

MKP, Gramercy Among Funds Bucking Sept. Slump

BY KELLY BIT

Hedge funds run by **MKP Capital Management LLC, Gramercy, Fore Research & Management LP** and **Marshall Wace LLP** were among those posting positive returns last month as the industry on average slumped 3.2 percent, according to the Bloomberg aggregate hedge-fund index.

The funds increased cash levels, bought credit default swaps and shorted indexes, individual stocks and currencies to make gains during the index's worst month in more than a year.

MKP Capital Management's \$1.5 billion global macro fund, MKP Opportunity, gained 4.4 percent in September and 13 percent this year, according to two people briefed on the returns. The fund, managed by the firm's Chief Executive Officer and Co-Founder **Patrick McMahon**, was positioned for slower global growth, lower rates and a stronger U.S. dollar, the people said. The fund was long the U.S. dollar versus the Australian dollar and euro and shorted emerging market currencies, the people said. It was also long U.S. rates, the U.S. and European bond markets and some of the Australian bond market, they said.

Gramercy, a Greenwich, Connecticut-based investment firm that oversees more than \$2.5 billion, increased cash levels, cut long positions and profited from widening spreads in emerging market credit default swaps, according to **Robert Koenigsberger**, chief investment officer and portfolio manager at the firm.

Gramercy's tail risk fund, managed by Koenigsberger, jumped 35 percent in September and is up 58 percent this year, according to a person familiar with the fund's returns. Its master fund, also managed by Koenigsberger, gained 1.5 percent last month and 1.8 percent this year, the person said. Its macro fund, managed by **Ajay Jani**, advanced 2.7 percent in September and 1.4 percent in the first nine months of the year.

"In the third quarter, emerging market sovereign spreads were finally catching up to the widening we'd seen in Europe," Koenigsberger said in a telephone interview. "The world started to believe that emerging markets were less volatile, or somehow decou-

Selected Hedge Funds' Performance

| FIRM | FUND | SEPTEMBER RETURN % | YTD RETURN % |
|--------------------------------|-------------------------|--------------------|--------------|
| Gramercy | Tail Risk | 35 | 58 |
| Marshall Wace | MW Global Opportunities | 6.5 | 24 |
| Exis Capital | Walrus Capital | 6.1 | 18 |
| StonePine Asset Management | Flagship | 4.5 | 5.5 |
| MKP Capital Management | MKP Opportunities | 4.4 | 13 |
| Fore Research & Management | Multi-strategy | 2.9 | 8.9 |
| Gramercy | Macro | 2.7 | 1.4 |
| Vollero Beach Capital Partners | Flagship | 2.7 | 12 |
| Gramercy | Master Fund | 1.5 | 1.8 |
| Newbrook Capital | Flagship | 0.8 | 14 |

Source: Investors, individuals familiar with the matter

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MKP, GRAMERCY ...

pled. As a result, we could buy insurance cheaper in emerging markets. Given the world is interconnected, when you have contagion, it attacks all credits.”

Fore Research & Management, the New York hedge fund that has about \$2 billion in assets, gained about 2.9 percent last month in its multi-strategy fund, which has \$1.5 billion, and 8.9 percent this year, according to a person familiar with the matter. The fund had various short positions, **Al Moniz**, a portfolio manager who covers Europe for the fund, said.

“In the most recent quarter, the fund had short positions in European sovereigns and financials and highly levered, fundamentally challenged companies in the U.S.,” Moniz said in a telephone interview. “The fund also maintained short credit exposure to Japan, both through the sovereign as well as cyclical companies, which were trading significantly tighter than their global peers.”



Robert Koenigsberger

The Lyford Global Macro Fund, a discretionary global macro strategy, shorted European equities through Germany’s benchmark DAX Index, U.S. equities through S&P futures and commodities through copper and the Australian dollar, said **Samer Nsouli**, chief investment officer and portfolio manager of the fund.

“Our view was that the stress coming out of Europe was going to eventually affect the rest of the world and that was the biggest cloud hanging over the market,” Nsouli said in a telephone interview. “As long as there was no solution coming out of Europe, all risk assets would be sold.”

The fund climbed 11 percent in September and 10 percent this year, according to a person briefed on the returns, who asked not to be identified because the information is private.

StonePine Asset Management LLC, a Dallas-based long/short U.S. small- and mid-cap hedge fund, advanced 4.5

percent in September and 5.5 percent this year, according to a preliminary estimate. The fund was able to post returns with its short positions, said **Jay Rushin**, portfolio manager and managing partner at the firm. StonePine shorted stocks within industrials, energy and technology, he said.

“We were net short the entire third quarter,” Rushin said in a telephone interview. “We’ve been keeping risk way dialed down. As Europe and Greece started boiling over and the debt debacle here in Washington, we gained more conviction in our negative calls.”

Fehim Sever, who manages Marshall Wace’s \$550 million MW Global Opportunities Fund, said he had a “slightly negative view” on capital goods and industrials coming into the third quarter. “We thought the risk and reward for an equity investor in that sub-segment was skewed to the downside given that the end demand for industrial products was slightly slowing and at that juncture companies were sitting at a high margin and high valuation,” Sever said in a telephone interview.

The fund had a “positive view” on agricultural companies due to their positive supply and demand dynamic and “a negative view on base metals, which were exposed to a potential slowdown in China,” he added.

“The balance sheet health of companies was a big differentiating factor for our fund in the last quarter,” Sever said, declining to discuss individual positions. The global long/short equities strategy gained an estimated 6.5 percent last month and is up 24 percent year-to-date through Sept. 30, according to an investor.

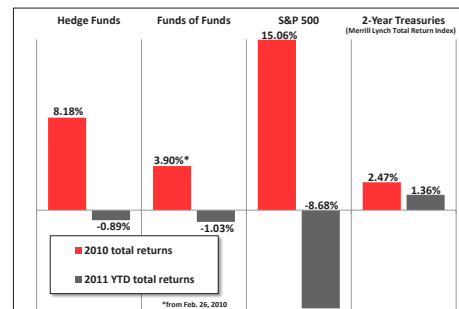
Other funds that posted positive returns included **Exis Capital Management Inc.’s** Walrus Capital strategy and **Newbrook Capital Partners LP**. New York-based Exis Capital, managed by **Adam Sender**, gained 6.1 percent last month to bring year-to-date returns to 18 percent, according to an update to investors, a copy of which was obtained by Bloomberg.

Newbrook Capital, the \$350 million fund managed by **Robert Boucai**, gained 80 basis points last month and 3.6 percent for the third quarter, bringing year-to-date returns to 14 percent, according to an update sent to investors.

—With assistance from Nathaniel E. Baker

Hedge Fund Returns

Bloomberg BAI F indices, which represent all funds tracked by Bloomberg data, are the source of the below hedge fund and fund of funds data.



Bloomberg Brief Hedge Funds

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FUND FOCUS

Harbinger to Allow Investors to Sell Stakes in Locked-Up Funds

BY KATHERINE BURTON AND KELLY BIT

Harbinger Capital Partners LLC, the \$6 billion hedge fund run by **Philip Falcone**, told clients who've been unable to withdraw all their money for almost three years they can sell their stakes to a third party, according to a letter obtained by Bloomberg News.

