

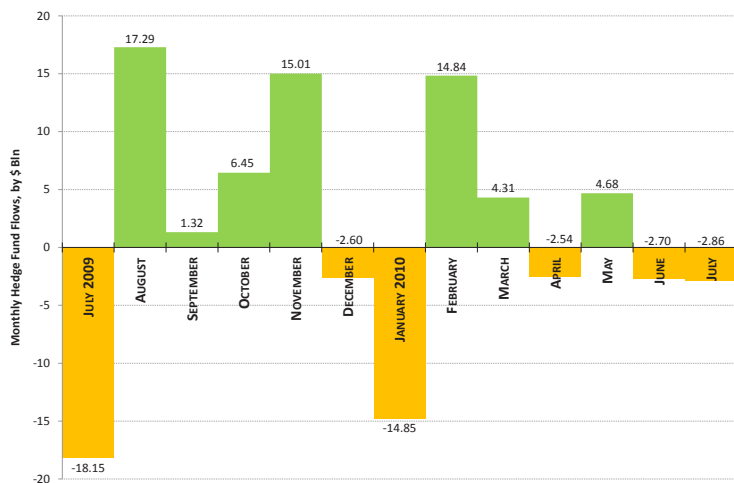
## Outflows Reach Highest Level Since January

BY NATHANIEL E. BAKER

The hedge fund industry posted an outflow of \$2.9 billion, or 0.2% of its total assets, this July, the most since January, according to estimates by research firm Trimtabs.

July's number follows an outflow of \$2.7 billion in June. The industry has dropped 4 percent since April 2010, according to Trimtabs, which attributed the decline mostly to negative returns in May and June. Flows have now been negative five of the last eight months (see chart, this page), the worst eight-month stretch since the September 2008 to April 2009 period.

### Hedge Fund Flows, 2009-2010



Trimtabs expects August to be a quiet month as there are historically very few redemptions due to seasonality, it said in the report.

"Redemptions should resume in September; historically one of the worst months for hedge fund flows," the report said. For the year, flows toward hedge funds stand at \$1 billion, following redemptions of \$172 billion in 2009 and \$150 billion in 2008.

"We believe it is safe to assume this 'lost' \$320 billion will not come back to the industry any time soon," the report said. Trimtabs' findings are based on a survey of 954 hedge

funds in the BarclayHedge database.

Commodity trading advisors fared better, attracting \$3.8 billion in July. It was the twelfth month of inflows in the past 14 months, a sign of demand even as returns posted by the CTAs are down 1 percent so far this year.

Trimtabs said that hedge funds appear to have missed out on market gains in the S&P 500 Index during July because of conservative positions. The S&P 500 surged 6.9 percent during the month, while hedge funds gained only 1.93 percent.

A survey by Trimtabs shows hedge fund

managers remain bearish on equities. That may reflect the deteriorating economic landscape and the reluctance of hedge funds to take on risk having only recently recovered many of the losses that occurred in 2008.

The industry continues to show signs of consolidation.

The funds with more than \$5 billion in assets have recorded net inflows of \$7.7 billion this year, while funds with less than \$200 million have seen net losses of \$18.3 billion, equivalent to 15.7 percent of assets.

## SPOTLIGHT

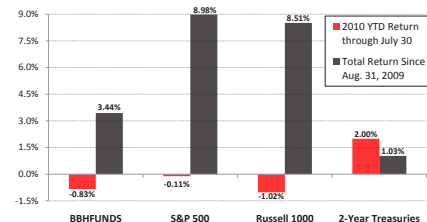
**Liam Dalton, CEO and founder of Axiom Capital Management**

### INSIDE

	Page
Performance Tables	2
The Wire	3
Regulatory/Compliance	4
Market Calls	5
13F Forensics	6
Over The Hedge	7

## Global Hedge Fund Returns

The Bloomberg BAIF Hedge Fund Index represents all hedge funds tracked by Bloomberg Data. The graph compares BBHFUNDS to benchmarks.



## RETURNS BY STRATEGY SNAPSHOT

STRATEGY	% YTD RETURN
Mortgage-backed arbitrage	1.14
Convertible arbitrage	1.05
Asset-backed arbitrage	0.98
Capital structure arbitrage	0.77
Distressed	0.45
Fixed income arbitrage	0.10
All funds	-0.23
Global Macro	-0.44
Multi-strategy	-0.83
Merger arbitrage	-1.34
Market-neutral	-2.01
Equity statistical arbitrage	-2.39
CTA/managed futures	-3.45
Long/Short equities	-4.09
Fixed income arbitrage	-4.19
Short-biased equity	-5.24

Bloomberg Hedge Fund Indices  
Most recent returns

## PERFORMANCE SNAPSHOT

A look at top performers among long/short equities hedge funds. Returns through July 31.  
SOURCE: BLOOMBERG DATA

### By 2010 Year-to-Date Returns

FIRM	FUND	MANAGER	INCEPTION DATE	CLOSE DATE	RETURN %
BlackRock Advisors Inc/USA	OBSIDIAN OFFSHORE FD-III	STUART SPODEK	7/15/1996	7/30/2010	16.6
Barnegat Fund Mgmt	BARNEGAT INVESTMENTS-B	BOB TREUE	1/1/2001	8/31/2010	15.73
III Offshore Advisors	III FUND LTD	CLIFFORD VINER	7/1/1993	7/30/2010	13.11
Rivoli Fund Management	LONG/SHORT BOND-P	VINCENT GLEYZE	11/13/2001	9/1/2010	11.31
Rimrock Capital Management	HI INCOME PLUS LTD-A	DAVE EDINGTON	6/30/2004	7/30/2010	9.41
Capula Investment Mgmt	GLOBAL REL VALUE F-A\$	YAN HUO	9/30/2005	8/31/2010	8.33
Henderson Global Investors	CREDIT OPPTY FD-A\$	DANIEL BEHARALL	1/31/2003	7/30/2010	7.08
Pamplona Capital Mgmt	CREDIT OPPORTUN-A€	YVES LEYSEN	9/1/2008	7/30/2010	7.02
Mako Investment Managers	PELAGUS CAPITAL-USD	BRUNO USAI	4/16/2007	7/30/2010	6.96
Thames River Capital Holdings	HILLSIDE APEX-A	BERNT TALLAKSEN	7/31/1998	7/30/2010	5.75

