

# BARCLAY MANAGED FUNDS REPORT

Published by BarclayHedge, Ltd. ■ 800-338-2827 or 641-472-3456

VOLUME 24, NUMBER 2

2nd QUARTER 2011

## BARCLAY ROUNDTABLE

# Smooth Sailing for Hedge Funds During Two-Year Credit Rally

## How are Fixed Income Managers Repositioning Their Portfolios as Headwinds Arise?

It's hard to believe that in two short years the global capital markets have mostly dusted off the greatest financial crisis in history. Banks are lending again, corporations are profitable, and the capital markets continue to charge forward. Who would have thought the word "inflation" and an end to the easy monetary policy in the US would be upon us?

Outside the US, particularly in the emerging markets, monetary tightening has already been implemented in earnest in order to prevent an overheating of some economies. Without a doubt, the end to easy monetary policies will be accompanied by higher interest rates which in turn will not bode well for fixed income instruments of all varieties. Furthermore, the confluence of positive economic data and inflation figures has obscured the fact that the US and developed European balance sheets still require a significant amount of cleaning up in order to prevent interest rates at the long end from rising materially. Then factor in what a more restrictive monetary policy may mean for corporations, their cost of debt, and the potential impact on credit spreads, and a very intriguing envi-

ronment for fixed income investing emerges.

But as we know, hedge fund managers in the fixed income space are not long-only investors, or at least they should not be. So with significant potential headwinds to global fixed income securities, how are fixed income and credit hedge fund managers positioning their portfolios in order to profit in such an environment? To explore this topic in more detail, we have assembled a panel of expert fixed income and credit hedge fund managers. Our panel includes:

**Garth Friesen, III Associates.** Mr. Friesen is a principal and Co-CIO of III, as well as a senior portfolio manager. Prior to joining III in 1998, Mr. Friesen worked in London, UK as a trader for Merrill Lynch in their non-dollar swap business from 1994 to 1996, and from 1996 to 1998 he was a director at Union Bank of Switzerland where he worked as a proprietary trader in the fixed income derivatives group. Mr. Friesen graduated with a BA (1990) in Economics from the University of Western Ontario. He also holds an MBA (1994) from the Ivey School of Business, University of

### INSIDE:

- Roundtable Discussion  
Pages 1-5, 19-20
- The Top 20 CTAs, Past 5 and 3 Years Pages 6-7
- The Top 20 CTAs of 2011  
Page 8
- Hedge Fund Rankings  
Pages 9-15
- Fund Review - Grunion Capital Management  
Pages 16-18

*Past results are not necessarily indicative of future results. An investment in commodity futures and options involves the risk of loss. Please read the important disclosure on page 20.*

Western Ontario. Mr. Friesen is currently serving on the Federal Reserve Bank of New York's Investor Advisory Committee on Financial Markets (IACFM).

**David C. Gottlieb, EMF Financial Products.** David Gottlieb, Senior Principal and portfolio manager at EMF, has been employed in a trading capacity for much of his career. Prior to joining EMF in 2003 he spent 3 years as a managing director in the Fixed Income Division of Credit Suisse subsequent to having spent 7 years in a similar capacity at Donaldson, Lufkin and Jenrette. From 1986 through 1994, he was at what is now Citigroup where he spent 5 years



## Top 10 - Macro - Past Three Years

For the period from 4/1/2008 to 3/31/2011. Includes only Hedge Funds managing at least \$10 million as of 3/31/2011

