OPALESQUE UCITS INTELLIGENCE

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Editorial

Sophie van Straelen

About your editor: Sophie van Straelen and Asterias Ltd:

ophie van Straelen started her professional career in investment banking spanning derivative markets and hedge funds. Her 12 year experience in investment banking provided a strong base to found Asterias Ltd, the consultancy located in London, specialised in delivering strategic insight in distribution for service providers and hedge fund managers. Listed in 2009 by EFinancial News as one of the top 100 most influential women in finance in Europe, she is a recognized, valuable and independent source of analysis for the media, lobbying groups and investors.

Dear readers,

January is very often the occasion to be positive and imagine "la vie en rose"!

At the occasion of the publication of its UCITS Alternative Inxex (UAI)' awards, our main contributor, the research firm Alix Capital, summarizes well the mood of the day:

« 2013 marks another strong year for UCITS absolute return funds with total assets under management increasing by 34% to reach EUR 190 billion at the end of December. Investors are more and more appealed by the attractive risk return profile and strong regulatory oversight characterizing these funds. The strong performance of the 2013 UCITS Alternative Index (UAI) Award winners is an additional sign showing that the scale and quality of the funds in this universe is also improving."

Alix Capital analyses its **latest market statistics** and we have asked the top platforms to give us feedback on their main achievements in 2013 and how they see their activity evolving.

With the current appetite for sourcing new Macro managers, we have selected and interviewed **3 managers that we find smart, innovative and robust**. Global Macro is not an easy strategy to invest in; timing of investment is always an issue.

You will also find in this edition, our traditional **league table**, as an opportunity for investors to follow the evolution of the offering of the main UCITS platforms. **Our legal brief covers EMIR** with the deadline of reporting approaching.

We hope that you will enjoy this edition!
Don't forget to spread the word and forward the newsletter to your contacts.
As always, we enjoy your comments and suggestions!

Wishing you a good start of the year!

Sophie van Straelen
Editor
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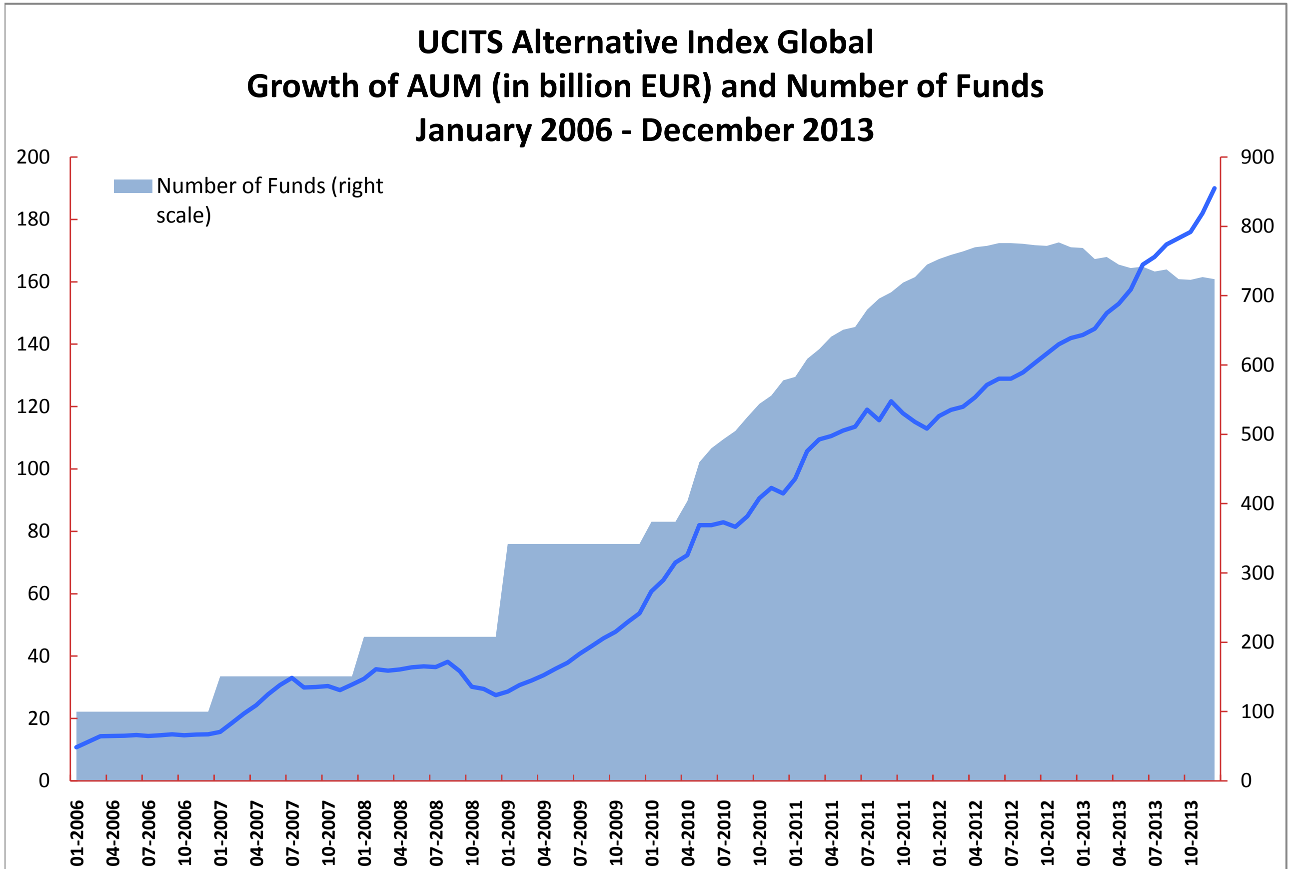
In 2013 UCITS absolute return funds display their best annual performance since 2009 with an average progression of 4.12% as measured by the UCITS Alternative Index Global.

The good returns are largely driven by the strong returns of equity markets. With an average progression of +11.07% long/short equity funds perform particularly well. Multi-Strategy and Event-Driven managers also benefit from the robust equity market performance and finish the year up 5% and 4.18%. Macro and Fixed Income funds are up a modest 2.27% and 1.90% respectively. Within the fixed income space, credit focused managers return the best performance. The worst performing strategies in 2013 are Commodities, Volatility and FX with results ranging between -3.5% and 4.2%.



