Senior Team

## **Anthony Yadgaroff MSI**

### **Allenbridge Group Managing Director**

Anthony is Group Managing Director of Allenbridge Group. Anthony began his career in the City in 1966, as an investment analyst. He cut his teeth assessing financial markets for Far Eastern clients, and developed an early interest in hedge funds. He founded Allenbridge in 1984, to provide independent research and performance analysis on investment managers to high net worth clients and institutions. From these beginnings also emerged a tax-shelter business specialising in research on VCTs and EIS funds, and, later the HedgeInfo subsidiary, providing a respected rating and consultancy service on hedge funds. He is a non-executive director of Anglo-Pacific Plc and serves on the boards of several charities and non-profit organizations.

## **Alan Saunders, MA (Cantab)**

### **Allenbridge Group Chairman of the Investment Committee & Economist**

Alan Saunders graduated from Cambridge University with a double first in Economics in 1970. During his 30 year career in financial markets and international industry he has been a stockbroker and partner at Simon and Coates, Chief Economist for Royal Dutch Shell, Investment Director for Lazards and Deputy to the Chief Executive and overall Head of Discretionary and Advisory Investment Management of UBS Private independent adviser to Dorset County Council pension fund and chairs the Investment Committee of Hays Group plc Bank in London. He is also an independent trustee of the ICL Fujitsu pension fund. Outside the world of pension funds, he is the Senior Investment Director of the JP Morgan Emerging Markets Investment Trust and sits on the Client Board of ING Real Estate Asset Management.

## **Philip Read, FIA, FPMI**

### **Senior Adviser, Allenbridge EPIC**

Philip Read is a qualified actuary who became a partner in a leading South African consulting firm, before joining Towers Perrin in the UK in 1986. In 1993, he joined GEC, where he became the Pensions Manager. In 1999, Philip became the UK Pensions Manager of the Metal Box Pension Scheme, concentrating on investment matters, including mandates in Hedge Funds and Private Equity Funds.

Philip has been a member of the Council and a Vice-President of the Pensions Management Institute, and has contributed regularly to discussions on pension and investment issues at conferences of the PMI, the NAPF, the Marathon Club, and other organizations. Philip retired from Metal Box in February 2009, and is currently the non-executive Chair of the Trustees of the British Coal Staff Superannuation Scheme.

# Allenbridge HedgeInfo Team

## **Ian Morley MSI**

### **Chairman, Allenbridge HedgeInfo**

Ian Morley was the founding Chairman of The Alternative Investment Management Association (AIMA). He was formerly Director of Olympia Capital Management (UK) and Head of Derivatives and Quantitative Fund Management at AIB Govett, Managing Director of Rudolf Wolff Fund Management, and European Director of Managed Futures at Lehman Brothers. He works closely with trade and regulatory organisations and has on managed derivatives and Hedge Fund industry. An economics graduate of the LSE, Ian has also published numerous articles, and has lectured throughout the world.

## **Alexandre Pigault**

### **Director of Research, Allenbridge HedgeInfo**

Alexandre Pigault has over 14 years experience in Alternative Investments and is an experienced consultant in qualitative manager research & due diligence, quantitative analysis and portfolio asset allocation. Alexandre headed the Alternative Assets Research at Kleinwort Benson, focusing on funds of hedge funds, private equity funds, and niche alternative investments. Previously, Alexandre worked at Blue Oak Capital (a fund of hedge funds), as Head of Research and Asset Allocation, and Barclays Private Bank as Head of Quantitative Research. Alexandre started his career in 1996 at Paribas Asset Management's first fund of hedge fund team, as a Quantitative Analyst. Alexandre has a Master's Degree in Computer Sciences.

## **Ketan Thakrar, MSc**

### **Hedge Fund Analyst**

Ketan Thakrar gained a first in Economics before going on to complete his Masters in Finance and Economics at the London School of Economics. Ketan trained as a Chartered Accountant before joining Allenbridge as a Fund Research Analyst and specialises in Econometrics and Regression Analysis. He is a member of the UK Society of Investment Professionals and holds the Investment Management Certificate.

## **Sunil Kumar, MBA**

### **Hedge Fund Analyst**

Sunil Kumar joined Allenbridge HedgeInfo in 2002 as a hedge fund analyst. Sunil is primarily responsible for maintaining the proprietary hedge fund database and for performing due diligence on hedge funds and funds of hedge funds. With over seven years experience of performing research on hedge funds, Sunil has developed a broad and deep knowledge of the industry. Sunil earned an MBA (Finance) from the Webster University, London campus (Regent's College) in 2003 and a Bachelor of Commerce (B.Com) in 1996 from Guru Nanak Dev University, India.