### By Trailing 12-Month Total Returns

FIRM	FUND	MANAGER	INCEPTION DATE	CLOSE DATE	RETURN %
BlackRock Advisors Inc/USA	OBSIDIAN OFFSHORE FD-III	STUART SPODEK	7/15/1996	7/30/2010	50.67
Barnegat Fund Mgmt	BARNEGAT INVESTMENTS-B	BOB TREUE	1/1/2001	8/31/2010	33.09
III Offshore Advisors	III FUND LTD	CLIFFORD VINER	7/1/1993	7/30/2010	28.23
Rimrock Capital Management	HI INCOME PLUS LTD-A	DAVE EDINGTON	6/30/2004	7/30/2010	23.34
Pamplona Capital Mgmt	CREDIT OPPORTUN-A€	YVES LEYSEN	9/1/2008	7/30/2010	22.02
Henderson Global Investors	CREDIT OPPTY FD-A\$	DANIEL BEHARALL	1/31/2003	7/30/2010	17.12
Mako Investment Managers	PELAGUS CAPITAL-USD	BRUNO USAI	4/16/2007	7/30/2010	12.44
Thames River Capital Holdings	HILLSIDE APEX-A	BERNT TALLAKSEN	7/31/1998	7/30/2010	12.18
Capula Investment Mgmt	GLOBAL REL VALUE F-A\$	YAN HUO	9/30/2005	8/31/2010	10.57
Sanctum FI LLP	FIXED INCOME FUND-B\$	JEREMY CORN	8/29/2003	7/30/2010	8.42

### By Assets Under Management

FIRM	FUND	MANAGER	ASSETS (MILLIONS)	INCEPTION DATE	RETURN %
Capula Investment Mgmt	GLOBAL REL VALUE F-A\$	YAN HUO	5,342	9/30/2005	8.33
Aviva Investors Global Srvc	G7 FIXED INCOME CELL-\$	SHAHID IKRAM	776	1/30/2004	5.73
Mako Investment Managers	PELAGUS CAPITAL-USD	BRUNO USAI	766	4/16/2007	6.96
Cura Capital Management	FIXED INCOME ARB FUND	TOM SCHNEPP	470	12/1/2004	-2.29
Barnegat Fund Management	BARNEGAT INVESTMENTS-B	BOB TREUE	453	1/1/2001	15.73
BlackRock Advisors Inc/	OBSIDIAN OFFSHORE-III	STUART SPODEK	396	7/15/1996	16.6
Pamplona Capital Mgmt	CREDIT OPPORTUN-A€	YVES LEYSEN	329	9/1/2008	7.02
Sanctum FI LLP	FIXED INCOME FUND-B\$	JEREMY CORN	287	8/29/2003	3.98
Concordia Advisors Bermuda	G-10 FIXED INC RV	ARUN PURI	285	1/30/2004	4.74
Rimrock Capital Management	HI INCOME PLUS LTD-A	DAVE EDINGTON	120.57	6/30/2004	9.41

## THE WIRE BY BLOOMBERG NEWS

### Goldman to Disband Principal Strategies Unit

**Goldman Sachs Group Inc.** is shutting its principal-strategies business, a group that makes bets with the firm's own capital, to comply with new U.S. rules aimed at curbing risk, two people with knowledge of the decision said.

The bank plans to hold off on announcing the wind-down while the 65 to 70 members of the global unit seek new jobs, the people said, speaking anonymously because internal discussions are confidential. Some traders and support staff may get roles within the firm, while a team in Asia may raise money for a new hedge fund, the people said. Ed Canaday, a spokesman for Goldman Sachs, said he couldn't comment.

Earlier plans for most members of the Principal Strategies group, led by Hong Kong-based **Morgan Sze**, to leave together and form a hedge fund were shelved, people with knowledge of the matter said. Now Sze, 44, may set up a fund with a smaller team focused on Asia. The team's members in New York, led by **Bob Howard**, are in talks to join another asset-management firm, according to two people.

—Christine Harper and Saijel Kishan

### OIG Macro Fund to Double Assets to \$100 Mln

The **OIG Global Macro Fund**, run by former Lehman Brothers Holdings Inc. proprietary trader **Allan Bedwick**, is set to double assets to about \$100 million this month after outperforming hedge-fund peers globally. With money from overseas institutional investors, the fund's assets swelled to \$45 million from \$15 million when it started last November, according to **Naoya Takahashi**, head of fund management at Tokyo-based **OIG Capital Partners Ltd.**

Bedwick's global macro fund, which wagers on trends in stocks, bonds and currencies worldwide with a focus on Asia, returned more than 6 percent through August on a preliminary basis, beating the 2.1 percent gain by the Eurekahedge Hedge Fund Index.

The Cayman Islands-based OIG Global Macro Fund has a maximum capacity of about 60 billion yen (\$711 million) and around two-thirds of its investments will be made in the Asia-Pacific region, according to Takahashi.

—Tomoko Yamazaki and Komaki Ito

### Och-Ziff Capital's Assets Rise By \$200 Mln

**Och-Ziff Capital Management Group LLC** said in an SEC filing that assets under management rose by \$200 million last month as investors deposited money in its funds. Holdings increased to \$26.1 billion as of Sept. 1 from \$25.9 billion the prior month.