With a progression of +4.27% funds of funds record their best annual return since 2008. The strong allocation towards long/short equity funds explains the good result.

Growth of assets and number of funds

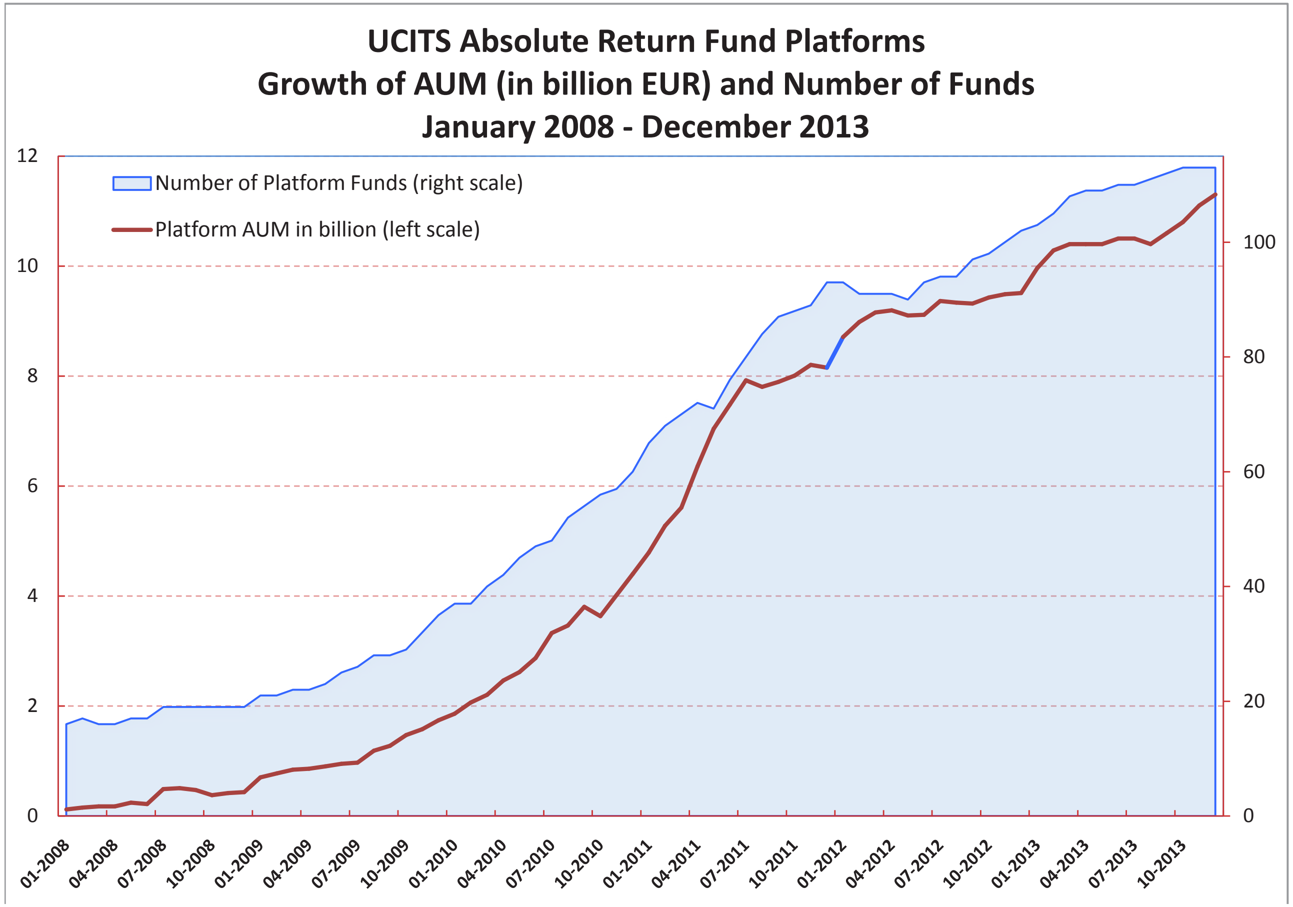
2013 is another year of strong inflows for UCITS absolute return funds with a progression of 34%. The total assets managed grow from 142 billion EUR to 190 billion EUR. **When adjusted for outflows, the net new assets equal 62 billion EUR, a progression of 43%.**

Without surprise the best performing strategies attract the larger part of new assets while all strategies that returned negative performance in 2013 saw a decrease of their assets under management.

The size of the fund itself seems to remain an important factor when it comes to attracting new assets. The largest funds again account for the bulk of the increase. For instance the **10 largest funds by assets at the end of 2013 account for about 55% of total net new assets**. The largest asset gatherer in 2013 is again Standard Life through its GARS funds, with almost 7 billion EUR of inflows bringing its total assets under management to north of 30 billion EUR.

This demonstrates that high level of assets under management; strong distribution capabilities and top quartile performance are more and more important when it comes to attracting new assets. Given that more than half of UCITS absolute return funds manage less than 50 million EUR a large portion of them has to fight hard to increase their asset base.

For the first time since 2008 the number of funds decreased from one year to the other (-6%). The decrease is explained both by poor performance and by the difficulties to attract enough assets to make the fund profitable from a cost perspective. However as in any Darwinian selection process if the absolute number of funds decreases the average quality of the remaining funds should increase. The recent performances and growth of assets under management seem to confirm this.



Fund platforms

Fund platforms showed a high level of activity in 2013 and the total level of assets managed by UCITS absolute return funds available on platforms grew by 17%. While positive, the level of assets growth is lower than the one of the broad market which stands at 34%.

The first reason lies in the difference in the strategy distribution of the funds available on platforms compare to the broad market. **Platforms tend to have a lower tilt toward strategies such as Fixed Income, strategies that have attracted large sums of assets in 2013**. In the other hand they have larger allocation to strategies that have experienced a difficult year in term of performance and thereof witnessed a drop of assets like CTA. Secondly the majority of the funds available on platforms are still relatively small in terms of assets. They therefore face the same challenges to attract assets as described earlier.

With close to EUR 200 billion assets under management the UCITS absolute return market is now a major component of the European alternative investment market. The good results of 2013 coupled with the increase interest for highly regulated products will with no doubt further fuel the growth of this market in 2014.