## **Marisol Hernandez, MSc**

### **Junior Analyst**

## **Ryan Ward**

### **Junior Analyst**

# Our Philosophy

To help Investors improve their investments & the Hedge Fund Industry improve its offering

## Un-biased & Conflict Free

- 10 years experience at providing independent & unbiased hedge fund research, as well as due diligence, asset allocation & corporate consultancy services.
- Our Clients are institutional investors, private banks and family offices.

## Sophisticated & Innovative

- We watch and integrate the latest & most sophisticated research and investments techniques, including psychological profiling and advanced empirical statistics,
- We constantly adapt to the evolution of products, structures & funds to offer the most innovative & relevant advice in changing markets & economic cycles.

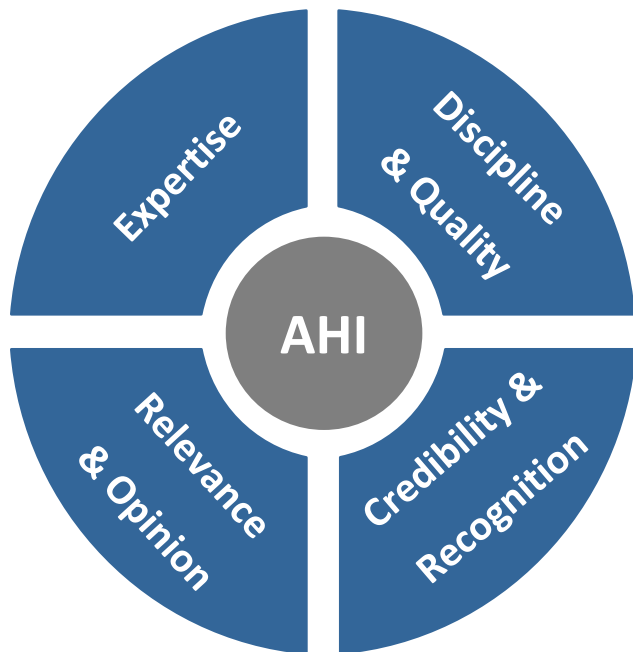
## Flexible & Robust Solutions

- We remain dedicated to building long term relationships with our clients, and to tailoring our services to their unique requirements. We work only with a small number of clients, in order to deliver a very high level of personal attention.
- It is in our DNA to be risk-averse and focused on capital & reputation preservation. We therefore suggest to most adapted & robust solutions to our clients.

## DO NOT

- Manage hedge funds or hedge funds of funds,
- Promote managers,
- Produce commissioned marketing material for hedge funds.

# Our Expertise



## EXPERTISE

- Allenbridge has been involved in the hedge fund industry for more than twenty years and was the first provider of hedge fund ratings.
- Our senior consultants are highly experienced industry practitioners, in fund research & due diligence, portfolio management, risk management, and team & operations management.
- We understand risks associated to hedge funds, both qualitative & quantitative.

## DISCIPLINE & QUALITY

- We apply a **strict discipline** across our processes & services, ensuring a high level of quality.
- We regularly verify the quality of our services via our client's feedback and the industry feedback.
- Our services are therefore **tailored** to the needs of our clients and focus on investors' capital protection, on institutions' reputation protection, and robust investment performance.

