



Australia's best hedge funds outperform in neutral

MEDIA RELEASE

Sydney, Embargoed 21.30 Thursday 15 September 2011

The strong absolute performance of Australia's best hedge funds has reinforced the need for alternative and traditional investments to co-exist in portfolios, according to AIMA Australia President Kim Ivey.

His comments were made to a packed room of hedge fund industry professionals gathered at Sydney's Overseas Passenger Terminal for the **Cure Our Kids Australian Hedge Fund Awards** this evening. The event marks a 10-year partnership between the local hedge fund industry and the Cure Our Kids charity that has raised over A\$2.2 million to improve the lives of children with cancer.

The dinner celebration showcased twenty hedge fund manager finalists across a range of strategies and styles, with equity based strategies dominating the talent field.

Regal Tasman Market Neutral Fund scooped the talent pool as Australian Hedge Fund of the Year and Best Market Neutral Fund for 2011. Regal nosed ahead of Bennelong Long Short Equity Fund and Macquarie Asian Alpha Fund for the top award.

Evergreen Capital won Best Emerging Manager, while The Best Long Short & Absolute return fund was awarded to **Optimal Australia Absolute Trust** and the inaugural Best Fixed Income & Credit Fund went to the **Kapstream Absolute Return Income Fund**. **AQR** was selected Best Offshore Manager operating in Australia.

Paul Chadwick, the former head of GMO Australasia, now a director of Nanuk Asset Management and a director CQS Australia, received the Contribution to the Australian Hedge Fund Industry award, while **Ascalon** was recognised as Best Investor Supporting Australian Managers.

"The outstanding performance of funds and people celebrated tonight reinforces the prudent role Australian hedge funds make for all investors, local and offshore, seeking additional sources of diversified returns," Ivey said.

"Australian hedge fund managers continue to benefit from a growing interest in alternative investment from Australian investors and a widening pool of excellent service providers to assist in the administration and management of complex investment portfolios."

An independent panel of hedge fund analysts judged the industry winners while the Cure Our Kids team chose **Macquarie Funds Group** as winner of the Best Film Clip, the outstanding performance of Chris Ellis and Alex Clamen as the junior lawyer and the embattled colonel from *A Few Good Men*.

Australia's Best Global Macro/Futures Fund **Merricks Capital Soft Commodity Fund** adopted a theme from *The Wizard of Oz*, Kapstream directed a scene from *The Hangover*; while *2001: A Space Odyssey* showcased Evergreen Capital. Finalist New Zealand Asset Management aptly chose their country's Haka, while Optimal parodied a scene from Australian movie classic, *The Castle*.

Carolyn Dodds, chief executive of Cure Our Kids said this year's sit-down dinner format is a marked change from the rock-n-roll party for which Hedge Funds Rock and the Awards are renowned. Ivey, a long time member of the Cure Our Kids Hedge Funds Rock committee, said the event's 10-year anniversary reflected its evolution from underground rock gig to gala dinner.

"Just as hedge funds adapt to their environments in order to prosper, so does our partnership with Cure Our Kids in order to raise money for a vitally important and good cause," he said.

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Winners of the Cure Our Kids Australian Hedge Funds Awards 2011

