Published March 2014

Nordic Insights

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Multi Strategy Hedge Funds

Editors **Note**

Multi Strategy hedge funds have had a changing fate of popularity among investors over the last years. While the value of diversification in any investment portfolio, but especially those of large institutional investors has been well documented over the years, critics quickly pointed at extra fee layers, intransparency and a lack of flexibility as handicaps. Shifting risk to more than one fund and/or strategy in theory reduces the risk of the overall investment programme. The value in multi-strategy funds is providing the portfolio manager with the flexibility to capitalise on the best opportunities in a wider range of single-strategy funds. These can be limited in the scope of their skill set, investment opportunities and mandate.

The term „multi strategy hedge fund" though does not always have clear edges and is colloquial used for single manager or multi manager approaches, fund of hedge funds, single managers with multiple, often inhouse strategies, managed accounts or simply as „a box" that characterizes a fund that does not fit any other clear classification.

Finding an agreeable definition on the term „multi strategy hedge funds" was therefor the first topic on the agenda of a round table discussion held in Stockholm in late 2013. Movestic Kapitalförvaltning and HedgeNordic co hosted the discussion to which were glad to gather a distinguished group of industry professionals from Coeli Asset Management, Return Advisors, Nordea, Man, UBP Alternative investments and Alandsbanken.

We are pleased to present you an excerpt of the session in this paper. The format chosen to compose this summary intends to let the reader participate as close as possible and "listen in" to the discussion among industry professionals in their own words.

Enjoy getting some "Nordic Insights" to Multi Strategy hedge funds

Kamran Ghalitschi
Publisher HedgeNordic.com

Round **Table** – Participants

Wollert **Hvide** – Managing Director, Sector Asset Management

Wollert Hvide, born 1961, is the managing director of Sector Asset Management AS the Sector group Holding company. He co-founded the Sector Asset Management in 1999 from a position as Deputy Managing Director of R.S. Platou Shipbrokers (joined in 1990) where he was responsible for strategic advisory of R.S. Platou's prime customers with respect to market strategies. In 1987 Mr Hvide joined McKinsey & Co on their Fellowship Program, which included an MBA at INSEAD (distinction).

During this period with McKinsey & Co Mr Hvide worked on strategic and operational issues. Mr Hvide holds a Msc in naval architecture and marine engineering from the Norwegian School of Technology (1984).

Julia **Axelsson** – Head of Manager Selection, Alandsbanken

Julia Axelsson is head of manager selection and a member of the asset allocation team at the Swedish branch of Alandsbanken. She is responsible for sourcing investment ideas through analyzing a broad range of externally managed products, including both long-only and alternative strategies. She is co-managing several of Alandsbanken's discretionary balanced mandates and funds.

Julia has more than ten years of investment experience managing balanced portfolios and fund-of-funds, previously at Kaupthing Bank and Nordea Investment Management. She holds a Master's degree from Sofia University and has completed further studies at Stockholm University and Stockholm School of Economics. Julia is a Chartered alternative investments analyst (CAIA^{SM}).

Yves **Guntern** – Managing Director, UBP Alternative Investments

Yves is a managing director at UBP Alternative Investments, responsible for Partnerships and Co-Investment opportunities with single managers and Business Development in Scandinavia and Asia. Prior to joining UBP, Yves was Head of Global Investment Products at Renaissance Investment Management from 2007 to 2009 and was appointed CEO of the company's Geneva operation.

From 2003 to 2007, he was already with UBP Alternative Investments as Head of Marketing & Business Development. Yves started his career in 2000 at Morgan Stanley Capital International. He holds a BA in Econometrics and is a CFA charter holder.

Jan Bo **Jakobsen** – ManagingDirector, Return Advisors

Jan Bo Jakobsen, Ph.D. is managing director at Return Advisors Ltd. specializing in liquid absolute returns strategies to institutional investors. Formerly Jan Bo was the managing director and owner of a consultancy company and prior to that Chief Portfolio Manager and Partner at Nordea Investment Management where he delivered asset allocation and investment solutions to institutional investors.

Jan Bo is M.Sc. in economics from University of Aarhus, Denmark, and Ph.D. in financial economics from University of Southampton, U.K. He was for several years a tenured Professor of Finance at the Copenhagen Business School. He is also involved in software development, various networks, and he is an investment consultant and management consultant to institutional clients.

David **Kingsley** – Portfolio Manager, Man

David is a Portfolio Manager at GLG, responsible since 2010 for co-managing its Multi-Strategy funds, which actively allocate client capital across selected strategies run by GLG and AHL's specialist trading teams. David was previously a senior Portfolio Manager and member FRM's Investment Solutions group, involved in the development and running commingled and customised portfolios allocating across its managed account platform.

In 2010 and 2012 he was a member of Man's corporate strategy teams that led the successful acquisitions of GLG Partners LP and FRM Holdings Ltd, conducting transaction due diligence, integration planning and implementation projects. Prior to joining Man Investments in 2005, he spent three years with Schroders Investment Management in London, as a Product Specialist covering Schroders' fund of hedge funds and single manager business. David holds a BA (Hons) in Geography and MSc in International Management from the University of London.

Thomas **Lönnerstam** – Dept. Head of Financial Institutions, Nordea

Currently holding the position as Dept. Head of Financial Institutions SE & Member of CIB SE Management team, Nordea. Prior to that 20 years within the "Markets" area. Mainly at SEB but also a couple of years at Danske Bank Markets as well as Nordea Markets. Main areas has been Fixed Income & Structured Products, including four years focusing on Fund-linked derivatives.

André **Havas** – Asset Management Expert, Movestic Kapitalförvaltning

André Havas works as an asset management expert at Movestic Kapitalförvaltning, the asset management arm of Movestic Livförsäkring AB. Prior to joining Movestic André was Head of Investor Relations for a Swedish FOHF manager. André also spent 5 years in senior positions on the sales, marketing and product development side in London with some of the most renowned alternatives firms globally.

André has advised and dealt with some of the most sophisticated and professional buyers of alternative asset management services in Europe across a variety of strategies and management styles. André speaks four European languages fluently and holds an academic degree in business law and Italian and French.

Kamran **Ghalitschi** – Publisher HedgeNordic.com

Kamran started his career in 1994 as broker/dealer trading US equities and derivatives in the asset management division of Bank Austria. Kamran was head of marketing and sales for the online brokerage division of Raiffeisen and spent a year as PR consultant servicing financial media as well as foreign investment funds on the Austrian market.

