



*Intelligence & Judgement  
on Hedge Funds*

## **Hedgeinfo** *Services & Products*

Hedge Fund Awards

Investment Consulting

Quantitative & Qualitative Screening

Operational Due Diligence

Hedge Fund ratings

*Part of Allenbridge Group plc.  
Independent Research since 1984  
Member of NAPF  
Member of AIMA*

# Allenbridge Hedgeinfo Services

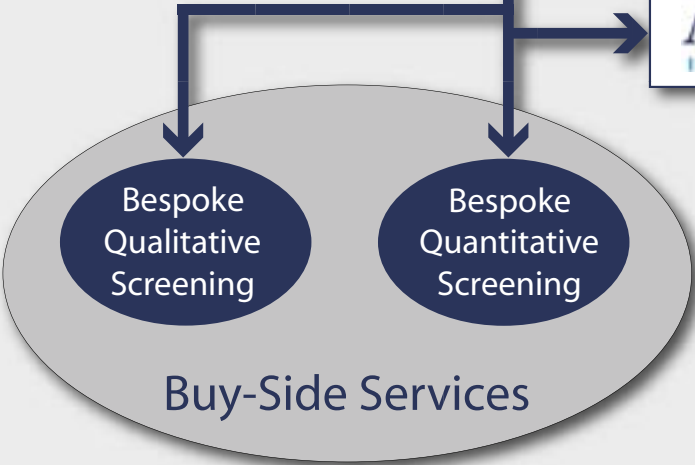
Wouldn't it be a wonderful world if all Fund Managers got full marks for Operational Risk Management?



AllenbridgeEPIC Investment Advisers is an independent investment consultancy which offers a range of services to trustees of pension funds with funds under management of c. \$19bn.

Allenbridgeepic  
INVESTMENT ADVISERS

Allenbridge  
INVESTMENT CONSULTANTS



Allenbridge Wealth Management offers independent investment advice to HNWIs, Family Offices and Private Banks



# AHI Hedge Fund Awards

## HFMWeek US Performance Awards 2007



HFMWeek in conjunction with Allenbridge Hedgeinfo are proud to present the HFMWeek US Performance Awards 2007 (HFMA's). As co-organiser of the event, Allenbridge Hedgeinfo is responsible for conducting all of the manager research which is used to identify the finalists. Allenbridge will also be represented on the judging panel by Christopher Miller, CEO. The panel is responsible for ultimately identifying the award winners.

The Awards, which will be held on November 1st 2007 at Cipriani 42nd Street Restaurant, New York, will honour the top performing hedge funds and funds of hedge funds advised from within North America.

Hedge funds and funds of hedge funds seeking to enter the awards are required to have a minimum of a three year track-record (12m for the newcomer category) and must have their advisory company based within either the United States or Canada. The awards categories will consist of twelve single manager categories and two categories for funds of hedge funds.

Unlike many other Hedge fund performance awards, the entrants for the HFMA's will be assessed using a sophisticated multi-metric performance ranking model, Allenbridge Tempus. Allenbridge Tempus uses a time-decay weighting system to ensure that each of the ranking model's components prioritises the importance of more recent performance. This method provides a means for distinguishing between two funds which have exhibited similar returns and volatility over their lifetimes but while exhibiting differing levels of improvement. The model also considers both performance and risk on an absolute basis and relative to appropriate strategy peer-group indices. By doing so, Tempus provides a powerful method for identifying hedge funds that are improving both on an absolute basis and relative to their peers.

The Tempus system is one of a number of tools that Allenbridge Hedgeinfo currently uses to identify outperforming funds.