"We are exploring several options in an attempt to accommodate investors," Falcone said in the letter, dated yesterday.

Harbinger, based in New York, said it would put investors in contact with unnamed "potential purchasers" who have approached the firm. It also will allow investors to strike their own deals with other bidders they may find. Transactions are subject to final approval by Harbinger, the firm said.

Clients in Harbinger's Special Situations fund haven't been able to redeem

their money since the global financial crisis following Lehman Brothers Holdings Inc.'s September 2008 bankruptcy. The fund has a large stake in Falcone's **LightSquared Inc.** wireless telecommunications venture. Investors in the flagship Capital Partners fund have been unable to exit two so-called side pockets, or special funds set up to hold illiquid assets until they can be sold.

LightSquared, based in Reston, Virginia, is seeking final approval from the Federal Communications Commission to build its high-speed network. It faces scrutiny from members of Congress and from makers and users of global positioning system devices, who say its signals will disrupt the navigation of boats, airplanes and cars.

Senator **Charles Grassley**, the senior Republican on the Judiciary Commit-

tee, and members of the House Science Committee have asked Falcone and LightSquared executives for records of contacts with the White House and U.S. regulators, citing concerns that the Obama administration granted preferential treatment to Falcone because he was a Democratic donor.

One of Harbinger's side pockets is made up of private-equity investments that Falcone didn't want to liquidate at fire-sale prices after markets tumbled. The investments lost almost 20 percent of their value last year. The other is composed of assets that have been stuck at Lehman Brothers since the bank's collapse.

Clients who choose not to sell to a third party will have to wait until Falcone sells the investments to get their money back.

Steve Bruce, a spokesman for Harbinger, declined to comment on the letter.

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THE WIRE

BRIEF EXCLUSIVES

Ex-Amundi Manager Chen Starts Asia Macro Fund

Kevin Chen, formerly of **Amundi Alternative Investments**, is starting Asia-focused global macro fund **Anji Capital Management** in the first quarter of next year.

Chen aims to raise \$50 million to \$100 million for the New York-based discretionary fund, which will trade equities, commodities, interest rates and fixed income equally, he said in a telephone interview. He is currently fundraising in the U.S., Asia and Europe.



Kevin Chen

Chen was previously co-head of alternative portfolio management and senior portfolio manager at Amundi AI, the merged asset management entities of **Credit Agricole SA** and **Societe Generale SA**. Before that, he was director of asset allocation at **Morgan Stanley** and a consultant for Swiss Organization for Facilitating Investments, a joint initiative between the Swiss State Secretariat for Economic Affairs and **KPMG LLP**. He began his career at China Development Bank's international finance and investment banking departments.

Chen is working with a team of eight people, some of whom worked with him at Morgan Stanley, he said.

Jia Peng, credit analyst at ACM, was most recently a director in the fixed income capital markets group at **UBS AG**. Before that she worked for the **Deutsche Bank AG**-backed venture capital firm China eLabs.

—Kelly Bit

Ex-Credit Suisse Exec, Level Global PM Start Fund

Zvi Gillon and **Ga'ash Soffer** started New York-based fixed income relative value hedge fund **Rion Capital LLC** with \$25 million.

The fund will invest primarily in commercial and residential mortgage backed securities, collateralized loan obligations and other credit instruments, Gillon and Soffer said in a telephone interview.

Gillon was most recently North American head of strategic valuation at **Credit Suisse AG**. Before that he was North American head of credit hybrids at **JPMorgan Chase & Co.** He also ran the ABS exotics desk at **Morgan Stanley**. Before that, he was a structured credit trader at Merrill Lynch & Co. Inc.

Soffer was most recently a portfolio manager running approximately \$100 million at **Level Global Investors LP**. Before that he was a structured credit proprietary trader at **UBS AG** and a credit trader at **III Associates/AVM LP**.

The fund charges a 2 percent management fee and 20 percent performance fee. The minimum initial investment is \$1 million. There is a one-year soft lockup and 5 percent early withdrawal fee. Liquidity is quarterly with 45 days' notice. **Cantor Fitzgerald LP** is the firm's prime broker.

—Kelly Bit

REDEMPTIONS

Paulson Clients Said to Pull Less Than 10% From Two Funds

John Paulson, having the worst year of his career, has received less than 10 percent in redemption requests for his Recovery and Credit Opportunities funds for year's end, according to two people familiar with the firm.

Withdrawal orders for those two funds, which together managed about \$15 billion as of July 31, were due at the end of September and may give some indication of what total redemptions could be across all of Paulson's funds, the worst-performing of which has tumbled 47 percent this year. Investors in the rest of the funds, including his flagship Ad-

MARKET MOVE

Lone Pine Increases Stake in Esprit, Boosting Shares 12%

BY BILLY CHAN

Esprit Holdings Ltd., the largest Hong Kong-listed clothing retailer, rose to a three-week high in trading in the city after **Lone Pine Capital LLC** increased its stake to become the second-biggest shareholder.

Esprit climbed 12 percent to HK\$11 at the 4 p.m. close in Hong Kong trading, the stock's highest level since Sept. 16. Lone Pine Capital bought 38.9 million shares at an average price of HK\$9.50 each on Oct. 4, a disclosure filing to the Hong Kong stock exchange showed.

The purchase by the Greenwich, Connecticut-based hedge fund helped trim a decline by Esprit since the apparel company said Sept. 15 full-year profit fell 98 percent. Revenue from Europe, where Esprit makes most of its sales, declined for a third year amid the region's debt crisis and intensified competition.

"The stake increase by the hedge fund is certainly a factor driving the share price," **Kenny Tang**, an analyst at **AMTD Financial Planning Ltd.**, said by phone today. "It may spur the idea that further purchases could be on the way."

Lone Pine's stake in the retailer increased to 6.23 percent from 3.22 percent after the transaction, according to the filing. The fund's holding trails that of **State Street Corp.**, which owns 6.4 percent, Bloomberg data shows.

Esprit has slumped 40 percent from its Sept. 14 closing price. Net income for the year ended June was also eroded by costs to close stores and sell Esprit's North American operations, the company said on Sept. 15.

To turn the company around, Chief Executive Officer **Ronald Van der Vis** plans to more than double sales in China, in four years. In the year ended June, it had HK\$2.68 billion in revenue from China, Esprit's fastest-growing market.

THE WIRE

vantage Plus, have until the end of October to put in withdrawal notices.

Some long time clients said they are staying put because the 55-year-old manager made \$15 billion in 2007 betting on a tumble in subprime mortgages.

"We're going to give Paulson the benefit of the doubt," said **Trip Kuehne**, founder of **Double Eagle Capital Management LP**, a Dallas-based firm that has invested with Paulson since 2005. "I believe in him and his firm and don't plan to pull my money."

While investors who have been in the Advantage Plus fund since its 2005 inception are still up 268 percent over the life of the fund, clients who came in at the beginning of 2008 have made 4.3 percent, according to Bloomberg calculations.

