

EXPERTS WARN SEC PLANS WILL HIT ALT MUTUAL FUNDS HARD

New limits on derivatives usage likely to force change **REGULATION 03**

MORGAN STANLEY ALT UCITS PLATFORM HEAD DEPARTS

Stephane Berthet had been in the role since August 2011 **PEOPLE MOVES 06**

SAN FRAN ERS HF HEAD TO OVERSEE MAIDEN INVESTMENTS

Recommendation on first hedge fund manager due **INVESTMENT 08**



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HFMWEEK LOOKS AT P2P

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BAML takes Ucits crown amid new entrant wave

Bank's platform surpasses \$7bn; Tages and IAM enter space

BY SAM MACDONALD

BANK OF AMERICA Merrill Lynch has taken the top spot in the latest *HFMWeek* Ucits Platform Top 10 study after boosting its AuM by 19% to \$7.2bn.

The latest annual survey sees BAML's Ucits offering, containing the likes of Marshall Wace, AQR and Och Ziff, replace German platform Universal Investment, which led the pack in the previous two studies.

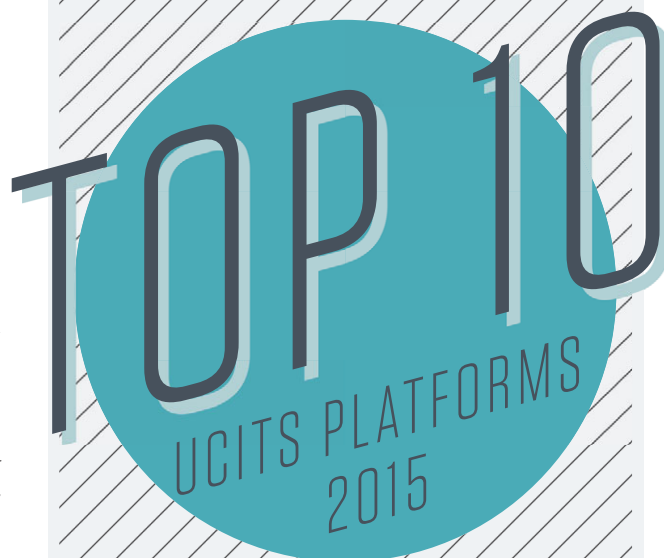
Schroders takes second place after increasing its AuM by 8.1% to \$5.9bn, as the total assets of the 10 largest platforms jumped

8.9%, from \$28.9bn to \$31.4bn between October 2014 and October 2015.

HFMWeek can also reveal the launch of two new Ucits platforms. The \$3.9bn FoHF firm International Asset Management rolled out an Icar Ucits platform in December with the \$20m seeded Incline Global Long/Short Equity Ucits, its first launch. It is set to be followed by a global macro strategy scheduled for April.

London-based investor group Tages Capital is also understood to be launching its own Ucits platform in the coming weeks.

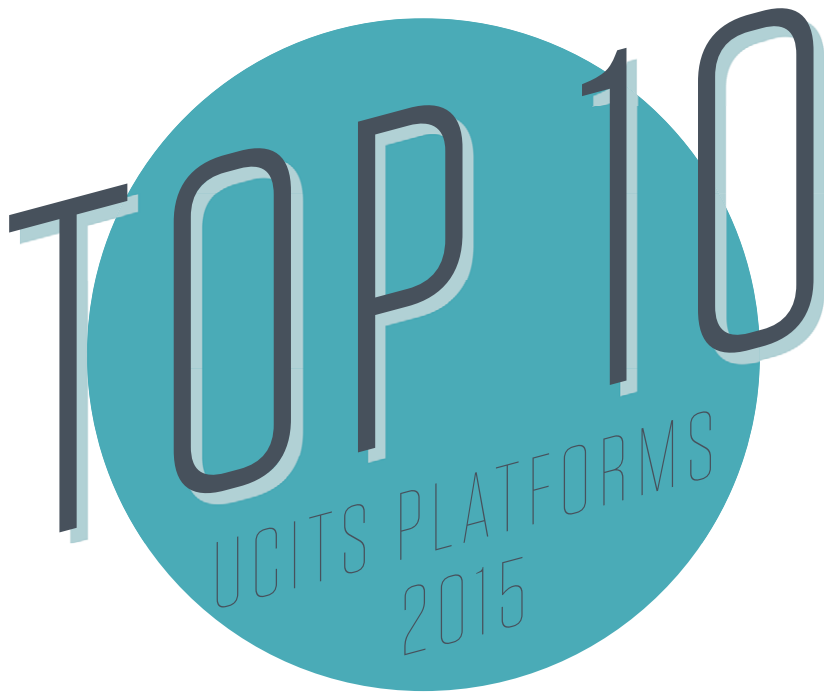
Meanwhile, fund solutions and governance business DMS Offshore Investments is looking to increase **03** ↘



