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Hedge Fund ALERT

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EU Compensation Rules Repel US Managers

Some U.S. fund operators are having second thoughts about doing business in Europe now that **European Union** regulators have imposed tough pay restrictions on alternative-investment managers.

The **European Securities and Markets Authority** last month issued compensation guidelines that go much further than many industry professionals had expected. Among other things, the rules dictate an "appropriate balance" between an employee's bonus and base salary — the ratio being roughly one to one under a possible scenario. And a significant portion of bonus pay must be deferred for up to five years, with the possibility of a clawback in the event of subsequent losses.

Although the guidelines were published on Feb. 11, many U.S. fund managers are just now waking up to the fact that the strictures apply to any firm whose clients include European investors. For non-E.U. firms, the rules phase in starting in 2015,

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Kern County Starts Shift to Direct Investments

Kern County Employees pledged $90 million to four hedge funds last week as the first step in a move out of multi-manager vehicles and into single-manager investments.

By yearend, the $3.1 billion retirement system expects to redeploy its 10% hedge fund allocation to as many as 19 vehicles. The first commitments, of $22.5 million apiece, went to funds run by **Amici Capital, Davidson Kempner, D.E. Shaw** and **Och-Ziff Capital.**

Until recently, the Bakersfield, Calif., pension's 6-year-old hedge fund portfolio was limited to stakes in funds of funds run by **Blackstone** and **K2 Advisors.** Unimpressed with the performance of those investments, Kern County Employees hired consultant **Albourne Partners** last June to research its options.

In November, the pension approved a plan put forward by the London shop to invest the capital directly in hedge funds. It subsequently pulled its money from

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Startup Offers Quant Trading for Little Guys

A new technology shop wants to bring quantitative investing to the masses.

QuantConnect is rolling out a cloud-based service that gives aspiring quant managers the tools to design and execute trading strategies and back-test their programs with historical market data. The offering promises to remove a big hurdle for many quant traders — namely, the high cost of accessing years of market data and the computing power needed to crunch the numbers. QuantConnect is offering the technology free of charge.

The New York firm has been beta-testing the service for the past year with 20-30 programmers, including computer engineers already employed at financial firms and graduate students pursuing careers in quantitative-investment management. In recent months, it has signed up nearly 600 prospective clients at conferences such as TechCrunch in San Francisco and Finovate in London — among them, dozens of **Facebook** and **Google** staffers. On March 14, QuantConnect alerted those individuals

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THE GRAPEVINE

Managing director **Matthew Merdinger** is no longer with fund-of-funds operator **Harcourt Investment.** Merdinger was responsible for analyzing a range of investments at Harcourt, working from the Zurich operation's New York office. He had been on board for eight years, following a stint as a hedge fund analyst at **ING Investment.** Harcourt, a unit of **Vontobel Asset Management,** oversees $4.9 billion for large institutional clients.

Partner **Dan Higgins** has left London fund-of-funds shop **Fauchier Partners** to start his own firm. Higgins registered his new operation, **Marylebone Partners,** with the U.K.'s **Financial Services Authority** in January. He spent 10 years at Fauchier, with a focus on U.K. equity vehicles. Before that, he was involved in equity research and portfolio construction at **Merrill Lynch.**

Alternative-investment specialist **Chai Grably** has left **Nestle Capital,** a U.K. operation that manages pension assets on

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'Big Data' Vehicle on Launch Pad

Flyberry Capital plans to begin trading its debut fund in April or May, giving investors a crack at an unusual quantitative strategy that has generated a 30%-plus return over the past year.

The Cambridge, Mass., firm expects to launch with as much as $50 million, thanks in part to a first-place finish in a quant-trading tournament called **Battle-Fin.** The prize was $2 million of seed capital.

Flyberry is a commodity-trading advisor that makes short-term investments based on algorithms designed by a team of programmers trained at **Harvard** and **MIT.** What sets the firm apart from many other quant shops are the types of data it analyzes — not only asset prices and other market signals, but also news alerts, Twitter feeds, commodity shipments, weather patterns and even "geo-sensory data." Flyberry mines more than 300 data sources.

"Our state-of-the-art toolkit has been used to screen a broad universe of alternative data sets for opportunities that giant funds might largely ignore," according to the firm's pitchbook.

One example of the kind of trade Flyberry pursues: It might short an Asia stock index if its algorithm for analyzing **U.S. Geological Survey** data detects an earthquake in that region. Flyberry's program can make a determination with 90% accuracy within 1-2 minutes of receiving a signal, versus the 10-15 minutes the USGS typically takes to reach 99% accuracy and broadcast the event. The firm executes about 30 trades a month, investing only in highly liquid securities and typically holding positions for no more than 30 minutes.