FUND NAME	3-YR COMP.	SHARPE RATIO	CORR.	STARTING DATE	LAST	LARGEST DRAW DOWN	ASSETS
	ANNUAL RETURN		VS.- S&P 500		12-MO. PERIOD		UNDER MGMT. (\$)
1 Quantedge Global Fund	26.47%	0.84	0.59	Oct-06	97%	44%	97.0M
2 Quaesta Capital Bond GI Select Fund	22.84%	3.73	0.32	Mar-05	22%	2%	879.1M
3 Forum Global Opportunities Fund	22.41%	1.81	-0.58	Aug-05	13%	8%	148.6M
4 Sparta Ciclico Fund Multimercado	21.39%	0.62	0.11	Nov-05	-5%	33%	48.3M
5 Sparta Anti-Ciclico Fund Multimercado	18.61%	0.69	0.11	Nov-05	8%	30%	14.6M
6 Sirocco Fund LLC	18.35%	0.75	0.29	Jan-99	43%	18%	26.4M
7 Omni Macro Fund I Ltd	18.27%	1.05	-0.52	May-07	5%	14%	145.0M
8 Prana Ltd	14.86%	0.63	0.73	Jan-05	10%	33%	138.3M
9 Graham Proprietary Matrix (Stand. Lev)	14.69%	1.74	-0.20	Jul-99	8%	3%	752.5M
10 Haidar Jupiter Intl Ltd	14.65%	1.04	0.30	Jan-02	22%	15%	10.0M

## Top 10 - Merger Arbitrage - Past Three Years

For the period from 4/1/2008 to 3/31/2011. Includes only Hedge Funds managing at least \$10 million as of 3/31/2011

FUND NAME	3-YR COMP.	SHARPE RATIO	CORR.	STARTING DATE	LAST	LARGEST DRAW DOWN	ASSETS
	ANNUAL RETURN		VS.- S&P 500		12-MO. PERIOD		UNDER MGMT. (\$)
1 Glazer Offshore Fund Ltd	10.29%	3.35	0.36	Sep-01	8%	2%	142.0M
2 Highland Capital Mgmt LP	10.08%	4.13	0.04	Apr-00	6%	0%	65.6M
3 Hudson Valley Partners LP	9.09%	1.46	0.61	Jun-05	7%	6%	87.7M
4 Merger Fund Ltd	9.07%	1.39	0.54	Jan-96	6%	6%	87.7M
5 AM Investments MA Ericott Offshr Ltd	7.92%	0.93	0.47	Jan-95	8%	11%	22.0M
6 Tiedemann Arbitrage Associates	6.94%	1.34	0.53	Jan-93	5%	5%	432.7M
7 Gabelli Associates Limited	5.77%	1.27	0.73	Sep-89	6%	6%	94.8M
8 Black Diamond Arbitrage Partners LP	5.61%	0.65	-0.04	Feb-98	7%	12%	16.6M
9 Diva Synergy Ltd	5.18%	0.90	0.51	Jan-07	8%	7%	160.0M
10 Laffitte Risk Arbitrage II	4.63%	1.59	0.14	Dec-07	4%	2%	159.6M

## Top 10 - Multi - Strategy - Past Three Years

For the period from 4/1/2008 to 3/31/2011. Includes only Hedge Funds managing at least \$10 million as of 3/31/2011

FUND NAME	3-YR COMP.	SHARPE RATIO	CORR.	STARTING DATE	LAST	LARGEST DRAW DOWN	ASSETS
	ANNUAL RETURN		VS.- S&P 500		12-MO. PERIOD		UNDER MGMT. (\$)
1 Phalanx Japan AustralAsia MS Fund	26.75%	2.52	-0.14	Apr-05	1%	8%	78.0M
2 Nisswa Fund Ltd	23.41%	1.38	0.47	Jun-02	19%	29%	1038.7M
3 Lazard Rathmore Fund Ltd	22.76%	2.01	0.60	Oct-07	18%	16%	303.6M
4 CAI Global Fund	21.52%	0.99	0.70	Sep-05	29%	37%	227.5M
5 Chinook Fund LLC	20.65%	0.72	-0.14	Feb-95	42%	24%	20.8M
6 BlueCrest Capital Int Fund Ltd	20.16%	3.14	0.27	Dec-00	9%	2%	8920.0M
7 North Pole Offshore	19.28%	2.03	0.42	Jan-02	13%	13%	335.2M
8 Bridgehampton MS Fund LLC	19.10%	0.99	0.66	Oct-06	18%	28%	23.3M
9 Platinum Ptnrs Value Arb Intl Ltd	18.77%	3.68	0.50	Jan-03	25%	4%	571.0M
10 Whitebox Multi-Strategy Fund LP	15.09%	0.84	0.64	Jan-02	18%	34%	730.1M