Louis Zanolin, Alix Capital
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Alix Capital announces winners of the 2013 UCITS Alternative Index (UAI) Awards

The UAI Awardscover 13categories with two awards announced per category. The winners have been selected by a committee led byLouis Zanolin, CEO of Alix Capital,which oversees the award methodology. The 2013UAI Awards winners are as follows:

UAI AWARD CATEGORY	ONE YEAR	THREE YEARS
2013 best single UCITS absolute return fund	MS Algebris Global Financials *(Algebris Investments LLP)*	Odey UK Absolute Return Fund *(Odey Asset Management LLP)*
2013 best UCITS fund of absolute return funds	Pareturn Hi Core UCITS Fund *(Hedge Invest Sgr)*	Sauren Absolute Return *(SaurenFinanzdienstleistungen GmbH)*
2013 best Commodities UCITS absolute return fund	Cross Commodity Long/Short Fund *(UniCredit Bank AG)*	DB Platinum Hermes Absolute Return Commodity Fund *(Hermes Investment Management Ltd)*
2013 best CTA UCITS absolute return fund	ML DUNN World Monetary and Agriculture Fund *(Dunn Capital Management LLC)*	Nordea 1 SICAV - Heracles Long/Short MI Fund *(Metzler Investment GmbH)*
2013 best Emerging Markets UCITS absolute return fund	Veritas China Fund *(Veritas Asset Management Ltd)*	GAM Star Lux - Emerging Alpha *(GAM Investment Management)*
2013 best Equity Market Neutral UCITS absolute return fund	Rivoli Equity Fund *(Rivoli Fund Management)*	Old Mutual Global Equity Absolute Return Fund *(Old Mutual Global Investors Ltd)*
2013 best Event-Driven UCITS absolute return fund	MLIS York Event -Driven UCITS Fund *(York Capital Management)*	MLIS York Event -Driven UCITS Fund *(York Capital Management)*
2013 best Fixed Income UCITS absolute return fund	Muzinich Long Short Credit Yield Fund *(Muzinich& Co Ltd)*	M&G Optimal Income Fund *(M&G Securities Ltd)*
2013 best FX UCITS absolute return fund	Amundi Funds Absolute Return Forex *(Amundi Asset Management)*	Amundi Funds Absolute Return Forex *(Amundi Asset Management)*
2013 best Long/Short Equity UCITS absolute return fund	MS Algebris Global Financials *(Algebris Investments LLP)*	CF Odey UK Absolute Return Fund *(Odey Asset Management LLP)*
2013 best Macro UCITS absolute return fund	H2O Vivace *(H2O Asset Management)*	Morgan Stanley Diversified Alpha Plus Fund *(Morgan Stanley Investment Mngt Ltd)*
2013 best Multi-Strategy UCITS absolute return fund	MLIS Och-Ziff European Multi-Strategy UCITS fund *(Och-Ziff Management Europe Ltd)*	Standard Life Global Absolute Return Strategies *(Standard Life Investments)*
2013 best Volatility UCITS absolute return fund	Allianz Structured Alpha Strategy *(Allianz Global Investors)*	Credit Suisse Global Carry Selector Fund *(Credit Suisse International)*

Louis Zanolin, CEO of Alix Capital, says: "2013 marks another strong year for UCITS absolute return funds with total assets under management increasing by 34% to reach EUR 190 billion at the end of December. Investors are more and more appealed by the attractive risk return profile and strong regulatory oversight characterizing these funds. The strong performance of the 2013 UCITS Alternative Index (UAI) Award winners is an additional sign showing that the scale and quality of the funds in this universe is also improving."

"I would like to congratulate all the winners of the 2013 UAI Awards. These distinctions reward not only the best performing funds over the last 12-month period but also the ones that succeed over the longer term which is really what investors are looking for. Since their launch the UAI Awards have become one of the most significant- and more importantly truly independent - distinctions in the UCITS absolute return funds industry."

To qualify for the awards funds must bepart of the UCITS Alternative Index Global or UCITS Alternative Index Fund of Funds, have at least 12 or 36 months of performance history and have at leastEUR 10 million AUM.

For further information about the UAI awards, please visit the website www.ucits-alternative.com.

About Alix Capital

Alix Capital is a Geneva-based investment company specialising in alternative investments. Founded by a team of experienced alternative investment specialists, Alix Capital provides research and advisory services to the institutional investor community in the field of absolute return investing. The Company is responsible for the calculation, licensing, branding and marketing of the UCITS Alternative Indices. www.ucits-alternative.com.

DISCLAIMER: This table is intended for information only and shall not constitute investment advice. Its intent is not to seek clients but only to provide general information; all descriptions, examples and calculations contained herein are for illustrative purposes only. Past performance is not indicative of future performance; no representation or warranty, express or implied, is made regarding future performance.

ALCEDA

Your key achievements in 2013:

Alceda has applied for a licence as an Alternative Investment Fund Manager ("AIFM") with Alceda Asset Management GmbH in Germany and Alceda Fund Management S.A. in Luxembourg.

As an authorised AIFM in Germany and Luxembourg, Alceda will be allowed to perform internal management functions like portfolio and risk management, administration and marketing.

In 2013 Alceda partnered with new fund managers from the US, Asia and Australia and has expanded its international network with AFINA Holdings to offer services and products to the Latin American market.

Your vision for 2014:

After years of stalled growth the global asset management industry has returned to a growth path. But the wide variation in performance amongst managers, products and regions is challenging investors. Big regulatory changes are sweeping the financial industry which has led to an increasing demand for individual structuring solutions. We are confident that funds under the AIFMD will have the same 'gold standard' as the UCITS brand and as a result, we believe that Luxembourg will continue to be the worldwide leader in cross-border fund distribution. The AIFMD is accelerating the change from offshore to onshore as managers today often run both onshore and offshore vehicles to attract investors from different jurisdictions.

Your positioning:

Alceda is a leading, bank-independent specialist in structuring solutions for traditional and alternative investment strategies. We cover the entire range from concept development of investment vehicles for classic to complex investment strategies, from the alternative investment area and fund redomiciliation, to the realisation of fixed asset investments. Our client base includes international initiators and investors such as asset managers, banks, family offices, investment managers, pension funds, foundations and pension plans.