Armel Leslie, a spokesman for Paulson, declined to comment on redemptions or performance.

Every big dive in U.S. equities in recent weeks, especially in stocks such as **Citigroup Inc.**, **Transocean Ltd.** and **Capital One Financial Corp.** that count among Paulson's largest holdings, has caused speculation that the New York-based firm is selling shares to meet redemptions.

Paulson and his employees account for about half of the firm's \$30 billion in assets, according to the two people. Redemption periods for outside investors are staggered, and if every client eligible to pull money from Paulson funds at year's end did so, redemptions would be about \$6 billion, or roughly 20 percent of total assets, according to Bloomberg calculations.

On average, gross redemptions for Paulson's funds at the end of any given year have averaged about 10 percent, according to two people familiar with the firm, who asked not to be identified because the information is private. At the end of 2008, when some hedge funds were limiting withdrawals, Paulson investors pulled 26 percent of assets, the people said. A net \$10 billion came out of the firm at that time, they said.

Paulson, who started his hedge fund in 1994, has been betting on a U.S. recovery before the end of next year.

His Recovery fund, which is designed to make money as the economy improves, has tumbled 31 percent this year and the firm's Credit Opportunities fund, which invests in distressed debt, has fallen 18 percent, according to three investors who asked not to be named because the fund is private.

His oldest fund, Paulson Partners, which bets on the shares of merging companies, is down 10 percent, the investors said.

Paulson's Advantage and Advantage Plus funds, which wager on distressed companies and companies going through corporate events including restructurings, have fallen 33 percent and 47 percent respectively this year through September, according to investors. Those two funds accounted for \$15.7 billion in assets as of July.

—Katherine Burton and Saijel Kishan

Longacre to Close Some Funds After Redemption Requests

Longacre Fund Management LLC, the hedge-fund manager partly owned by a **Goldman Sachs Group Inc.** unit, said it will shut some of its funds after investors asked for their money back.

The New York-based firm will return capital at the end of the year, **Jeremy Garber**, chief operating officer, said in an e-mailed statement today. The firm continues to manage some products, he said.

"Given these requests, we believe it is the best course of action to begin the process of an orderly wind down of these specific Longacre Funds," Garber said.

Longacre, which focuses on distressed and leveraged credit investing, was started in 1998 by former Bear Stearns & Co. executives **John Brecker**, **Vladimir Jelisavcic** and **Steven Weissman**, according to the hedge fund's website.

Goldman's Petershill Fund Offshore LP bought a minority stake in the fund in June 2008, according to the website. Longacre said in December that it planned to close its London office.

—Katherine Burton and Saijel Kishan

RESEARCH ROUND-UP

The Volcker Rule will take effect on July 21, 2012, according to a **DavisPolk** summary of a draft of the rule that was leaked to the American Banker:

http://www.davispolk.com/files/Publication/5245cae5-379f-4237-9fd7-b8f37da06a0d/Presentation/PublicationAttachment/0fb0c566-582e-4f47-9eba-00af73daef45/100711_Davis_Polk.Volcker.Draft.Funds.pdf

A hedge fund can outsource "virtually its entire infrastructure," according to "A Guide to Technology Outsourcing for Hedge Funds," a "guidebook" developed by **BNY Mellon's** Pershing Prime Services group in partnership with **EzeCastle Integration**:

http://www.eci.com/pdf/A_Guide_to_Technology_Outsourcing_for_Hedge_Funds_2011.pdf

Hedge funds gained about \$6.1 billion from investors in August, according to **TrimTabs's** "Hedge Fund Flow Report." The inflow followed \$9.3 billion worth of redemptions in July, the study said. Industry assets, which include performance, decreased to \$1.79 trillion in August from \$1.85 trillion in July, TrimTabs found:

<http://www.barclayhedge.com/research/hedge-fund-flow-report/hedge-fund-flow-report.html>

Industry observers expect investors to begin favoring smaller managers "soon," according to the fourth annual **Opalesque** New York Roundtable:

http://www.opalesque.com/files/Opalesque_2011_New_York_Roundtable.pdf

Woodfield Fund Administration LLC published "10 Questions to Ask" for managers when choosing a fund administrator:

http://www.woodfieldllc.com/images/Woodfield_Choosing_Fund_Administrator-10_Questions_to_Ask_reprint_9-11.pdf

Applying a model of systematic overlay on the Global HFRI index can improve the benchmark portfolio and reduce volatility, according to a paper written by **Guillaume Monarcha** at **Orion Financial Partners**:

http://www.next-finance.net/IMG/pdf/Quant_Note__Overlays.pdf

MARKET CALLS

'Tiger Cub' Kelusa Looks to buy Certain Chinese Stocks

Kelusa Capital China, a Singapore-based fund backed indirectly by **Julian Robertson**, is looking to buy shares in Chinese companies that are at all-time low valuations such as container shipping firms, ports and exporters, according to **Kenton Leo**, the founding partner of the fund.

"These companies are being hurt by a slowdown in China exports, but borderline bankruptcy is being put into these valuations," Leo said. "There will be an impact, but this entire sector is not going to go bankrupt."

The long/short fund will initially focus on preserving capital and subsequently invest when the market panic subsides over the next 18 to 24 months, Leo said.

Robert McCreary, the founder of **Kelusa Capital Group**, was responsible for Asian investments at Tiger from 1991 to 1995 and is an adviser to Kelusa Capital China. McCreary was previously a founding partner of **Banyan Fund Management**, which he closed in 2004 before setting up Kelusa. Leo had worked at Banyan in New York as an analyst.

—*Netty Ismail*

GLC Chief Economist Sees U.S. Economy 'Slowly' Improving

The U.S. economy is coming out of a period where "growth has slowed almost to a crawl and is just slightly picking up," according to **Steven Bell**, chief economist at **GLC Ltd.**

"There are plenty of positives out there in my judgment," Bell said in an interview with **Ken Prewitt** on Bloomberg Radio. He cited record low mortgage rates, businesses flush with cash and relatively healthy financial institutions.

"After this period of softness it may be that things are slowly – and I emphasize the word slowly -- beginning to improve in the U.S. economy," Bell said. He said fourth quarter GDP growth would be "maybe in the 2 to 2.50 percent range" with "something of a better growth picture, gradually."

—*Nathaniel E. Baker*

Hermes's Hemming Sees Biggest Rebound in Gold, Grains

Corn, wheat and gold will beat other raw materials this quarter as crop yields drop and Europe's debt crisis stokes demand for bullion, said **David Hemming**, who advises on allocations in the \$130 million DB Platinum V Hermes Absolute Return Commodity Fund, which made 12 percent in the first eight months.

Corn may rally 19 percent to \$7.25 a bushel, wheat may climb 21 percent to \$7.50 a bushel and gold may gain 12 percent to \$1,850 an ounce by December, said the London-based fund manager for **Hermes Investment Management Ltd.**

"The biggest potential is the grains," said Hemming, 30. Gold is "a good hedge against any run in the European sovereign debt and banks, and any macro-driven routs in the U.S."