When Flyberry formed in 2011, it typically took months to identify potential trading strategies by scouring vast stores of "big data." Since then, the firm has developed tools that have allowed it to compress the strategy-development process to just one day. It often pursues niche trades that are beneath the radar of large quant managers.

"Flyberry is using big data to create trading ideas that are truly differentiated," said Battle-Fin president **Tim Harrington.**

Flyberry's team, led by chief executive **Michael Chang,** began trading in April 2012, and currently manages about $10 million via separate accounts. The plan for the commingled vehicle, called Flyberry Capital Nautilus Fund, is to raise up to $100 million and then pause to ensure that necessary controls are in place for managing larger sums.

At launch, the fund will have the capacity to manage about $500 million, based on an existing set of 27 trading strategies. But that number is expected to grow to about 50 at midyear and to 100 by yearend — at which point the fund's capacity will be $1 billion or more.

Flyberry originally planned to launch the fund last year, but held off after one backer chose to set up a separate account instead. The client now plans to move some of its capital into the commingled vehicle.

Flyberry has nine full-time employees and four part-timers. Chang has four partners: chief strategy officer **Zeid Barakat,** research chief **Henry Chong,** chief technology officer **Sean Chang** and operations chief **Aone Wang.** The firm plans to hire two more professionals with experience as quant traders, programmers or systems engineers. ❖

Englander Reaching Out to Investors

I.A. Englander & Co. is rebranding its prime-brokerage unit ahead of a planned expansion.

The New York operation, currently doing business as Prime Services, will change its name this week to Managed Accounts and Prime Services, or Maps.

The new identity reflects plans by Englander to start offering a package of services to investors that keep money in separate accounts with hedge fund managers — instead of focusing only on the fund operators themselves. The firm also expects to begin serving as an introducing broker for a third bank, in addition to relationships it already has with **Bank of America** and **J.P. Morgan.**

Englander is set to start marketing its services to investors in April. The offerings will include technology originally aimed at helping managers handle back-office and reporting functions — tools investors would use to monitor managers, custodians, account settlement, real-time profits and losses, risk and trade execution.

There's no word on what Englander will charge, but the firm plans to pitch the package as less costly than in-house systems used by family offices, endowments and smaller pension systems. Englander is focusing on investors that are setting up separate accounts with new or small managers, which is consistent with its prime-brokerage unit's existing emphasis on fund operators with less than $200 million under management.

An experienced Wall Street sales professional is set to join the firm in the coming weeks to oversee the investor outreach. The recruit would pitch the group's services to managers as well.

The expansion marks the latest effort by a so-called mini prime broker to distinguish itself from a crowded field of competitors. The number of smaller firms offering prime-brokerage services soared as the financial crisis deepened in late 2008 and major players in the field retrenched. But many of the newcomers later shut down or sold their operations as business slowed. By catering to both managers and investors, Englander apparently sees an opportunity to develop its own niche.

Englander's prime-services staff encompasses 10 people led by the firm's risk-management head, **Brett Yarkon,** and its chief operating officer, **Fredrick Scuteri.** It recruited five of the personnel last year from competitor **Shoreline Trading** in a bid to expand its presence in California following a failed attempt to buy **Alaris Trading** of San Diego. Alaris subsequently was bought by **Concept Capital.**

Englander launched its prime-services group in 2009. The firm, founded in 1977 by president **Stephen Tobias** and **Millennium Management** chief **Israel "Izzy" Englander,** operates a core options-execution business that accounts for a large share of such trading on the **American Stock Exchange, Chicago Board Options Exchange** and **Pacific Stock Exchange.** ❖

SEC Eyes Managers With EU Units

Hedge fund firms in New York and New Jersey that have offices in Europe face heightened risk of an **SEC** examination.

An undisclosed number of such firms have been added to a priority list for inspections conducted by the New York regional office of the SEC's investment-advisor examination unit. The office has jurisdiction over some 860 SEC-registered fund operators in New York and another 64 in New Jersey, according to **Hedge Fund Alert's** Manager Database.

Why the focus on managers with European operations? The regional office has detected a reluctance on the part those firms to provide records and data concerning investments they manage or market outside the U.S. The managers or their overseas affiliates apparently are concerned about **European Union** confidentiality rules that prohibit them from disclosing the identities of clients in Europe, as well as internal e-mails. Nonetheless, the SEC is viewing the firms' behavior as a possible red flag for fraud. The agency also is looking at U.S. managers that have operations in other parts of the world.

On Feb. 21, the SEC distributed a 13-page document outlining the criteria it will use in prioritizing examinations this year — that is, which managers most likely will be visited. For example, newly registered fund operators and those with broker-dealer affiliates are significantly more vulnerable to SEC examinations. Beyond the national priority list, each regional office can add its own criteria to address local issues.