The firm's funds, including its main OZ Master FUND, held their value as the Standard & Poor's 500 Index fell 4.7 percent for the biggest August slump in nine years.

—Rob Williams

### Gartmore Group's Gervais Williams Resigns

**Gartmore Group Ltd.** fund manager **Gervais Williams** has resigned to "pursue other interests," the company said in a statement on its website. **Adam McConkey**, who is a senior investment manager on Gartmore's U.K. smaller companies team, was named head of the team as a result of Williams' departure. Williams was also co-manager of the **Gartmore Fledgling Trust Plc.**

—Chris Spillane

### Chilton Hires Gautier As It Makes Europe Push

**Chilton Investment Co.** has hired **Frederic Gautier** as it seeks to increase its presence in Europe, the Financial Times reported, citing people familiar with the move that it didn't identify.

Gautier will assume management of the Chilton European equity long/short fund, and also help to refocus investment ideas across Chilton's existing range of non-European funds, the FT said.

—Victoria Batchelor

### Former Mizuho Traders Raise \$120 Million

**Einoshin Arima** and **Giselle Leung**, former proprietary traders at **Mizuho Securities Co.**, raised about \$120 million for a new hedge fund that will bet on rising and falling stocks, mostly in Japan. The **Hareion Fund** started Sept. 1 with money from institutional investors in Asia, according to Arima, the founder of Hong Kong-based **Areion Asset Management Co.** The fund, which is able to take up about \$300 million, won't accept additional money for a while to build up performance, he said.

Arima and Leung most recently worked at GO-TO-ASIA Investment Ltd. in Hong Kong, running GTA Atomic Fund, which also employed a long-short strategy investing in Japanese stocks. The Hareion Fund, which targets an annual return of about 20 percent, will invest in about 70 to 100 stocks, employing both long-short and event-driven strategies, Arima said. The fund will also allocate about 5 percent to 10 percent of its capital to the Asia region and use futures and options to hedge, he said.

—Tomoko Yamazaki and Komaki Ito

### E Fund to Set Up China's First Official Hedge Fund

**E Fund Management Co.**, China's second-largest asset management company, plans to start the nation's first officially registered hedge fund after the securities regulator eased rules in July. E Fund, with about 200 billion yuan (\$29 billion) in assets, will be able to raise money from high-net-worth individuals in separate managed accounts and use the same investment strategies as hedge funds.

China has expanded money-management products to meet growing demand. **Zack Liu**, head of quantitative investment at **China Southern Fund Management**, said his firm is working on setting up a similar hedge fund. China Southern had 180 billion yuan under management as of the end of March.

—Eva Woo

**MANAGE A LONG-SHORT FUND.**

Are your short positions adding risk or acting as an effective hedge?

**VAR**

## Regulatory/Compliance

Investors in **J. Ezra Merkin's Gabriel Capital LP**, a feeder fund for Ponzi schemer **Bernard Madoff**, were awarded about \$12.7 million by a panel of arbitrators. Sandalwood Debt Funds A and B claimed that Merkin engaged in common-law fraud, breach of fiduciary duty and negligent misrepresentation, according to an award made public in New York State Supreme Court. Sandalwood has asked a judge to confirm the award. New York Attorney General **Andrew Cuomo** has sued Merkin and Gabriel, claiming Merkin secretly placed money with Madoff in exchange for \$470 million in fees. The trustee overseeing the bankruptcy of Bernard L. Madoff Investment Securities LLC and investors also have sued Merkin, who denies wrongdoing. **Andrew Levander**, an attorney for Merkin, didn't return a call seeking comment. **Laurence B. Orloff**, a Sandalwood attorney,

declined to comment.

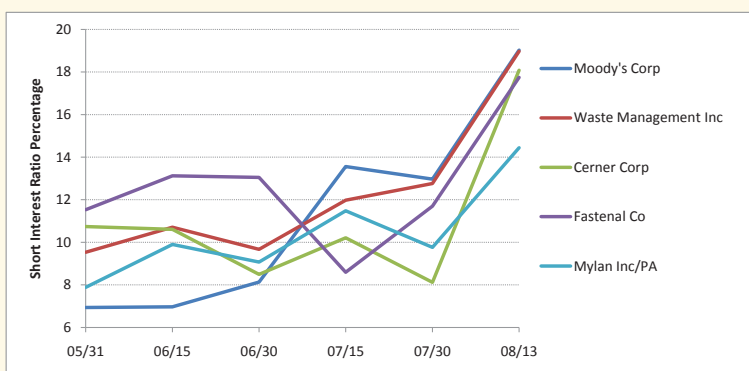
Regulatory reform of over-the-counter derivatives should open the market to more banks while lowering the swap-trading profits of major dealers, according to **Citadel LLC**. The Dodd-Frank Act, which became law in July, requires most swap trades in the \$615 trillion OTC derivatives market to be processed by clearinghouses in an effort to stem systemic risk. With a clearinghouse on the other side of every trade, banks with less capital on their balance sheets should have access to the market previously dominated by firms such as **JPMorgan Chase & Co.**, **Deutsche Bank AG** and **Goldman Sachs Group Inc.** "Introducing competition and transparency will change the business practices of all market participants," **Kenneth Griffin**, founder of Citadel, said at a symposium at the Federal Reserve

Bank of Chicago.