Number of external funds: 60

Top raising funds in 2013:

- Tideway UCITS Funds - Global Navigator
- LOYS Sicav - LOYS Global System
- PPF ("PMG Partners Funds") - CP Global BioPharma Fund
- MEGA TREND FUNDS - ECPI Sustainable Global Mega Trends
- MILLER HOWARD SICAV - DIVIDEND EQUITY
- PPF ("PMG Partners Funds") - LPActive Value Fund

Contacts: Michael Sanders, CEO and Chairman of the Board Alceda Fund Management S.A.

FUNDLOGIC – MORGAN STANLEY

Your key achievements in 2013:

Our Platform's key achievements in 2013, are threefold :

1. Strong asset raise: we doubled our AUM YoY from $770m to over $1.6bn

2. Diversification: we launched a variety of new funds, across Fixed Income, CTAs and Global Macro

3. Strong performance: an equally-weighted portfolio of our funds would have returned 11.5% in 2013, exceeding industry indices.

Your vision for 2014:

Looking ahead to 2014, we would like to continue the positive trends that we have seen in 2013. Ideally, one large area of focus is diversification. We want to expand our global macro and credit offering, and ensure that we continue to launch best of breed managers. In terms of asset raise, we would like to see more funds exceed the $100m and $200m mark and continue to grow the assets of the platform. Given the strong track records of many strategies now (+2 years), we are aiming to see strong consistent returns. One of primary goals is ensure that we are fully aligned with our investors' interests. To address this, we have already introduced lower platform fees, on a tiered basis (as a function of sub-fund AUM).

Your positioning:

We continue to see ourselves as an exclusive best-of-breed platform. We aim to provide high quality managers, as opposed to being a "fund supermarket". We see ourselves as providing a diverse range of strategies for investors, and look to continue to diversify this offering.

Number of external funds: 19

Top raising fund in 2013:

The MS PSAM Global Event UCITS Fund was the top raising fund in 2013, increasing its assets under management by 130%, from EUR163 m to EUR 372m as of 31 December 2012.

Contacts: Stephane Berthet, Executive Director Morgan Stanley | Institutional Equity Division, Stephane.Berthet@morganstanley.com

LYXOR

Your key achievements in 2013:

2013 was a **transformational year** for the Lyxor Alternative UCITS Platform. We spent the year to **reshuffle our product range** and entered into new partnerships with 3 managers who are highly recognized in their field of expertise. Following the fund launches, we planned and executed a broad marketing campaign including several European road-shows, a targeted advertising plan, the creation of a wide range of marketing materials and a strong sales push all along the year. More than 600 investors and prospects have been contacted and results are very encouraging with 2 funds now exceeding the critical $100m AuM mark less than 1 year after launch. Performance is also promising since the funds delivered double-digit absolute returns 2013 and have consistently ranked above their peers.

Your vision for 2014:

Our vision for 2014 is to capitalize on the strong efforts we have put into building our leadership and make in 2014 these 3 funds **blockbusters**. We strongly believe that we now tick all the boxes required by our investors: the pedigree of our managers is of the highest quality, the track record after a 1 year launch is outstanding, the critical AUM threshold of $100M is now exceeded for the majority of funds and all investment strategies (merger arbitrage, alternative credit–event driven, managed futures) are attractive considering the expected market environment for 2014. We do not target any number of new funds in the next 12 months although we have great ambitions in this activity and may decide to add 1 or more funds as the right opportunity arises.

Your positioning:

As an asset manager, we adopt a **selective approach**, focusing on **quality** and **performance** only. In early 2013, Lyxor launched 3 new single UCITS hedge funds, offering genuine exposure to **star managers** and **niche strategies**:

- Lyxor / WNT Fund, managed by Winton Capital Management, is designed to give direct and genuine exposure to Winton's expertise through direct investments in UCITS eligible assets,

- Lyxor / Canyon Credit Strategy Fund, managed by Canyon Capital Advisors, is designed to benefit from Canyon's +20-year experience in event-driven credit-oriented strategies. The strategy offers a powerful alternative to traditional credit investing in a context of rise of interest rates.

- Lyxor / Tiedemann Arbitrage Fund, managed by TIG Advisors, is designed to give access to a pure alpha strategy playing merger arbitrage deals from both a long and a short perspective.

Number of external funds: 3

Top raising fund in 2013:

Contacts: Nathanael Benzaken, Head of the UCIT platform, Nathanael.bensaken@lyxor.com

MontLake UCITS Platform

Your key achievements in 2013:

Throughout the year of 2013, ML Capital was proud to add a further two sub-funds to the MontLake UCITS Platform Plc, namely the MontLake Open Field Capital Technology UCITS Fund and the MontLake FVC Alternative Risk Premia UCITS Fund. Furthermore, Open Field Capital is the most successful fund launch on the platform to date seeded with 103mln USD day one. Simultaneously, the platform and the Skyline UCITS Fund both doubled in AUM in 2013, highlighting the continued success of our distribution capabilities. Finally, the DUNN WMA UCITS Fund has been awarded the 'Best Performing CTA UCITS Absolute Return Fund' of 2013 by UCITS Alternative Index (UAI) and the Pegasus UCITS Fund has been recognised as one of the 'Best Performing European Funds' as quoted in the City AM.

Your vision for 2014 :

As we commence a new year, the MontLake UCITS Platform plans to broaden its product range in the first quarter, with key fund launches in the following strategies;

- US Long/Short
- Discretionary Global Macro; and
- Emerging Markets Long Only

Furthermore, the MontLake UCITS Platform aims to increase total AUM from $500mln to $850mln - $1bln. Most importantly, ML Capital will strive to continuously provide investors with access to top quartile performing asset managers within their respective strategies.

Your positioning :

The MontLake UCITS Platform will continue to position itself as the leading independent UCITS Platform, offering investors a broad range of strategies with unrivalled performance, accessing new lucrative markets such as the Nordics. The MontLake UCITS Platform will soon penetrate the USD1bln in AUM level, cementing the products institutional quality infrastructure and distribution capabilities. Finally, ML Capital aims to offer investors a selection of best in class long only and hedge fund managers, as we believe that both are complementary and can be placed alongside one another on the MontLake UCITS Platform.

Number of external funds: Currently 7, increasing to 10 by the end of Q1 2014.

Top raising fund in 2013:

MontLake Open Field Capital Technology UCITS Fund raised over 100mln USD from day one.

MontLake Skyline UCITS Fund raised 90mln USD, more than doubling its AUM.