George Mazin, a partner with **Dechert's** hedge fund practice, said the SEC has encountered similar resistance from managers when seeking information about Cayman Islands-domiciled vehicles. That's because Cayman law bars fund directors and administrators from disclosing information about investors. In those cases, however, the SEC has been able to get information directly from the Cayman regulator. That apparently isn't an option in the case of Europe.

The SEC plans to step up the pace of examinations in line with an increase in the number of registered investment advisors under the Dodd-Frank Act. The 2010 law requires all managers with assets of $150 million or more to register with the regulator. SEC examinations, designed to ensure strict compliance with securities laws, can drag on for weeks and tax a fund operator's staff as they scramble to provide records and data.

The SEC estimates about 15% of the examinations lead to some kind of enforcement action, though hedge fund lawyer **Mark Schonfeld** of **Gibson Dunn** said the rate can rise for firms that don't fully cooperate with the agency's examiners. "That's all the more reason to be proactive, to minimize that risk," he said.

Last year, the SEC named **Ken Joseph** to oversee the New York regional office's investment-advisor exam program. **Carlo di Florio** heads the SEC's compliance and inspection unit nationally. ❖

Healthcare Pro Back in the Game

Healthcare-stock specialist **Paul Sinclair** is starting a new fund-management operation, a year after shutting down his former shop.

Working via his Los Angeles-based **Blue Jay Capital,** Sinclair plans to begin trading Blue Jay Health Sciences Fund on July 1 with $100 million. It was only last June that he began shutting down a similar operation called **Expo Capital,** citing frustration that macroeconomic factors and the decisions of policymakers were influencing stock prices more than fundamentals.

Now Sinclair sees more certainty in the market. "Since then, the **Supreme Court** has ruled in favor of the healthcare-reform bill, **President Obama** has been re-elected, and approximately 30 million new participants will begin to enter the U.S. healthcare system beginning next year," he said. "The opportunity set is too compelling for us to stay on the sidelines."

Sinclair is working with five other professionals at Blue Jay, including several former colleagues from Expo. They include **Steve Boscoe** and **Brian Joyce,** who were senior healthcare-company analysts at the firm. Also on board is an undisclosed analyst with the title of senior healthcare consultant.

Overseeing operations will be **Troy Spencer,** who had been chief operating officer at **Coast Asset Management.** Meanwhile, **James Norris** has signed on as chief financial officer. He most recently served as controller for the commercial-property group at real estate investor **Kennedy Wilson,** after working in a similar capacity at Expo from January 2010 to June 2012.

The Blue Jay fund would invest in the stocks of large- and mid-cap biotechnology, pharmaceutical, medical-technology and healthcare-services companies in the U.S. The idea is that because those sectors are aligned with the stock-picking expertise of the firm's staff, the portfolio would gain some protection from macro events that may emerge in the future.

The fund would hold 40-80 positions at a time, combining core holdings with catalyst-driven bets. It would maintain a more-even balance between long and short positions than the Expo fund, with a lower net exposure of 20-40%, and would have a longer-term investment horizon.

In launching Blue Jay, Sinclair promises to honor all of Expo's high-water marks and plans to offer a "founders" share class that presumably would give backers a break on fees.

The Expo Health Sciences Fund had grown to $806 million at its peak in midyear 2011. It produced a return of 46.3% from its inception in April 2007 to midyear 2012, compared to a 7.4% gain for the S&P 500 Index. However, the vehicle had lost 8.7% for 2012 at the time Sinclair called it quits.

Before founding Expo, Sinclair was a portfolio manager at the now-defunct **Vantis Capital** of Pasadena, Calif. Over a seven-and-a-half-year span that includes his two-plus years running that firm's Vantis Health Sciences Fund, he claims an average annual return of slightly more than 10%. ❖

MBS Team Aims at Commercial Deals

West Side Advisors is marketing a hedge fund that invests in bonds backed by commercial mortgages.

The New York firm started trading its West Side Clearview CMBS Master Fund in September with an undisclosed amount of capital and began pitching the vehicle to a broader audience early this year. It has found interest among pension systems, endowments, foundations, sovereign wealth funds, funds of funds and other institutional investors in the U.S. and Europe.

The fund had a gross asset value of $7.2 million as of Feb. 22, according to West Side's most recent SEC filing. **Clearview Capital** of Jericho, N.Y., is working as a subadvisor on the vehicle.

West Side was founded in 1997 by **Gary Lieberman,** a mortgage-finance veteran who previously served at **Bear Stearns, L.F. Rothschild** and **Merrill Lynch.** While his firm doesn't run any other pools aimed at commercial mortgage-backed securities, sources said the new fund's personnel — including Clearview president **Joel Friedman** — have the expertise to tackle the sector.