—*Chanyaporn Chanjaroen and Tony Dreibus*

European Problems 'Will Increase': TF Market's Tchir

The compromise between Finland and Europe on securing collateral for Greek bonds is a "political fabrication" that will do nothing to improve the fiscal situation in Europe, according to **Peter Tchir**, founder of **TF Market Advisors** in New York.

"From the details that have been released so far, it is clear that the 'solution' is a complex set of rules so that Finland can say they got collateral and the other countries can say that they didn't really give up much," Tchir said by e-mail.

"Until Europe is willing to address the reality of the situation and take some simple but painful steps rather than complex, unworkable ones that sound good but do nothing, the problems will increase," he added.

—*Kati Pohjanpalo*

MARKET CALLS, REVISITED

Eclectica Asset Management LLP Founder **Hugh Hendry** was buying credit-default swaps on bonds of Japanese companies including **Nippon Steel Corp.** (Bloomberg Brief Hedge Funds, Oct. 5, 2010).

– Credit-default swaps for five year protection of Nippon Steel senior debt were trading around 51.25 when Hendry made his comments. They dropped to a low of 48.47 on Nov. 22 and have risen since, reaching a 52-week high of 140 last week.

Omega Advisors Inc. Founder **Leon Cooperman** predicted the stock price of mortgage guarantor **PMI Group Inc.** would rebound after posting 12 straight quarterly losses. (Bloomberg Brief Hedge Funds, Oct. 12, 2010).

– The stock was trading around \$3.89 per share when Cooperman disclosed a 5.3 percent stake in the company and immediately rose 6 percent on the news. It dropped below \$3 per share in late January and continued to fall, to a low of 18 cents per share on Aug. 23. This week it was trading around 25 cents per share.

Michael Burry said he was investing in small technology companies and gold, among others. (Bloomberg Brief Hedge Funds, Sept. 7, 2010).

– The S&P SmallCap Information Technology Index was around 190 when Burry made his comments to Bloomberg's Jon Erlichman. The index rose to 251.93 by year-end and reached a 52-week high of 282.23 on May 10. It dropped after July 7 and was around 215 last week. Gold, trading around \$1250 per troy ounce when Burry made his statements, rose by more than 50 percent to a high of \$1900 on Sept. 5 before dropping to around \$1670 this week.

Phoenix Investment Adviser said bonds of lower-rated companies were undervalued. (Bloomberg Brief Hedge Funds, Sept. 28, 2010).

– The Barclays Capital High Yield Very Liquid Bond Index was around 39.70 at the time and rose to a high of 41.25 on Nov. 4. It traded in a range of \$39 to \$41 until June and dropped to a low of 35.34 last week.

13F FORENSICS: COMMUNITY HEALTH SYSTEMS INC.

Hedge funds were net buyers of **Community Health Systems Inc.** in the second quarter, adding 3.1 million shares in aggregate according to Bloomberg data. **SAC Capital Management LLC** was the biggest buyer of the hospital operator's stock, adding 3.3 million shares to its position to become the company's fifth-largest institutional shareholder and second-biggest hedge fund investor behind **TPG-Axon Management**.

Calls to buy shares of the Franklin, Tennessee-based company outnumber puts to sell by more than 5-to-1, and last month the ratio soared to 9.5, the highest since March 2006, according to data compiled by Bloomberg. Community Health's rivals have lower call-to-put ratios: For **Tenet Healthcare Corp.**, the third-largest U.S. hospital operator, the figure is 1.87-to-1, down from 3.83 in March. At **HCA Holdings Inc.**, the nation's biggest hospital chain, it's 1.59.

Community Health has slumped the most among 38 peers in the S&P MidCap 400 Index this year. The company faces a federal investigation spurred by an April lawsuit by Tenet, which accused the company of overcharging Medicare at least \$280 million. Tenet filed the lawsuit to help block Community Health's unsolicited takeover offer. Regulators probably won't finish the probe until sometime next year, said **Art Henderson**, an analyst at **Jefferies & Co** in Nashville, Tennessee.

Community Health puts priced 10 percent below the stock price cost 1.09 times more than calls to buy the shares, according to data compiled by Bloomberg. That's near the six-month low of 1.06 set on Sept. 26. The options with the biggest open interest are December \$29 calls, priced 76 percent above the stock, and December \$34 calls. The company's stock closed at \$16.49 on Friday.

—Nathaniel Baker, Pat Wechsler, Jeff Kearns and Rita Nazareth

Largest Hedge Fund Shareholders as of June 30

| FUND | SHARES HELD | VALUE ON JUNE 30 | VALUE ON OCT. 6 | LATEST CHANGE (SHARES) | PERCENT CONTROLLED | PERCENTAGE OF PORTFOLIO |
|------------------------------------|-------------|------------------|-----------------|------------------------|--------------------|-------------------------|
| TPG-Axon Management | 4,465,000 | 115 | 74 | 694,500 | 4.8 | 3.9 |
| SAC Capital Management | 4,097,046 | 105 | 68 | 3,303,129 | 4.4 | 0.7 |
| D.E. Shaw & Co. | 2,330,871 | 60 | 38 | 1,380,144 | 2.5 | 0.3 |
| Theleme Partners | 2,274,800 | 58 | 38 | 1,118,800 | 2.4 | 8.0 |
| Bridgewater Associates | 958,497 | 25 | 16 | 701,287 | 1.0 | 0.3 |
| Sigma Capital Management | 908,500 | 23 | 15 | 813,500 | 1.0 | 1.1 |
| Westchester Capital Management | 750,000 | 19 | 12 | 150,000 | 0.8 | 0.5 |
| Renaissance Technologies | 430,000 | 11 | 7 | 239,560 | 0.5 | 0.0 |
| Davison Kempner Capital Management | 340,181 | 9 | 6 | 190,350 | 0.4 | 0.4 |
| SABA Capital Management | 333,537 | 9 | 6 | 333,537 | 0.4 | 3.0 |

*\$millions

REGULATORY/COMPLIANCE

High-Frequency Trades Said to Be Topic at Regulator Confab

Mary Schapiro, the chairwoman of the U.S. Securities and Exchange Commission, and regulators from the U.S., Europe and Asia will meet in London to discuss high-frequency trading, said two people with knowledge of the discussions.

The summit at the U.K. Financial Services Authority on Oct. 14 will also include **Gary Gensler**, chairman of the Commodities and Futures Trading Commission, and **Steven Maijor**, chairman of the European Securities and Markets Authority, according to the people. Officials from Japan, Brazil, Italy, Spain and Canada will also attend the meetings, which will look at regulatory issues other than high-frequency trading.

The European Union is planning to impose limits on high-frequency trading firms to prevent a glut of trades from “overloading the systems of trading venues,” generating “erroneous orders” or “otherwise malfunctioning” in a way that may create a disorderly market, according to draft version of the measures scheduled to be formally proposed later this month.

High-frequency traders also face a proposed tax on financial transactions that could cut the trading practice by as much as 90 percent “in some market segments,” Manfred Bergmann, a European Commission official, said in a speech in Oxford, England, last week.