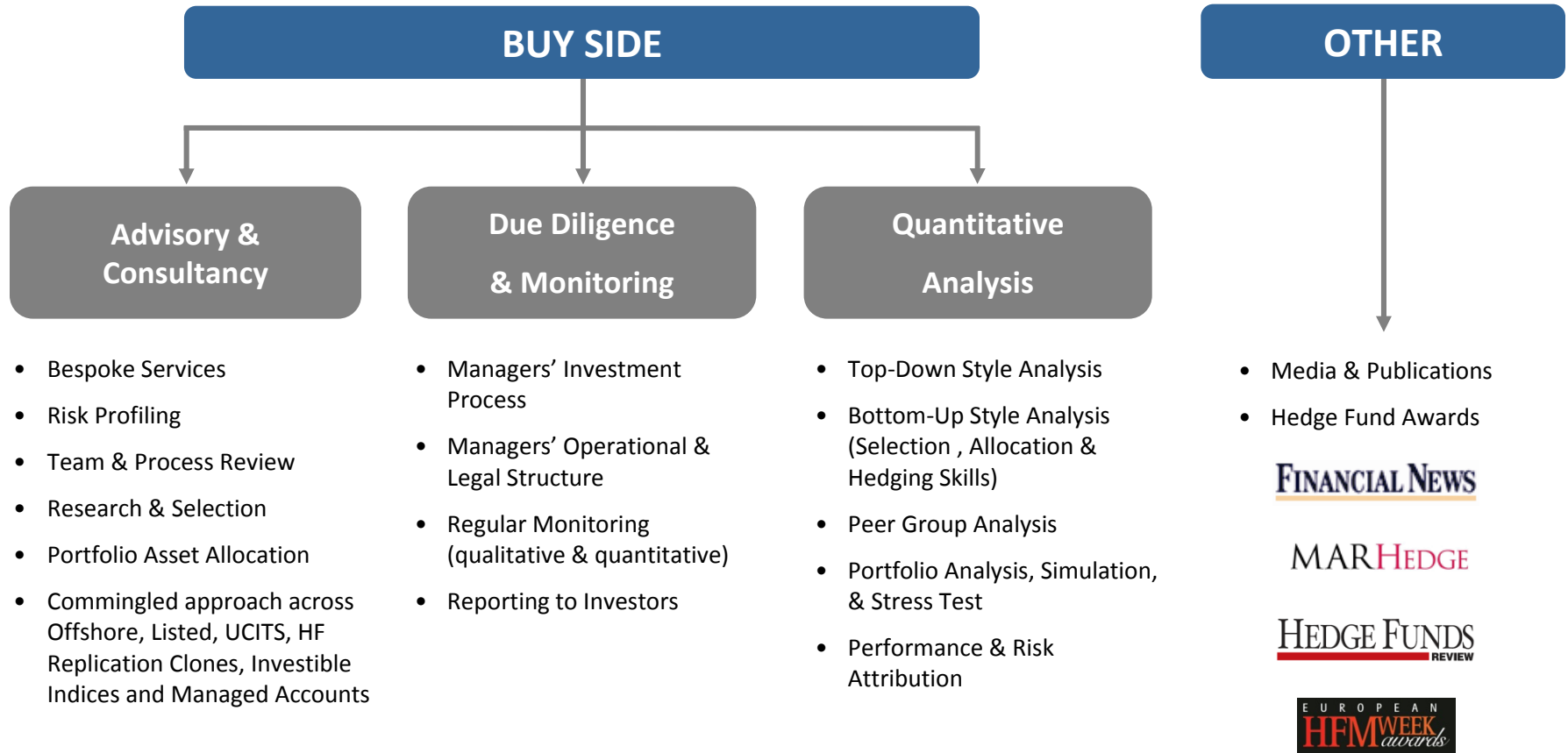
## RELEVANCE

- We recommend not only optimal funds, but also optimal investment structures & allocations to match risk-adjusted return, diversification & liquidity requirements of investors.
- We consider all the investment tools that are the most adapted to our client requirements, and provide without fear our opinion on the benefits of non-traditional investment vehicles, that are overlooked due to lack of understanding.