## Other Performance Awards

Over the years, Allenbridge Hedgeinfo has been involved in the judging for the following performance awards:



2005 MARHedge Annual US Performance Awards (MAPAs).  
2006 MARHedge Annual US Performance Awards, St. Regis Hotel, New York City  
2006 MARHedge Annual European Performance Awards

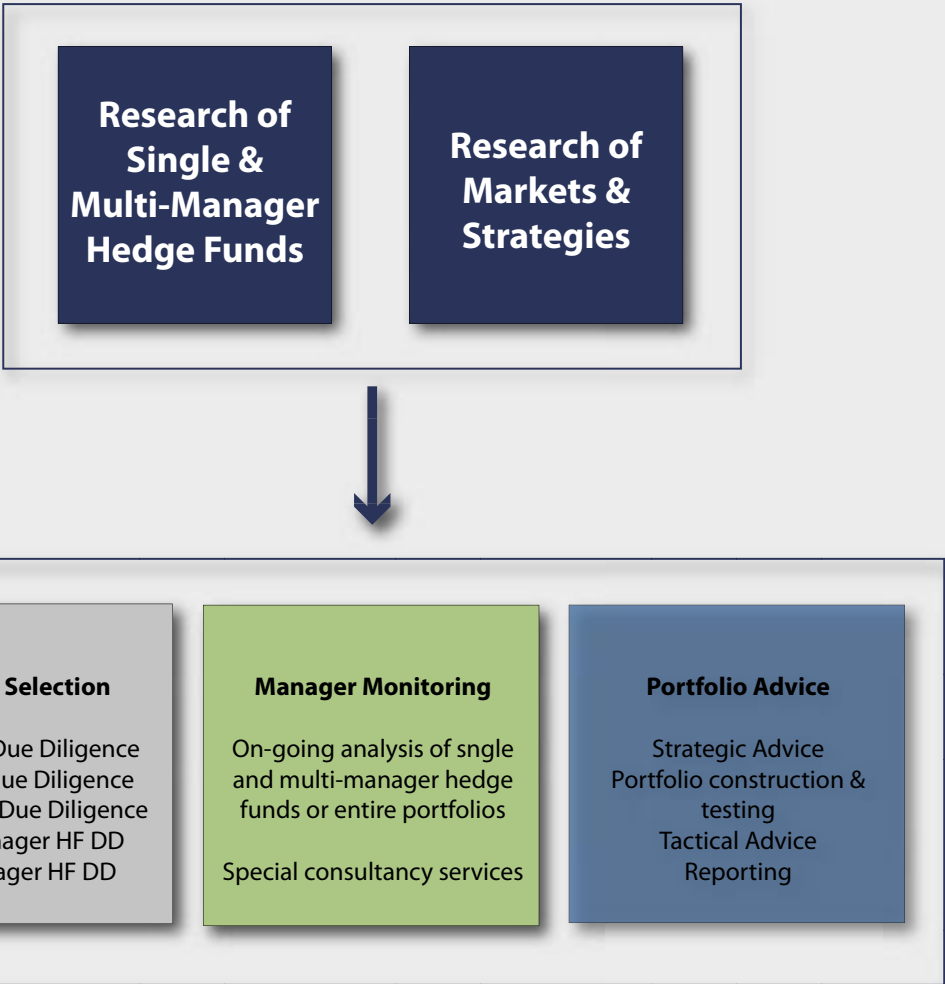


Hedge Funds Review HFR Awards 2002  
Hedge Funds Review HFR Awards 2003  
Hedge Funds Review HFR Awards 2004

# AHI Investment Consulting

## Pension Fund Allocation

Through AllenbridgeEPIC, we advise pension funds with c. \$19bn, including:  
West Yorkshire Pension Fund has allocated across five funds of hedge funds. Three of the five these funds have been rated by Allenbridge Hedgeinfo.  
Dorset County Council has allocated across three hedge funds. Two of these funds have been rated by Allenbridge Hedgeinfo.