Contact: James Fortnum, james@mlcapital.com

Schroder GAIA

Your key achievements in 2013:

2013 saw a marked acceleration of the Schroder GAIA business as we successfully launched 3 new funds: Schroder GAIA Sirios US Equity, Schroder GAIA Cat Bond and Schroder GAIA Avoca Credit and AUM on the platform grew by almost 100% from 31 Dec 12 $1.77bn to 31 Dec 13 $3.37bn.

Your vision for 2014:

Our vision is to continue to remain focussed on servicing our clients whilst selectively adding high quality managers where we see strong demand in order to complement our existing fund range.

Your positioning:

The Schroder GAIA platform is well positioned in the market as one of the few dedicated alternative UCITS platforms offered by a global asset manager. A recent report from Alix Capital highlighted the Schroder GAIA platform is one of the largest and fastest growing in terms of assets and having the highest average AuM per fund. A big part of our success stems from the fact we are incredibly selective in terms of whom we partner with as opposed to being an access platform and we have a great distribution team globally.

Number of external funds: 4

Top raising fund in 2013: Schroder GAIA Sirios US Equity $1bn

Contacts : Andrew Dreaneen, Head of Schroder GAIA Product & Business Development, andrew.dreaneen@schroders.com

I have selected three fund managers from the Global Macro strategy to provide insight on their investment approach.

Rcube is a Paris based Global Macro emerging manager. Rcube is seeded by Albert Friedberg, a leading Global Macro manager based in Toronto, and the French seeding fund Emergence, with institutional investors.

What is your background ?

Our DNA is in research. All of the portfolio managers have a fund management and quantitative background. Before founding Rcube, we have worked together for many years, for example at ADI, the successful independent Alternative French fund management boutique.

What are your convictions ?

We have identified the relatively poor offering in Global Macro strategy under the UCITS format.
We also believe that our level of transparency is a strong differentiator amongst Global Macro managers. All of our positions are disclosed to investors in real time and all trades are explained in research papers. We identify on average one trade per week and 50 investment themes per year.

Our investment approach is a combination of quantitative signals initiated by our proprietary tool « Macroscope » and discretionary approach to filter trades created by fundamental catalysts.

Why UCITS ?

We started with a Cayman fund and moved to UCITS to match our European institutional investors' demand for a regulated, transparent vehicle. We have registered the fund in Luxembourg to facilitate our pan European distribution approach. Our main challenge is to deliver targeted returns in order to grow the fund from 70mls euros to our first target at 150mls. We use our own network of investors' contacts.

Contact: Kati Kukkasniemi
kati.kukkasniemi@rcube.com
www.rcube.com

Swell AM is a Paris based fund manager specialized in Tactical Asset Allocation founded by Olivier Ramé and Jean Phillipe Collin who worked respectively 10 and 6 years at La Française des Placements. Swell is a spin-off from La Française AM who manages over 38 billion euros of assets and is one of the top asset manager in France.

What is your background ?

Our strong focus is on risk management. Our approach is to identify market opportunities from a Global Macro perspective and to then allocate to market opportunities according to a determined daily risk position. We trade only liquid instruments, listed futures and options in the 3 main asset classes: Equity, Fixed Income and Currency.

What are your convictions ?

We clearly see a lack of managers in Global Macro in UCITS. The Global Tactical Allocation is a great tool for investors to diversify their current exposure in Fixed Income. Our core values are transparency, flexibility and alignment with investors. Swell GTAA Fund (ex-LFP Allocation 3) has been managed from inception since June 2005 by the same team. We are consistent with our investment approach. We publish every week the details of our investments as well as our market views.

Why UCITS ?

We are comfortable with the VAR risk limits determined by the UCITS format. The UCITS are in line with our values of liquidity and transparency. We have decided for a French domiciled fund as our core investors are based in France and for cost efficient reasons.

Contact: Olivié Ramé, Founder, rame@swell-am.com

Tideway

Tideway is a London based investment managers specialising in macro and fixed income investing. Its Global Navigator flagship fund is hosted on the Alceda platform. Success in long term investments,according to Tideway, is inspired by Howard Marks as : Know what you don't know, patient opportunism, cycles.

Can you tell us more about your fund?

The Tideway UCITS UK authorized Global Navigator is an Absolute Return Fixed Income fund. The strategy is "Macro Credit". The Macro backdrop determines duration and overall credit exposure and then a concentrated credit portfolio is created as an "engine of return".

The sectors in the credit fund are Insurance Companies, Banks and Utilities in that order. We buy household name issuers and go down the capital structure or buy lower liquidity bonds in order to generate excess returns.

We are buying "the worst house on the best street" and so capture qualitative benefits too including rational behaviour by the issuers in difficult times.

We hedge credit spread risk and interest rate risk using liquid exchange traded futures in equity and interest rate markets, running some basis risk.

Where do you see the main constraints in 2014? Are we back to risk on situation with the Emerging markets impacting all markets?

I believe asset prices in general are supported by QE and that whilst the bond market is the most obvious loser as QE unwinds, all assets will be hurt. When 10 yr US Govt bonds yield 1.5 %, real estate at 4 % looks cheap. When 10 yr US Govt Bonds go to 3%, real estate has to be at 5 or 6% not 4% and so this means prices have to ultimately fall. This applies to credit markets, equities, and housing.

EM is just one immediate manifestation of this - too much liquity drove up prices to perfection and the exit door is not wide enough for everyone.

Is liquidity an issue when you manage a fund a certain size with a certain investment horizon?

Yes. At Tideway to date the assets have been very stable, with no single investor being dominant. We have therefore been able to manage the fund without fear of a large destabilising redemption. As we attract larger investors this may change a bit although leverage is possibly the most destabilising feature of all and we don't use that.

Contact : Peter Doherty
Founder and CIO
Peter.doherty@tideway.co.uk

Forthcoming Rules Under EMIR on Dispute Resolution and Portfolio Reconciliation

FROM DECHERT LLS's Financial Services Group

The European Commission's regulation on clearing of OTC derivatives (EMIR) requires counterparties to OTC derivative contracts that are not cleared by a central counterparty to mitigate their trading risks by using a number of different techniques. The following rules come into effect :

The requirement for counterparties to agree arrangements for the reconciliation of their OTC derivative contracts.

The requirement for counterparties to agree procedures in relation to the identification and resolution of disputes1.

The rules have "direct effect", meaning that local regulators are not required to implement the rules into their own rulebooks.