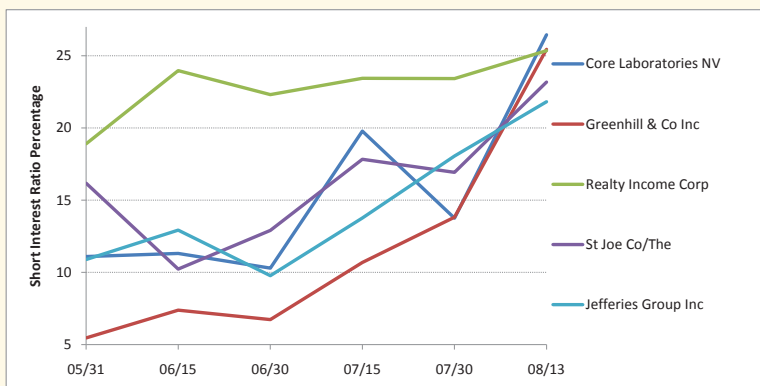
Naked short sales of shares and government bonds may be limited by European Union proposals that say the practices cause a "disorderly market and possible systemic risks." Under the proposed rules, traders would be required to submit proof they can access the underlying security to settle a trade designed to profit from falling prices, according to a **European Commission** document obtained by Bloomberg News. The rules would have to have approval of the full commission before being submitted to the Parliament and national governments. The rules would bring the EU closer to the stance taken by Germany, where Chancellor **Angela Merkel**, who banned some naked short selling in Germany in May, called on the commission earlier this year to speed up curbs on financial speculation.

## SHORT INTEREST Highest short ratio for companies in the S&P 500 and Russell 1000 as of **AUG. 13**

S&P COMPANY	SI RATIO
Moody's Corp	19.03
Waste Management Inc	18.97
Cerner Corp	18.08
Fastenal Co	17.75
Mylan Inc/PA	14.44
M&T Bank Corp	13.25
Roper Industries Inc	12.47
Robert Half International Inc	12.21
Newell Rubbermaid Inc	11.79
Plum Creek Timber Co Inc	11.68



RUSSELL 1000 COMPANY	SI RATIO
IDEXX Laboratories Inc	13.58
Realty Income Corp	13.56
Strayer Education Inc	12.88
Kirby Corp	11.98
Core Laboratories NV	11.56
Education Management Corp	11.48
St Joe Co/The	11.07
Flowers Foods Inc	11.03
WebMD Health Corp	10.23
Valley National Bancorp	13.58



## MARKET CALLS

BY BLOOMBERG NEWS

**Michael Burry**, the former hedge-fund manager who predicted the housing market's plunge, said he is investing in farmable land, small technology companies and gold as he hunts original ideas and braces for a weaker dollar. "I believe that agriculture land — productive agricultural land with water on site — will be very valuable in the future," Burry, 39, said in a Bloomberg Television interview. "I've put a good amount of money into that." Burry, as head of **Scion Capital LLC**, prodded Wall Street banks in early 2005 to create credit-default swaps to bet against bonds backed by the riskiest home loans. The strategy paid off as borrowers defaulted, letting his investors more than quintuple their money from 2000 to 2008, according to **Michael Lewis's** book "The Big Short" (Norton/Allen Lane).

**Bernheim, Dreyfus & Co.**, a Paris-based event-driven and merger

arbitrage manager, says emerging markets and raw materials will drive the nascent M&A boom. "A growing share of new deals will be in emerging markets and involve raw materials," the firm predicted in its August letter to investors. "With stronger growth in emerging markets filling the coffers of local firms, their appetite for adventure in the old world is returning." M&A activity may slump as quickly as it surged due to still-existing economic pressures. "But history suggests that once a merger wave begins, it can grow quickly."

**Barton Biggs** said investors should avoid the mistake he made in July, when he slashed equity holdings in half before redoubling them. "This is not a time where you want to be underinvested," Biggs said on Bloomberg Television. "The odds of significant slowdown are one in five, pretty remote." Biggs said at the end

of June that equities were a bargain and then reversed course July 2, saying he'd cut stock holdings to about 35 percent of his assets. Three weeks later, he told Bloomberg News that shares made up 7 percent of his **Traxis Partners LLC** fund as the Standard & Poor's 500 Index headed for a 6.9 percent July rally.

Former **Lehman Brothers Holdings Inc.** proprietary trader **Allan Bedwick**, who now runs the **OGI Global Macro Fund**, said the **Bank of Japan** has not done enough to spur that country's economy. The BoJ boosted a bank-loan program by 10 trillion yen to a total of 30 trillion yen Aug. 30, while the government unveiled a 920 billion yen stimulus package. "The most recent 'easing' they assumed was pathetic and nothing more than an attempt to keep the politicians at bay," Bedwick told Bloomberg News.

# EMERGING MARKETS BOOT CAMP

## YOU ARE INVITED

Join us for a stimulating and informative day dedicated exclusively to Emerging Markets. Attend seminars taught by in-house specialists on the latest tools and analytics in emerging markets.

Then, join Bloomberg's Tom Keene in a panel discussion:

**The 800-Pound Dragon in the Room:  
Assessing the Global Balance of Power  
as China takes Center Stage**

Speakers:

**Elizabeth Economy**

C.V. Starr Senior Fellow & Director for Asia at CFR

**Stephen S. Roach**

Non-Executive Chairman of Morgan Stanley, Asia

**Alan Ruskin**

Head of G10 FX Strategy at Deutsche Bank

**Wednesday, September 29, 2010**

**Bloomberg LP**

EM Boot Camp: 9:30am - 4:00pm

731 Lexington Ave

Panel Discussion: 4:30pm - 6:00pm

New York

To view agenda,

<http://www.bloomberg.com/promo/Sept/40208365>

For questions,

email Emily Howells at [ehowells@bloomberg.net](mailto:ehowells@bloomberg.net)

# Bloomberg



## 13F FORENSICS: 3G CAPITAL

3G Capital Partners made headlines last week with its \$3.3 billion buyout of Burger King Holdings. With the world's second-biggest hamburger chain in its portfolio, the New York-based firm replaces two similar holdings — Wendy's/Arby's and Jack In The Box — it exited in the second quarter.

