



## HEDGE FUNDS OFFER WIDENING RANGE OF ALTERNATIVES

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The influx of money into hedge funds is leading to greater transparency and accountability, and may ultimately be a contributing factor to consolidation.

"The growing institutionalisation of the market is demanding much greater strategy," said Tom Whelan, the chief executive of Greenwich-Van, a specialist adviser on hedge fund performance and strategies.

"Investors want transparency, they want to be able to see positions."

For the coming year, Mr Whelan believes the best-performing hedge funds will be those involved in distressed debt and equity securities, emerging markets and value-oriented long/short strategies.

"One of the biggest areas of expansion is securitisation of bank assets," he said, adding: "We are seeing in our data base more and more credit funds every day. Institutions see these funds as an extension of their fixed interest portfolios."

Mr Whelan said more institutions were looking at adding alternative assets to their portfolios, and seeking to appoint independent advisers as well as use various types of structured instruments to define and control their risk exposure.

"Now is the time for superannuation funds to find a qualified consultant in hedge funds," he said. He cited the Victorian Funds Management Corporation, QIC and MLC as examples of large Australian institutions that have recently allocated assets to hedge funds.

Investors can now gain exposure to hedge funds in a variety of ways.

One method gaining traction for institutional investors is a structured note, or a complex type of debt security with special features, such as making payments based on the performance of an underlying index.

Greenwich-Van recently arranged for a note to be issued by AAA-rated Dutch-based Rabobank, that provides a geared exposure to an underlying panel of 20 hedge fund managers offering 12 different strategies.

The buyer is a local industry fund with \$2 billion under management.

These instruments allow tailoring of the exposure to hedge funds to fit an institution's risk and style.

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