Opalesque Exclusive: Review of hedge fund launches, closures, trends, and regulatory and legal events - week 50

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By Benedicte Gravrand, Opalesque London: A roundup of last week's hedge fund launches, closures, index performance, trends, regulatory, legal and financial events pertaining to the alternative investments world.

Last week, we heard of fund **launches** from Centaurus, Caravan, Herron Capital (with Andes Capital Group), Sugarloaf Rock, Gulf Stream, Steven Zoernack and Hakan Kocayusufpasaoglu. The CIMA Group seeded two new funds.

Fleckenstein, Tozai, Copper River, Baring and Okumus Capital reportedly **closed** funds. Eleven Russia hedge funds were suspended or closed. Ramius gave investors in four of its closed HFs a fund-transfer option.

The Credit Suisse/Tremont Hedge Fund **Index** returned -0.71% (est.) in November (-16.14% YTD); The Newedge Short-Term Traders index was up 0.88% (+12.9% YTD) and the CTA index up 2% (+11.2% YTD); The Hennessee Hedge Fund index declined to -2.69% (-18.44% YTD); The Greenwich Global Hedge Fund Index declined for the fifth straight month, preliminary returns were -1.13%; EurekaHedge reported its main HF index was down for the 6th straight month, -0.4% (est.), -12.59% YTD, and that the industry had lost around $64bln; 3 out of 4 Dow Jones HF strategy benchmarks posted losses. It was noted that indices were generating early estimated results, but that negative performance had some managers taking longer to report.

It was reported that November's **redemptions** demands from investors deepened the worst year on record; even hedge funds which reaped positive returns faced redemptions.

Some hedge funds were very **creative** in the face of these outflows: some funds (Cantillon, Marshall Wace, Winton) just let investors leave, betting they will be better off in long-term. But some other funds (Constellation, Mentor Capital, Permal) reportedly tried barter with departing investors. Corazon was not blind to the opening that the wave of redemptions had created: it started investing in funds that had been closed to new investors for years and that had reopened in record numbers due to outflows. Paul Tudor Jones changed his strategies and Moore Capital's Louis Bacon said he would disinvest from external managers. **Citadel** sought to raise $500m by opening a fund to new cash, cut its Asian principal investments, exited Tokyo, and announced it would cover operating expenses and charge fees again in January.

HFR reported that investors had redeemed $5.2bln YTD from emerging market funds, bringing the AUM down by 33%; Brazil funds saw $1.41bln in redemptions in November, shrinking industry by 17%. HFN said that hedge fund assets had fallen an estimated 5.2%.

It was reported that Ellington had split its flagship **hedge fund** and fired its staff; and that Paulson & Co, Schoenfeld and Mason Capital might have been hurt by the collapse of BCE's buyout.

The following **trends** were noted: hedge funds are hunting for petrodollars to raise assets; arbitrageurs are vanishing, leaving the profits to smaller investors; hedge fund are returning to roots as traders of most liquid currency, interest rate and equity index markets; the growing use of new quicker computer models is exacerbating volatility in equity markets; asset managers are facing a wave of consolidation; there is a huge shift of knowledge and skills out of New York and London and back into the developing world; and it was forecasted HFs would seek to de-bundle prime brokers services.