—Ben Moshinsky

Volcker Rule Might Ban Fixed-Income ‘Flow’ Trading

A proposal for implementing the Volcker rule may prohibit fixed-income trading desks from engaging in so-called flow trading, in which traders buy or sell bonds to prepare for customer demand, according to **Brad Hintz**, an analyst at **Sanford C. Bernstein & Co.**

A leaked draft of the guideline indicates that market-makers would be prevented from taking any positions in “expectation of future price appreciation,” Hintz wrote yesterday in a note to investors. “Thus flow trading may be prohibited.” Such a move would cut fixed-income revenue by 25 percent and reduce profit margins by 18 percent, Hintz estimated.

Goldman Sachs Group Inc. and **Morgan Stanley** would be the most negatively affected if the rules were adopted because they are most dependent on fixed-income revenue, Hintz wrote.

The Volcker rule draft, which was leaked last week, would be more damaging to fixed-income trading units than to equities businesses, which make a larger portion of their money from client commissions, Hintz wrote. Fixed-income traders have become more reliant on reaping revenue from price moves in the market because the profit margins from buying and selling to clients, known as the bid-offer spread, have shrunk in recent decades, Hintz wrote.

—Christine Harper

Brazil Starts Insider-Trading Probe Related to Earnings

Brazil is stepping up efforts to fight insider trading related to earnings releases after identifying suspicious patterns, chief securities regulator **Maria Helena Santana** said.

“We’re starting a new line of investigation that focuses on earnings releases,” said Santana, president of the Brazilian securities commission, or CVM, in an interview today at Bloomberg’s office in Sao Paulo. “Depending on what we get, there could be sanctions.”

The securities regulator is developing a new system to monitor markets and detect trading patterns on the days prior to earnings releases, Santana said.

She declined to comment on the number or names of the companies and investors being investigated.

The use of non-public information to trade securities is a crime in Brazil and penalties range from one to five years in prison and a fine of as many as three times the illegal profit.

—Felipe Frisch

Rajaratnam May Get Quarter Century Prison Term

BY BOB VAN VORIS AND PATRICIA HURTADO

Galleon Group LLC’s Raj Rajaratnam faces a federal judge this week who will weigh wildly divergent portraits of the disgraced hedge fund manager while interpreting guidelines that may call for one of the longest insider trading sentences in U.S. history.

Prosecutors paint Rajaratnam as a “serial insider trader” who corrupted friends and business associates to illegally make profits or avoid losses totaling \$72 million. Defense lawyers say Rajaratnam is a generous man who committed victimless crimes. A prison stretch would kill him, they claim.

U.S. District Judge **Richard Holwell** in Manhattan, who will sentence Rajaratnam Oct. 13, will consult nonbinding sentencing guidelines that sometimes recommend longer terms for white-collar criminals than violent offenders.

“The sentence called for by the guidelines is likely to be excessive,” said **Barry Boss**, a partner in the Washington office of **Cozen O’Connor** and co-chairman of the American Bar Association’s Criminal Justice Section Sentencing Committee.

Rajaratnam, 54, was convicted in May of 14 counts of securities fraud and conspiracy.

The longest insider-trading sentence before Galleon was 10 years, given to former **Credit Suisse Group AG** banker **Hafiz Muhammad Zubair Naseem**, who was convicted in 2008 of leading a \$7.8 million scheme. Since then, former Galleon trader **Zvi Goffer** was also sentenced to a 10-year term.

Craig Drimal, another ex-Galleon trader, was sentenced to 5 1/2 years. **Danielle Chiesi**, a former analyst at **New Castle Funds LLC**, got 2 1/2 years for passing tips to Rajaratnam and others. Both pleaded guilty.

Boss said the lesser terms given underlings may not help.

“I would be very surprised if Rajaratnam doesn’t get more than the individuals who are less culpable,” he said.

OVER THE HEDGE

■ **Citadel LLC** Founder **Ken Griffin** and his wife Anne Dias Griffin attended the Whitney Museum of American Art's fall gala on Oct. 5. The gala, which honored New Yorker magazine artist Calvin Tomkins, took place in a former bus depot along the Hudson River in New York.

—Amanda Gordon

■ **John Paulson** is among New York City residents expected to receive a visit from the "Occupy Wall Street" movement today or tomorrow, according to Crain's New York Business. The group is planning a "Millionaire's March" that will visit homes of some of the city's wealthiest residents, Paulson among them, Crain's website said.

SkyBridge Capital Founder **Anthony Scaramucci** has disagreed with the protests, according to the New York Post, which quoted him saying the movement was "a transparent joke, a hoax brought on with tired ideas to slouch people to mediocrity."

—Nathaniel E. Baker

■ **Barclays Capital Group** hosts its second annual Hedge Fund Symposium at the Grand Hyatt in New York starting tonight, according to an email from the bank that was obtained by Bloomberg. The invitation-only event features **Elliott Management Corp.** Founder **Paul Singer**, **Max Stone** and **Julius Gaudio** of **D.E. Shaw & Co.**, **York Capital Management LP's** **Jamie Dinan** and **Tim Walsh** from the New Jersey Division of Investments. Texas State Teachers Association, Boeing Co. and the World Bank are expected to send investment staff to the event, which concludes Oct. 13. Interested parties may email hedgefundsymposium@barcap.com for more information.

—Nathaniel E. Baker

■ The landscaper who murdered his daughter on **Paloma Partners'** founder **Donald Sussman's** Greenwich, Conn., estate was sentenced to 40 years in prison, according to FINalternatives. Adam Dobrzanski pleaded guilty in May and was sentenced to two consecutive

20-year sentences for first-degree manslaughter and home invasion, FINalternatives reported.

—Melissa Karsh

■ The shortlist for the European Fund of Hedge Funds Awards 2011 includes **Man Investments**, **Amundi Alternative Investments** and **New Alpha Asset Management**, according to Hedge Funds Review, which organizes the event next month. The 10th anniversary of the awards, taking place Nov. 23, "aims to recognize the qualitative attributes of the funds as well as the best-performing funds," Hedge Funds Review said. The judging panel includes **Amy Bensted**, manager of hedge funds at **Preqin**, **Andrew Rodger**, executive director of **Stonehage**, **Simon Fox**, principal at **Mercer**, and **Tushar Patel**, managing director and investment manager at **Hedge Fund Investment Management**. Hedge Funds Review editor **Margie Lindsay** is the chairman.

—Melissa Karsh

Ackman Greets, Entertains at Armory Gala

BY AMANDA GORDON

At the Park Avenue Armory gala, you could walk off dinner just by circulating between courses.

That's what **Bill Ackman**, chief executive of **Pershing Square Capital LP**, did last week in the armory's 55,000-square-foot hall, where 520 guests, including Iac/InterActiveCorp.'s Barry Diller and musician and artist David Byrne, had assembled.

Ackman, chairman of the gala with his wife, Karen, and a Park Avenue Armory board member, greeted employees, friends and colleagues as they tucked into their lamb navarin.