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Award Category	Finalists	Winners
Australian Hedge Fund of the Year	<p>Finalist - Bennelong Long Short Equity Fund</p> <p>Finalist - Macquarie Short Term Currency Offer</p>	<p>Winner - Regal Tasman Market Neutral Fund</p> <p><i>The Tasman Market Neutral Fund aims to maximise returns with only moderate risk and little correlation to equity markets. Investments are usually based on fundamental research and may be held for months or years. Hedging is usually achieved through single stock exposures. The fund aims to limit the volatility of returns to less than 15% pa and maintains a beta neutral portfolio. Risk limits (stock, sector, liquidity, systematic etc) are maintained to help achieve the volatility target. Most of the investments are in Australia but investments are also made in other countries on an opportunistic basis, mainly in Asia</i></p>
Best Emerging Manager	<p>Finalist - Imperia Asia Fund</p> <p>Finalist - Regal Australian Long Short Fund</p>	<p>Winner - Evergreen Australian Equities Return Fund</p> <p><i>The Evergreen Australian Equities Return Fund is a long/short Australian equities fund focused on generating after fees absolute returns of greater than 15% per annum over the medium to long term, with volatility lower than equities indices. Capital preservation is paramount; the fund has a heavy focus on risk management to ensure that capital of the Fund is maintained. The portfolio generates returns from 3 main sources: fundamental longs and shorts; short term fundamental mispricing; and exploitation of capital market inefficiencies across all time horizons. All positions are underpinned by fundamental research in Australian Equities markets. The fund has delivered an absolute return in excess of 50% to investors since inception (3rd May 2010).</i></p>
Best Long Short & Absolute Return Fund	<p>Finalist - Regal Zambezi Absolute Return Fund</p> <p>Finalist - WAM Capital Ltd</p>	<p>Winner - Optimal Australia Absolute Trust</p> <p><i>Optimal Australia manages the Optimal Australia Absolute Trust, a long-short fund based on Australian equities, which commenced on 15 September 2008, exactly two hours after Lehman filed for bankruptcy. Over the subsequent 36 months, the Trust's annualised return has averaged just under 16%, with volatility of under 4%.</i></p>
Best Global Macro/Futures Fund	<p>Finalist - Attunga Agricultural Trading Fund</p> <p>Finalist - MGH Investment Fund Ltd</p>	<p>Winner - Merricks Capital Soft Commodities Fund</p> <p><i>The Merricks Capital Soft Commodities Fund focuses on Soft Commodities including grains and vegetable oils. The Merricks Capital team have a long history and involvement in the soft commodities sector and bring these years of specialised knowledge and experience to managing the Fund. The objective of the Fund is to find outstanding investment opportunities in the soft commodities sector and to also take advantage of mispricing between commodities. All investments are based on bottom up fundamental research and the Fund limits directional exposure of its investments through a strict process of portfolio construction and risk management. The Soft Commodities Strategy comprises: Exchange based trading: Trading equities, futures and options and OTC options. Trading strategies include calendar spreads, substitute spreads, quality spreads, basis trades, intra commodity spreads, logistics and storage spreads and directional views.</i></p> <p><i>Physical trading: Physical trading of agricultural commodities. The Fund allows investors to get direct exposure to soft commodities which includes wheat, corn, soy oil, canola oil and sugar. The Fund targets a return of 20% p.a.</i></p>
Best Market Neutral Fund	<p>Finalist - Bennelong Long Short Equity Fund</p> <p>Finalist - Macquarie Asian Alpha Fund</p>	<p>Winner - Regal Tasman Market Neutral Fund</p> <p><i>The Tasman Market Neutral Fund aims to maximise returns with only moderate risk and little correlation to equity markets. Investments are usually based on fundamental research and may be held for months or years. Hedging is usually achieved through single stock exposures. The fund aims to limit the volatility of returns to less than 15% pa and maintains a beta neutral portfolio. Risk limits (stock, sector, liquidity, systematic etc) are maintained to help achieve the volatility target. Most of the investments are in Australia but investments are also made in other countries on an opportunistic basis, mainly in Asia.</i></p>

Best Fund of Fund	<p>Finalist - BT Total Return Fund</p> <p>Finalist – New Zealand Asset Management A\$</p>	<p>Winner - AWJ Fund</p> <p><i>AWJ Capital Partners, LLC. is an institutionally focused, SEC registered investment adviser. Founded in Melbourne, AWJ Fund is a long/short equity-focused fund of funds with a 10 year track record. The fund has a 9.75% annualized return since inception (July 2000) with an Annualized Standard deviation of 6.73%. AWJ fund maintains limited gross exposure, low net exposure (currently and typically 128% gross, 22% net long) and is uncorrelated to US Equity Indices (-0.05)</i></p>
Best Fixed Income & Credit Fund	<p>Finalist - PM CAPITAL Enhanced Yield Fund</p> <p>Finalist - QIC Global Fixed Interest Alpha Fund</p>	<p>Winner - Kapstream Absolute Return Income Fund</p> <p><i>The Kapstream Absolute Return Income Fund combines an actively managed core, diversified across sectors and geographies, with high conviction tactical trades. The fund's objectives are to provide a steady income stream with capital stability over the medium term, and outperform both cash and bond markets. The fund may invest in Government and non-government bonds, Notes, Corporate securities, Mortgage-backed and asset-backed securities, Emerging market debt, Convertible securities, Derivatives, including swaps, foreign exchange contracts, options and enhanced cash instruments.</i></p>
Best Offshore Manager Operating in Australia	<p>Finalist - BlackRock Global Ascent Fund</p> <p>Finalist - Hermes BPK Restructuring Fund</p>	<p>Winner - AQR Wholesale Managed Futures Fund</p> <p><i>The AQR Wholesale Managed Futures Fund applies a systematic trend-following strategy across more than 100 individual markets within four major assets classes: equities, commodities, fixed income and currencies. The investment objective of the Fund is to produce high risk-adjusted returns, while targeting a low average correlation to traditional markets over the medium-to-long term.</i></p>
Best Investors Supporting Australian Managers		<p>Winner - Ascalon</p> <p><i>Ascalon forms long-term partnerships with leading boutique fund managers in Asia Pacific. Ascalon helps its partners build sustainable businesses, centered on offering the very best "high conviction" and "absolute return" options to institutional and retail investors.</i></p>
Contribution to the Australian Hedge Fund Industry		<p>Winner - Paul Chadwick, Nanuk Asset Management</p> <p><i>Mr Chadwick is a director of the Nanuk Asset Management and a director of CQS Australia. He was most recently head of GMO Australasia where from 1999 until retirement in mid 2008 he had overall responsibility for the management of the Australian and Singaporean operations as well as being head of systematic global macro strategies. Prior to GMO, he held senior roles at Westpac Investment Management from 1994 to 1999 encompassing Global Tactical Asset Allocation product development, portfolio management and strategy research as well as broader firm-wide derivatives and quantitative investment management responsibilities. From 1988 to 1994, Mr Chadwick was Head of Equity Derivatives for James Capel Australia, a role that involved derivatives sales, trading, pricing research and more general, equity related, quantitative investment research. Mr Chadwick holds degrees in Science and Aeronautical Engineering from the University of Sydney.</i></p>
HEDGIE Award for Best Film Clip		<p>Winner – Macquarie Funds Group</p> <p><i>For the outstanding performance of Chris Ellis and Alex Clamen as the junior lawyer and the embattled colonel from A Few Good Men.</i></p>