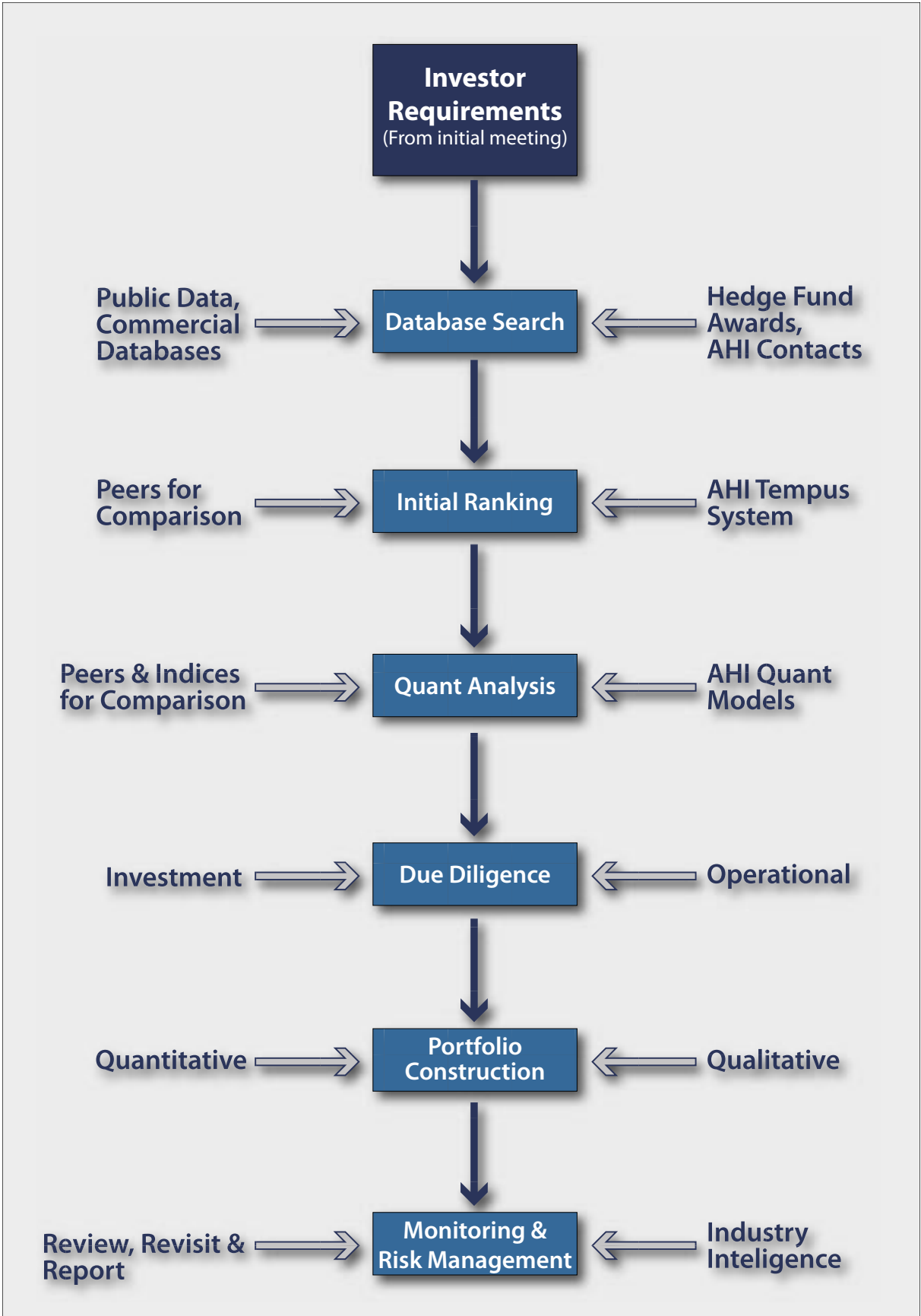


**Wrong Question:**

*What is the best fund?*

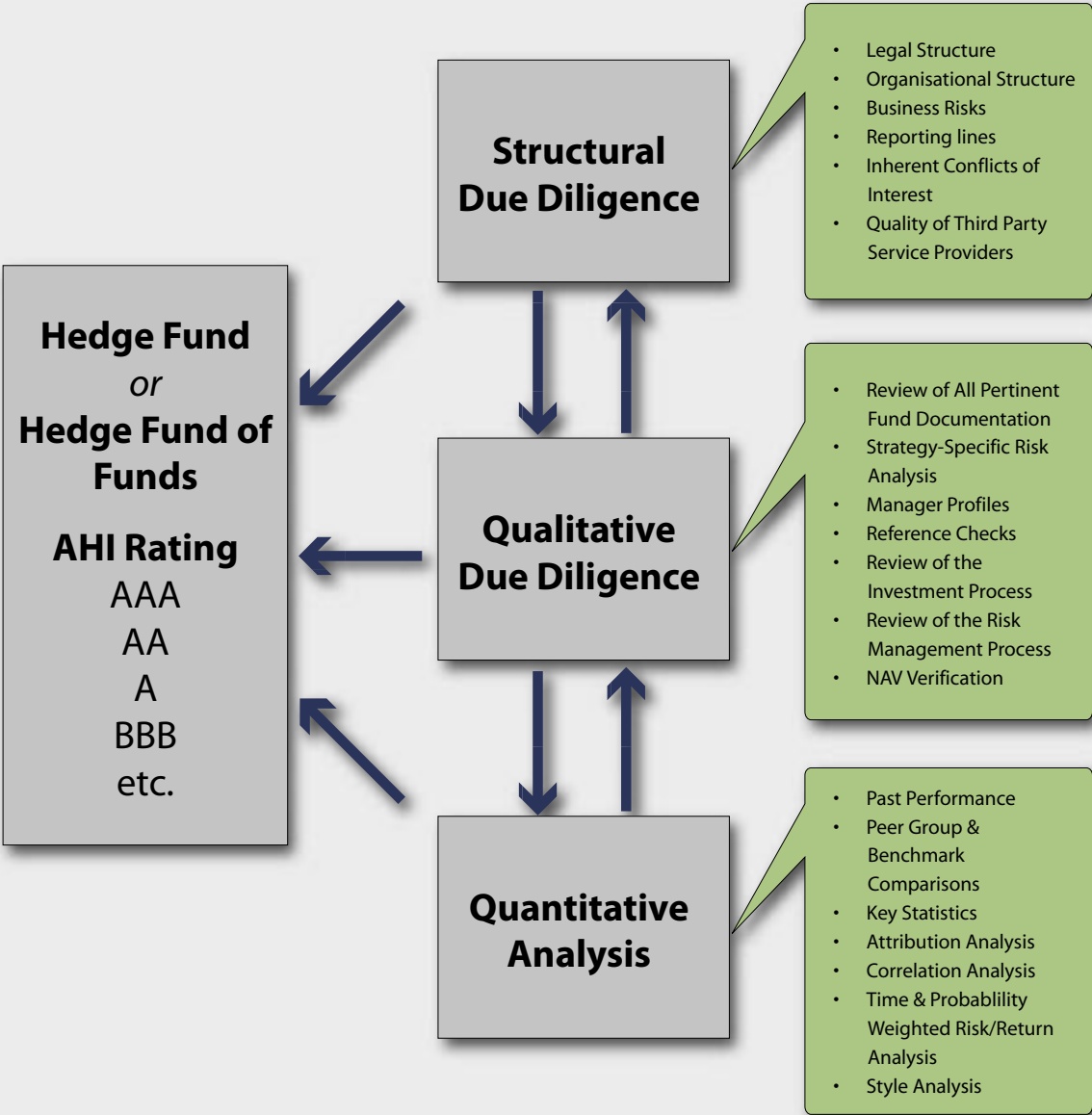
**Right Question:**

*What is the most suitable fund?*



# AHI Rating Overview

- Ratings are performed on both single manager funds and Hedge funds of funds
- Proprietary ratings methodology
- Funds are rated relative to a benchmark primer
- Focus on identifying and analysing good managers with robust processes regardless of size and location



# AHI Rating Considerations

## Strategy Risk

Strategy Risk (e.g. niche strategy or high level of leverage necessary to produce returns).