BAML and Schroders move up a gear as overall growth slows compared to 2014

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BAML and Schrodgers move up a gear as overall growth slows compared to 2014

BY SAM MACDONALD

Although the majority of Ucits platforms in the latest *HFMWeek* Ucits Top 10 study have increased assets over the last 12 months, the annual rise of \$2.6bn is significantly lower than the \$8.7bn net inflows seen in the last study.

Overall assets in the top 10 Ucits platforms at the end of October were \$31.4bn, rising 8.9% from \$28.9bn a year prior. And in a move touted by *HFMWeek* in the previous study, Bank of America Merrill Lynch marched into top spot, boosting assets by \$1.1bn – or 19% – to \$7.2bn despite shedding five funds from its line-up during the year.

According to the LuxHedge Global Ucits index, alternative Ucits funds returned 2% between the end of October 2014 and the end of October 2015.

BAML's boost in AuM ends Universal Investment's two-year stint at the top of the pile after the Germany-based business saw assets fall -20% to \$5.6bn, down from \$6.9bn the previous year. UI was the only platform to post a dip in assets.

Head of private label business development Andreas Hausladen says the drop in assets is due to €400m (\$434m) in outflows from its market neutral offerings as well as volatility between the euro and the dollar.

"Outflows are primarily due to market turbulences, particularly in some market-neutral biased strategies

where some non-strategic investors stepped out of the strategy for the time being," he said. The asset drop occurred despite a net addition of 10 funds onto the platform.

During the year, a net total of 13 alternative Ucits funds were added across the top 10, although data provided by Alceda is taken from October 2014 as the firm was unable to provide recent data due to a review of its alternative strategies.

The biggest monetary increase in the top 10 came from Deutsche Bank, which grew its AuM by \$1.3bn to \$4.7bn over 12 months. Goldman Sachs posted the best percentage increase as assets rose 110% to \$910m, up from \$432m at the end of October 2014. Eight of the top 10 posted AuM increases in excess of 5%.

Morgan Stanley executive director Stephane Berthet, who has left the firm since the study, says that although assets in the alternative Ucits space will continue to grow, the number of funds on platforms appears to be shrinking.

He says: "With regards to hedge fund Ucits platforms, the number of funds appears to be decreasing but overall AuM is on the rise. There has been growing interest in alternative Ucits products as they aim to provide diversified sources of returns with better resistance to volatile markets and downfalls compared to traditional asset classes."

Earlier this month, US alternatives manager Mariner Investment Group launched a Ucits version of its Mariner Lenus Healthcare Strategy on Morgan Stanley's FundLogic platform. Other managers to launch on the platform last year include Quantica Capital, IPM and Tremblant Capital Group.

While new assets appear to be coming from a variety of sources, there is continued US interest in the space as many US managers look to access such vehicles. "We are seeing increasing interest from US managers looking at Ucits as an alternative to AIF funds under the AIFMD," says Independent Ucits CEO Hugh Hunter.

"Some managers are looking to amend their offshore hedge fund strategies to fit into Ucits liquidity, diversification and eligibility requirements. Also niche strategies such as life sciences are becoming popular." Independent Ucits has assets of \$49m, although it is aiming to add between eight and 10 funds and \$200m to its platform over the next 12 months.

Lyxor Asset Management boosted assets on its Ucits platform by 33% to \$2bn with a net increase of four funds, taking its total alternative Ucits offering to 10 funds. In November, Lyxor announced that Och-Ziff was to launch a long/short US equity fund on its platform. Daniele Spada, who heads up Ucits at the French firm, says there is a continuing diversification of investors looking to access alt Ucits through platforms. "In terms of investor base, private banks and asset managers remain the two largest investors. However, we increasingly see insurance companies and pension funds interested by the concept of liquid alternatives in a single or fund of fund format."