The hedge fund only reduced five holdings in the second quarter. All five were exits.

Three of its five largest purchases — Bank of America, Kraft Foods and Itau Unibanco — were new additions to the portfolio.

### Buys

STOCK	MKT VALUE INCREASE*	COMPANY NAME	% PORT-FOLIO
CCE	25.04	Coca-Cola Enterprises	5.48
BAC	21.37	Bank of America	2.08
LO	5.97	Lorillard Inc.	2.65
KFT	3.24	Kraft Foods Inc.	0.32
ITUB	2.72	Itau Unibanc-ADR	0.27
MSFT	2.66	Microsoft Corp	0.26
C	2.24	Citigroup Inc.	0.22
VAKE	1.26	Vale SA-SP ADR	0.12
ING	0.73	ING Groep-ADR	0.07

\*\$millions

### Sells

STOCK	MKT VALUE DECREASE*	COMPANY NAME	% PORT-FOLIO
GIS	55.43	General Mills Inc	0
PBR	49.71	Petrobras SA-ADR	0
WEN	14.30	Wendy's/Arby's-A	0
GFA	3.96	Gafisa SA-ADR	0
JACK	3.48	Jack In The Box	0

\*\$millions

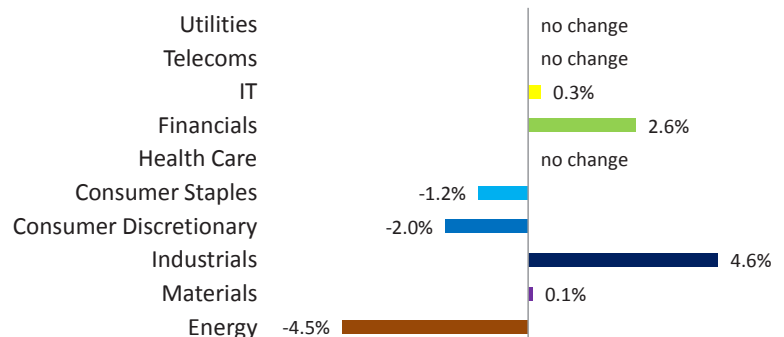
### SECTOR SPECIFIC

Aggregate sector-specific portfolio changes from Q1 to Q2.

After selling off its Petrobras and General Mills holdings, 3G Capital is heavily concentrated in industrial companies. Eighty-three percent of its portfolio is invested in CSX Corp., a position it didn't change last quarter. The sale of Petrobras reduced its energy holdings to zero.

3G was not invested in any financial companies in the first quarter. The four acquisitions—Bank of America, Itau Unibanco, Citigroup and ING Groep—bring its portfolio exposure to 0.3 percent, Bloomberg data show.

### Changes From Last Quarter



TYPE FLNG <GO> ON BLOOMBERG TO ANALYZE 13F FILINGS

**CREDIT CRUNCH!**

See which funds have announced they are facing subprime difficulties.

**SUBF <GO>**

## OVER THE HEDGE BY BLOOMBERG NEWS

### Manager Pushes for More Women CFAs

BY SHELLEY SMITH

Work in a bar. That was a friend's suggestion for Harvard graduate **Sara Grillo** after she was laid off from **Lehman Brothers Holdings Inc.** in 2008. Two years later, the hedge-fund analyst is campaigning to get more women into top financial jobs.

Grillo, 32, who co-manages hedge fund advisor **Diamond Oak Capital Advisors LLC**, found herself among 225,000 unemployed finance workers that year as the subprime market collapsed. Dismayed by friends' suggestions that she quit finance, Grillo vowed to help more women join the industry, setting a goal of raising the proportion of women Chartered Financial Analysts to 50 percent from the current 19 percent.

"If I were a tall, broad shouldered, gray-haired, 50-year-old man with the same credentials, nobody would have suggested I take a job for less than one eighth of my salary," said Grillo in a telephone interview from her home in Queens, New York City. "I'm a CFA charterholder and I always look women right in the face and tell them that if I did it, they can do it as well."

Of the some 90,000 CFA charter recipients worldwide, 19 percent are women, according to CFA Institute figures. In the Americas the percentage is 18 percent, while in Europe the proportion falls to 17 percent. Asia-Pacific has the highest ratio at 25 percent.

Grillo's efforts to balance the numbers include lobbying and giving motivational speeches. Her most personal approach, though, is to mentor 20 people, some from New York University's Stern School of Business where she got her MBA in 2007, or Harvard University where she read English Literature, or the New York Society of Security Analysts, the local chapter of the CFA Institute.

"One of the women I met on the subway in Queens," Grillo said. "She was having a really tough time with a guy giving her trouble and I looked at her and I said, 'look, you don't need

this guy. You can do so much better than this. Now let me teach you about stocks."

The CFA Institute, a not-for-profit association, traces its roots back to the establishment of the Financial Analysts Federation in 1947, according to its website. The first examinations were administered in 1963 to 278 men and 6 women. By 1985 the proportion of female CFA holders had grown to 11 percent, and by 1996, 18 percent, according to the Institute's website.

One challenge women face in the finance industry is that people often judge them by their looks, Grillo said.

"I'm athletic and I eat well and I don't have any wrinkles or grey hair," she said. "It's a huge problem in finance because I go to these meetings and I really stand out. It's difficult for me to get credibility and to build trust because I look like a teenage girl."

Grillo's business partner **Eric Hansen** established Diamond Oak in June 2009 to provide customized Fund of Funds analysis. Grillo joined in February. She had planned to start a microcap fund earlier this year, an ambition that had its roots seven years earlier in a jewelry shop.