In 2004 he joined an Austrian CTA working in several marketing, sales and management positions in Vienna, Frankfurt, Amsterdam and Stockholm. Kamran then joined an Amsterdam based multi-family office with a focus on fund of hedge funds. He founded Nordic Business Media in January 2011 which publishes HedgeNordic.com, the Nordic Hedge Index and is organizer of the Nordic Hedge Award.

Nordic **Insights:** Multi Strategy Hedge Funds

Kamran Ghalitschi: *For me, it is not always entirely clear where the red line runs between a multi-strategy fund, which can be single manager or multi manager, a fund of funds, a manager of managers, diversified portfolios and many other terms that may describe very similar, or even the same thing. How do we distinct them from another?*

Jan Bo Jakobsen: How the investment is structured helps distinguish whether it is fund of funds or if it is managed accounts. But behind all that are strategies that can be a carpet of something which could be largely the same, it is just a matter of the structure, as I see it.

Thomas Lönnerstam: If you have a fund of fund versus a multi-manager strategy, there are different types of risk regarding fraud and so on. There is that aspect as well.

David Kingsley: I think the control aspect is important. With external managers, you do not have close control of those individuals contractually from an employment perspective, from a compliance monitoring angle etcetera. Using managed accounts does mitigate those risks; but something else on multi-strategy funds is that they have evolved quite significantly over the last 20 years.

In the first form, they were predominantly credit relative value based, fixed income based strategies, which evolved and broadened out their investment style. Now, you have got more universal multi-strategy funds, which genuinely operate across a diversified range of asset classes and strategies that have gone about hiring in teams to do all of those things. The first generation often experienced things like strategy and liquidity drift. There are still plenty of those old ones still around, but I would classify what we are talking about here as “multi-strategy“ as genuinely diversified funds with additional risk control features being their distinguishing characteristic.

Julia Axelsson: Maybe the biggest confusion is when it comes to defining what we mean by multi-strategy. As you mentioned the distinction between multi-managers and fund-of-funds is pretty clear, it is just a matter of how you package the products. Whereas multi-strategy is more complex. A lot of fund-of-funds call themselves multi-strats, but also a lot of a single-manager funds can call themselves multi-strat. It is a broader range of products that would be encompassed by the same name, which creates a bit of confusion.

Yves Guntern: If I may add another layer of confusion, let us also mention the distinction between absolute return and hedge funds. I think the hedge fund industry was perceived as having absolute return targets. In today’s industry, if you want to be successful in raising money for alternative investments, you are better off talking about absolute return than hedge funds although most hedge fund managers do have an absolute return target. I have seen an increasing number of people asking not for hedge funds but for absolute return – but are we not, most of the time, talking about the same thing?

Wollert Hvide: There might be a difference in the fee structures. If you have a multi-strat fund, most often you only have one layer of fees. You pool all the results into one and if the total result is good, you would take a performance fee.
With a fund of funds, everybody, all the underlying managers have an option on the upside, while you do not get it back on the downside. Fund of funds are loaded on fees, you do not have the luxury of seeing the real, underlying risks and liquidity. The good thing is rather than selecting from 46 funds, which David can do, you can select from 400 funds. And then, the multi-manager funds are something in between.

Andre Havas: David, would you rather have the luxury of choosing amongst 400 funds rather than 46, which you currently have in your universe of Man in-house funds?

David Kingsley: I have run both and there is a slightly different mind-set to the two. There is also a different application of resource and intensity. On the fund of funds approach, you put your resources towards manager selection and research creates an approved list, which you think is investable for your portfolios. On the multi-strategy side, you are taking your investable universe from what you have got in-house. More resources go into the people management side. Actually what I found is that it takes about the same time to change a team as it does to re-allocate a fund.

I find that the little difference in terms of result. If you have got a problem with an underperforming strategy and you want to re-allocate you potentially can do it quicker in the fund of funds, only if you realize there is an issue as quickly as you can in a multi-strategy. There is a different process to go through, but the lead-time and the actual change of allocation time ends up being about the same length.

Thomas Lönnerstam: What about the cost of all the due diligence in the underlying funds of a fund of funds, David?

***Kamran Ghalitschi:** Your task investigating an in-house managers operational due diligence for example will be very different than to somebody who travels around the world to meet external hedge fund managers.*

Does that help us in the distinction between a fund of funds and a multi strat fund?

David Kingsley: There are probably three sniff tests you can do, One is single layer fees, second is single book transparency. And thirdly, where are the traders and fund managers contractually employed by the firm that runs the multi-strategy. In terms of due diligence and cost, it has become increasingly clear in the fund of funds world, that scale is required to be able to continue to support large, diversified fund of funds and multi-manager businesses. Within Man we have looked to address that. It does clearly have scale. Having combined research teams brings with it synergies and benefits.

Yves Guntern: I would really like to come back to two points that both Wollert and David have raised in the comparison between multi-manager and multi-strategy funds. You have both addressed the question of fees and transparency and, to a certain extent, control. The fund-of-hedge-fund business is, in our view, not about an additional one and 10, on top of a two and 20. With the technology and the tools that we can have today and that we have developed at UBP, we actually get more transparency with a multi-manager fund than you might get with a multi-strategy portfolio. As to David's point with the critical mass, when we onboard managers to our managed-account platform, the Guggenheim Fund Solutions platform, we can put pressure on fees thanks to our size and our market presence.

The technology that allows more transparency, more liquidity, means that costs should not be taken on by the investor, but rather by the manager himself, and the fund-of-hedge-fund manager. Our goal and purpose is to reduce the fees – the two and 20 – that the managers take in order to cover more technology, more transparency and advice from the fund-of-fund providers. In short, firstly I think the industry has to go where investors expect us to go, which is a lower overall fee level. Secondly, things have evolved a lot on transparency as well. ***By investing through managed-account platforms, we have complete transparency,*** where you know the exposure of your underlying funds. We do have much better control in terms of risk management and exposure, which allows us to build products in funds of funds which have specific goals and targets, and we are able to manage the profile of those products. There has been a huge evolution over the past three years, not only in terms of fees, but also transparency and control of assets.

Andre Havas: Just to allude to your elaboration on fees, you mentioned that you are, in some sorts, acting as a consultant towards hedge fund managers in order to align the fee levels with the appetite of the investors.

On the other hand, we have hedge fund managers such as Jan Bo who is trying to build up business from scratch together with a partner. And your interest is probably in maximizing your fees as much as possible from day one, because at the end of the day, if you do not get the assets in with a certain margin, you will probably not be interested to be part of this business benefit.