An increasing number of hedge fund managers have been trading commercial mortgage securities. Among them is **Cerberus,** which plans to launch a fund of its own as early as next month. "I think people view CMBS as one of the few under-allocated and, on a relative basis, potentially undervalued sectors in credit," one source said.

West Side manages $1.6 billion, including leverage, the bulk of which is in a vehicle called WAF Master Fund that focuses on residential mortgage securities. That entity started with a 4% loss in 2008, but followed up with gains of 70.3% in 2009, 28.2% in 2010, 20.6% in 2011 and 13.9% in 2012. It was up 1.1% this January. ❖

HG Vora Breaks From Marketing

HG Vora Capital is wrapping up a year-long marketing push.

The event-driven shop plans to stop accepting new investors for its HG Vora Special Opportunities Fund in April, although it may still let in some backers who already are in discussions to come on board and will remain in touch with certain large investors that wish to track its progress.

HG Vora currently has $417 million in its fund, and expects that total to grow to $500 million or $600 million by midyear as it clears out its investor pipeline. The New York firm launched the vehicle with $80 million in April 2009 but didn't actively market it until the beginning of last year, at which point the entity was running $127 million.

The marketing break is intended to allow HG Vora to focus more on investment activities. In a note to potential backers this month, the firm wrote that "we intend to accept capital primarily from existing investors for the foreseeable future."

HG Vora has performed well since its inception, with an average annual return of 20.2%. It fared particularly well last year, gaining 38.8%. The fund also was up 2.9% for the first two months of 2013, despite a 0.5% loss in February.

In addition to its fund, HG Vora runs $128 million though separate accounts. The firm takes a long-biased approach to investing in equity and debt, with a focus on gambling, lodging, leisure and real estate businesses. It is led by founder and portfolio manager **Parag Vora** and **Philip Garthe,** who serves as chief operating officer and marketing head. ❖

Hedge Fund Performance

	Feb. Return (%)	YTD Return (%)
BENCHMARK INDICES		
S&P 500	6.61	1.36
Russell 2000	1.00	7.27
MSCI EAFE (Europe, Australia, Far East: net)	-0.95	4.28
Barclays Aggregate Bond	0.50	-0.20
Barclay/Global HedgeSource 1,900+ funds (unweighted)	0.36	2.86
CogentHedge 3,100+ funds (unweighted)	0.06	2.36
Dow Jones Credit Suisse Hedge Fund Index 5,000+ funds (weighted)	-0.28	1.32
Greenwich Global Hedge Fund Index 2,000+ funds (unweighted)	0.33	2.77
Hennessee Hedge Fund Advisory 1,000+ funds (unweighted)	0.23	3.01
HFN Hedge Fund Aggregate Average 4,900+ funds (unweighted)	0.22	2.48
HFRI Fund Weighted Composite 2,000+ funds (weighted)	0.23	2.79
Equity	0.57	3.96
Event-driven	0.61	2.91
Macro	-0.72	0.93
Relative value	0.41	2.16
Fund of funds	0.23	2.37
Emerging markets	0.32	3.77
RBC Hedge 250 250 funds (weighted)	0.37	2.02

Mesirow Offering Targets MBS Funds

Mesirow Financial's fund unit is pitching a new multi-manager vehicle focused on distressed structured products.

The offering, Mesirow Opportunity Fund, began trading in recent weeks with an undisclosed amount of capital. The firm's Mesirow Advanced Strategies unit, which runs more than $13 billion mostly via funds of funds, is using the new vehicle to back managers that invest in mortgage-backed securities and other structured products that were issued before the financial crisis and since have been downgraded.

A sustained rally in mortgage bonds has lifted the values of those securities, resulting in strong 2012 returns for structured-product fund operators. The HFRI Fixed Income-Asset Backed Index rose 16.7% last year — more than for any other hedge fund strategy.

Mesirow's fund appears to be targeting bonds that are particularly distressed and illiquid. The vehicle's liquidity terms are somewhere between those of a typical hedge fund and a private equity offering.

The Chicago firm also has approached several separate-account clients about pursuing the strategy. ❖

Rules ... From Page 1

and should be fully in effect by 2018.

"The European regulators are trying to force the alternative-investment industry into a compensation structure, and that structure is different from the way the industry pays its people today," said **Mikael Johnson,** lead partner for **KPMG's** U.S. hedge fund practice. "American managers, mostly entrepreneurial businesses, have difficulty being told how to pay their employees. For many managers, the topic is a deal-breaker."