The reasons why managers use platforms are also becoming more defined, with a polarisation in the industry emerging. Trium Capital's head of Ucits Andrew Collins explains: "There has been a continued bifurcation in the platform space - those that offer platform-only services and primarily compete on price, versus those that lead with distribution and compete primarily on the basis of their sales teams." Trium launched its Ucits platform in

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Alpha Ucits

HEDGE FUND UCITS AuM **\$370m**

12-MONTH GROWTH:	UCITS HEDGE FUNDS:	12-MONTH NET FUND ADDITIONS:
80% (\$205m)	4	+1

Alpha Ucits achieved a solid growth rate of 80% over the year to 31 October, taking its total AuM to \$370m, although the firm expects this to more than double in the coming 12 months.

The platform is looking to add up to four new funds with the aim of taking its assets up to \$1bn. The firm says inflows are currently coming from institutional investors and private banks in Germany, the UK and Switzerland.

"The single biggest trend relevant for hedge fund Ucits platforms is the continued trend in Europe towards investing in hedge funds through Ucits rather than offshore funds or managed accounts," says CEO Stephane Diedrich.

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Goldman Sachs

HEDGE FUND UCITS AuM **\$910m**

12-MONTH GROWTH:	UCITS HEDGE FUNDS:	12-MONTH NET FUND ADDITIONS:
110% (\$432m)	5	+3

Goldman Sachs achieved the best percentage increase as it boosted assets by 110%, taking its total AuM to \$910m at the end of October.

The firm added a net total of three funds during the year and is looking to improve on that next term with up to five new launches.

The firm says it is looking to add strategies that provide diversification both to other asset classes and also geographies. This includes, but is not limited to, strategies such as discretionary macro, credit and event-driven, and global markets including Europe and Japan.

Pooja Mishra Prahlad heads up the Luxembourg-based platform.

TOP 5
BY 12-MONTH
PERCENTAGE GROWTH110%
GOLDMAN SACHS80%
ALPHA UCITS38%
DEUTSCHE
BANK33%
LYXOR33%
ML CAPITAL

08

Alceda

HEDGE FUND UCITS AuM **\$974m**

12-MONTH GROWTH:	UCITS HEDGE FUNDS:	12-MONTH NET FUND ADDITIONS:
0% (\$974m)	17	0

Alceda figures are correct as of 31 October 2014 as the firm says it is unable to submit new data due to a review of which strategies fit in its alternatives offering. The firm told *HFMWeek* in the last study that it was looking to increase beyond \$1bn by the end of 2015. The firm is backed by German investment manager Aquila Group.

In October, *HFMWeek* revealed that London-based fund manager Tideway had moved its flagship Global Navigator Ucits fund from Luxembourg-based Alceda to an Irish Icav.

In last year's study, Alceda's AuM fell -12% over 12-months although it predicted the addition of two to four funds in 2015 and to increase its AuA to \$1bn by the end of the same year.

07

MontLake

HEDGE FUND UCITS AuM **\$1.1bn**

12-MONTH GROWTH:	UCITS HEDGE FUNDS:	12-MONTH NET FUND ADDITIONS:
33% (\$825m)	12	0

ML Capital's MontLake managed 33% growth as it breached the \$1bn AuM barrier for the first time while it remained flat in terms of fund numbers.

The Ireland-domiciled umbrella says it expects to add a further 10 funds in 2016, with two set for launch this month, noting AuM within that period will exceed \$2bn. "Inflows over the last 12 months have markedly increased compared with the previous year. We continue to see growth across all of our products and our strategies have outperformed a number of their peers," said CEO Cyril Delamare.

In November *HFMWeek* revealed former Deephaven and BAML pro Neil Tofts was launching the Mygale event-driven Ucits on the ML Capital platform.

ANALYSIS TOP 10 UCITS PLATFORMS

TOP 5
BY 12-MONTH
\$ GROWTH

06

Lyxor

HEDGE FUND UCITS AuM **\$2bn**

12-MONTH GROWTH: 33% (\$1.5bn)	UCITS HEDGE FUNDS: 10	12-MONTH NET FUND ADDITIONS: +4
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Lyxor increased its assets by an impressive 33% over the year to reach \$2bn and with net additions totalling four funds during that time.

Ucits funds added in 2015 include Chenavari's European-focused long/short credit strategy in July as well as merger arbitrage specialist Lutetia Capital.

The firm is eyeing the addition of a further five managers in 2016 and will look to add strategies that are currently not present or under-represented on the platform.

"Investors like the fact that we bring them strong value propositions thanks to our highly selective approach in terms of managers. This has enabled us to develop deep relationships with the main private banks in Europe as well as establishing a network in Asia," said platform head Daniele Spada.