Ackman also had a turn on stage, before Nico Muhly, Philip Glass and the Brooklyn Youth Chorus performed.

"A good friend of mine was just telling me that the last time he was at the Armory was for Schwarzman's birthday party," Ackman said, referring to Blackstone Group CEO Steve Schwarzman's 60th birthday party in 2007. "We've come a long way."

Ackman said he has been a particular supporter of the Armory's educational programs for underprivileged children.

"Kids love coming here. It's like a Harry Potter palace to them," Ackman said.

The Park Avenue Armory has gone from hosting art fairs and birthday parties to mounting art exhibitions and accommodating a replica of the Royal Shakespeare Company's theater in Stratford-Upon-Avon for six weeks of performances.

It has also recruited board members like Ackman and corpo-



Adam Flatto, Georgetown Co.; Ackman; Jonathan Gray, Blackstone Group.
Photographer: Amanda Gordon/Bloomberg

rate donors. Citi Private Bank will be supporting programming at the Armory in 2012 and 2013, the bank's CEO in North America, Peter Charrington, said in an interview.

"We're excited to bring clients here," said Charrington. He plans to invite them to performances and private dinners in the Armory's restored period rooms.

The gala raised \$1.26 million, said the Armory's president and executive producer, Rebecca Robertson.

Amanda Gordon is a writer and photographer for Muse, the arts and leisure section of Bloomberg News. Any opinions expressed are her own.

PERFORMANCE SNAPSHOT: LONG/SHORT EQUITY FUNDS

A look at some of the best-performing long/short equity hedge funds that report to Bloomberg data. Only funds with at least \$50 million under management that have reported performance through Aug. 31 are included. For questions please contact Anibal Arrascue at aarrascue@bloomberg.net

By Year-to-Date Returns

| FIRM | FUND | MANAGER | INCEPTION DATE | SHARPE RATIO | RETURN % |
|--------------------------------------|----------------------------------|-----------------------|----------------|--------------|----------|
| Dorsal Capital Management LLC | Dorsal Capital Partners LP | Ryan Frick | 9/1/2009 | 1.66 | 34.86 |
| Criterion Capital Management LLC | Criterion Horizon Offshore | Christopher H Lord | 7/1/2006 | 4.21 | 21.37 |
| Aker Asset Management ASA | AAM Absolute Return Fund - A USD | Harld James Otterhaug | 12/1/2006 | 2.27 | 12.82 |
| Criterion Capital Management LLC | Criterion Capital Partners Ltd | Christopher H Lord | 5/1/2003 | 3.79 | 12.53 |
| Bohong Tianjin Fund Mangement Co Ltd | Bohong PIPE Enhanced Index-I | Liu Hong | 11/24/2010 | N/A | 11.87 |
| MQ Portfolio Management Ltd | Macquarie Asian Alpha Fund-A | Andrew Alexander | 7/31/2006 | 5.43 | 11.73 |
| Shannon River Global Management LLC | Doonbeg Fund LP | Spencer Waxman | 10/1/2007 | 2.67 | 11.06 |
| Cazenove Capital Management Ltd | Cazenove UK Dynamic Abs Ret | Paul Marriage | 5/31/2005 | 2.43 | 11.00 |
| Pinpoint Asset Management Ltd | Pinpoint China Fund - A | Qiang Wang | 6/3/2005 | 2.03 | 10.68 |
| Act II Management LP | Act II Partners LP | Dennis H. Leibowitz | 3/8/2002 | 3.08 | 10.67 |

By Five-Year Annualized Returns

| FIRM | FUND | MANAGER | INCEPTION DATE | SHARPE RATIO | RETURN % |
|-----------------------------------|----------------------------------|---------------------------|----------------|--------------|----------|
| Greenwoods Asset Management Ltd | Golden China Fund - Unrestricted | George Jiang | 6/30/2004 | 1.05 | 28.38 |
| Pinpoint Asset Management Ltd | Pinpoint China Fund - A | Qiang Wang | 6/3/2005 | 1.26 | 27.16 |
| Brightline Capital Management LLC | Brightline Capital Partners | Nick Khera | 6/30/2005 | 0.90 | 23.32 |
| Archon Capital Management LLC | Strategos Fund LP | Constantinos Christofilis | 7/1/2004 | 1.15 | 22.46 |
| Odey Asset Management LLP | OEI Mac Inc - USD | Crispin W Odey | 2/7/1992 | 0.79 | 19.51 |
| Value Partners Ltd | Value Partners Hedge Fund Ltd | Chow Eric Yik-Cheung | 10/29/2004 | 1.09 | 19.03 |
| Sandler Capital Management | Sandler Plus Domestic Fund LP | Andrew M Sandler | 9/30/2005 | 1.49 | 18.55 |
| Sprott Asset Management LP | Sprott Offshore Fund Ltd - A | Eric S Sprott | 12/31/2001 | 0.74 | 17.90 |
| Broadfin Capital LLC | Broadfin-Healthcare Fund LP | Kevin Kotler | 9/30/2005 | 1.28 | 17.51 |
| Act II Management LP | ACT II Partners LP | Dennis H Leibowitz | 3/8/2002 | 1.51 | 16.48 |

FOR SHARPE RATIO CALCULATION METHODOLOGY TYPE FLDS SHARPE <GO> ON BLOOMBERG. "RISK FREE RATES" IDOC 2047613 <GO>

HEDGE FUNDS ADDED TO BLOOMBERG THIS WEEK

The following hedge funds were added to Bloomberg's database this week. Access the Hedge Fund Database Portal by typing HFND <GO> on your Bloomberg Terminal. To view U.S. hedge fund managers, users must fill out an Accredited Investor Form (Option 13).