Indeed, one multi-billion-dollar U.S. fund operator that had been planning to open an office in Europe may now hold off. "Our decision of whether to go ahead is based on how these rules ultimately are going to be interpreted and enforced," said an executive with the firm. "It makes it a hell of a lot more uncertain. Why would you sign an expensive five-year lease in Mayfair when there's a risk that human capital will fly out of that city?"

The fear, he said, is that firms like his will find it impossible to attract investment talent to manage portfolios for investors in Europe. "There are a lot of hired guns in our business, and they will ask themselves what is the most cost-effective decision," he said. "They see a 5-7 year window to really generate some wealth for themselves, and they need to be in a region that is the most tax-rate effective and the most compensation friendly."

The new rules are part of the Alternative Investment Fund Managers Directive, a financial-crisis overhaul that the **European Commission** adopted in its final form in December. Although that document didn't address compensation, the securities regulator issued the pay restrictions two months later in the form of an addendum to the directive. Under the rules, managers doing business in Europe eventually will have to:

- Defer 40-60% of bonuses for 3-5 years, with provisions for clawbacks. And at least half of the bonus must be in the form of shares in the fund or firm.
- Limit the size of bonuses relative to base salary. A separate set of proposed rules covering the entire financial-services industry likely will set a one-to-one ratio of bonus to base salary.
- Disclose the total compensation pool for a fund's staff to investors and regulators.

While some details have yet to be worked out, it appears the rules would cover any employee who works on investments for European clients. Thus, if a multi-strategy fund operator has investment teams both in London and New York, even the New York staff would be affected. The restrictions even would apply to firms that have no physical presence in the E.U. but market their products and services to investors in the 27-nation bloc.

The expectation is that few U.S. fund managers will submit to such controls. For investment professionals in particular, the restrictions would mean a dramatic change in compensation structure — and ultimately lower pay. That's because a firm that currently pays a trader $200,000 in base salary plus a $1 million bonus isn't likely to increase his salary to $600,000 in order to maintain his total compensation at $1.2 million.

The talk among industry lawyers is that U.S. managers with investment teams in Europe may look to shift certain operations to Switzerland, which isn't part of the E.U., or to Hong Kong or New York. But by 2018, they'd also have to restructure those operations so they no longer serve European investors.

There are several ways non-E.U. firms can avoid the pay restrictions, at least in the near term. Until 2018, managers without a physical presence in Europe can market their funds under country-specific rules governing private placements. And there's a provision in the compensation rules that allows managers to claim exemptions under unspecified "exceptional" circumstances. However, the E.U. isn't expected to permit a large number of exemptions. ❖

Machine-Learning Shop Eyes Futures

A fund operator that has gained notice for applying artificial intelligence to equity trading is turning its attention to the futures market.

Until now, **Cerebellum Capital** has traded only U.S.-listed stocks and exchange-traded funds via its flagship Cerebellum ATM Fund and a higher-risk version of the vehicle called Cerebellum Science Fund. But the San Francisco firm recently developed a new strategy focused on an undisclosed segment of the futures market. Profits from the futures portfolio, which is expected to begin trading later this year, will contribute to the Science Fund.

The ATM Fund, which accounts for the bulk of the firm's assets under management, began trading in December 2009. It takes a market-neutral, low-risk approach to trading equities with the goal of delivering steady returns. It has never had a down month.

Cerebellum expects the Science Fund eventually will overtake the ATM Fund as its main offering, thanks to a higher return profile and lower correlation to financial markets. The firm currently manages between $50 million and $100 million, including money in a small separate account.

Cerebellum employs a type of artificial intelligence known as machine learning, which entails writing programs that are capable of learning from and adjusting to changes in data. The firm was profiled in **Scott Patterson's** "Dark Pools," a 2012 book about high-frequency trading.

The operation was co-founded by **Astro Teller,** whose grandfathers were the physicist **Edward Teller,** known as the father of the hydrogen bomb, and **Gerard Debreu,** who won a Nobel prize in economics. Astro Teller remains a director of Cerebellum, but is no longer involved in day-to-day operations. His main focus these days is **Google's** laboratory for future technology.

Cerebellum's chief executive is co-founder **David Andre,** who previously worked with Teller at **BodyMedia,** where they used machine learning to help customers lose weight.

Andre has been expanding Cerebellum's staff, most recently adding **Rick Brandt** to the research team. Brandt, who joined last month, previously was a portfolio manager at **Symphony Asset Management** and a partner in a spin-off, **Resultant Capital.** At Symphony, he managed two mutual funds that **Morningstar** rated "five stars."

Cerebellum's headcount now stands at 12. The firm still plans to hire another researcher, plus a machine-learning specialist and an operations professional. ❖

York Repeating Private Equity Play

Hedge fund manager **York Capital** is doubling down on its private equity business, which accounts for just a fraction of the firm's $14 billion of assets.