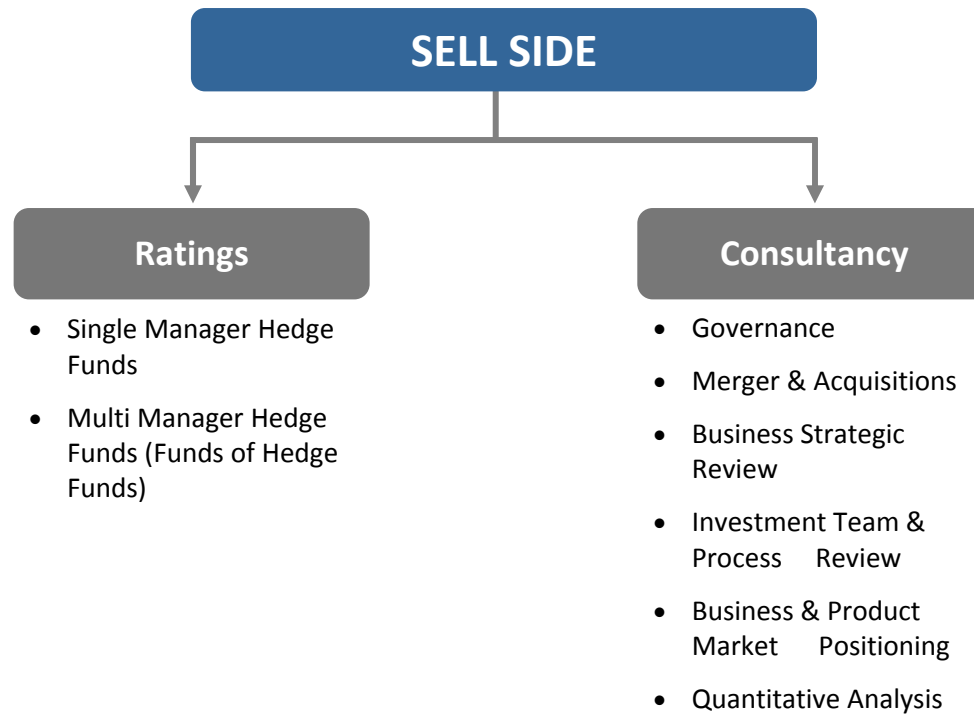
## CREDIBILITY & RECOGNITION

- Our hedge fund research & consultancy services have been recognised by Institutional Investors, Investment Advisors, and even for the purpose of Mergers & Acquisitions.
- Over the years, Allenbridge Hedgeinfo has contributed to multiple Hedge Fund awards events.
- In 2010, Allenbridge Hedgeinfo was awarded **Best Hedge Fund Investment Advisory Firm** by HFM Week, and was nominated as Hedge Fund Consultant of the Year for the Institutional Investor Hedge Fund Industry awards.

# Our Services



# Our Services



# AHI Global Research

# Research Focus

## Funds of Hedge Funds

- Focus on UK-based, Europe-based, Specialists Strategies, but also some US and Global-based Funds of Hedge Funds.
- While Diversified FoHFs are enhanced (alpha) HF index plays, the specialists FoHFs can bring real value diversification to investors portfolios

## UCITS / Managed Accounts

- Both Absolute Return and Hedge Fund strategies. Can be compared on an investment & structural basis versus the offshore fund version of the strategy.
- Only some UCITS funds carry acceptable risks for investors and are truly liquid at low tracking error.

## Investible Indices

- Both broad indices and specialist HF indices, these are based on real liquid hedge funds.
- More or less diversified, or relevant to be considered, they are liquid means to make HF investments.

## HF Replication Funds

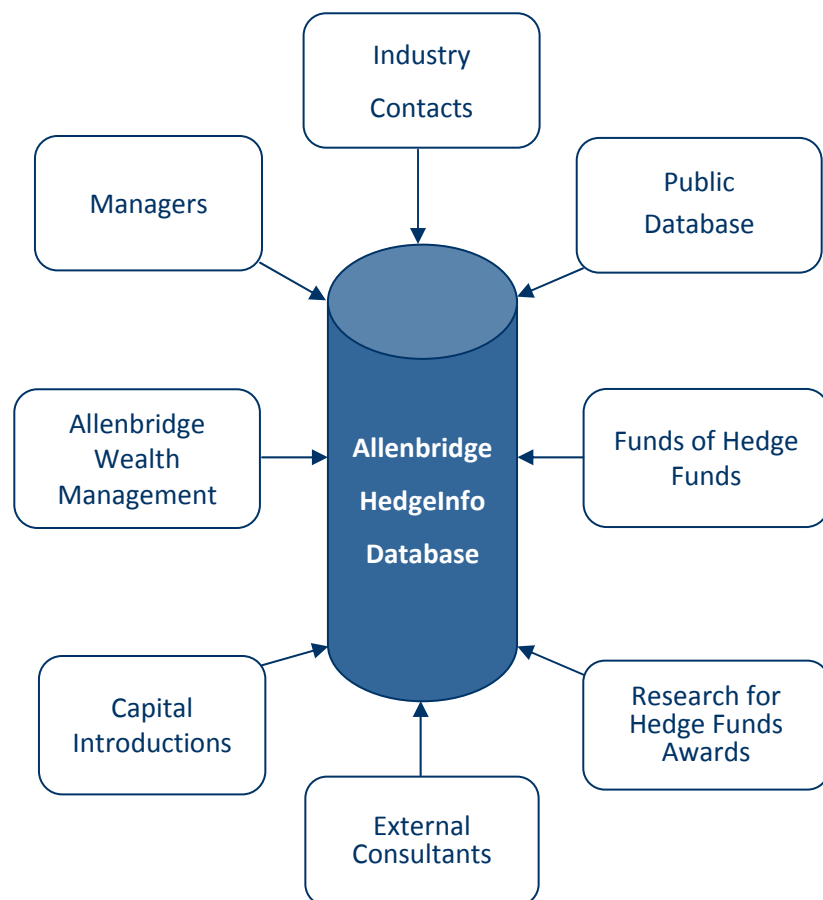
- Both broad indices and specialist HF indices, these invest in dynamic portfolios of liquid market instruments that (are supposed to) “mimic” / “replicate” HF indices behaviour.
- As underlying are not funds, these are liquid means to make HF investments , when behave as such.

## Offshore Hedge Funds

Mostly “specialist” & “value-adding” offshore strategies that deliver alpha & diversification:

- by style: Macro, CTA/Systematic, Arbitrage, Market Neutral, Small Cap , Activist, etc.
- by assets: commodities, FX, derivatives, specialist credits [micro, RMBS/CMBS, CLOs/CDOs], direct lending, energy/shipping contracts, litigation cases, real assets, etc.
- by region: Asia, China, India, Japan, Latin America, Africa, Eastern Europe, Canada, etc.