Grillo said she and her boyfriend were faced with a choice between a platinum, gold or silver engagement ring. He said he didn't care which one she chose so long as it was the cheapest. Grillo did care, so she dumped him and invested the money for the wedding in Commercial Metals Co. a small-cap stock that made her as much as 300 percent in profit.

As her career in finance developed, she became determined to gain her CFA to gain credibility and recognition in the industry.

"I wanted those letters after my name so badly," she said. "If it took me 80 years, it was going to say, 'Sara Grillo, CFA' on my tombstone."

#### Also Noted

■ California state records show that the major initial funding to the "No to Prop 23" campaign is **Thomas Steyer**, the founder of San Francisco-based hedge fund **Farallon Capital Management**, according to a report

by Climate Spectator. Proposition 23 wants to put the clean energy bill – which includes proposals to cut emissions, set ambitious renewable energy targets and regulations, and introduce an emissions trading scheme – on hold until the state unemployment rate betters 5.5 percent for four or more quarters. Steyer has reportedly pledged \$5 million and will co-chair the campaign committee with **George Schulz**, the Republican former secretary of state.

■ **3G Capital Management LLC** made headlines last week with its \$3.3 billion buyout of **Burger King Holdings**. The firm made headlines for a different reason earlier this summer when **Marc Mezvinsky**, one of its partners, married **Chelsea Clinton**.

■ Hedge funds have been a scam for the past 20 years, according to **James Altucher**, founder of **Formula Capital LP**. "Mostly now-illegal or dubious activities are how hedge funds have made almost all of their money in the past 20 years," Altucher wrote in his blog. He listed strategies such as "playing the calendar" (churning shares in exchange for IPO stock), market timing mutual funds, PIPE strategies and insider information.

■ **Third Point LLC** founder **Daniel Loeb**, who raised money for **Barack Obama's** presidential campaign, said moves by the White House to increase financial regulation and change tax policy are creating "murky waters" for investors. "This administration is operating from a playbook quite different from the one we are used to as American business people," Loeb wrote in a nine-page letter to clients dated Aug. 27, a copy of which was obtained by Bloomberg News. Loeb said government actions "seem designed to fracture the populace."

■ Short-seller **Jim Chanos** has donated \$50,000 individually and \$16,500 through his firm, **Kynikos Associates**, to **Eric Dinallo**, one of five Democrat candidates facing off in the Sept. 14 primary for New York Attorney General, Legal Newsline reported

## 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
ABUNPAR US	000R3PFG5	VLADIMIR EFROS	Abundance Partners LLC	Long/Short Eq	U.S.	7/1/2003	Goldman Sachs
ARGWVEQ KY	0015MDDW5	D. GERSTENHABER	Argonaut Management LP	Long/Short Eq	U.S.	1/1/2008	Morgan Stanley
ARTOROS KY	000R08G78	RICHARD FURLAUD JR	Artorius Management LLC	Market Neutral Equities	U.S.	3/1/2009	JPMorgan Chase
BBTOPRA KY	0015F6BR8	MICHEL KEUSCH	Bellevue Asset Management	Market Neutral Equities	Switz.	9/1/2007	Goldman Sachs
TCGINST KY	0015GN545	V. KRISHNA-KUMAR	CAMS LLC	Long/Short Eq	U.S.	4/12/2005	Merrill Lynch
THINKGL KY	0014J72Y2	ZHOU CHAO	Capital Focus Asset Mgmt	CTA/Managed Futures	HK	9/1/2009	N/A
LAKEPAR US	000NQNM8	EDWARD MATUSZAK	Capitalworks LLC	Long/Short Eq	U.S.	3/1/2005	BNP Paribas
CELFIA1 KY	0014XQLK3	ANTOINE SCHETRITT	Cello Capital Management	Asset Backed	U.S.	1/1/2010	US Bank Association
COLGLMA ID	0015KFH76	SIMON COLLARD	Collard Capital SA	Global Macro	Switz.	9/1/2010	Saxo Bank A/S
SAGLMAA KY	0014LYV0	SAMI ROBBANA	Credit Suisse	Global Macro	U.S.	6/30/2009	N/A
RUSSSIT KY	0015GNQD9	STEVEN DASHEVSKY	D&P Investment Management	Multi-Strategy	Russia	12/31/2009	Citigroup
FLFIALP KY	0015CGPT1	ALPHONSE FLETCHER	Fletcher Asset Management	Fixed Income	U.S.	5/31/2007	N/A
INFINGL KY	0014KNRZ5	KALYTA ANDRIY	IB Finance LLP	Multi-Strategy	Austria	7/1/2010	Deutsche Bank
INVABCJ LX	0015F8RT9	ALEX. UHLMANN	Invesco Management SA	Multi-Strategy	U.K.	9/15/2010	Bank of New York Mellon
KEYREOH US	000QX2YY4	ROD HINZE	KeyPoint Capital Mgmt	Long/Short Eq	U.S.	1/1/2009	Goldman Sachs
LEOPPEB ID	0015P3002	FEDERICO GHELLA	Leo Fund Managers Ltd	Multi-Strategy	U.K.	8/8/2010	NCB Stockbrokers Ltd
MWDETEE ID	0015QY5D1	IAN WACE	Marshall Wace LLP	Long/Short Eq	U.K.	9/1/2010	Deutsche Bank
MERCEAR ID	0014SSG32	JOE O'DWYER	Merrion Capital Investment	Long/Short Eq	Ireland	6/30/2010	N/A
SIXMASS LX	0015CHP92	M. LEZIUS-DONCEL	Natixis Alternative Investments	Long/Short Eq	France	9/1/2010	N/A
NESHAVU ID	0015KHN15	DANIEL MANTINI	Nexar Fund Management Ltd	Short-Biased Equities	France	8/27/2010	Bank One NA
NUBAFMS KY	0014SLJK4	PETER ENTI	Nubuke Investments LLP	Multi-Strategy	U.K.	6/1/2008	UBS AG
PANGLT KY	0015S4NK3	HANS HAYWOOD	Panda Global Advisors LLC	Global Macro	U.S.	4/1/2010	Newedge Group
PASCSP5 US	0015MF2B0	B. PASKEWITZ	Paskewitz Asset Management	CTA/Managed Futures	U.S.	12/1/2003	N/A
TCAGLCR KY	000BGHP70	ROBERT PRESS	Trafalgar Capital Advisors LLC	Fixed Income	U.K.	4/1/2010	N/A
VECOPA1 KY	0014FGB16	BARRY J O'CONNELL	Vega Fund Holdings	Fixed Income	Spain	8/1/2009	N/A
WBLSLTD VI	0015HZJL1	ROB VOGEL	Whitebox Advisors LLC	Long/Short Eq	U.S.	6/1/2004	BNP Paribas
YEOFADV KY	0015F9LZ4	A. GOODFRIEND	Yedid Capital Mgmt	Market Neutral Equities	U.S.	11/1/2007	Goldman Sachs