What is the specific risk of the strategy? Is it a niche strategy where special knowledge and software / systems are required? What is the average leverage? How is risk measured? VAR models?

We prefer mainstream strategies versus specialised niche strategies; liquid strategies with low leverage, clear risk parameters (single, portfolio limits, formal stop-loss policies etc.).

- a) Ongoing general evaluation of strategies;
- b) Specific evaluation of individual funds, manager interviews, analysis of portfolios and newsletters

## Manager Risk

Hedge fund investment is a skilled-based discipline. Are the skills unique? Is it a team effort? What are the barriers of entry? What is the importance of software? What is the importance of insider knowledge? What is the track record and the educational side?

We strongly believe that while only the best managers produce the best returns, a team approach is key. The biggest risk in alternative investments is complacency, the second biggest is skills evaporation. Finally a stable environment, family life, maturity, pedigree (education at top school and experience from top investment house) are part of the essential criteria for our rating process.

Skill Risk (experience, expertise, know how): we prefer managers with long track records, top experts in their field, with a real edge over the competition)

*References, background checks, manager questionnaires, historical returns*

## Investment Process

We analyse the research and investment process, focusing on:

- Organisational responsibilities
- Procedures
- Idea generation
- Implementation of ideas
- Consistency of process
- Follow-up monitoring

- a) Analysis of material
- b) Analysis of visits with fund manager, risk manager, other key staff

## Communication Policy

Our benchmark fund is cooperative even after closing to new investors, has a password protected website offering daily / weekly NAV estimates and provides insight into monthly / weekly positions.

*On-going study study and evaluation of communication channels of fund*

## Business Risk

We are looking for financially stable investment advisors. Infrastructure on front, middle and back office is key in our evaluation process.

Systems: we believe that proper systems and premises are key for the success of any fund.

*Background checks, legal records, company records*

## Structural Risk

Clean and easy documentation, standard fee structure (1.5–2%/20%, HWM, Equalisation or new share issues, listing etc.). Liquidity terms must be fair (some funds even have daily liquidity). In general liquidity terms need to match the portfolio's liquidity.

Organisational Risk (reporting lines, delegation, set-up): we prefer firms where responsibilities are split between different functions (investing, analysis, trading, risk, middle / back office)

We prefer top service providers (prime brokers, administrators etc.)

*Prospectus due diligence and organisation chart*

## Risk Management

Our benchmark risk manager is a senior officer within the firm, experienced, not reporting into the hedge fund manager or owner, no family relationship, with timely access to all data, trades and ideas.

It is equally important to be able to follow the risk management process of the hedge fund manager. The standard varies from general statements and explanations to detailed reports, which some managers provide.

*Risk management check list, analysis of other material (marketing presentation, monthly letter)*

## P&L Potential

- Outstanding risk-adjusted performance
- Not temporary but permanent profit potential
- Beginning of life cycle
- Team rather than single performance

What are the criteria for Alpha?

- Manager Skills - Team Work -Life Cycle of the Fund -Life Cycle of the Strategy – AUM
- We believe that most funds offer most value when smaller, at an early stage (under five years) and operated by managers who are trading for the intellectual excitement rather than pure financial reasons.
- Stable returns are preferable over highly volatile performance.

*Historical returns, statistical analysis, manager interviews*

# Hedge Fund Ratings

## *Who stands to benefit from the increased transparency?*

### **AS AN INVESTOR why is an Allenbridge rating useful for me?**

When a hedge fund or fund of funds decides to get rated independently by Allenbridge, I know before I have even read the report that the fund is serious and confident about its performance and procedures. Conversely, I know that a fund that hasn't been rated may not be so confident.

I know that there are independent checks on the manager and its staff. And when I read the Allenbridge rating report, I get access to information that otherwise I might have no way of knowing. Plus Allenbridge Hedgeinfo uses further confidential information to formulate its rating.