# AHI Database



- ▶ Systematic fund information gathering and fund research Process
- ▶ Proprietary database with AHI specific qualitative information
- ▶ Internal sourcing & data maintenance with:
  - ✓ Various sources of information for our databases
  - ✓ Extensive industry contacts
- ▶ External database sources for general coverage
- ▶ Unique access to data as Consultant and Rating Agency

# AHI Ratings

# AHI Ratings - Overview

## Clients

- ▶ Hedge Funds, Funds of Hedge Funds, Managed Account Platforms
- ▶ Offshore, UCITS, Listed, Segregated Accounts, Index Clones, Investible Indices

## Product

- ▶ Proprietary & Robust Rating Methodology. Rating Scale: **AAA**, **AA (+)**, **A (+)**, **B (+/-)**, **C (+/-)**
- ▶ A 2-page Summary Report and a Comprehensive Report, encompassing all qualitative, quantitative & structural findings

## Services

- ▶ Full Distribution Rights for a minimum of 12 months
- ▶ Press Release of the Rating
  
- ▶ Full Quantitative, Due Diligence & Investment Process Assessment

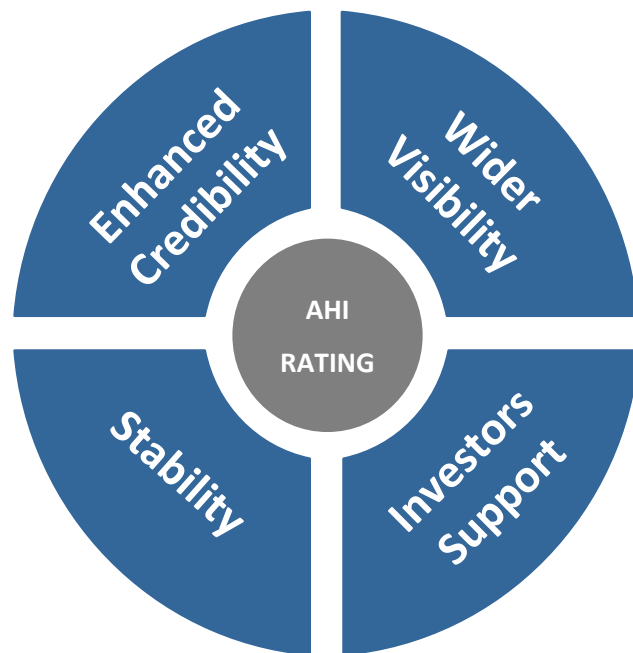


## APPROACH

- ✓ Fund Operational & Legal Structure
- ✓ Business Operations, Team (Skills & Background) and Organisation
- ✓ Investment Research, Asset Allocation, and Portfolio Implementation
- ✓ Risks (Markets, Leverage, Liquidity, Counterparty, etc)
- ✓ Forensic Quantitative Style Analysis (Historical)
- ✓ Overall Sustainability of Product & Business Strategy

# AHI Ratings - Benefits

## AHI Ratings facilitate capital raising efforts



### ENHANCED CREDIBILITY

The AHI Rating provides a level of reassurance to investors that a detailed due diligence has been conducted by a reputable 3<sup>rd</sup> party industry specialist.

### WIDER VISIBILITY

Allenbridge publishes AHI Ratings via several publications and websites\* (reaching a larger investor-base both in the HNW and institutional space) and the AHI website, accessed by over 1000 registered users.

Rated funds are also added to the approved list for Allenbridge Institutional clients including Private Banks and Wealth Management clients.

### INVESTORS SUPPORT

Allenbridge HedgeInfo will remain at the disposal of the Rated fund's potential investors to answer their questions in an objective manner.

### STABILITY

Contrary to other Ratings Providers, the AHI Rating is based on a consistent qualitative process that can not allow frequent re-rating (unless facing significant business changes). Past or recent performance are insufficient to reflect the future performance or stability of an investment strategy.

\* Allenbridge continuously works at forming new alliances with the press in general and specifically with hedge fund publications, in order to publish our ratings and research to the largest possible investor base.