| TICKER | BLOOMBERG ID | FUND MANAGER | MANAGEMENT COMPANY | STRATEGY | MANAGER LOCATION | INCEPTION DATE | PRIME BROKER |
|-------------|--------------|--------------------|---------------------------|--------------------|------------------|----------------|-----------------------------|
| AVISCGA ID | BBG0024N2Y76 | JOHN PENNINK | Asset Value Investors Ltd | Long/Short Eq | U.K. | 8/15/2011 | |
| AVIGLFB ID | BBG0024TGH39 | JOHN PENNINK | Asset Value Investors Ltd | Long/Short Eq | U.K. | 8/15/2011 | |
| DUETPLS KY | BBG0019VL808 | JASON MCNAB | Duet Asset Management Ltd | Long/Short Eq | U.S. | 8/1/2010 | UBS AG |
| ECOGOGS KY | BBG00248JSN6 | DANIEL LACALLE | Ecofin Ltd | Long/Short Eq | U.K. | 9/2/2011 | Morgan Stanley |
| GREQKAU KY | BBG0024TSH88 | CHRISTOPHE OLIVIER | Finaltis SA | CTA/Mgd Futures | France | 12/10/2010 | |
| HINGDFH US | BBG0024QXXG7 | MARK MAHAFFEY | Hinde Capital Ltd | Multi-Strategy | U.K. | 6/1/2011 | |
| IBSOPPO VI | BBG0024N2944 | DAVID TAFT | IBS Capital Corp | Distressed Sec | U.S. | 6/1/1994 | UBS AG |
| JORCAPP US | BBG002458XW3 | VAD YAZVINSKI | Jordan Capital AM LLC | Long/Short Eq | U.S. | 6/1/2008 | NorthPoint Trading Partners |
| REGDISC US | BBG0024N1Y68 | SKYLER WEINAND | Regan Capital LLC | Asset Backed | U.S. | 8/18/2011 | |
| TGGEMPLP US | BBG0024QXS88 | STEVE DIAMOND | TIG Advisors LLC | Eq Fdmntl Mkt Neut | U.S. | 6/1/1997 | Goldman Sachs |
| TGDOLD KY | BBG0024QXS83 | JACK J HERSCH | TIG Advisors LLC | Distressed Sec | U.S. | 11/1/2007 | Goldman Sachs |
| TIGAYLP US | BBG0024QXKT1 | JIM AYER | TIG Advisors LLC | Eq Fdmntl Mkt Neut | U.S. | 1/1/1997 | Morgan Stanley |
| TIGAALP US | BBG0024QXJP8 | DREW FIGDOR | TIG Advisors LLC | Merger Arb | U.S. | 1/1/1993 | Goldman Sachs |
| TIEDSLP US | BBG0024WVLG2 | CARL H TIEDEMANN | TIG Advisors LLC | Multi-Strategy | U.S. | 1/1/1999 | Morgan Stanley |
| TIEPLP US | BBG0024WVHV4 | ALAN WARE | TIG Advisors LLC | Long/Short Eq | U.S. | 5/1/2002 | Goldman Sachs |



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Calendar

To submit an event email hedgebrief@bloomberg.net

| DATE | EVENT | FEATURING | LOCATION | CONTACT / REGISTRATION |
|--------------|---|---|--|--|
| Oct. 13 | 2011 Rock Maple & Wilmington Trust Hedge Fund Symposium | Jacob Gottlieb, Visium Asset Management; Michael Weinstock, Monarch Alternative Capital; John Fichthorn, Dialectic Capital. | The University Club, New York | Maribel Alvarez, +1-212-813-2733, malvarez@rockmaplefunds.com |
| Oct. 13, 7pm | 8th Annual Hedge Fund Rocktoberfest | To benefit A Leg to Stand On. | 583 Park Ave, New York | altso.org |
| Oct. 17 | Hedge Fund Institutional Forum's Roundtable for Consultants & Institutional Investors | "Closed-door roundtable designed exclusively for HFIF members and consultants." | Four Seasons Hotel, Chicago | http://www.iimemberships.com |
| Oct. 17-18 | Value Investing Congress New York | Bill Ackman, Leon Cooperman, Jim Chanos, Whitney Tilson. | Marriott Marquis, Times Square | http://www.valueinvestingcongress.com |
| Oct. 18 | New York Hedge Fund Roundtable's "Global Macro Investing Panel" | Robert Calabretta, Waypoint Capital; Alper Daglioglu, Morgan Stanley; David Munoz, BlackRock. | New York | http://newyorkhedgefundroundtable.org |
| Oct. 18, 7pm | 13th Annual "Next Generation" Hedge Fund Panel | Karen Finerman, Metropolitan Capital; Tony Frascella, Aristeia Capital; Bryce Markus, Blue Mountain Capital. | The Penn Club, New York | pennclub.org |
| Oct. 18 | Hong Kong Hedge Funds Club Networking Event | Networking, drinks. By invitation only. | China Club, Hong Kong | tokyo@hedgefundsclub.com |
| Oct. 18-20 | ICBI's 4th Annual FundForum Latin America | Francois Racicot, Mercer; Alexandre Pavan Pova, Modal Asset Management. | Intercontinental Sao Paulo | informaglobalevents.com |
| Oct. 18-20 | European Alternative & Institutional Investing Summit | Peter Hajas, Telluride Asset Management; Rodrigo Gomes de Oliveira, Tocantis State Development Bank. | Fairmont Monte Carlo, Monte Carlo, Monaco | info@opalgroup.net , +1-212-532-9898 x262 |
| Oct. 20 | Second Annual Merlin Manager Symposium | Closed-door, day long event with 24 managers and 200 investors. | Harvard Club, New York | Patrick McCurdy, +1 212-822-2009, pmccurdy@merlinsecurities.com |
| Oct. 20, 6pm | 6th Annual Hedge Funds Care Denver Open Your Heart to the Children Benefit | Cocktails and networking. | JW Marriott Denver | hedgefundscare.org |
| Oct. 20, 7pm | 2nd Annual Hedge Funds Care London Autumn Affair | Ticket includes complimentary cocktail and canapes. | Whisky Mist, Mayfair, London | hedgefundscare.org |
| Oct. 20, 7pm | Hedge Fund Intelligence's AsiaHedge Awards 2011 | Celebrates the top-performing hedge funds in Asia-Pacific in 2011. | JW Marriott, Hong Kong | hedgefundintelligence.com |
| Oct. 20-21 | MFA Outlook 2011 | Eric Mindich, Eton Park; Paul Singer, Elliott Management; Dinakar Singh, TPG-Axon; John Paulson. | The Pierre Hotel, New York | managedfunds.org |
| Oct. 25 | Bloomberg China Conference 2011 | "Hedge funds and China" panel. | The Hong Kong Jockey Club, Hong Kong | Tracy David, +1-646-834-5021, mdavid20@bloomberg.net , bloomberglink.com |
| Oct. 25-26 | Roundtable Forum Zurich and Geneva | "Designed to provide qualified investors and alternative investment managers with a unique opportunity to meet in an intimate and relaxed setting." | Baur au Lac, Zurich; Mandarin Oriental, Geneva | http://roundtableforum.com/main.html |
| Oct. 26 | Alpha Institutes' Hedge Fund CIO Summit | Anthony Scaramucci; Ed Rogers; Robert Picard, Lyxor; Robert Discolo, Pinebridge. | The Setai Fifth Avenue, New York | Julia Rhee, jr@alpha-institutes.com ; alpha-institutes.com |
| Oct. 26 | Hedgeworld's 2011 Fund Services Conference & Expo | Emerging manager showcase with Monsoon Capital, JLP Partners Fund, Alpha One Capital Partners, Frontera Management, Sancus Capital Management | The Metropolitan Club, New York | Greg Winterton, +1-646-223-6787, greg.winterton@thomsonreuters.com , hedgeworld.com |
| Oct. 26-27 | The Economist's Buttonwood Gathering 2011 | Ray Dalio; Kyle Bass, Hayman Capital; John Burbank, Passport Capital; | National Museum of the American Indian, New York | http://buttonwood.economist.com |
| Oct. 26-27 | 3PM Annual Conference | Third party marketers, placement agents, investment managers, financial intermediaries, investors. | Hilton Back Bay Hotel, Boston | Kristen Couch, +1 609-799-4900, info@3pm.org |
| Nov. 1-3 | Hedge 2011 | Luke Dixon, Universities Superannuation Scheme; Paddy Dowdall, Merseyside Pension Fund; Lisa Fridman, PAAMCO. | Guoman Tower Hotel, London | terrapinn.com |
| Nov. 2-3 | 8th Annual AR Symposium | Keynote speakers Emmanuel Roman, Man Group; Mitch Julius, Canyon Capital. | New York Athletic Club | http://www.absolutereturnsymposium.com |