The firm, led by **James Dinan,** has begun marketing York Special Opportunities Fund 2 with a goal of raising $500 million of equity. York is touting a 21.6% average annual return for Fund 1, which launched in 2008 and invested $378 million in 11 companies. The firm and its partners have committed $80 million for the new vehicle, representing an unusually high 16% of the equity goal.

York's private equity business is led by partners **Zalman Jacobs** and **Luis Medeiros,** who both previously worked at **Carlyle Group** and **Leucadia National.** They target carve-out, loan-to-own and turn-around opportunities involving mid-size companies in North America, taking both minority and controlling stakes and using little leverage for the acquisitions.

To date, Fund 1 has fully or partially exited four positions with proceeds of $383 million. It has written off one $35 million investment and values its remaining assets at $385 million.

York, best known as a hedge fund operator, sold a 33% stake in its business to **Credit Suisse** in 2010. ❖

Startup ... From Page 1

that they could begin using the service anytime. The firm also is working with the organizers of the **Battle-Fin** quant-trading tournament to support contestants.

In the near term, QuantConnect hopes to make money by helping clients set up trading accounts with **Interactive Brokers.** QuantConnect plans to charge $100 a month for access to the accounts. Down the road, the firm envisions a number of others businesses, including a hedge fund built around the strongest managers. Other possibilities include packaging the top algorithms as an exchange-traded fund and marketing individual strategies to retail investors via online brokerages.

First, however, the firm needs to raise additional capital. It has been running on $60,000 of seed money, and wants to raise another $500,000 to $1 million.

QuantConnect is accessible to investors who use the C# programming language. Programmers can design and back-test their strategies for free. They'll only be charged when they set up trading accounts. Users currently have access to 10 years of market data in one-minute increments on a basket of U.S. stocks. The firm plans to significantly expand the availability of historical data over time.

"The reason we are putting it out for free is there are huge barriers to entry into quant trading," said **Jared Broad,** who co-founded the firm in 2011 with **Shai Rosen.** "We can break open the quant market — any engineer can try this, even if they don't have capital to play with."

At least one other technology shop, **Quantopian,** is working on a similar offering. The Boston firm is backed by high-frequency market maker **Getco** and venture-capital investor **Spark Capital.**

QuantConnect's data resides on storage leased from **Amazon.com.** With instant access to the vast capacity, a simulation based on the 30 stocks in the **Dow Jones Industrial Average** could be run in a few minutes, versus a day or two on a desktop computer.

Broad, himself a programmatic trader, co-founded **Stocktrack.org.** Rosen previously was chief executive of **Option TI.** ❖

CALENDAR

Main Events

Dates	Event	Location	Sponsor	Information
May 7-10	SALT 2013	Las Vegas	SkyBridge Capital	www.saltconference.com
May 22-23	EuroHedge Summit 2013	Paris	Hedge Fund Intel.	www.hedgefundintelligence.com
June 17-19	GAIM International 2013	Monte Carlo, Monaco	ICBI	www.icbi-events.com
June 20	Forum 2013	Chicago	MFA	www.managedfunds.org
June 24-27	Fund Forum International 2013	Monte Carlo, Monaco	ICBI	www.fundforuminternational.com
July 17	Delivering Alpha	New York	Institutional Inv.	www.deliveringalpha.com
Sept. 15-17	Alpha Hedge West Conference	San Francisco	IMN	www.alpha-hedge.com
Oct. 17-18	Outlook 2013	New York	MFA	www.managedfunds.org
Oct. 28-31	Fund Forum USA 2013	Boston	ICBI	www.fundforumusa.com

Events in US

Dates	Event	Location	Sponsor	Information
April 4	IP Investment Conference	New York	Deal Flow Media	www.dealflowmedia.com
April 8-10	Compliance Conference	Naples, Fla.	Ascendant	www.ascendantcompliance.com
April 9	Emerging Managers Symposium	New York	Deutsche Bank	tinyurl.com/adukr2y
April 10-11	CLO and Leveraged Loans Conference	New York	IMN	www.imn.org
April 10-12	Derivatives Funding & Valuation Forum	New York	Marcus Evans	www.marcusevans.com
April 15-17	Wealth Management Insights	Miami	nGage Events	www.ngageco.com
April 16	Film Finance Forum East	New York	Winston Baker	www.winstonbaker.com
April 17	Introduction to Hedge Fund Compliance	New York	FMW	www.fmwonline.com
April 17-19	New York School of Aviation Finance 2013	New York	Euromoney	www.euromoneyseminars.com
April 22	Active-Passive Investor Summit	New York	IMN	www.imn.org
April 22	Cap Intro: L/S Equity/Quant Alternative Investing	New York	Catalyst Financial	www.catalystforum.com
April 22-23	Airfinance Conference	New York	Euromoney	www.euromoneyseminars.com
April 24	Closed-End Funds & Global ETFs Forum	New York	Capital Link	forums.capitallink.com
April 24	Roundtable Forum	New York	Roundtable Forum	www.roundtableforum.com
April 25	Annual Conference & Dinner	New York	STA	www.stany.org
April 25-26	Sub-Advised Funds Forum	Boston	FRA	www.frallc.com
April 29-May 1	Global AgInvesting Conference	New York	HighQuest Partners	www.globalaginvesting.com
April 30	Afternoon Seminar	Chicago	Infovest 21	www.infovest21.com
May 1-2	Family Office Wealth Management Forum	Greensboro, Ga.	Institutional Investor	www.iiforums.com
May 6-7	Value Investing Congress	Las Vegas	Schwartz Tilson	www.valueinvestingcongress.com