Jan Bo Jakobsen: Following up on you with fees, it is just a matter of adding up the numbers and making sure in the end the client is happy. I agree with you, clients can negotiate down fee structures. But to have a fee structure with zero management fee is just too much of negotiating with the client. On transparency, I agree 100%, it is also what we see and what we do. If people want transparency, I will give them transparency and you have the technology to do it and you have got liquidity. Clients can see exactly what is on their accounts. In the end, what we really want is high net returns to clients.

Kamran Ghalitschi:* *Should we really go that path? I do not think fees are or should be our enemy as hedge fund industry. We have to charge fees and we have to educate the client that quality costs money and management teams cost money, and due diligence costs money. This ever downward going spiral of reducing fees and reducing fees, is a bit dangerous. I do not know if that, at the end of the day, is a good thing for the investor.

Julia Axelsson: When it comes to fees, the discussion here is more a relative one. How does a multi-strategy fund compare to a fund-of-hedge funds? And I do agree that there has been an evolution since the fund-of-hedge funds 1.0 until now. ***When it comes to fee structures and also transparency the evolution has been enormous.*** It is a bit difficult to say that one is more expensive than the other. On the surface, one may be more expensive than the other. But when you dig a bit deeper down, maybe the difference is much less these days.

Jan Bo Jakobsen: I agree with you Kamran. It is too much about just cutting fees the whole time. I do not think that is a good strategy. We have to somehow educate clients to understand that if they get good quality, high end products that are also custom built, structured it in different ways; you do not need to take 5% as a fixed fee, just to exaggerate. But this discussions about doing it as a fixed income fee with 10 basis point or four basis points... Forget it!

Yves Guntern: You need to look at the returns as well. Over the past three or four years the hedge fund industry, generally speaking, has not delivered anything close to impressive returns for end-investors, and managers continue to charge higher fees. I think ***the reality is that everybody is happy to pay high fees when the returns are there,*** but if not, there is definitely an issue. Obviously, we are very well positioned to know how costly the whole due diligence work is. When we enter into partnerships with our clients that use us as advisors where we help them manage and build their portfolios, that is when they truly realize the amount of work that is required to be able to select the 15 best names out of a universe of thousands of funds. We totally agree that the aim is not a quest for a minimal fee, but we do think fees need to be reduced and we need to adapt to what our investors are asking for.

Wollert Hvide: I do not care about the fees. They are going take care of themselves. If we do not deliver the return, fees are going to go down, or the money goes away. Somehow, we have to adapt to it and if I think that you can provide me with a good business opportunity for some of my managers, I will do it. If my managers have a huge return every year, then ask for 2 and 20. It is that easy. ***We are living in a very competitive market and fees will take care of themselves.***

Part of the problem with the fund of fund is the difficulty of picking managers taking timely exit decisions and not having crowded trades or one fund being long one stock and another being short the same. You only see weekly or monthly return numbers increasing your reaction time. If you think about T-statistics, if you get one number every month, they are going to be six months before you even can talk about T-statistics. If we are looking at the multi-strategy or multi-manager, you will be looking at the returns every day. You can react much quicker. Further, in a multi manager you can make sure that you do not have a lot of funds that have opposite positions or that they have the same positions. It must be much smarter moving in a direction where you actually have the insight into the portfolio. You can really look at it in a better way than from an outside in. Just one more thing, on the due diligence, why do people spend so much time on due diligence, which is not going into actually evaluating the Alpha? We have had 300 due diligence investigations over the years, all largely doing the same thing. There is nobody who had turned us down on a DD. Why are there not standardized, trusted institutions like Standard & Poor's or similar who can say, "Okay, we have done the DD and all looks good". It is just a waste of energy, time and cost.

Erik Lundkvist: I totally agree with you when it comes to the fees. Last year we had the highest number of hedge funds that had closed down in the Nordics. It is really happening already. I also agree what you said on due diligence. It really changed since the crisis when more people focused on Alpha innovation. But we have discussed from a point of view of the institutional investor, not so much about for the less professional investor, in wealth-management for example. We still add a lot of value there because we create possibilities that they do not have.

They cannot invest in funds with high minimum investment, they can not currency hedge and so forth. A big shift that I have seen over the last couple of years is since the crisis, is today investors want to have much better liquidity. They are most likely not going to use it, but want to have even daily liquidity. And that is a challenge. If you want to have daily liquidity, some strategies do not work in the same way.

Jan Bo Jakobsen: I also see that we have a polarization. If we are saying, "Well, all hedge funds did really poorly," that is not true. Some did quite well. We have talked about multi-strategy within an organization versus multi-manager. Often, within one organization you have a certain culture that means you become isomorphic. You are thinking in the same way. If you have different managers they would think in different ways. Some of them have long 50 apple stocks and others will be short 50 apple stocks, but what if they both make Alpha?

If you can see that someone had a philosophy where they are actually doing something quite well, that makes a lot of sense. And then, we are back to a comment you had. That is, what is quality versus quantity? I was sitting at a meeting with Morning Star and they were showing me some numbers where they do not know anything about the managers, they are just having numbers. They showed me a manager and then said, "Oh this manager is fantastic, look at the numbers." I said, "This is a manager we have looked at, we do not want him. It is bad what he is doing because he is taking extremely high downside risk." You cannot see it if it is going really well for many years, until it goes bad. And then, it is the client's money he is losing.

Andre Havas: Same question alluding to what you said Wollert, with regards to not being too fond of analysts running around your shop. David, how are you perceived internally at Man, when you are performing your kind of due diligence? Surely your due diligence is more focused on the underlying strategy as you are warranted that the firm is solid.

David Kingsley: It is clearly a shorter journey. I get off from my desk on the trading floor and walk across and talk to a colleague. And that is a main point that I disagree with Yves on a comment that you made about multi-strategy versus fund of funds transparency that through a managed account platform. Yes you get look through, but you do not get real time, tick-by-tick, minute-by-minute information. Yes, there is a risk that you get caught up by the noise. Then you could be tempted to over trade that information. If you have got the checks and balances and the right approach to discipline how we are allocating capital, then that is the same. If you can come up with a good objective and you can try to bear the fruits of all the different ideas that would be generated across the floor. On the subject of due diligence cost, one thing that I have noticed

in Europe is that UCITS goes a long way for the investor to shortening the time frame and resources that are required to approve a fund. UCITS gives certain stamp of approval and the way that it works and operates fits within an investors allocation criteria.

I have certainly seen that and we have noticed that particularly with pension funds boards - and this applies to single-strategy, fund of UCITS and multi-strategy UCITS -that it proves to be faster. There are questions that can automatically be answered and technical details that are a given within the UCITS framework. It also addresses the liquidity issues that Eric was mentioning.