I appreciate that the Fund continues to update its report even when the Fund is closed because it enables me to be sure that the Fund is maintaining its high standards.

### **AS THE INVESTMENT MANAGER why is an Allenbridge rating important?**

A 3rd party validation by a respected and recognised entity is a significant articulation of strength. When we have an Allenbridge rating, we find that the report is a powerful marketing tool. Of course it is important to take full advantage of it by building it into the sales process so that all sales prospects get a copy, and we also get access to Allenbridge's customer database, web distribution system and press contacts.

Prospective shareholders can find just about all the information they need to know in the report, so it makes the sales process smoother. And once they are shareholders, they'll benefit from the ongoing due diligence, which saves us time.

On the operational side, we find that some clients rely on Allenbridge's independent report for their due diligence, and others reduce their time and number of questions in the light of the report. That can save us a lot of costly time. In addition, we have a lot of confidential information that we really don't want to be spread around, and the Allenbridge report helps reduce this proliferation.

### **AS A MARKETER OF THE FUND how will the report help me to do my job?**

Simply put, I find that when I visit a client with an Allenbridge report, and I can refer to it in meetings, it increases the client's confidence. They know that it wouldn't be there unless it was a confirmation of the stated quality of the fund. The exhaustive nature of the report, and Allenbridge's reputation for independence give it strong credibility.

The detail in the report means I am always well prepared for any unusual questions in meetings, and it gives me a level of qualitative and quantitative understanding that is quite different to the standard AIMA questionnaire.

Often, depending on the client, the Allenbridge report can stand in for a full disclosure due diligence report.

### **AS AN INDEPENDENT DIRECTOR OF THE FUND why would I want to get a rating?**

Being a non-executive director, I am responsible for the overall strategy and integrity of the Fund, but not the day to day running. Major investors are used to conducting in-depth due diligence, so they may actually know more about the actual running of the fund than me, and they have the paper trail to prove it, unlike me. The report is written in the context of industry best practice. With an Allenbridge rating, I can demonstrate to anyone's satisfaction that the fund is well run, and I am fulfilling my responsibility.



*“We were impressed by the depth of the onsite due diligence that Allenbridge Hedgeinfo conducted...”*

**Ian Morley, CEO, Dawnay Day Olympia**

# AHI Team Biographies

## **Anthony Yadgaroff MSI Group Managing Director**

Anthony established Allenbridge in 1984 to provide independent performance analysis, conflict free research and unbiased advice to clients. Before forming Allenbridge, Anthony was an equity analyst and managed several smaller pension funds' assets and started his career in the family's commodity trading business -in the City of London in 1966. He has been closely involved in the analysis and monitoring of hedge funds since 1986. He is a non-executive director of Anglo-Pacific Plc and serves on the boards of several charities and non-profit organizations.

## **Christopher Miller FSI Chief Executive Officer, Allenbridge Hedgeinfo**

Christopher Miller graduated with a BSc (Hons) in Economics from the University of Buckingham. He spent a number of years working for Cazenove in investment broking as an equity research analyst and research editor both in London and in Cazenove's Indian office. Christopher gained the Securities and Investment Institute's Diploma, and now is a Fellow of the Institute. Christopher subsequently operated an alternative investment marketing consultancy. Prior to joining Allenbridge Hedgeinfo, Christopher was Head of Operations - Asset Management at The ECU Group plc, a currency manager with \$1.8bn AUM. He was also a Director of ECU's hedge fund, and was responsible for all operational and non-trading aspects of the asset management business.

## **Dr Brendan Campbell, PhD, MSci Head of Hedge Fund Ratings**

As head of quantitative research, Brendan Campbell is involved with the development of Allenbridge Hedgeinfo's methods of quantitative analysis in addition to performing investment and operational due diligence on hedge funds. Dr Campbell has also developed the Allenbridge Tempus performance ranking model, which is used both in financial press and for internal purposes. Brendan graduated with an MSci (Hons) in Physics from King's College London in 1999 where he was nominated for and won the prestigious Layton Science research award, the

George Randall Wilkinson Prize and the Wheatstone prize. Following graduation, Brendan went on to complete a PhD in Solid-State Physics (2004), also at King's College. As a regular contributor to the press on hedge fund matters, Dr Campbell additionally writes a monthly column on the subject of hedge funds for Portfolio Advisor Magazine.