# AHI Ratings - Criteria

## Robust Fund

- An outperforming track which reflects the strategy
- An appropriate fund structure, fees & liquidity terms
- Quality 3rd party providers
- An efficient, fair and transparent valuation process

## Robust Business

- Clean business history and key individuals (backgrounds & self-investment)
- Relevance of experience and efficiency of the team organisation
- Robust Infrastructure & appropriate IT Systems
- Solvable & sustainable accounts
- Stable & diversified client base

## Appropriate Process

- Appropriate investment and portfolio management process
- Appropriate risk management approach & controls (including use of leverage)
- Robust operational infrastructure
- Full transparency

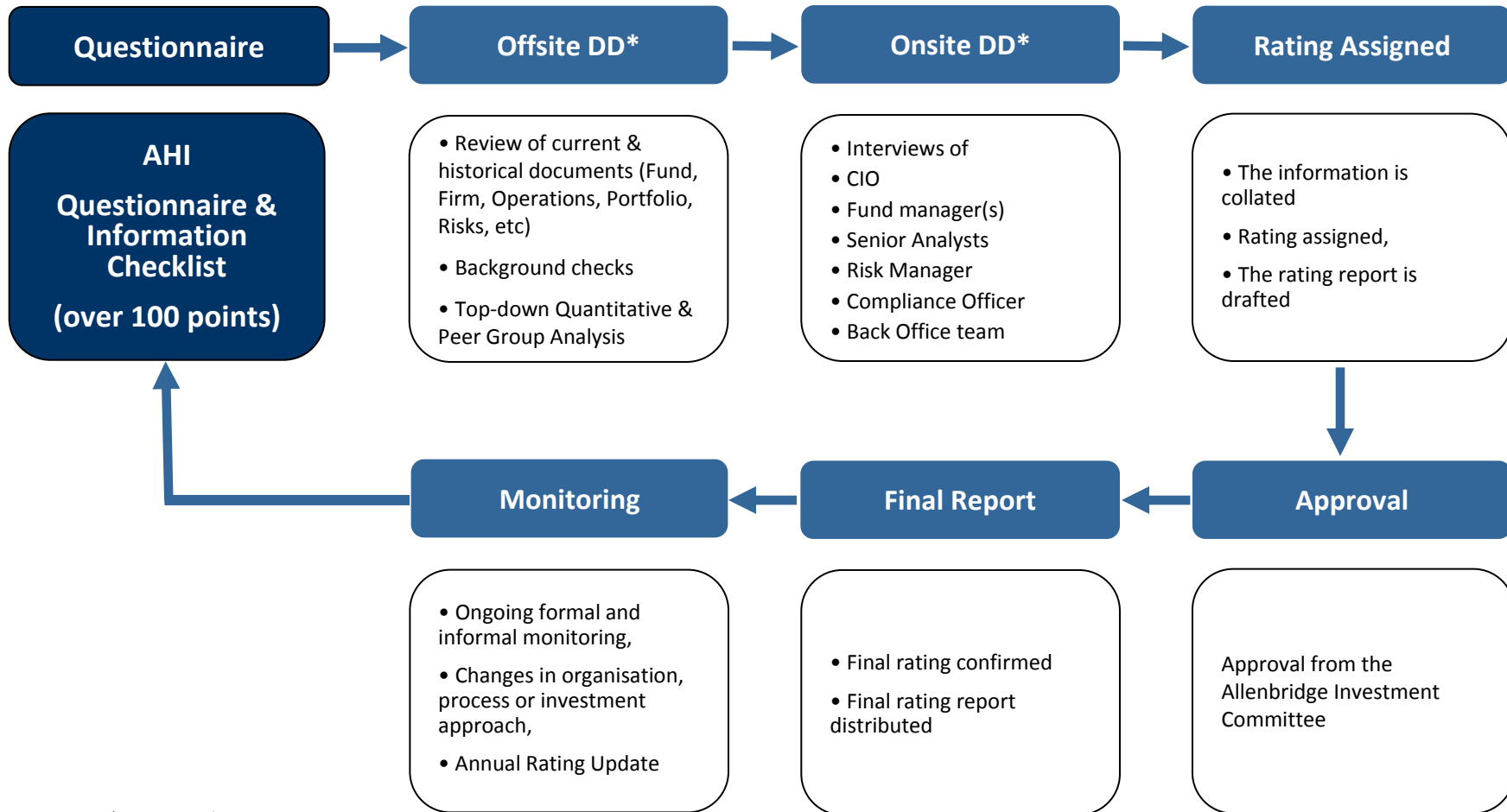
## Robust Team

- Experienced, stable, hard working, & humble about past mistakes
- Ethical, innovative & willing to add-value to the industry
- Focused on way they know they can do well

## We don't like

- Un-justified illiquidity, misleading reporting, and "bones under the carpet"
- Greed, over-confidence, complacency, dubious ethics, & lack of transparency