## Calendar

DATE	EVENT	FEATURING	LOCATION	CONTACT / REGISTRATION
Sept. 14	Hedge Fund Association's Golf & Tennis Championship New York	"This popular event includes networking, cocktails, hors d'oeuvres and now tennis."	Doral Arrowwood, Rye Brook, N.Y.	thehfa.org
Sept. 14	100 Women in Hedge Funds Education Session	An Evening with Industry Icon Jim Mellon	"Atlantic House, Holborn Viaduct London"	100womeninhedge-funds.org
Sept. 14	Capital Markets Consortium's State of the Hedge Fund Industry	Moderated by former NBC News anchor John Seigenthaler. Speakers include Simon Fludgate, Aksia; Joe Gieger, GAM USA; Alan Glatt, Protocol Capital Management.	One Hanover Square, New York.	973-710-1536
Sept. 16	Hedge Funds Care's 2nd Annual Cocktails on the Sound	Hedge Funds Care invites you to join us for our 2nd Annual Connecticut event, Cocktails on the Sound, hosted by WR Capital.	WR Capital, 40 Signal Road, Stamford, Conn.	Sarah Blaker, 212-991-9600 x 342, sblaker@hedgefundscare.org
Sept. 16	100 Women in Hedge Funds Senior Practitioner Event: The History of Hedge Funds	Speakers Sebastian Mallaby and Robert Rubin	Yale Club, New York	100womeninhedge-funds.org
Sept. 21	Bloomberg Panel Discussion: Effects of the Dodd-Frank Act on the Hedge Fund Industry	George Canellos, SEC; Michael Litt, Arrowhawk Capital Partners; Ron Geffner, Sadis & Goldberg.	Bloomberg Headquarters, 731 Lexington Ave., New York	Jeff Volpi, 212-617-3766, jvolpi1@bloomberg.net
Sept. 21-22	Information Management Network's 8th Annual Alternative Investments Summit	Conference co-chairs Jaeson Dubrovay, Aksia, and Cynthia Collins, Delaware Public Employees' Retirement System.	Park Hyatt Aviara Resort, San Diego.	imn.org
Sept. 22	New York Hedge Fund Roundtable	Pete Dawkins, Flintlock Capital Asset Management.		
Sept. 22	100 Women in Hedge Funds Geneva Gala	Charity Gala in aid of Solidarité Femmes (Women Supporting Women).	Four Seasons Hotel des Bergues, Geneva	100womeninhedge-funds.org
Sept. 23	No Greater Sacrifice Inaugural New York Dinner	Honorees Lt. Gen. John F. Mulholland Jr. U.S. Army; Becky Quick, CNBC; Laurence Fink, BlackRock; Robert McCann, UBS.	Gotham Hall, New York	nogreatersacrifice.org, 202-337-3876
Sept. 26-28	Alpha Hedge Institutional Investor Conference	Keynote speakers Jane Buchan, Pacific Alternative Asset Management; Arnab Das, Roubini Global Economics; Kurt Silberstein, CALPERS.	Ritz Carlton, San Francisco	ii-alphahedge.com
Sept. 29	First Annual Bloomberg Emerging Markets Boot Camp	Elizabeth Economy, CFT; Stephen Roach, Morgan Stanley; Alan Rushkin, Deutsche Bank.	Bloomberg Headquarters, 731 Lexington Ave., New York	Emily Howells, 212-617-3497, ehowells@bloomberg.net. BU<GO>
Sept. 30	Hedge Fund Association's "Life After Dodd: Navigating hedge funds through the new regulatory era"	Keynote speech from David Friedland	The Harvard Club, New York	Stacy Weiner, 202-263-4127
Oct. 4	Corporate Counsel's 4th Annual Hedge Fund General Counsel Summit	A full day of exploration of the legal issues, questions and ramifications affecting the hedge fund industry.	The Harvard Club, New York	Carl Seering, cseering@alm.com, 212-457-7905
Oct. 5-7	Hedge Funds World LatAm 2010	David Gerstenhaber, Argonaut Capital Management; Otavio Yazbek, Brazilian securities commission.	Four Seasons Miami	Marcia Ardila, marcia.ardila@terrapinn.com
Oct. 6	Hedge Fund Care's Annual Fall Fete	Proceeds benefit programs in support of the prevention and treatment of child abuse. Cocktails and hors d'oeuvres will be served.	Lavo, New York	Sarah Blaker, 212-991-9600 x 342, sblaker@hedgefundscare.org
Oct. 7-8	Managed Funds Association's Outlook 2010	Designed for hedge fund members and a faculty of policy makers and prominent speakers to engage in meaningful dialogue.	The Pierre Hotel, New York	managedfunds.org
Oct. 12-13	6th Annual New York Value Investing Conference	Speakers include Bill Ackman, Pershing Square; Lee Ainsle, Maverick Capital; David Einhorn, Greenlight Capital; John Burbank, Passport Capital.	Marriot Marquis, New York	valueinvestingcongress.com
Oct. 17-19	Alternative Asset Summit	Panelists from Exis Capital Management, Roubini Global Economics, Parker Global Strategies, Aurora Investment Management.	Bellagio, Las Vegas.	Todd G. Schwendiman, Todd@Alternative-Assets.com
Nov. 1-4	Hedge Funds World Africa 2010	Keynote speaker Nouriel Roubini.	Cape Town International Convention Center	terrapinn.com/2010/hfwza
Nov. 8-11	HEDGE 2010	Israel Englander, Millenium Management; Charles Dumas, Lombard Street Research.	Hilton Canary Wharf, London	terrapinn.com/2010/hedge
Nov. 17	100 Women in Hedge Funds 2010 New York Gala	Proceeds benefit Big Brothers Big Sisters.	Cipriani 42nd Street, New York	100womeninhedge-funds.org
Dec. 6-8	High Frequency Trading World	Bart Chilton, CFTC; Jerry Davis, Employees' Retirement System of New Orleans.	Park Central, New York	terrapinn.com/2010/hftusa