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Morgan Stanley

HEDGE FUND UCITS AuM **\$2.7bn**

12-MONTH GROWTH: 0% (\$2.7bn)	UCITS HEDGE FUNDS: 17	12-MONTH NET FUND ADDITIONS: 0
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Having more than doubled assets last time around, Morgan Stanley's Ucits platform remained flat in the 12 months to 31 October while its fund count also remained the same.

Inflows to its platform have mainly come from private banks, funds of funds and asset managers, while outflows have mainly been driven by a lack of appetite for certain strategies and challenging performance.

Although its fund count remains at 17, Morgan Stanley expects to increase this to between 20 and 22 in the coming year as it looks to expand its long/short equity, market neutral credit and fixed income multi-strategies in 2016.

04

Deutsche Bank

HEDGE FUND UCITS AuM **\$4.7bn**

12-MONTH GROWTH: 38% (\$3.4bn)	UCITS HEDGE FUNDS: 19	12-MONTH NET FUND ADDITIONS: +1
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Deutsche was the top performer in terms of asset growth, having added another \$1.3bn to its alternative Ucits assets. It increased its hedge fund count by one during 2015 with the addition of the Terra Grove Pan-Asia fund at the start of September, which raised \$83m in its first month.

The platform counts London-based Winton, Omega Advisors and Hermes among its clients.

Despite not managing to climb the Ucits top 10 rankings, Deutsche now stands less than \$1bn away from third place and a full \$2bn ahead of fifth position.

Deutsche previously held top spot in the Ucits top 10 in 2011 and 2012.

DEUTSCHE BANK

\$1.3bn

BANK OF AMERICA MERRILL LYNCH

\$1.1bn

LYXOR

\$504m

GOLDMAN SACHS

\$478m

SCHRODER GAIA

\$439m

February last year and now has assets of around \$60m across its two current funds, Trium Blackwall and Trium Asiya.

ML Capital CEO Cyril Delamare says price continues to drive new business at platforms with some managers underestimating the cost of running their own Ucits operations. He adds that some of the managers the firm has spoken to have noted that their annual operating costs have "doubled" recently due to regulatory requirements. "We have seen an increasing number of enquiries from managers already running existing alternative Ucits products who have found that running standalone Ucits products under \$100m AuM just does not make economic sense."

Despite a relatively low level of net new funds in this survey, alt Ucits platforms expect a pick-up of new funds coming on to platforms in the year ahead. It will be interesting to see if new table-topper BAML can maintain its asset growth over the next 12 months following this year's changing of the guard, or whether the likes of Schroders, which has a number of big managers in its stable, can take the top slot in next year's research. ■

RATIONALE

This survey does not aspire to cover the entire Ucits hedge fund sector, just those held at the top 10 largest Ucits platforms. To be eligible, a platform must have at least one externally managed fund. HFMWeek's definition of hedge fund Ucits excludes 130/30 funds and external ETFs. AuM details included are as of the end of October 2014, with the exception of Deutsche Bank (27 November 2014) and Alceda (25 September 2014). Please note: growth statistics for Deutsche Bank are based on a revised AuM total for 2014, as submitted by the platform.

Morgan Stanley

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UCITS MULTI-MANAGER FUNDS: AN ALTERNATIVE TO PLATFORMS?

Distribution is seen by many managers as the key attraction of using Ucits platforms, in particular for managers with little experience of Ucits investors.

A report in December published by Aima and PwC found that 30% of US, 50% of UK and 14% of continental European alternatives managers are looking towards liquid alternatives launches in the coming year.

There are alternatives to the platform approach, such as being part of one of a range of Ucits multi-manager products which invest in underlying alt Ucits strategies from different fund managers.

The Franklin K2 Alternatives Strategies Fund, launched in September 2014, is the largest offering with assets just in excess of \$1.3bn. It invests in popular alternatives names such as PSAM and Graham Capital.

Credit Suisse is also a large player in this space with the second and third-largest alternative Ucits multi-manager portfolios.

In terms of underlying funds used across the different multi-manager funds, the Schroder GAIA Egerton Fund, itself part of the Schroders platform, is among the most popular. It appears on three different Ucits multi-manager top five holdings.

According to the LuxHedge Fund of Funds Ucits index, alternative Ucits fund of funds returned 2.7% between the end of October 2014 and the end of October 2015.

Over the same period, assets in the index rose 60.2% to \$13.5bn, up from \$8.4bn 12 months prior.

Earlier this month it emerged that JP Morgan was launching a new Ucits multi-manager fund to be managed by CIO Paul Zummo, using a bottom-up selection with an initial eight to 12 managers.