Yves Guntern: The time needed and the work that has to be done for a due diligence on a UCITS version of a multi-billion hedge fund, there is probably not much you are going to add to the whole process. I think there is a much greater added value to an exercise which our investors expect us to do and expect UBP and other major fund-of-fund players to do: to find talent among managers that are smaller in size and younger in terms of track record. Usually younger in terms of age as well. People that, in the past, we might not have been able to consider simply because their infrastructure was pretty poor, in some cases, and the operational risk, was too high. Now, with the technology and the managed-account framework, we can remove part of this infrastructure risk and really on-board people that maybe do not check all the traditional boxes (very long track record, very established firm etc.).

You can remove the operational risk by bringing those people onto the managed-account platform where you control the assets and have good visibility on the portfolio, so you can run effective risk management. As a result, you have a strong focus on the investment side and the opportunity to allocate to managers that are off the radar and that are hungrier for performance. ***The framework allows us to select people that do not have the visibility that larger players may have,*** and that is where there is a true added value.

André Havas: You mentioned Yves that on aggregate hedge funds have produced quite dismal returns lately. Can you just elaborate a little bit on what would be the last period of time in which hedge funds have performed badly? Obviously, you have a very long experience of managing hedge fund portfolios at UBP. How do you use that history in the context of this short-termism with regards to being able to attribute lackluster returns for the hedge fund community as an aggregate, and what would be the predictability for hedge funds going forward?

We are focusing on constants right now such as price, talent, infrastructure but we need to look forward as well. And I read somewhere that the word predictability is inversely correlated with turmoil in the market, vis-a-vis, a benign environment. In an age of disturbance we would use predictability less rather than in a good environment. Where are we now?

Yves Guntern: I will spend two minutes on the history of returns and where the success of hedge funds came from for institutional investors. The main added value of the hedge fund industry was the decorrelation during the period from 2000 to 2003 when hedge fund portfolios – in particular the low-volatility, relative-value strategies – tended to significantly outperform the struggling equity markets. Hedge funds were stable in terms of performance and really managed to protect capital. From 2003 to 2007, based on the previous three years, a lot of institutional investors got very interested in hedge funds and started to allocate more and more money to them. What happened over that period is that the correlation between hedge funds and equity markets or traditional asset classes did not stop increasing. ***It was in 2008 that we saw that the correlation between hedge funds and traditional asset classes – equities in particular – was much higher than investors expected or the hedge fund industry had suggested.***

The result of this higher correlation during the huge crisis we have just been through, is that managers, after the crisis, were asked to or had to reduce their portfolios' risk exposure and therefore did not participate as much as investors would have expected. When we had significant positive returns in equities, the risk allocations within hedge funds wasn't that high because they could not afford to be that correlated to equity markets anymore. That explains why the risk taken by managers in hedge funds over the past years was slightly lower. Then there is another element that we have to take into consideration: hedge fund managers are smart investors but they do not have a crystal ball.

With the lack of visibility that we had over the past years on the market, and the changes and the very difficult environment, they could not take high risks. And I think most of the investors I know watched most of the equity rallies without participating in them. ***It is easy to say with hindsight that hedge funds have underperformed equities.*** But, did you participate in the equity rally? Did you have the visibility to be there? I think that is not the case for most investors, including hedge fund investors. And that is why the past years have been very challenging. Now looking to the future, there are very smart money managers, each within their own strategy. It is our job to select them and the market always offers opportunities. With the increase in visibility we should hopefully see in the markets, the managers in various strategies will benefit from those opportunities.

Then, as portfolio managers and investors, we must take our view on the markets as well and use it to construct our portfolio. We are currently very positive on equity markets, in particular in Europe. This is reflected in the portfolios where we have the liberty to implement our views and we will definitely focus on long/short managers and managers that might have a long equity bias in their portfolios. One other important issue to bring up is that risk preferences are also time varying and conditional on past experience. If this is the case, we will see that risk premiums themselves are time varying as well. For example, there has been considerable buzz amongst allocators regarding risk premiums and risk premia portfolios. It seems like many institutional investors are looking towards a risk premium approach via dynamic trading strategies. Recently Nobel Laureate Bill Sharpe was here in Stockholm at a "Rethinking Beta conference" at the Swedish House of Finance. During this event, the focus was on re-thinking the traditional risk reward trade-off. It is clear from recent research and cutting edge approaches in industry that both risk premia and risk preferences are dynamic. Even our good old friend Beta is time varying, what this means is that things are very, very complex.

Thomas Lönnerstam: Clients make comments about the performance of hedge funds lately. If you look at the period after 2007, the analysis you have to do is more of a political one than a macro view. You could put less focus in analyzing companies, markets or macro because for a number of years, politicians made populist decisions, which have had a greater impact on the markets than the actual macro. Lately it has been a very tough environment for hedge fund managers and other managers as well.

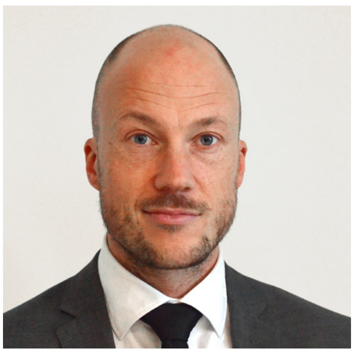
David Kingsley: Along the way, we have managed to capture a couple of things, which are impacting returns. One is, Thomas, you mentioned the first, risk-free rates are lower. The second thing is that, ***leverage has not returned to the levels of pre '08, which actually is a good thing.*** And the third thing is that which we now just touched on, which is, the central banks effectively have the market rigged. The extreme sides are curtailed, which does diminish opportunities along with less macro visibility for some of the momentum-based strategies and others.

But we have not touched on something, which brings us around to the quality of returns. It is true that equity long-short strategies are in favor but there are lots of different varieties of equity long-short strategies. You have actually been able to get around these issues impacting or compressing hedge fund returns through good specific strategy selection. In the equity long/short side, I would say that ***for an astute investor, the fund that is up10% net year-to-date with zero Beta is a very high quality of return.*** The fact that people may have been over-allocated to that overall strategy group coming into this, and they may have higher Betas in their portfolios is neither here nor there and it will not be reflected in the headline news. I could name a dozen managers trading in Europe this year that have that level of return for that method of Beta.

***Kamran Ghalitschi:** Do you actually go search for and buy Beta, David?*

David Kingsley: Active management can be about using passive Beta as well, and it can often be useful when if you are building a portfolio and your alpha ingredients are relatively market neutral with a lower Beta to equity and credit. And then you have got more convex, negative Beta strategies like macro CTA. How do you get a positive Beta out of those combinations, say up to 0.4 or 0.5? You need to add some directionality in, and there will be periods when you have needed to go from being very flat to negatively positioned, to very quickly having more directional exposure. We saw that again this summer. But there is also a strategy selection decision.

