

It takes a good trader to spot a good trader

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"Do as I do and not as I say," embodies one theory that human learning takes place via sub-conscious copying. In the fund of funds world it seems indeed that this theory has some foundation.

There are two types of fund of funds. There are the asset gatherers, typically run by marketers; and there are the alpha hunters, seemingly run by former traders. And in a very crowded market, it seems that the skills of a successful trader or hedge fund manager can be applied to running a fund of funds successfully.

Some of the more interesting new funds of funds in recent years have been launched by former hedge fund managers and proprietary traders. Most notably, Marc Hotimsky, a former fixed-income trader from Credit Suisse, created NewFinance Capital, a fixed-income specialist fund of funds - on the basis that one fixed-income trader can truly know if another one is for real.

In the US, this form of 'talent transfer' has formed the backbone of various successful niche players that have emerged in the boutique fund of funds world - with Archstone Partners, Dorchester Capital Advisors, K2 Advisors and Benchmark Plus Management all founded by ex-traders and hedge fund managers.

Most recently Scott Bessent - an illustrious alumnus from the school of George Soros - has come out of retirement to join Protégé Partners, a \$2.4 billion niche fund of funds focusing on emerging managers. Until now its strategy has avoided start-up global macro managers for a number of reasons, one of which was a perceived lack of experience in the macro arena.

Bessent's arrival is not only heralding the start of a best ideas hedge fund - Protégé Partners Direct - but also the Protégé Opportunistic Fund that will focus on emerging global macro and directional strategy managers (see news story).

Meanwhile, at a time when the arrival of yet another multi-strategy fund is usually greeted with a groan, Caliburn Capital Partners' flagship Caliburn Strategic Fund is somewhat a breath of fresh air - and a further example to support the "it takes one to know one" theory that traders make good fund of funds managers.

The founders - Jeremy Rowlands, Chris Bouckley and Mike Ketley - founded one of the first ever European hedge funds, Bayard Partners in 1992, as well as having a broking career at Carnegie International where they met Tony Morrongiello. This combined experience led them to set up a fund of funds, which, like their former hedge fund, takes a thematic view of the world.

Based on their themes, the research team - made up of some 15 analysts - look for managers in off-piste strategies representing the house themes, effectively replicating hedge fund thinking but by picking managers. Caliburn, a two-year-old start-up with more than \$450 million in assets, employs regional specialists, often nationals from Russia, China and Latin America, backing the belief that niche managers in niche strategies in emerging markets will have an edge, at least for a while.

In terms of returns, the nine research trips with 126 onsite visits to managers in China seems to be paying off. But all at Caliburn are acutely aware that when the hedge fund tourists arrive it will be time to move on again - to more intrepid shores.