## **Sunil Kumar, MBA Senior 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 nearly five years experience of performing research on hedge funds, Sunil has developed a broad and deep knowledge of the industry. Prior to working for Allenbridge Hedgeinfo, Sunil worked in both Australia and India in different commercial and financial roles. Sunil Kumar 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.

## **Ketan Thakrar, MSc Hedge Fund Analyst**

Ketan Thakrar achieved a First Class Honours 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.

## **Sotiris Tsacpounidis, MA Hedge Fund Analyst**

Before joining Allenbridge, Sotiris worked at BNY Mellon on fund performance reporting. He has also worked at both Mercers and Citigroup in New York as part of an exchange programme. He is qualified with a Cambridge University Diploma in International Business and holds a Masters Degree in Japanese and Art, and a BA in Asian languages and Art.

# AHI Team Biographies

## **Peter Dencik, MSci (Econ)**

### **Senior Advisor**

Peter is the Chairman of Key Asset Management (UK) Ltd. Before being appointed Chairman, he was the Group Chief Executive of KAM Group Ltd. Prior to joining Key, he served as Senior Advisor to the Board of Singer & Friedlander Investment Management Ltd. (SFIM). He joined SFIM in 1995 as Director and Head of Institutional Business and was a member of the Investment Policy Committee and chaired the Performance and Risk Review Committee. Preceding SFIM, Peter was Deputy Executive Director at PKA, Denmark's largest pension fund administration with responsibility for asset allocation, investment strategy and monitoring of external managers. He served on the Board of two MBO/LBO funds managed by Industri Kapital, the Nordic private equity firm, between 1989 and 1995. Before joining PKA, Peter worked as Associate Professor at Roskilde University and the University of Copenhagen, Denmark. Peter holds a Masters in Economics from Gothenburg University, Sweden.

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

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

Alan 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 Banking in London. He is a non-executive director of the JPMF Emerging Market Investment Trust. Most recently, he was formerly independent advisor to the Trustees of National Grid Transco pension fund (formerly British Gas) and is currently independent adviser to Dorset County Council and Fujitsu's pension fund trustees.

## **Jonathan Wallis BSc, FIA**

### **Actuary & Director of Fund Research**

Jonathan qualified as a Fellow of the Institute of Actuaries in 1975, having graduated in Mathematical Statistics from the University of Birmingham.

His initial career was spent in the investment department of Britannic Assurance, and he subsequently became general manager of a newly formed friendly society before moving into private client investment management. He spent a number of years as Investment Director of Minet Consultancy Services Ltd before leaving to become a director of Investment Research of Cambridge. He has wide-ranging experience of the investment markets and is a Member of the Society of Technical Analysts

## **Kenneth Ayers, FIA, FSS, FPMI**

### **Actuary & Senior Consultant**

Ken Ayers is a Fellow of the Institute of Actuaries and qualified in 1965 whilst employed by Standard Life. In 1970 he joined stockbrokers Laurie, Milbank & Co. and was Deputy Senior Partner when they were taken over by Chase Manhattan Bank in 1986. He left the bank in 1988 and joined Frank Russell Company (Russell is a leading consultant for manager selection for pension funds.) He became Deputy Managing Director of their London Company in 1990 and Managing Director of their Middle Eastern Region in 1993. In 1995/96 he was Sheriff of the City of London. He is currently Chairman of FTSE Bond Index Committee, and former Investment Council Chairman of the National Association of Pension Funds (NAPF).