On the credit side, we have seen a number of managers, single managers and fund of funds, produce high double-digit returns, and beyond, in the credit space playing the mortgage backed security and structure credit theme. You will have taken significantly more risk being allocated to that, and you are being paid for it. ***If you are prepared to make those strategy bets, you have had a very valuable return again delivered to your portfolio.***



Erik Lundkvist: We talked a lot about external factors. What we have to also add is the internal factors. You said something very important that is, that hedge fund managers have been more cautious since the crisis and I think that is one of the biggest problems. I do not talk about the really high-risk hedge fund managers. I am talking about the standard hedge fund risk takers. ***They take much less risk than they did before and it is also more difficult market to create returns. At the same time, they have not lowered the performance goals.***
That is one reason why a lot of investors are disappointed because hedge fund managers, on the average, do not take as much risk, as they need to be able to create the return that they are telling the investor that they will create. You can see it here in Stockholm, and also looking throughout Europe.

Yves Guntern: Performance is obviously an important question. We are looking for returns; there is no doubt that we need this now but we are not trying to beat any hedge fund index or to generate alpha compared to the hedge fund industry in general. Today we really use hedge fund portfolios to answer specific issues that portfolio managers have. It can be an alternative to fixed income where you construct a low-volatility portfolio of hedge funds that will provide you with absolute return. You can generate portfolios of hedge funds that have an asymmetric return profile to your risky assets. You can build portfolios that would be an overall protection for your entire traditional asset class portfolio. That is where you do add value to the portfolio as well, in addition to just relative performance. It is really by reducing the overall risk or increasing exposure without increasing the risk to your portfolio, and that is how hedge funds should, in our view, be used now and henceforth.

Julia Axelsson: I am very grateful that you are finally taking up the point of customization of the multi-manager products or the multi-strategy products. I was getting slightly concerned when both of you gentlemen were talking about increasing the Beta in the portfolios as a way of enhancing returns. Obviously we all look for higher returns, we have agreed on that. But at the same time, for us or ***rather for our clients, an investment into a multi-manager or multi-strategy product is usually just a complement to something else.***

And that something else, very often is a very high Beta portfolio. It is not necessarily the case that when we go into a multi-manager product, we are looking for even more Beta; we might be looking for something else. And that is where the new generation of multi-manager products comes in, with it is more customized solution kind of thinking, because it gives us the choice, to choose to have Beta in this part of the portfolio or not. Even though a lot of multi-strat funds are constructed as stand-alone and meant to solve all your problems, it is very seldom this is the way that they are being used. I probably would not invest all my money in one multi-manager product, even if it might be the most optimal solution. ***Customization for me is the most positive evolution trend in the market.***

David Kingsley: I totally agree with you. In fact, on Friday (Nov 1, 2013), we are launching a new portfolio, which is customized for a particular investor base, which is rigidly designed to have zero Beta, and will exclude certain types of strategies. You would not, as a commingled portfolio, be able to take that over to any other market, it is specifically designed for that one. I think the whole industry has geared itself up for that offering. You can ask single managers to run customized tailored managed accounts, where they are stripping out components of the strategy or over allocating to underlying books. And you can ask fund of funds and managed account providers to design something, which is opposed to the industry norm.

Jan Bo Jakobsen: I also agree with Julia, customization is very important. But then, I also see a lot of plain vanilla portfolios or 100% long-only portfolios. There is a huge risk in these long-only portfolios. There is a bit of equity, there is a bit of fixed-income and there is a bit of credit, maybe there is a bit of real estate, some infrastructure, but it is still long only. Investors need to diversify into something else. What I see a lot, and that makes me really sad, that is I see a lot of portfolio optimization going on. I do not like the word optimization, I like the word construction, and I see people are using Markowitz from 1952.

Maybe, there is a little bit of T-distribution, maybe there is a little bit of some other components, and on top they are using Value at Risk and some kind of things to construct asset allocation solutions, and that really makes me sad. Rather they should try to think a little bit about scenarios, what can we expect or imagine. If I look 30 years back into the past of fixed income, it was fantastic. If I believe that should go on the next 30 years then I am going into a negative interest risk and what will happen then? There is a huge potential and a need for people to get returns and I think that we are some people who can, in some way, deliver it and I know the industry has been a little bit against the wind because some large players have not been making very good returns. Still there are managers out there who can do it.

Wollert Hvide: Two comments. Firstly, I think one has to establish what is real Alpha. ***If you deliver real Alpha, should get paid really well.*** What kind of returns should we have on pure Alpha? Basically it should be like risk free rate plus a little. It is important not to expect huge real alpha returns. We have a market neutral fund, which I believe should be compared to high yield bonds rather than the stock market. It is a much better product than a high yield bond. You do not have to do any research to find the Beta. It is all over the place. Pure Alpha is what you have to pay for. We have to educate the end user that they have to think differently about the Beta and the Alpha. ***If there is no Alpha in hedge funds, well, the industry will die.*** But the alpha does not have to be that big.

It does not have to be like from 2000 to 2003, which were fantastic Apha years. The second comment is to you Jan, which is about value at risk. VaR is the most lousy risk measurement that ever was made, and it is dangerous and nobody should use it. In 2008, I was a portfolio manager when the Oslo stock exchange was falling 10% per day. I started buying, we normally have a value at risk at 1%. Suddenly the risk manager comes screaming, you have 9% value at risk. And I said, "Yes. But is that risky?" and he said, "Yeah, yeah 9% VaR is risky. "Come on, the market is down 50% it was risky before it fell 50% and we had 1% VaR." I said, "Okay. Look out the window. If you see all the buildings disappearing, then call me because then it is risky. But as long as all the buildings and the infrastructure and the real assets are there, this is a fantastic buying opportunity." I see EDHEC-Risk Institute is trying to optimize the portfolio and they are going to get hurt by doing it. It is very important as professional buyers, you should not talk to the management about value risk and you should not try to make them use it so much.

***Kamran Ghalitschi:** But we are forced tot think about Value at Risk, right? UCITS thinks in VaR and banks think in VaR, and they have little other means for expressing risk. Is there an alternative to VaR?*

Jan Bo Jakobsen: I have a clear comment on that. One thing is what I call the regulatory risk measuring. And then there is the real risk. The regulatory risk measuring, that is what we do to satisfy the regulatory people. And then we have the real risk measuring, and they also do that in banks, but they do not necessarily need to disclose it. Of course you need to have some kind of measures. Let us say, if you have some kind of a vehicle, like UCITS or something, which is easily translatable to retail, fair enough. But behind the scenes, you can do a lot of good stuff, especially scenario and sensitivity analyses.

