

Special Report on
**ASIA'S
HEDGE
FUNDS**



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Thirdrock Starts Quantitative Hedge Fund as Assets Gain

BY KLAUS WILLE, BLOOMBERG NEWS

Thirdrock Capital, the Singapore-based investment firm with \$1 billion of assets under management, plans to start a second hedge fund as it expects assets to increase by 70 percent over the next 12 months.

The fund will use quantitative investment strategies across all asset classes including stocks, bonds and currencies, and will start in the second half of 2015, founder and Chief Executive Officer **Jason Lai**, 39, said in an interview on May 8. It will be managed by a team of five people and seeks to exceed \$100 million in assets within one year, he said. The projected annual net return is about 15 percent.

Thirdrock started its first fund in September as the company is evolving from a family office into an investment firm focusing on managed accounts, independent asset management, hedge funds and corporate finance advisory. It was founded in 2010 with \$500 million from Asian billionaires and three staff.

"This is part of our strategic growth plan to build a fully integrated investment management platform which includes a funds platform," Lai said. It "aligns with increasing appetite of Asian high-net-worth individuals for discretionary alternative strategies and products."

Thirdrock is in talks to hire independent asset managers who will bring their own clients along with their assets, Lai said. That might help increase the investment firm's assets under management by as much as \$700 million over the next 12 months.

The Thirdrock Asian Affluence Fund, a long-short equity fund

that focuses on Asia excluding Japan, has returned a net 9 percent since inception in September, he said. Lai declined to disclose the fund's assets.

The fund, managed by **Shawn Tan**, who previously worked with Kelusa Capital, targets an annual net return of 15 percent.

At the end of 2013, Thirdrock started a macro strategy that uses technical analysis to trade currencies and targets a 12 percent annual return. Lai didn't disclose the returns of the strategy, which he said may be used to set up a hedge fund open to outside investors.

"It is not surprising that some family offices will want to open up their proven in-house strategies to outside investors by launching hedge funds," said Melvyn Teo, professor of finance at Singapore Management University. "It helps generate additional fee income."

Thirdrock also has commitments of at least \$100 million for an absolute return equity strategy investing in Asian stocks excluding Japan that it will start in the third quarter, Lai said. The long-only strategy targets annual net returns of between 8 percent and 10 percent.

The firm expects to have about 30 employees by the end of the year from about 20 currently, Lai said. While its clients are still mainly wealthy Asian families, it has added institutional investors, he said without elaborating.



Source: Thirdrock Capital
Jason Lai

Macquarie Said to Start Americas, Quant Hedge Funds This Year

BY BEI HU, BLOOMBERG NEWS

Macquarie Group plans to start a quantitative hedge fund this year that will invest in stocks listed in the U.S., Canada, Brazil, Chile and Mexico, said people with knowledge of the matter.

The fund will trade stocks in the Russell 2000 Index, avoiding larger companies targeted by peers, said the people. It is expected to have the capacity to manage \$1 billion of assets, including allocation from a global fund that Macquarie is starting, they added.

One in three investors in a Deutsche Bank survey said they will allocate more money to quantitative hedge funds this year, including equity strategies similar to Macquarie's, after strong performance in 2014. In the past year, Ray Dalio's Bridgewater Associates and Steven A. Cohen's Point72 Asset Management have been among firms that hired people or created new units that use computers to help with investment decisions.

Nick Bird leads a Macquarie team of more than 20 people in Hong Kong, Sydney and New York that picks stocks with computer models without betting on broad market moves. Their investment approach allows fund managers to override decisions made by computers when the markets are at major turning points — like in the wake of the 2008 global financial crisis — or because of issues such as regulatory risks or mergers, the people said.

Fiona McDonald, a Hong Kong-based spokeswoman for

Macquarie, declined to comment on the fund plans.

Macquarie is starting the Americas fund after assets for its Asian quantitative equity hedge-fund strategy reached \$2 billion and a similar strategy focused on Europe gathered \$759 million, according to March newsletters sent to investors. Both have hit their investment capacity and stopped accepting more money from investors, the people said.

Macquarie will cap the size of the global fund at \$1 billion and it will allocate capital to the three regional strategies, the people said.

The Macquarie Asian Alpha Fund, the team's oldest, has had a compounded annual return of 9.3 percent between inception in October 2005 and March, according to its newsletter. The Eurekahedge Asian Hedge Fund Index returned an annualized 7.9 percent over the same period.

The fund, one of the largest quantitative equity hedge funds focused on the region, started with \$20 million of Macquarie capital in 2005, one of the people said.

The European fund generated a compounded annual return of 11 percent since inception in August 2012, according to its newsletter.

Some large institutions, such as sovereign wealth funds, pensions and endowments, have used Macquarie's quantitative funds as substitutes for bond investments because of their stable returns, the people said.