Universal Investment

HEDGE FUND UCITS AuM **\$5.6bn**

12-MONTH GROWTH:	UCITS HEDGE FUNDS:	12-MONTH NET FUND ADDITIONS:
-20% (\$6.1bn)	60	+10

A second consecutive year of falling AuM has seen Universal Investment dip down to third in the pile, having held on to top spot over the last two studies.

Outflows from strategic investors in its market-neutral strategies to the tune of around \$400m as well as continuing volatility between the euro and the US dollar fuelled a -20% drop in assets to \$5.56bn despite the net addition of 10 funds.

The platform provider is the biggest independent investment company in German-speaking Europe and the third-largest German fund company.

“There is some likelihood that we will see more Macro funds being wrapped into Ucits strategies. Macro has traditionally been under-represented in Ucits due to the restrictions applied in Ucits regulation,” said head of private label business development Andreas Hausladen.



Schroder GAIA

HEDGE FUND UCITS AuM **\$5.9bn**

12-MONTH GROWTH:	UCITS HEDGE FUNDS:	12-MONTH NET FUND ADDITIONS:
8.1% (\$5.5bn)	5	-1

Another good year for the Schroder GAIA platform has seen it rise to second in the table having increased assets by 8.1%.

Over the coming 12 months, the firm is looking to add three to four funds in strategies not already covered by its existing managers, following a diversification of strategies in the Ucits space over the last 12 months.

The firm launched Systematica Investments’ trend-following Ucits, the Schroder GAIA BlueTrend fund, in December with \$75m and aims to deliver long-term net returns of 10-15%.

Schroders’ current line-up contains some star names including Paulson & Co, Sirios Capital Management and Egerton.

TOP FIVE MULTI-MANAGER ALT UCITS FUNDS

SOURCE: MORNINGSTAR AND FE ANALYTICS

FRANKLIN K2 ALTERNATIVE STRATEGIES FUND – \$1.3BN

PSAM Event Driven **13.6%**

Basso Capital Management

Relative Value **12.6%**

Chatham Asset Management

Relative Value **12.3%**

Graham Capital Global Macro

10.5%

Chilton Investment Company

Long Short Equity **9.1%**

CS PRIMA MULTI-STRATEGY – \$816.9M

GAM Star Global Rates

Acc Chf **6.6%**

GAM Star European Alpha

6.3%

Legg Mason Inc **6.3%**

Henderson Gartmore United

Kingdom Absolute Return R

Hedged Acc Eur **5.5%**

Alken Funds Abs **5.3%**

CS INVESTMENT PRIMA GROWTH – \$431.5M

Marshall Wace Developed

Europe TOPS **11.0%**

ML IS Columbus Circle Investors

Healthcare Long-Short Ucits **9.4%**

APS Asia Pacific Long/Short

Fund **9.4%**

Schroder GAIA Egerton Equity

8.8%

DB Platinum Ivory Optima **8.7%**

BARCLAYS WEEKLY HEDGE – \$398.1M

Lazard Opportunities Fund

8.3%

Schroder GAIA Egerton

Fund **7.7%**

Majedie Tortoise Fund **7.0%**

Standard Life Global Absolute

Return Strategies **6.6%**

MLIS York Event-Driven

Fund **6.1%**

UBS (LUX) KSS GLOBAL ALPHA OPPORTUNITIES – \$3076M

Schroder GAIA Egerton Equity

10.1%

Old Mutual Global Equity

Absolute Return **9.4%**

MW TOPS Ucits Fund **9.0%**

Henderson Gartmore Fund

United Kingdom Absolute Return

6.4%

GAM Star Global Rates **6.2%**

01

Bank of America Merrill Lynch

HEDGE FUND UCITS AuM **\$7.2bn**

12-MONTH GROWTH: **19% (\$6.1bn)** UCITS HEDGE FUNDS: **18** 12-MONTH NET FUND ADDITIONS: **-5**

Having seen a steady incline in assets over the last two years, BAML is now the largest platform in the study, having added around \$4bn over the last 24 months, taking its AuM to \$7.2bn.

The platform doubled assets in 2014 and has now amassed a further \$1.1bn this term despite reducing the number of funds it hosts to 18.

The platform retains well-known industry names such as Marshall Wace, AQR and Och-Ziff. The firm says it is looking to add a "modest" number of launches in the coming months. The Marshall Wace TOPS UCITS Fund remains the largest on the platform with around \$3.1bn in assets.

