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APCIMS CALLS EMERGENCY MEETING AFTER HEDGE FUND VALUATION SUSPENSION

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The Association of Private Client Investment Managers (Apcims) has held an emergency meeting after the valuation of hedge funds in its benchmarks were hit by technical problems.

The move comes after a number of hedge funds were deleted from the FTSE Hedge Index Series at a committee meeting in March for failing to meet the index's criteria.

In order to be eligible, constituent funds must have at least a two-year unbroken investment track record, a monthly reporting with a minimum of monthly liquidity, and have independently audited financial statements.

They are also required to have a minimum of \$50 million (£34 million) of unleveraged assets under management.

The number of hedge funds that qualify for the Series has fallen dramatically. The funds that were brought in as replacements were not big enough to be valued by the index.

As a result, monthly and daily valuations of hedge funds in the index have been suspended, meaning the value from 31 March will be carried forward.

The situation led Apcims to hold an emergency meeting on 17 April for clarification. Representatives of the FTSE attended the meeting.

In a circular to its members, Apcims said: 'Both Apcims and the Indices Committee consider this to be a matter of great importance and wish to find a solution to this problem as soon as possible.'

'Members will be kept up to date with developments as and when they happen.'

Jason Baxter, head of investment and member services at Apcims, said the situation will not affect asset allocation.

He said: 'The hedge fund component remains at 7.5% in both the growth and the balanced portfolio. Asset allocation isn't in question; it will remain at this level.'

But Michael Lally, a director at Thesis Asset Management, believes the move will inconvenience

wealth managers who use listed hedge funds and funds of hedge funds as well as Apcims benchmarks.

He said: 'We use Apcims as a benchmark for our portfolio performance. It's frustrating because it is a key component now and the majority of asset managers are using listed hedge funds. So if you are having a benchmark, you should include them.'

Meanwhile, Christopher Wyllie, a partner and head of portfolio management at Iveagh, said the news will only further boost the use of the Ucits III absolute return sector. He said: 'I think it will be another kick where it hurts for the listed vehicles and a shot in the arm for the Ucits III sector.'

'In terms of underlining strategy, many listed hedge funds have shown equity-like volatility, which has halted the use of listed vehicles to get absolute return exposure.'



Chris Wyllie: The situation could be a boost for the Ucits III sector