# AHI Ratings - Process



\* DD = Due Diligence

# Hedge Fund Consultancy Services

# Summary

- ▶ Client Risk Profiling (risk & diversification appetite)
- ▶ Process Governance (investment committee, research committee, asset allocation committee)
- ▶ Second Opinion / 3<sup>rd</sup> Party Assessment:
  - ✓ Business Organisation & Strategic (Merger & Acquisitions)
  - ✓ Team Organisation & Competencies
  - ✓ Investment Strategies (benefits & risks)
  - ✓ Fund Research & Due Diligence Process
  - ✓ Portfolio Allocation to HF & FoHF Investments (Qualitative & Quantitative)
  - ✓ Risk Management
- ▶ Hedge Fund Investments Advisory
  - ✓ Manager Research & Selection
  - ✓ Manager Due Diligence
  - ✓ Manager Monitoring & Client Reporting
  - ✓ Portfolio Asset (re)Allocation & Risk Budgeting
- ▶ Quantitative Analysis
  - ✓ Top-Down Style Analysis
  - ✓ Bottom-Up Style Analysis (Selection, Allocation & Hedging Skills)
  - ✓ Peer Group Analysis
  - ✓ Portfolio Simulation, Stress Test
  - ✓ Performance & Risk Attribution

# Portfolio Advisory Services

## Investor Profiling

- Understand investors expectations in terms of performance, risk and diversification
- Agree on investment horizon and liquidity / liability requirements
- Agree on asset classes, investment styles, markets/regions to avoid in terms of exposures
- Educate investors on various products and means to achieve optimal HF allocations

## Portfolio Qualitative Analysis

- Review list of fund managers & products on a qualitative basis: investment process & style, fund terms, and risks
- Aggregate qualitative risks identified at manager-level
- Advise on adding / removing funds as appropriate

## Portfolio (Re)Construction

- Review the allocation of the single funds, and strategy & regional buckets in the portfolio
- Compare against optimal but robust allocations across specific varying market conditions
- Define three portfolio allocations over changing market conditions: bad, normal and good markets, as well as one robust (but less performing) portfolio across all market conditions.
- Apply Risk-budgeting methodologies, assuming that past performance will no longer apply

## Portfolio Simulation, Stress-Tests & Risk Analysis

- Analyse extreme risk exposures and losses for a sample of extreme historical periods (extreme Risks, Drawdowns and Conditional VaR contributions)
- Simulate the portfolio going forward, assuming various market conditions and changes in asset class correlations
- Verify the evolution and stability of risk budgets

## Portfolio Monitoring

- Portfolio Monthly Return & Risk Contribution Analysis
- Analyse the relevance of the asset allocation over future periods and in respect of client expectations.

# Manager Research & Selection

## Manager Selection Procedure

### Step 0:

*Initial meeting with client:* Definition of criteria, parameters and strategy for manager search (full understanding of client objectives).

### Step 1:

#### *Database search*

Internal and external database search filtering to short-list funds on the basis of Qualitative, Quantitative and Structural factors.

A short list of these funds with a report describing fund, firm and strategy and quant analytics for these funds will be sent to client.

### Step 2:

#### *Meeting with client:*

- Discussion of short listed funds
- Selection of top funds

### Step 3:

Beauty parade of the short listed managers (One hour each manager) at AHI offices.