Summary of the rules which come into effect

The rule on portfolio reconciliation requires counterparties to agree in writing a process for reconciling portfolios. The reconciliation must cover "key trade terms" and the trade valuation. The agreed process must be in place before entering into a derivative trade. The frequency of the reconciliation depends on the number of contracts outstanding between two counterparties. In the case of a financial counterparty (or a non-financial counterparty exceeding the clearing threshold), this is

Number of outstanding contracts	Frequency of reconciliation
500 or more OTC contracts outstanding with each other	Each business day
Between 51 and 499 OTC contracts outstanding with each other at any time during the week	Once per week
50 or less OTC contracts outstanding with each other at any time during the quarter	Once per quarter

The rule on portfolio compression requires counterparties with 500 or more OTC contracts to have in place procedures regularly (at least twice a year) to conduct a portfolio compression exercise. Portfolio compression entails terminating equal and offsetting trades with the same counterparty. It reduces the credit risk faced by each counterparty against the other, reduces fees associated with open positions and "cleans" the derivatives book.

The rules on dispute resolution requires counterparties to have agreed detailed procedures and processes in relation to the identification, recording and monitoring of disputes relating to the valuation of the contract and the exchange of collateral, and to agree a process to resolve disputes in a timely manner with a specific process for those disputes which are not resolved within 5 Business Days.

Financial counterparties must report to their regulatory authority any disputes in relation to an amount or value higher than EUR 15 million and which are outstanding for at least 15 business days. The FCA has provided guidance on this reporting obligation (see below).

To whom do the rules apply?

The rules apply to EU financial counterparties and EU non-financial counterparties (regardless of whether the non-financial counterparty exceeds the clearing threshold). Financial counterparties include broker-dealers, insurers, and UCITS funds established in the EU. Non-financial counterparties are any other type of undertaking established in the EU.

Non-EU counterparties (called third country entities) are not directly subject to the requirements. ESMA has confirmed that where an EU financial counterparty is trading with a third country entity, the EU financial counterparty must ensure that the requirements are met for the relevant transaction, even though the third country entity is not itself subject to EMIR. This means that EU financial counterparties are likely to ask all their counterparties, including third country entities, to sign the protocol, to assist with compliance by the EU financial counterparty.

If the third country entity is established in a jurisdiction which the Commission has determined is equivalent, the counterparties could comply with the equivalent rules in that country. In the case of a third country entity which is a US entity, it is likely (judging from the Commission and CFTC's "common path forward on derivatives" announcement of July 2013) that the Commission will determine Dodd-Frank's risk mitigation rules as equivalent, although the final position on this remains to be seen.

Where two third country entities are trading with each other, it is open for the Commission to impose EMIR's obligations on each of the two third country entities, if the contract has a "direct or foreseeable effect" in EU or if it is necessary to prevent evasion of EMIR. ESMA is developing the scope of this power and has indicated in a recent consultation paper that it will adopt this power in fairly limited circumstances (for example, where the third country entity is guaranteed by an EU financial counterparty).

Which contracts do the rules apply to?

The portfolio reconciliation, dispute resolution and portfolio compression requirements apply to OTC derivative contracts which are outstanding on 15 September 2013 (irrespective of the date on which they were entered into) and to any contract concluded thereafter.

What immediate steps should asset managers take?

Portfolio reconciliation

Counterparties must have agreed in writing a process for reconciling portfolios before 15 September 2013. Counterparties may adopt the ISDA EMIR protocol to implement this process, but should bear in mind that they cannot make any changes to the process detailed in the protocol – it is one size fits all. In addition, the protocol only applies where the other counterparty has adhered.

Portfolio compression

Counterparties which are subject to this obligation must have procedures to conduct a portfolio compression exercise. ISDA is not proposing a protocol to cover formal agreement of these procedures – any form of written agreement should suffice.

Dispute resolution

The dispute resolution obligation encompasses (i) agreeing procedures with counterparties to identify, record and monitor disputes, and to resolve disputes in a timely manner, with a specific procedure for disputes which are not resolved within 5 business days and (ii) reporting to the regulator some outstanding disputes. The standard form ISDA Master Agreement does not include a specific dispute resolution procedure. Existing dispute resolution procedures should be checked to see if they cover the specific requirements of the regulation. The ISDA EMIR protocol aims to ensure that counterparties are within the specific requirements of the regulation, whilst preserving the position of any dispute resolution procedures already agreed between the parties.

FCA guidance

The FCA has published guidance on the manner in which financial counterparties must report disputes between counterparties (see EMIR notifications and exemptions). In order to report, financial counterparties must register with the FCA EMIR web portal. By the 15th day of each month, financial counterparties must ensure that any disputes outstanding in the previous month have been submitted to the EMIR web portal, including details of the amount (in euros) of the dispute. The FCA provides guidance on registration with its EMIR web portal.

Financial counterparties should have procedures in place to identify disputes which need to be reported, and should register on the web portal in advance of actually reporting any disputes.

ISDA protocol

The ISDA EMIR portfolio reconciliation, dispute resolution and disclosure protocol was released on 19 July 2013. The protocol enables parties to amend their ISDA Master Agreements (and other agreements) to comply with EMIR's obligations relating to portfolio reconciliation and dispute resolution.

The protocol contains the parties' agreement to reconcile portfolios in accordance with EMIR, with a process for parties to do a data reconciliation. Parties adhering to the protocol either do so as a "Portfolio Data Sending Entity" or "Portfolio Data Receiving Entity". Dealers which have adhered to the protocol to date have adhered as Data Sending Entities. If a buy-side participant adheres as a Data Sending Entity, that means that each counterparty will send portfolio data to each other and will each perform the reconciliation process independently. If a buy-side participant adheres as a Data Receiving Entity, that means that it alone will be responsible for the reconciliation. Counterparties must have arrangements in place to reconcile portfolios. A party which adheres to the protocol can specify that it will delegate the reconciliation function to a third party.

The protocol also contains the parties' agreement to a procedure to identify and resolve disputes. If a counterparty identifies an issue that it wishes to dispute with its counterparty, it may send a dispute notice to that counterparty. The parties must then try and resolve the dispute in good faith and in a timely manner. This may include using pre-agreed dispute mechanics, such as (for margin disputes) the existing dispute resolution procedure in the standard Credit Support Annex, or any negotiated dispute resolution provisions in the ISDA Master. If the dispute has not been resolved within five business days, the protocol provides that the dispute must be escalated within the counterparties. The protocol does not over-ride any dispute mechanism already agreed between parties.