Events Outside US

Dates	Event	Location	Sponsor	Information
March 26-27	Asia Institutional Investment Summit	Seoul, South Korea	Institutional Investor	www.iiforums.com
April 15-16	Peruvian Investors Forum	Lima, Peru	Latin Markets	www.latinmarkets.org
April 15-16	Trade Surveillance & Compliance Monitoring	London	Marcus Evans	marcusevans-conferences.com
April 15-17	Global Commodities Summit 2013	Lausanne, Switzerland	Financial Times	www.ft.com
April 15-19	Global Derivatives Trading & Risk Management	Amsterdam	ICBI	www.icib-events.com
April 15-19	Fund Forum Asia 2013	Hong Kong	ICBI	www.icib-events.com
April 16-18	TradeTech	London	WBR	www.wbr.co.uk
April 18	Understanding Financial Transactions for Asset Mgrs.	London	IIR	www.iiribcfinance.com
April 21-24	GAIM Ops Cayman	Cayman Islands	IIR	www.iirusa.com
April 23	Hedge Fund Managed Accounts	London	IBC	www.iiribcfinance.com
April 23	Asia Hedge Forum 2013	Hong Kong	Hedge Fund Intell.	www.hedgefundintelligence.com
April 23-24	Banking Risk & Regulation	London	CFP	www.banking-risk-regulation.com

To view the complete conference calendar, visit The Marketplace section of HFAlert.com

Insurer Considers Broader Portfolio

Penn Mutual Life is thinking about adding multi-strategy vehicles to its hedge fund portfolio in the coming months.

The insurer's hedge fund investments currently encompass interests in global-macro and mortgage-bond vehicles managed by **Bridgewater Associates** and **Goldman Sachs Asset Management.** It's unclear how much capital the Horsham, Pa., company might allocate to multi-strategy offerings, in part because it doesn't maintain a set allocation for alternative investments.

Penn Mutual had $15.8 billion of assets as of Sept. 30, with investment-grade bonds accounting for the bulk of its portfolio. Hedge funds fall into an "other" category representing 9.5% of the insurer's investments.

Among those positions, Penn Mutual favors low-risk and low-volatility vehicles with minimal correlation to stock prices. It began investing in hedge funds in 2004 with a $10 million commitment to Bridgewater's Pure Alpha Strategy. ❖

Kern ... From Page 1

Blackstone Partners Investment Fund, and by the end of June it will do the same with its K2 investment.

Albourne's plan calls for the pension to have a "core" portfolio comprising several multi-strategy funds and some single-strategy vehicles focusing on U.S. and European long/short equity and managed futures. That would be supplemented with a number of smaller investments with managers pursuing various non-core strategies.

The pension's investment committee last week approved commitments to Amici Fund, Davidson Kempner Institutional Partners, D.E. Shaw Composite International Fund and OZ Master Fund. The committee also approved a travel budget for its investment chief, **Peter Tirp,** and Albourne representatives to conduct due diligence on a number of London hedge fund firms.

Up for consideration for inclusion in the core portfolio are **Brevan Howard's** Multi Strategy Fund and BlueTrend Fund, a commodities vehicle run by **BlueCrest Capital.** Tirp and Albourne also will evaluate two European long/short vehicles, **Marshall Wace's** European TOPS Fund and **Lansdowne Partners'** Lansdowne European Equity Fund; a convertible-arbitrage fund run by **Michael Hintze's CQS; Winton Capital's** Winton Futures Fund; and **Clive Capital's** commodities-driven Clive Fund.

Kern County Employees is part of a trend among larger pension systems away from funds of funds toward single-manager investments. This week, **Calpers** revealed plans to reduce its fund-of-funds allocation to 15% of its hedge fund holdings, from 29%, and increase its direct hedge fund investments to 85%, from 71%. ❖

Fees Waived for CD-Matching Site

StoneCastle Partners is offering free trials to a new online service that promises to link hedge funds and other investors with banks that offer high-yielding certificates of deposits.