### Step 4:

#### *Meeting / conference call with client:*

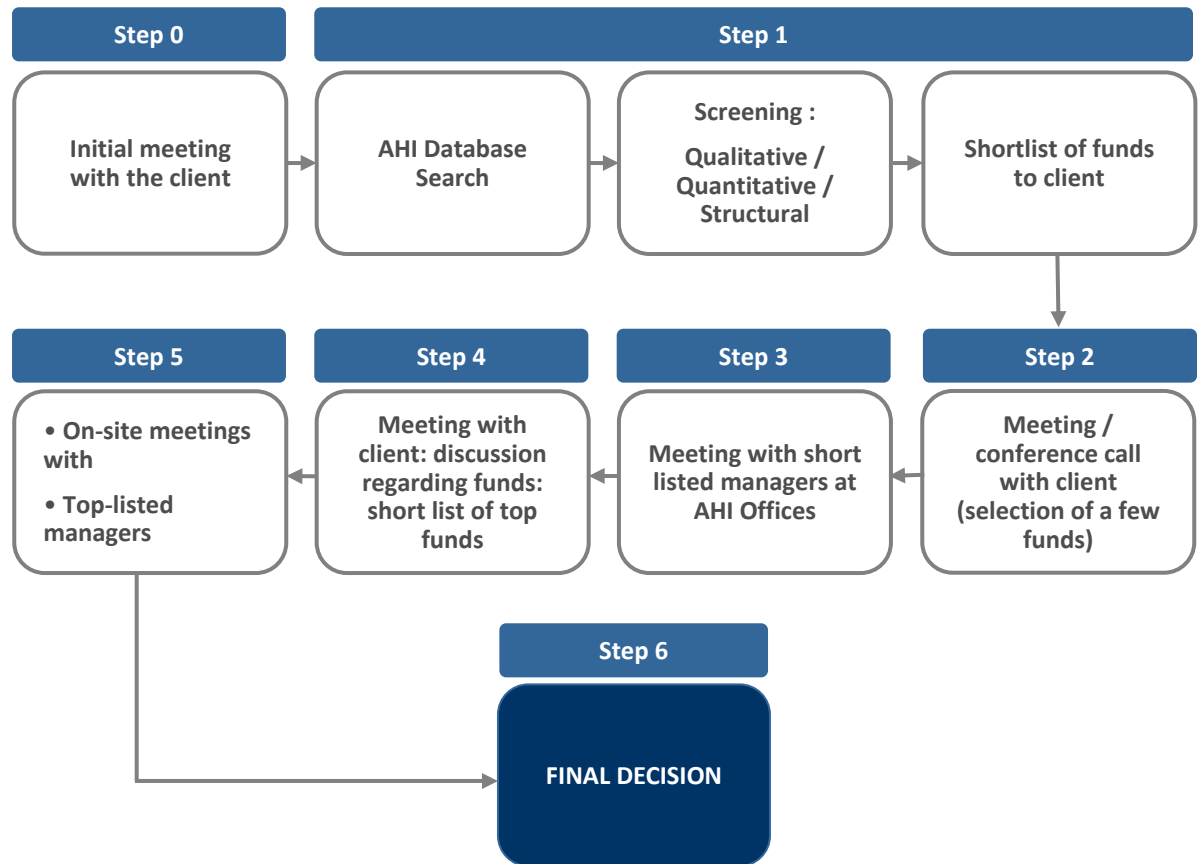
- Discussion regarding funds,
- selection of final funds

### Step 5:

On-site meetings with top listed / rated funds

### Step 6:

#### *Final decision*



# Due Diligence Services

- ▶ Based on the same principles as the Rating process
- ▶ Full Quantitative, Due Diligence & Investment Process Assessment
  - ✓ Fund Operational & Legal Structure
  - ✓ Business Operations, Team (Skills & Background) and Organisation
  - ✓ Investment Research, Asset Allocation, and Portfolio Implementation
  - ✓ Risks (Markets, Leverage, Liquidity, Counterparty, etc)
  - ✓ Forensic Quantitative Style Analysis (Historical)
  - ✓ Overall Sustainability of Product & Business Strategy
- ▶ Over 115 specific types of information and over 500 specific questions  
(adapted to each manager)
- ▶ Can be focused solely on Operational & Legal Due Diligence points
- ▶ Can be customised to specific client requirements

# Monitoring & Reporting Services

## Basic Services

Monthly / Quarterly conference calls (30 to 60 minutes) with client and a summary report covering :

- A ) Fund(s) performance & strategy review (within macro & markets environment)
- B) Quantitative assessment
- C) Any important new points, issues and risks identified



## Full Services

Quarterly meetings with client and information provided :

- A ) Detailed report on fund / firm and strategy
- B ) Full Quantitative assessment / statistics
- C ) Full Portfolio analysis / evaluation of strategies' sub-portfolios

# Quantitative Analysis Services

## Top-down Quantitative Analysis

- A Complete report based on a top-down / regression analysis of a fund against 5 indices or peers
- Includes non-normal (Drawdown, Conditional VaR, Omega, Underwater/Abovewater) statistics and proprietary approaches , as well as other rolling-period and proprietary analytics.
- Helps identifying general manager skills at asset allocation, risk management, and risk hedging.
- Helps raising questions about a fund manager's historical investment style, his moments of panic or mistakes, or about the use of leverage or intrinsically leveraged securities.

## Bottom-up Quantitative Analysis

- Synthetically re-create a fund manager's track record based on his past allocations across asset classes, regions, investment styles.
- Allow to analyse precisely the skills of a manager in terms of stock/fund selection, and in terms of asset allocation / rotation skills across asset classes, sectors, markets or investment styles.
- Allow to analyse precisely the skills of a manager at managing and hedging portfolio risks.

## Peer Group Selection

- Multi-Period, Multi-Factor Peer Group Analysis
- 24 factors of Return, Risk, Risk-Adjusted Return Ratios, Diversification, including non-normal factors
- Automated relaxation of factors to limit loss of information
- Highly robust & customizable methodology, allowing to focus on specific aspects of selection criteria

# Contact Us



## Allenbridge Hedgeinfo

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