



Preqin Industry News

Olivia Harmsworth rounds up the latest industry news based upon intelligence gathered by Preqin analysts. Preqin Online subscribers can click on the investor name to view the full profiles.

Investor interest in CTA funds has remained fairly robust in 2012 despite challenging market conditions, with a range of investor types indicating an interest in investing in this area for the first time, or in increasing their allocation to the hedge fund asset class generally via targeted CTA investments.

One example of an investor considering entering the hedge fund asset class for the first time is [New York State Teachers' Retirement System](#), which is considering seven single-strategy hedge funds as well as funds of hedge funds. The public pension fund is considering CTA investment as part of a broader strategy, which also includes long/short equity, distressed debt, global macro and fixed income arbitrage.

A number of investors have displayed interest in increasing their allocation to hedge funds generally, often including CTA investment as part of a diverse portfolio. [Meadows Foundation](#) plans to increase its allocation from 8% to 10% over the next 12 months, on track with its long-term target allocation to hedge funds of 15%. Approximately \$13mn will be invested directly in two hedge fund managers and it is considering diverse strategies that include long/short equity, global macro and managed futures/CTA. The foundation typically invests \$5-15mn per fund and is unlikely to consider investing in funds of hedge funds.

However, many investors are targeting CTA investments more specifically. Multi-family office [Legacy Trust Company](#) is looking to increase its exposure to the hedge fund asset class to 10%, up from a current allocation of 3% of total assets under management. The office does not generally invest in funds with lock up periods due to a preference for liquid hedge fund strategies. Legacy focuses on three main areas - US long/ short equity, discretionary macro and CTAs, and the company has a preference for established hedge fund managers.

A number of CTA funds have also recently launched, targeting increased investor interest in the strategy. The Chart of the Month gives an insight into which markets CTA funds are trading in; it shows the top 10 futures markets traded by CTA funds, with many CTA funds trading in multiple markets. The largest proportion (72%) of CTAs trade in the currencies market. The energy, metals and grains market follow with 59%, 54% and 54% of CTA funds trading in these markets respectively.

One recently launched fund was UK-based hedge fund manager [36 South Capital Adviser's 36 South Black Eyrar Fund](#), which launched in October 2012. The fund is a CTA options fund that benefits from investments in opportunities resulting from unforeseen high-impact events. The fund will primarily house long date (one to 10 year) out-of-the-money options from all

Chart of the Month: Top 10 Futures Markets Traded by CTA Funds

Market Traded	Proportion of CTA Funds
Currencies	72%
Energy	59%
Metals	54%
Grains	54%
Stock Indexes	48%
Interest Rates	43%
Bonds	33%
Softs	32%
Meats	23%
Crude Oil	15%

Source: Preqin Hedge Fund Analyst

asset classes, options which 36 Capital Adviser believes will outperform in a lower tail event. To enable effective performance management of the portfolio and all associated risks, the portfolio may also house short dated (three month to one year) options should the manager determine these to be more appropriate, particularly considering prevailing market conditions.

Elsewhere newly founded [Katmai Capital Advisors](#) launched its debut CTA fund [Katmai Commodities+](#) in October 2012. The program applies technical and quantitative analysis to the commodities markets and trades are generally expressed via spreads in order to enhance returns and reduce volatility. The program invests exclusively in exchange-traded futures and options and is offered via individual, own-named managed accounts with daily liquidity in order to enhance client control over their investment.

Data Source:

Do you have any news you would like to share with the readers of Spotlight? Perhaps you're about to launch a new fund, have implemented a new investment strategy, or are considering investments beyond your usual geographic focus?

Send your updates to spotlight@preqin.com and we will endeavour to publish them in the next issue.

Preqin gathers industry news from our direct communication with hedge fund investors and fund managers. To find out how we can help you, please visit:

www.preqin.com/hedge