The New York operation rolled out its StoneCastle eCD Market to 45 clients in recent weeks and plans to add more, drawing mostly on existing relationships. By waiving fees, it hopes to build an initial user base for the product while soliciting feedback.

Most of the users so far are banks and institutional investors. StoneCastle expects to add hedge fund managers soon.

StoneCastle eCD Market, at ecdmarket.com, serves as a private venue that connects depositors with banks offering high-yield CDs with **FDIC** insurance. StoneCastle has yet to decide how to charge for the service.

StoneCastle was formed in 2003 by former **Citigroup** fixed-income executive **Joshua Siegel,** with an initial focus on advising community banks. Its early businesses included arranging cash-management accounts that were FDIC-insured. The firm now manages more than $5 billion, including $140 million in a hedge fund that invests in debt products. ❖

LATEST LAUNCHES

Fund	Portfolio managers, Management company	Strategy	Service providers	Launch	Equity at Launch (Mil.)
Blue Jay Health Sciences Fund Domicile: U.S. ☛See Page 3	Paul Sinclair Blue Jay Capital, Los Angeles 424-570-8030	Long/short: equity (U.S. healthcare)	Prime brokers: J.P. Morgan, Jefferies & Co. Law firm: Paul Hastings Auditor: Rothstein Kass Administrator: Deutsche Bank Alternative Fund Solutions	July 1	100
Mesirow Opportunity Fund Domicile: Cayman Islands ☛See Page 5	Martin Kaplan, Stephen Vogt and Thomas Macina Mesirow Advanced Strategies, Chicago 312-595-6000	Fund of funds		Jan. 28	
West Side Clearview CMBS Master Fund Domicile: Cayman Islands ☛See Page 4	Gary Lieberman West Side Advisors, New York 212-712-2100	Debt: commercial mortgage-backed securities	Auditor: Rothstein Kass Administrator: Stone Coast Fund Services	Sept. 2012	

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THE GRAPEVINE

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behalf of the food giant. Grably's plans couldn't be learned. He worked at Nestle for two years, helping to analyze and manage investments in funds of funds. Prior to that, he spent more than three years analyzing hedge funds within **J.P. Morgan's** investment-banking group.

New York fund shop **Brigade Capital** has hired **Sumit Sablok** as a senior analyst covering technology and telecommunications companies. Sablok started in February. He previously was co-portfolio manager on a **Tennenbaum Capital** multi-strategy fund in Los Angeles, and before that was an associate portfolio manager at **Symphony Asset Management.**

Fund administrator **Conifer Group** installed two new sales specialists in its New York office this month. **David Goldstein** joined the San Francisco-based firm as a director. He previously worked at administrator **HSBC Securities Services** as a vice president covering sales and relationship management. Also on board is vice president **Elizabeth Whitehouse**. She most recently was at **Caceis Investor Services,** another administrator. Both recruits report to business-development head **Howard Eisen** at Conifer, which has $12 billion under administration.

A family office known as **Stillwater** has hired an analyst from hedge fund manager **Enso Capital. Adam Fried** started at the New York-area operation last month as a senior associate. He has a background in investing in public and private mining, energy and industrial businesses, with a list of previous employers that includes **Apex Capital** and **Deutsche Bank.** Enso is led by **Josh Fink,** the son of **BlackRock** chief executive **Larry Fink.**

Sales specialist **Jeff Knupp** left **Deutsche Bank's** prime-brokerage unit this month. Knupp pitched the bank's services to hedge fund managers in the Midwest. His destination: a startup hedge fund manager in Chicago, where he'll serve in a high-level operations role.

Fixed-income fund operator **Marathon Asset Management** is seeking an analyst to assess the credit quality and risk tied to bonds backed by aircraft loans and leases. The recruit would hold the title of global credit manager. Candidates are expected to have at least 10 years of experience at a leasing company, commercial bank or broker-dealer with a focus on aircraft finance. Marathon, led by **Louis Hanover** and **Bruce Richards,** has $12.7 billion under management.

Recruiting firm **Bachrach Group** has added an executive to help fill openings for technology specialists at hedge funds. **Anthony Fanzo** joined the New York firm this month. He previously concentrated on placing technology professionals with managers of multi-strategy hedge funds and private equity vehicles at **Staffmark.**

Credit specialist **Harlan Cherniak** joined **Kohlberg Kravis Roberts** this month in a special-situations role. Cherniak most was recently an analyst at **Venor Capital,** a New York firm that manages value and event-driven investments with a focus on corporate bonds and bank loans. The outfit was founded in 2005 by **Jeff Bersh** and **Michael Wartell.**

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