There is no obligation for market participants to adhere to the protocol. An alternative would be to negotiate and agree procedures for portfolio reconciliation and dispute resolution with each counterparty.

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Marie Hélène Crétu is the co-founder of Codiese and has developed an innovative solution to respond to EMIR's requirements for corporates and asset managers. With GMEX group, the UK based market operator, CoDiese has built a robust software allowing its clients to fulfiltheir regulatory obligations.

Marie Hélène, what do you see as the critical issues for fund managers today ?

The key challenge for most fund managers is to implement a control system in order to fulfil their obligation of direct reporting responsibility. Most asset managers thought initially that their service providers would do the job. They realise that EMIR includes a compliance obligation to control the data sent to the central trade depositary.

The detailed implementation rules around EMIR and their implications were exposed to market players relatively late. Most service providers such as clearers, administrators as well as the providers of LEIs (Legal Entity Identifyer) have hard time keeping up with the 12th February's deadline.

Once this deadline has been passed, we see a large demand for solutions like ours to respond to the critical need of reporting and controlling of data.

More on www.codiese.com

Footnotes: 1Articles 13 (Portfolio reconciliation), 14 (Portfolio compression) and 15 (Dispute resolution) of the Commission Delegated Regulation No 149/2013.

DISCLAIMER: This table is intended for information only and shall not constitute investment advice. Its intent is not to seek clients but only to provide general information; all descriptions, examples and calculations contained herein are for illustrative purposes only. Past performance is not indicative of future performance; no representation or warranty, express or implied, is made regarding future performance.

ALCEDA

MANAGERS	FUNDS	STRATEGY	Perf 2013	AUM 2013 Euro
Aquila Capital	Risk Parity 7 fund	Multi assets	-7.6%	328.60 m
Aquila Capital	Risk Parity 12	Multi assets	-11.8%	193.40 m
amandea Vermögensverwaltung	amandea - HYBRID	Managed Futures/CTAs	-0.7%	11.30 m
QC Partners	QCP Funds - RiskProtect III Plus	Other	0.6%	105.40 m
Loys AG	LOYS FCP – LOYS Global L/S	Other	14.8%	27,5m
Polunin Capital Partners Limited	POLUNIN FUNDS – DEVELOPING COUNTRIES FUND	Other	6.6%	154,04m
P.A.M. Prometheus Asset Management GmbH	Prometheus-Eqcelerator	Managed Futures/CTAs	10.6%	7,4m
P.A.M. Prometheus Asset Management GmbH	Prometheus-Alternative Stars	Fund of Fund	-1.3%	12,5m
Promont AM AG	Promont-Europa 130/30	Mixed fund	22.2%	3,25m
Rhein Asset Management	RAM (LUX) - Gold Protect Fund	Equities	-24.5%	2,7m
Rhein Asset Management	Rhein Asset Management (LUX) Fund - Equity Protect Fund	Equities	0.0%	9,7m
Tideway Investment Partners	Tideway UCITS Funds-Global Navigator	Mixed fund	6.6%	40,1m
Reichmuth & Co Privatbankiers / PMG Fonds Management AG	Reichmuth&Co-Alpin Eur	Multi Strategy	-3.0%	30,05m
Reichmuth & Co Privatbankiers / PMG Fonds Management AG	Reichmuth&Co-Hochalpin Eur	Multi Strategy	-0.8%	17,030m
Rasini Fairway	Stafford SICAV - Global Equity Fund	Fund of Fund	4.5%	65,4m

Deutsche Bank

MANAGERS	FUNDS	STRATEGY	Perf 2013	AUM 2013 Euro
Winton Capital Management	DB Platinum IV Systematic Alpha Index	Managed Futures	6.63%	1264m
Millburn Ridgefield Corporation	DB Platinum IV Millburn Multi Markets Index	Managed Futures	-5.87%	81m
Lynx Asset Management	DB Platinum IV Lynx Index	Managed Futures	7.75%	117m
TT International	DB Platinum TT International	Global Macro	6.55%	28m
Omega Advisors, Inc.	DB Platinum Omega	Equity Hedge	23.31%	136m
Loomis, Sayles & Company, L.P.	DB Platinum Loomis Sayles	Credit Long / Short	1.77%	101m
Paulson & Co. Inc	DB Platinum IV Paulson Global	Event Driven	10.27%	35m
Hermes	DB Platinum V Hermes Absolute Return Commodities	Commodities	-5.82%	86,75m
Hermes	DB Platinum V Hermes Enhanced Beta Commodities	Commodities	-10.91%	98,43m
Deutsche Bank	db Hedge Fund Index UCITS ETF	Multi Manager: Multi-Strategy	5.95%	657m
Deutsche Bank	DB Platinum- THF Systematic Macro Index Fund	Multi Manager: Managed Futures/Macro	-3.04%	10m
Deutsche Bank	DB Platinum- Macro Trading Index Fund	Multi Manager: Managed Futures/Macro		
Deutsche Bank	DB Platinum-THF Credit and Convertible Index Fund	Multi Manager: Credit/Convertible	3.06%	9m
Deutsche Bank	DB Platinum -Equity Hedge Index fund	Multi Manager: Equity Hedge	10.63%	11m
Deutsche Bank	DB Platinum- THF Event Driven Index Fund	Multi Manager: Event Driven	11.14%	9m