Yves Guntern: The answer is clearly yes. And it is not the case for everyone but there is a tendency, obviously, for much larger managers to run their books at a lower level of risk and therefore lower expected returns. I think there is no magic. Managed Futures is a very good example where you see that the largest players in this space have seen their volatility significantly reduced over the past years, and the expected returns should therefore not be the same as those you can see on the track record. I also have examples of multi-billion funds that have had extremely good returns over the past year.

So it is not a fixed rule. However, there is a trend towards using smaller structures. As I said before, they are willing to take more risk and these are the people we tend to focus on, knowing that at fund-of-fund level, when you do invest with a multi-manager framework, you do have natural diversification already. So you would better include pieces that do generate higher returns.

Jan Bo Jakobsen: Say you could have 20 managers you are putting together and you could, in principle, have 20 strategies within a large company, you also put together. You should end up the same result if we just follow this kind of logic. We end up with a raw Sharpe Ratio, which is constant in the two cases. My guess would be to say there is a difference in what we can see about a Sharpe Ratio.

Of course, I know that there are some large managers who are doing well but the majority is not. My question is, do we see a size effect if we just measure by, let us say, a raw Sharpe Ratio? ***My guess would be that there is a size effect, which is negative.***

Wollert Hvide: Interesting comment. I mean, of course, there is. Firstly, there is a limitation of position liquidity that comes with size, which means that there is a dis-economies of scale. And secondly, any good businessman, would say, “Okay, now we have $10 billion. Just keep it. Two and 20 on $10 billion is fine“. So, you take down your risk. Not everybody, of course. There would be lot of exceptions. But in general, it has to be, because if not, there is going to be lot of bad business people out there and that is not very likely. Hence they will reduce portfolio risk just to kind of keep on the steady income.

__Kamran Ghalitschi:__ I think it was Jan Bo who brought up homogeneity and corporate culture among investment teams. I do not know how it happens in your shop but, if you Wollert, as CEO, select those teams, do you not bias the teams by your own beliefs, by your own views on the market, by your own ideology?

Even if you think you are diversifying teams, if you don not only allocate to them, but also hire them into your company, do you not just get more of the same with a little difference.

Wollert Hvide: Obviously, that is a risk. That is why you should not go through one multi-manager. We never internally discuss positions or what we think about the future as a policy, you make sure that we do not have the same opinion.

David Kingsley: That is an important observation actually. You do want to have some bias with what you are able to hire in and build in terms of talent. Why? Because, you have to excel at something. You have got to put a mark down and be good at something. You have got to build around this core skill set and competence within the culture, set examples for younger people to aspire to and learn to be able to run risk and generate return in a certain way. No one can be a master of all strategies. We have seen multi-strats face this problem, where some of the most successful players had a macro and rates trading competence.

And that allowed them to grow their business very successfully. The approach that we are taking within GLG with our discretionary fund managers is to run a collegiate, if you like, academy, where we actually run behavior analysis and trade coaching programs for all of our analysts and fund managers. And that is something that is having remarkable impact in terms of quality returns from younger managers. But it is beginning to reinvigorate and allow more experienced managers to rediscover their form. You would be surprised to know that when we went and looked to find a trade coach, we found just three in London out of thousands of asset managers, banks and boutiques with trading desks. It is something that the industry pays remarkably little attention to in comparison to the performance management within sports and other industries.

__Kamran Ghalitschi:__ Is that one of the up sides of size? We talked about the down sides of size But once you are the size of Man, with the collaborations with Universities and talent scouts and, getting more CVs on your desk than smaller firms get from managers looking for seeding, incubation or collaboration, is that not a huge advantage?

Can you see that while being big may hurt performance on an individual fund basis, as a firm you have opportunities that smaller outfits might not have?

Wollert Hvide: Being a small outfit for sure is a handicap in some areas. Understanding yourself as a human being in the market place is extremely important. And that kind of learning is good. Everybody in investment management needs to learn that. Discussing whether the interest rates may go up or down next year that is something we should not do, because that increases correlation. ***Behavioral finance rather than Markowitz should be thought at business school.***

Thomas Lönnerstam: Having a lot of assets under management is a good thing per se, but where is the entry barrier now? How much money do you have to have under management in order to survive long term? Is it one billion SEK? Prior to 2007, you could probably run a hedge fund with 500 million SEK and carry the overhead cost based on that. I am scared that a lot of hedge fund will disappear because they cannot sustain their business with less than let's say two billion SEK going forward. What is the level now?

David Kingsley: I think Sweden accounts are roughly 10% of European hedge fund assets under management. Clearly you are doing something right in terms of contribution and ability to sustain assets. Interestingly, there is a clear polarization in terms of size, scale, and barriers to entry into the market. In the first half of 2013, there were about 110 hedge funds launched across US, Europe and Asia. The slight majority of those were in the US, about, just over 40. There were $12 billion of assets into those, $8 billion of which was from the US and 50% of that AUM was from 10 managers. I would say out of those 10, a number of those were not even new business launches. They were new strategy launches by people that were already running a couple of billion dollars in different strategies. The average size launch of those was around about 400 million USD or so.

There is a bit of a skew because there is one very out-sized one in the US at one-and-a-half billion, but most were around about 200 to 300 million USD. What is interesting is that hedge fund assets were up about 6% over the last year and of that the growth was in the billion-dollar club. The number of launches has not significantly reduced from peak years, though is down from 2005, 2007 clearly. It is not so significantly reduced that you would say that there is a permanent trend and we are about to go to an unsustainable number of new fund launches for the industry to be able to replenish itself in terms of talent each year. ***It does look like the smaller players are finding space for different ways to run niche products*** but there is a critical mass in which you are not going to be able to operate. Most people will give themselves two years of backing, in terms of operational costs, but to be able to go on for five years at small size seems impossible.

Erik Lundkvist: Is it also a distribution problem? You referred to all the small boutiques we have here in Stockholm for instance, and the rest of the Nordics. They pretty much survived in the numbers that you are stressing. But there is an opportunity cost. Most likely you can earn more being employed elsewhere. ***It is not enough to be good; you have to do outstanding in your performance to get flows while having the right distribution.*** It is the whole set up, that they are closing down. I think there is going to be a lot of closing down of the small boutiques we have because they do not make enough money. It is better to go to an investment bank and get hired than continue managing your hedge fund with 20 million Euros.