## **Michael Ezra, ACA, MBA**

### **Consultant**

Michael graduated in BSc Statistics, Computer Science, Operational Research and Economics from University College London in 1998. He obtained his ACA in 1992 while training as a chartered accountant at KPMG, where he specialised in M&A and Corporate Recovery. In 1993 he joined PaineWebber International as Vice President of Fixed Income Sales. While there he obtained his MBA and was attached to the Mortgage Back Security desk. In 2000 he joined Liberty Ermitage as an Associate Director responsible for selecting underlying hedge fund managers for their FOHFs. In 2003 he set-up Duration Asset Management a UK based company to run offshore FOHFs and create a hedge fund advisory business. Most recently he has been approached by McGraw Hill to write a book on hedge funds.

### **Risk Warnings**

Past performance is not necessarily indicative of future results, and should not therefore form the basis of a decision whether or not to purchase investments or financial instruments or to participate in any particular trading strategy ("Investment") mentioned herein.

The nature of the any investments mentioned herein involves certain risks and may involve investment techniques (such as leverage) which may carry additional risks. There can be no assurance that the investment objective will be achieved and investment results may vary substantially over time. An investment therefore carries substantial risk and is suitable only for persons who can assume the risk of losing their entire investment. Prospective investors should consider, among others, the following factors:

- The Investment is speculative and involves a high degree of risk
- An investor could lose all or a substantial amount of his or her investment
- There may be no secondary market for the investments
- There may be restrictions on transferring investments
- The investment may be leveraged
- The Investment performance may be volatile
- The Investment has fees and expenses that will reduce returns
- Investors should refer to the Fund Prospectus or the Investment Manager for a more complete set of factors

### **Important Notes**

Allenbridge Hedgeinfo (AHI) is a division of Allenbridge Group plc, which is authorised and regulated by the Financial Services Authority. This document is being issued inside and outside the United Kingdom by AHI to and/or is directed at persons who are both a) intermediate customers or market counterparties for the purposes of the FSA Conduct of Business Sourcebook ("COBS") and b) of a kind to whom an unregulated collective

### **Allenbridge Hedgeinfo**

17 Hill Street  
Mayfair, London  
W1J 5NZ United Kingdom

Tel: +44 20 7409 1111  
Email: [info@hedgeinfo.com](mailto:info@hedgeinfo.com)  
Web: [www.hedgeinfo.com](http://www.hedgeinfo.com)

investment scheme may lawfully be promoted by a person authorised under the Act by virtue of Section 238(5) of the Act and Annex 5 to Chapter 3 of COBS. This document is provided for informational purposes only. It is the opinion of AHI and is not to be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any investments or financial instruments or to participate in any particular trading strategy. Nevertheless, this document may not be distributed in any jurisdiction in any way which would violate applicable laws or regulations. The markets or financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions using their own independent advisors as they believe necessary and based upon their specific financial situations and investment objectives.

Recipients of this document who intend to make such a decision are reminded that the decision should be made solely on the basis of the information provided by the fund or manager, which may be different from the information contained in this document.

Although we have taken reasonable care to ensure that statements of fact and opinion contained within this document are fair and accurate in all material respects, such accuracy cannot be guaranteed. Nor will AHI be bound to update the document should new information arise or our opinions change.

The use of this information by any party for any purpose whatsoever shall be entirely at such party's risk. AHI does not accept any liability whatsoever for such use and no claims for loss or damage arising from reliance on the information by any party shall be entertained.

All rights reserved. No part of the publication may be reproduced, stored in a retrieval system or transmitted in any form by any means electronic, photographic, or otherwise without the prior permission of the copyright holder.

Allenbridge Wealth Management clients and/or Allenbridge staff may be invested in investments mentioned herein.

This rating report has been commissioned by the Manager and reflects the results of the Allenbridge Hedgeinfo due diligence process.

### **Contact:**

Christopher Miller  
Chief Executive Officer,  
Allenbridge Hedgeinfo

Direct: +44 20 7318 6303  
Email: [christopher.miller@hedgeinfo.com](mailto:christopher.miller@hedgeinfo.com)