Criteria

More than 150 funds were judged against a combination of quantitative and qualitative factors. Criteria applied:

- 25% from Sortino Ratio ranking versus peers
- 50% absolute returns, outperformance to peers ranked
- 25% drawdown versus recovery against peers, low drawdown and short recovery is scored higher against high drawdowns and long recovery

Judging Panel

Simon Ibbetson – 358Australia Pty Ltd (Chairman)

Damien Hatfield – Triple A Partners

Oliver Mauer – Perpetual Limited

Mathew Jeremy – Caravel Consulting

Daniel Liptak – Zenith Investment Partners



About Cure our Kids Hedge Funds Rock and Australian Hedge Fund Awards

Cure Our Kids is an independent charity organisation dedicated to children, and their families, undergoing cancer treatment at The Children's Hospital at Westmead, Sydney. The charity was established by Carolyn Dodds in 1999 when her son was diagnosed with acute lymphoblastic leukemia. Today he is a healthy 20-year old. Carolyn continues her pursuits to improve support services and infrastructure for the hospital.

Cure Our Kids delivers a range of support services to children and their families to cope with the many painful challenges that childhood cancer presents. This ensures that families, in turn, have the strength and resilience to give their sick child the emotional support they need. Children are provided with life-affirming experiences that promote their emotional and psychological wellbeing, and develop their self-confidence.

About Cure our Kids Hedge Funds Rock and Australian Hedge Fund Awards

True to its name, Hedge Funds Rock began as a culmination of hedge funds and rock'n'roll. The celebrated annual event began in 2002 when a group of talented musicians from the financial sector formed a 'band night' to exhibit their talents at Sydney's metro venue, The Basement. After raising a milestone \$100,000 for Cure Our Kids, the gig became a more established industry/charity initiative - taking on its Hedge funds Rock label.

10 years on this unique charity industry partnership has raised over \$2.2 million for Cure Our Kids. This marks the 7th year for the awards that aim to recognise talent and commitment in the Australian hedge fund industry.

About the Australian Hedge Fund Industry

Standing at A\$46.8 billion, Australia's hedge fund industry is growing rapidly and is the second largest to Hong Kong in the Asia Pacific region in terms on AUM.

Of this \$32.7 billion is managed by hedge fund managers, and \$14.1 billion is managed by Australian fund of hedge fund managers (FoHFs).

Australian institutional investors invest in offshore hedge funds and FoHFs, including the country's sovereign fund, the \$66.2 billion future fund (which has a 15% allocation to alternative investments).

Australian superannuation funds have allocated on average 3% to hedge funds.

There are 60 hedge fund managers in Australia offering over 150 products. 77% of Australia's hedge fund assets are invested in global and regional markets and in strategies including equity long/short, global macro, managed futures, and other absolute return strategies.

[Information above sourced from Zenith Investment Partners]