Andre Havas: Do you see the same problem that your search for talent would be more or less reliant upon the alumnus of GLG trying to spin out and raising capital from players like you?

Yves Guntern: We definitely see the same trend. We should not forget the number of funds that closed down. As you said, you need to be extremely good to survive in this industry and you need to be able to demonstrate your talent over a certain period of time.

David Kingsley: The regulators have done the industry a bit of a favor in the sense that with the tighter regulations of banks there is been no shortage of talented traders who are looking to deploy their strategies on their own or on someone else's platform.

__Kamran Ghalitschi:__ Eric touched on something interesting. It seldom comes together that a good trader is also a good businessman and fund raiser. There might be some quant geek who feels very comfortable in his office behind a Bloomberg but as soon as you put him in front of a client to pitch, he starts sweating, gets all nervous and can not talk.

If the shop is not big enough to have talent both on the trading side and give the portfolio manager the peace of mind to focus on his trading, research and development while somebody else takes care of the business and raising money, which is crucial, it is absolutely crucial that a fund raises money, that is doomsday right there.

Andre Havas: We were talking a little bit about the customization of multi-strategy portfolios or fund of hedge funds. Is there still room for the off-the-shelf product? The off-the-shelf multi-strategy product or the off-the-shelf fund of hedge fund and who would be the potential investor into this, going forward?

Yves Guntern: There is definitely room, above all because not all firms are big enough to be able to have their own customized portfolios. UBP still offer comingled funds. Their advantage is that, to some extent, they do reflect the categorization that we apply to customized portfolios. Even though they are comingled funds, they do answer to a specific demand. I would take the most obvious example: liquidity. In the past, a multi-strategy portfolio of hedge funds had quarterly liquidity for redemptions with a 90-day notice period. This was just because one portion of the portfolio was illiquid; even if most of the portfolio had much better liquidity than that, the entire portfolio had to pay the price. This is the main sticking point: the investor is not prepared to pay for that anymore. ***We would separate illiquid strategies and put them into one portfolio reflecting a certain level of appetite.*** This brings us to another point: we strongly believe in the illiquidity premium for hedge fund investments, but you need to separate the two portfolios. You would have the liquid investments and liquid strategies at one end and the illiquid ones at the other. Depending on your appetite for that reciprocation, you might take one or the other or combine the two. So yes, there is room for comingled funds.

David Kingsley: I do not have the broad industry numbers or the split, but if you think of the growth in both, hedge funds grew approx. 6% over the last 12 months. Fund of fund interestingly by about 4%. So, they are not that far behind. But that is in the billion dollar-plus category. It could be 50/50 between customized and comingled. I do not know. There is definitely still a little bit, but it has to relevant and added value comingled funds. In the European, particularly, in the European UCITS space on single strategies, we have seen continued very strong growth in comingled funds.

Julia Axelsson: I would agree with both gentlemen. ***There should be a mixture between the off-the-shelf and customized solutions.*** This new way of thinking evolving should be made available for the customers as well. Single-strategy multi-manager products, for example, or multi-strategy but concentrated on specific types of strategies and having a specific purpose that will complement a certain type of portfolio, that is more the way to go forward. On the previous topic, one of the points of the new generation of funds has been also enabling this kind of angel investing that do not give us the typical off-the-shelf product, full with the big old established names in it, but rather doing their job properly and doing the due diligence on evolving or emerging managers. And packaging that in a nice way for the customers that do not have the in-house capabilities to do this kind of due diligence themselves. Off-the-shelf will feel more customized than the traditional products that we have seen before.

***Kamran Ghalitschi:** What is the real added value you can offer an institutional investor as a fund of fund, or multi strat manager they can not do themselves?*

Wollert Hvide: It is kind of difficult for me to say because I am the multi-manager. I am not a strategist. We can bring a cheap operating platform for new managers, with sales. That is not from the customer's side but from the managing side.

And I think from the end user or the customer's side, we can assure that we have a safe operating platform. There is no drift in strategy and being located in Oslo with niche strategies, the probability that our funds are exposed to the Mayfair "flavour of the day" is remote. Hence we can provide customers with better alpha diversification than most funds. As an example our multi strat fund was up 2% in 2008 when the hedge fund index was down 20%.

Yves Guntern: First of all, you need size to get access to sourcing. When you have a certain size in the industry, as we do, you have almost every money manager knocking at your door. This gives us the opportunity to share our reviews, and potentially look at their portfolios and, all being well, invest. I think sourcing beyond the usual suspects or the multi-billion funds is something we clearly have an edge on. Number two is quality and experience in due diligence. That is true in particular on the operational aspects, not just the investment side.

On the operational side, it requires very specific skills, and a huge amount of knowledge and expertise to be able to look at and judge all the elements that the fund needs to satisfy in order to be approved. Thirdly, and this brings us back to critical size: thanks to our size, we bring a lot in terms of technology. What we have been able to build over the past years, working together with managed account platforms – Guggenheim in particular – allows us to create and offer an environment to our investors where people can, through a web-based interface on their desktop, view the performance of their hedge-fund portfolio in real time. My fourth and last point, and I am only going to skim over it but I will leave the floor to my colleagues, is the monitoring. The selection of a manager is a first step in the investment process.

The difference a lot of people see between fund-of-fund investors and consulting firms – and I think that is ***where UBP Alternative Investments has a major edge is the monitoring and the recommendation to exit an investment*** which is equally important in the management of a portfolio. That is, our recommendations apply as much to ourselves as to our advisory clients. This is a particular edge that funds of funds do bring to investors.

David Kingsley: A really quick answer to what Yves just said there is that you can save institutional investors a good portion of say the 50-people team that it requires to go out and select and monitor those managers. They key thing is they decide what cost to spend, they choose what they do, and they outsource the rest to you, and then on the multi-strategy side, largely because we have measured it, versus comparing to either an equal weight or a dollar weight composite of what an investor could do themselves, ***we can add value of about 200-300 basis points a year, in terms of performance through strategy selection and asset allocation.***

Jan Bo Jakobsen: Well, we just do it as absolute returns and know that we should at least make a raw Sharpe Ratio of one. And then, you just scale it. You do not have huge downside risk then, Sharpe Ratio should be one that is what we aim for. When we have looked at our historical data our Sharpe Ratio is much higher. The performance has been much higher.

Andre Havas: I would just like put this question at Julia and Erik, because you have your own advisory businesses as well within your organizations. What would you convey to your end clients, through your advisors, in terms of what one could expect, in terms of Alpha from a broad diversified portfolio of alternative investments?