LYXOR

MANAGERS	FUNDS	STRATEGY	Perf 2013	AUM 2013 Euro
Canyon	Lyxor / Canyon Credit Strategy Fund (Feb 2013) *	Event Driven - Credit	10.30%	131,98m
Tiedemann	Lyxor / Tiedemann Arbitrage Strategy Fund (Feb 2013) *	Event Driven - Merger Arbitrage	10.12%	130,52m
Winton	Lyxor / WNT Fund (Jan 2013) *	CTA - Diversified	2.69%	20,88m
Lyxor	Lyxor Epsilon Global Trend Fund (April 2011)	CTA	15.79%	34,8m
Lyxor	Lyxor Hedge Fund Index Fund	Multi-Manager - Global Hedge Fund	5.63%	32,5m
Lyxor	Lyxor L/S Equity Long Bias Index Fund	Multi-Manager - L/S Equity	15.18%	6,96m
Lyxor	Lyxor L/S Equity Var. Bias Index Fund	Multi-Manager - L/S Equity	10.60%	5,56m
Lyxor	Lyxor Credit Strategies Index Fund	Multi-Manager - Credit	1.12%	9,05m
Lyxor	Lyxor Merger Arbitrage Index Fund	Multi-Manager - Merger Arbitrage	9.33%	13,68m
Lyxor	Lyxor Special Situations Index Fund	Multi-Manager - Special Situations	12.68%	9,07m
Lyxor	Lyxor CTA Long Term Index Fund	Multi-Manager - CTA	2.70%	5,96m
Lyxor	Lyxor Select Edge Fund (May 2010)	Multi-Manager - Active Fund of Funds	8.87%	7,23m
Lyxor	Lyxor T-REX Fund	Hedge Fund Replication	4.62%	7,01m

* Incomplete YTD performance. The funds were launched after January 1st 2013.

MORGAN STANLEY - Fund Logic

MANAGERS	FUNDS	STRATEGY	Perf 2013	AUM 2013 USD
Indus Capital Partners	Indus PacifiChoice Asia Fund	L/S Equity	19.56%	193m
Indus Capital Partners	Indus Select Asia Pacific Fund	Long Only	14.84%	49,2m
Algebris Investments (UK) LLP	MS Algebris Global Financials UCITS Fund	L/S Equity	51.97%	44,4m
Alkeon Capital Management LLC	MS Alkeon UCITS Fund	L/S Equity	15.25%	$191
Ascend Capital, LLC	MS Ascend UCITS Fund	L/S Equity	12.16%	119m
Claritas Administração de Recursos Ltda	MS Claritas Long Short Market Neutral UCITS Fund	L/S Equity	0.41%	12,7m
Mesirow Financial	MS Discretionary Plus UCITS Fund	Managed Futures	-1.80%	2,9m
Winton Capital Management LLC	MS Long Term Trends UCITS Fund	Managed Futures	5.75%	67m
P. Schoenfeld Asset Management LP	MS PSAM Global Event UCITS Fund	Event Driven	13.51%	513,5m
Quest Partners LLC	MS QTI UCITS Fund	Managed Futures	-1.54%	4,9m
Quantitative Investment Management LLC	MS Short Term Trends UCITS Fund	Managed Futures	0.50%	4,4m
SLJ Macro Partners LLP	MS SLJ Macro UCITS Fund	Global Macro	6.32%	33,6m
Sandler O'Neill Asset Management, LLC	MS SOAM U.S. Financial Services UCITS Fund	L/S Equity	11.90%	44,5m
Turner Investments, LP	MS Turner Spectrum UCITS Fund	L/S Equity	7.57%	32m
Pacific Capital Partners Limited	RiverCrest European Equity Alpha Fund	L/S Equity	17.92%	8m
Ferox Capital LLP	Salar Convertible Absolute Return Fund	Convertible Arb/Credit	10.34%	196m
FundLogic SAS	Emerging Markets Equity Fund	Long only - MSCI EM Tracker	-2.80%	1,014m
Dalton Investments LLC	MS Dalton Asia Pacific UCITS Fund	L/S Equity	3.24%	39m
Metropolitan West Asset Management LLC	MS TCW Unconstrained Plus Bond Fund	Bond Fund	1.68%	36m
Broadmark Asset Management LLC	MS Broadmark Tactical Plus UCITS Fund	Equity Fund	10.54%	32m

SCHRODERS GAIA

MANAGERS	FUNDS	STRATEGY	Perf 2013	AUM 2013 USD
Egerton Capital (UK) LLP	Schroder GAIA Egerton Equity	Equity long short	23.29%	1,520m
CQS Asset Management Limited	Schroder GAIA CQS Credit	Credit long/short	-6.26%	257m
Sirios Capital Management L.P.	Schroder GAIA Sirios Equity[1]	Equity long short	26.06%	974m
Avoca Capital Management LLP	Schroder GAIA Avoca Credit[2]	Credit long/short	2.50%	183m
Schroder Investment Management Limited	Schroder GAIA Global Macro Bond	Global Macro	1.38%	123m
Schroder Investment Management Limited	Schroder GAIA Cat Bond[3]	Cat Bond	0.05%	314m

[1] Schroder GAIA Sirios Equity was launched on the 27th of February 2013. Performance data is as at 27 February to 31 December 2013. [2] Schroder GAIA Avoca Credit was launched on the 7th of November 2013. Performance data is as at 7 November to 31 December 2013. [3]Schroder GAIA Cat Bond was launched on the 21st of October 2013. Performance data is as at 21 October to 31 December 2013.

Alpha UCITS

MANAGERS	FUNDS	STRATEGY	Perf 2013	AUM 2013 USD
GSB Podium Advisors	GSB Equity Market Neutral	Equity Statistical Arbitrage	10.50%	35.00
Amber Capital	Amber Equity Fund	Equity Market Neutral > Southern Europe	15.33% (1)	89.00

'(1) UCITS launched 2/10/2013, annual performance includes previous strategy performance in the non UCITS vehicle

MONTLAKE

MANAGERS	FUNDS	STRATEGY	Perf 2013	AUM 2013 USD
Clareville Capital Partners LLP	MontLake Pegasus UCITS Fund	UK Equity Long/Short	46.81%	19.9m
Skyline Capital Management LLP	MontLake Skyline UCITS Fund	Global L/S Equity Emerging Markets	10.41%	181.6m
DUNN Capital Management LLC	MontLake DUNN WMA UCITS Fund	CTA/Managed Futures	33.48%	29.4m
Columbia Wanger Asset Management LLC	MontLake Wanger EUR Smaller Companies UCITS Fund	European Small Cap – Equity Long Only	27.70%	22.4m
Columbia Wanger Asset Management LLC	MontLake Wanger US Smaller Companies UCITS Fund	US Small Cap – Equity Long Only	2.40%	59.1m
Open Field Capital LLC	MontLake Open Field Capital Technology UCITS Fund	US Tech Equities	3.46%	106.7m
Future Value Capital LLP	MontLake FVC Alternative Risk Premia UCITS Fund	Systematic Macro	-0.03%	33.6m

OPALESQUE

UCITS INTELLIGENCE

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