Calendar

To submit an event email hedgebrief@bloomberg.net

| DATE | EVENT | FEATURING | LOCATION | CONTACT / REGISTRATION |
|----------------|---|---|---|--|
| Nov. 6-8 | NMS Management's Institutional Select Series: CIO Roundtable | "Will gather together a small group of chief investment officers from top endowments and foundations." | Information provided to attendees | By invitation only. To request additional information visit nmsmanagement.com |
| Nov. 7-8 | Financial Research Associates' Effective Hedge Fund Tax Practices | What to expect from an IRS audit, effects of Dodd-Frank on funds and tax plans, more. | The Princeton Club, New York | frallc.com |
| Nov. 8 | Merlin Securities Capital Development Single Manager Dinner | Closed-door, single manager dinner with 15 investors. | New York (exact location provided to attendees) | Patrick McCurdy, +1 212-822-2009, pmccurdy@merlinsecurities.com |
| Nov. 8, 7:30pm | Hedge Funds Care's Laughing For a Great Cause | Comedy show. | Gotham Comedy Club, New York | hedgefundscare.org |
| Nov. 9 | Ernst & Young's Hedge Fund Symposium | Eighth annual hedge fund symposium in New York. | New York (exact location provided to attendees) | ey.com |
| Nov. 10, 6pm | AR Awards 2011 | Identifies the best-performing U.S. hedge fund managers based on risk-adjusted returns. | Mandarin Oriental, New York | http://www.absolutereturnawards.com |
| Nov. 10-11 | KPGM Seminar Series: Interest Rate Risk Management | Presenter Lawrence Ho, KPMG Training Centre | TBD, Singapore | Asfadila Salim, +65 6213 3048, asfadilasalim@kpmg.com.sg |
| Nov. 15 | Ernst & Young's Hedge Fund Symposium | "Thought leaders from the firm and industry across the globe." | London (exact location provided to attendees) | ey.com |
| Nov. 15-16 | Global Derivatives Trading & Risk Management 2011 USA | Aaron Brown, AQR Capital; Euan Sinclair, BlueFin Trading; Attilio Meucci, Kepos Capital. | Trump Hotel, Chicago | informaglobalevents.com |
| Nov. 15-16 | Hedge Funds World Zurich 2011 | Urs Fischer, Alcan; Julian Jacobsen, FPP; Mark Parsonson, Liongate; Patrick Prinz, Pictet & Cie; Sassan Zaker, Julius Baer. | Dolder Grand Hotel Zurich | terrapinn.com |

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SPOTLIGHT

Platinum Partners' Landesman on Energy Investments , Event-Driven Healthcare

Uri Landesman, managing general partner of the Platinum Value Arbitrage Fund, which is up more than 18 percent this year through last month, spoke with Bloomberg's Kelly Bit about what drove performance and how he fits private equity into his multi-strategy hedge fund model. **Platinum Partners** manages \$1.05 billion.

Q: How is your fund structured?

A: We're a multi-strat hedge fund. We're literally in 13 distinct strategies and some of those strategies have more than one portfolio manager. By the end of this year we'll have been in business nine years. In that period of time we have annualized over 21 percent return. It's come from a wide variety. Not all 13 were equal. There have been seven or eight different strategies that at various points have taken the lead.

Q: Which ones have driven performance this year?

A: The best performer for us both last year and this year is the same strategy: physical commodity arbitrage. It consists of one investment. We now own 70.6 percent of the equity and have a \$30 million loan to a private oil and gas production company in Houston called Black Elk Energy. It goes out and buys properties from, typically, much bigger energy companies. We see great value in these properties, more than their previous owners. We've occasionally been able to buy them for little more than what's known as the plugging and abandonment liability — plugging the well and remediating the ground around where the well was. We found three things in our acquisitions. One is that these were typically underutilized properties. If you're XTO Energy or Exxon, you'll tend to focus on your sexier properties — new finds, the ones with accelerating or higher overall production levels. These are not as prized properties of these large companies. We are lower-cost operators than these guys are. Once we do some directional drilling around the existing wellheads, it shows much deeper reserves than we thought we were buying.

Q: What about other strategies?

A: My second largest holding in the fund is a public company. It stemmed from

our second-best performing strategy this year, which is event-driven health care. Dr. Michael Goldberg has a medical and business degree and he joined us about four or five years ago to make investments primarily in biotech and health care companies. He had been both an investment banker and a CEO of a public biotech company for many years. He's got some real expertise in what it's like to go through the trials and tribulations of getting biotech drugs from the lab into the stores. We have 14 investments in that right now. The split is nine public and five private.

Q: Do all of the investment ideas go through you?

A: All of the allocations go through myself and Mark Nordlicht, the chief investment officer and founder of the fund. We decide how much money each of the traders is deploying at any given time. We're responsible for bringing in new strategies. We meet with a whole bunch of people every year, talking to them about what their ideas are. This year we've added two entirely new strategies: European carbon credits and natural gas trading. We added two new equity long/short traders. We'll start them off with small allocations. We do have a lot of expertise in natural gas. Mark's background is as a volatility trader in natural gas. He puts on calendar spreads.

Q: Do you plan to add more traders?

A: I think the answer is yes because between new teams that come to pitch us and people pitching us on one-off trades, we probably take 150 meetings a year. We don't have a limit as to how many traders we can have. It's a factor of our capital. I'll terminate a strategy if I don't think there's ample profit there; I'm not going to terminate a strategy because I brought in three other traders or strategies.

Q: Is there a search for certain strategies right now?

A: Typically not. Most of the strategies here have walked through the door. It's not like we're looking for something in particular. I will tell you that two areas where we have been seeing a lot of flow, so it would not surprise me if we had somebody — we have been meeting with a bunch of stat arb teams. What we like is risk adjusted returns and non correlation. Another thing we're looking at is something called congestion trading. There are now at least six local trading markets in the U.S. that deal with the power grid and congestion. We are in touch with many of the teams that trade this; there aren't that many of them. If we can find the right guys or gals — we happen to be interested in three markets of the six — that might be a strategy we get involved in.

AT A GLANCE



Age: 49

Hometowns: Silver Spring, Maryland and New Rochelle, New York.

College: Yeshiva College

Professional Experience: Oversaw \$3.5 billion as head of global growth at ING

Investment Management; director of global research and head of international equities at Federated Investments; partner at Arlington Capital (long/short equity hedge fund); senior portfolio manager at JPMorgan Investment Management; analyst at Great Lakes Capital; materials and energy analyst at Sanford C. Bernstein.

Charitable Work: Meshi and Tikvah Layeled (both are schools in Jerusalem for children with cerebral palsy)

Family: Married, 13 year old son, 9 year old daughter.

Favorite NYC Restaurant: Mike's Bistro.