Erik Lundkvist: We have a Nordic focus. I am working with Nordic hedge funds since inception in '03, as one of the first fund of funds. ***We know our niche, the Nordic markets, quite well.*** That is how we also add value.

Julia Axelsson: A few years back when we started working with hedge funds, that is probably about 10 years ago, there simply were not the kind of multi-manager products that are available today. At that point we felt that an off-the-shelf product really did not do it for the needs of our clients. We had to start looking at single-strategy, single-manager funds ourselves. Now I can see the point of getting a bit lazy and letting someone who has the resources do this properly.

Actually do it in a better way for our clients, if the kind of performance targets that you are talking about are really achievable. But, then I guess in the coming years we will need to find the confidence to do that. So far, we have not. I think the process is just beginning, really.

Andre Havas: I must say that Julia's statement now is probably the most encouraging I have heard for this industry through the last 10 years, so thank you for Julia for getting lazy, and allow this industry to grow.

Jan Bo Jakobsen: Actually, it is a very interesting comment because what you are saying is investors believe they can do that themselves. And then they try to do it and find out, "okay it is actually a little bit tough and challenging."

Julia Axelsson: There are advantages to that obviously, because now we know exactly how tough it is so, we can appreciate the effort.

Jan Bo Jakobsen: It makes a lot of sense to go into Alpha strategies, because basically, if you think about what is the asset class? We are going to call it an asset-class and I know I am doing a lot of simplifications here, it is an asset class of risk sharing, and you need risk sharing.

A producer often needs to hedge risk to produce whether it is some kind of fiscal goods or immaterial goods, or if it is a pension fund which is trying to hedge the interest rate risk . You see a lot of hedging. It makes economic sense because it makes the economies grow. So, I am just going a little bit against this, that people often say, "Well, It is a zero-sum game." ***No, it is not a zero-sum game. It is actually creating wealth.***

Kamran Ghalitschi: Well, thank you so much. May I ask for your closing comments, please?

Wollert Hvide: I think there is space. Everybody that can add value, there is room for. That goes for multi-managers or fund of funds, or multi-strategy. What we are playing is a skill game from the individual manager to the fund of funds. Those that have the skills and the ability to actually produce that Alpha will survive. I think there are a lot of people that are trying to create Alpha but do not have it and they will die. But there is no easy fix. I have seen some studies and ***there is not a huge Alpha pool in hedge funds.*** As with everything else in life, you have to be good at it. Whatever you do, you have to be good at it.

Erik Lundkvist: Maybe the future is quite bright as well because it is very obvious, interest rates are very low and everyone needs to invest in something else. Correlations have also started to come down increasing the possibilities to create return for active managers. And hedge funds finally started to perform a bit better. There are great opportunities, just look at the unit-linked market. There is almost no good hedge fund on the unit-linked platforms. I see this huge opportunity for liquid hedge funds that are Beta neutral and at least are diversifying.

Andre Havas: I completely agree with Eric. First of all thank you very much. It has been extremely interesting to get all of your views and points across with regards to the topic. The only way we can access pure manager talent, is by a manager such as yourself, so the underlying managers, and from our point of view, at Movestic we definitely do not have the skill to systematically build lasting portfolios of alternative assets or alternative Betas, or alternative managers, if you like.

So definitely, there should a lot of growth potential in my industry with regards to alternative managers.

Jan Bo Jakobsen: It has been fantastic and a lot of good insights from the discussions, good points. We will definitely see some increase in allocations to Alpha. At least in my area of the world I see a lot of investors being 100% long only in these days. Some years the equities are going quite well, other years they are going quite badly. We will definitely see movement into alternatives and Alpha. Of course, we need to find skills, which it is all about. Is that possible? Yes, it is but it is difficult.

Julia Axelsson: Despite the bright future for multi-manager and multi-strategy products, there is a bit of a movement going in the other direction that we should not forget: bigger institutions are moving more towards trying not to look at the vehicle itself, and not separate the hedge funds from any other investment. In that respect, a product niche, like a fund-of-hedge funds for example is not the perfect vehicle, because it is too much of a mixture of different things, as is a multi-strategy product as well.

If there is one risk for the bright future that we were talking about for this specific part of the industry maybe that is something that we should be thinking of. ***Do not concentrate that much on whether this is a hedge fund or not a hedge fund and try to look at the purpose that the product will be serving for the client.***

Yves Guntern: On the multi-manager side, the industry has been challenged since 2008. For those that survived this period it has been a very long and interesting exercise of self-assessment, of how we should position this business and how we should be going forward. I think Julia raises an interesting point of the convergence of traditional asset classes and alternative asset classes. I strongly believe that ***the restructuring of the entire industry has been very positive***, that we now have the tools that we need for providing transparency. I think that we are very well positioned to be helpful to our investors. And if we prove that we are helpful then it will be a success for our industry.

Thomas Lönnerstam: I am also positive as the rest of you but I do want to mention that the regulatory environment, together with the lack of knowledge among the policy makers of what a hedge fund is and does posts a great challenge.

It goes for policy makers within the government level, as well as within the companies surrounding us providing products to hedge funds.

David Kingsley: What has been pleasing is that the topic and the discussions that have risen provide evidence that we are at a stage now where business models have evolved sufficiently that we are back to talking about investor choice and implementation with a tail wind of industry growth and also the right focus on return maximization or the quality of returns. And then, as a final comment on multi-strategy funds, I think those with single fee layers, transparency and liquidity have a place within that growth of the industry.

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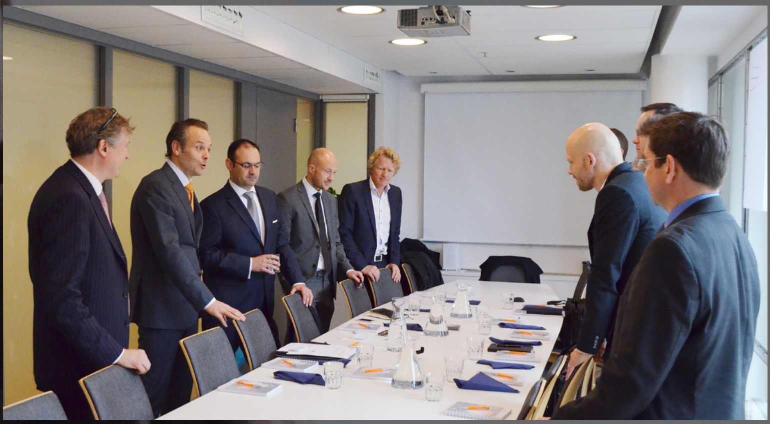

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