## SPOTLIGHT

**Liam Dalton**, CEO and founder of **Axiom Capital Management**, discusses the U.S. economic slow-down on Bloomberg Surveillance with Tom Keene and Ken Prewitt. He explains why current market conditions aren't favorable for a large number of hedge funds and talks about the changing dynamic between investors and fund managers.

**Q: I want to talk about some of the reporting that I really thought was off the mark about hedge funds having a tough time. Did Mr. Druckenmiller and Mr. Pellegrini throw in the towel because they were losing money, or is it because if you're going to do a hedge fund, you've got to make a certain amount to make the 2/20 payout?**

**A:** Listen, those two guys aren't exactly battling for their survival. They've done incredibly well over time, and so they're proven entities. I think it just happens to be that they decided that it was time to go to the beach, so to speak.

On the other hand, there is no doubt that a lot of the market conditions we're confronted with now are not particularly well-suited to a wide swath of the hedge fund industry. The equity world is faced with a market that is having very, very wide swings in price action. It's a long-biased industry.

When we get this kind of price action, it's very difficult to get on longer-duration positions and hold them. And the same goes for the trending world and the macro world. I mean, these are momentum-driven strategies that are not well tuned to this kind of choppy price action. As a result, returns have been rather anemic.

**Q: Does that just mean you grab**

**the dividend and hope for dividend growth?**

**A:** To tell you the truth, there are worse strategies out there at the moment. What I think we're watching is markets are gravitating to a world in which we're having sort of deflationary indications, if not outright deflation. And stocks within the universe of equities, which I watch, are basically acting as though the ones that are going to be rewarded best are the companies that are either self-generating cash flow entities or things that can protect their cash flow at a disinflationary environment.

As a result, some of the higher-yielding names have been the relative winners in the market. And the things that have been most sensitive to economic activity and consumer activity have been the worst.

**Q: There was a long time when nobody much paid attention to dividends.**

**A:** That's true, because we had a world in which there was an underlying growth dynamic providing for guys to basically run stocks. Over the past few decades we've rolled from growth industry to growth industry, whether it be technology, more recently energy. So now we seem to be at a point where there's really no high-quality source of growth for the aggregate economy. As a result, dividends become a much more interesting feature to the equity stuff, because we're seeing actually a strange dichotomy in that conventional thinking believes that when interest rates are low and valuations are low, you simply buy stocks.

I see it a little differently. I see the fact that these equities have retreated down to rather low valuations as sort of a validation of the slow growth environment we're going into, and that the yield portion of equities is really the protective feature that people should be looking for.

**Q: Investors really want a lot more information from managers. Is it going to be tougher to handle investors in the future?**

**A:** Investors are requiring a higher level of transparency, a higher level of liquidity. It's all a result of the aftermath of the experiences of the past few years, and with net returns over the last decade being subpar.

I don't think it's going to be unmanageable. Frankly, it used to be that the managers were really in control of the structural dynamics of the industry. And I think that relationship has now shifted, and that the investor base is now firmly in control of the terms under which they'll give capital to outside managers. That process is unfortunately, possibly right now, swinging a bit too far. The pendulum likely flows a little bit backward towards equilibrium, where we can see a better balance of power. But the investor is in control right now.

*(This interview was edited and condensed.)*

### Bloomberg Brief Hedge Funds

Bloomberg LP  
731 Lexington Avenue, New York, NY 10022  
212-318-2000

Newsletter Executive Editor Ted Merz  
tmerz@bloomberg.net  
212-617-2309

Bloomberg News Managing Editor Rob Urban  
robprag@bloomberg.net  
212-617-5192

Hedge Funds Editor Nathaniel E. Baker  
nbaker14@bloomberg.net  
212-617-2741

Contributing Reporters Katherine Burton  
kburton@bloomberg.net  
212-617-2335

Sajjel Kishan  
skishan@bloomberg.net  
212-617-6662

Contributing Data Editors Matthew Kelly  
mkelly17@bloomberg.net  
609-279-5064

Anibal Arrascue  
arrascue@bloomberg.net  
609-279-5084

To subscribe via the Bloomberg professional terminal type BRIEF <go> or email: [bbrief@bloomberg.net](mailto:bbrief@bloomberg.net)

© copyright 2010 Bloomberg LP. All rights