



Opalesque Roundtable Series '17

NORDIC

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Editor's Note

The current low yield environment has increased the need for investors to look at alternative return sources. Being able to work in an unconstrained opportunity set does provide the possibility to generate good returns. This is especially relevant when we are in an environment with somewhat stretched valuations.

However, in alternative investments – also in risk premia products – investors can face significant return dispersions. For example, in 2016 the European equity long/short space had dispersion between the best and the worst manager of +24% and -50%. Over a 10 year period the dispersion between top and bottom quartile on annualized returns was 6% on the equity long/short space but only 1.6% on the long-only managers. This is why manager selection is key. *Read on to learn how Nordic investors pick the winning funds (page 14, 16-18).*

Risk Premia: Often sold on pro forma track records

Many investors focus on fees, and indeed risk premia type of strategies can offer alternative exposure at lower fees. However, many are often marketed on pro forma or simulated track records as they have short real track records. There are certainly rather high expectations, but it remains to be seen what will actually be delivered. Also, most practitioners don't think the risk premia strategies will replace the other, the more advanced or broader strategies, but they can be a complement.

The Opalesque 2017 Nordic Roundtable, sponsored by Eurex, took place in Stockholm with the following speakers:

1. Laura Wickström, [CEO, AIM Capital](#)
2. Stefan Nydahl, [CEO, IPM](#)
3. Henri Österlund, [Founder and Senior Partner, Accendo Capital](#)
4. Per Ivarsson, [Head of Investment Management, RPM](#)
5. Johannes Asp, [Head of Investor Relations, Madrague Capital Partners](#)
6. Markus Flesch, [Global Head Sales Equity & Index Derivatives, Eurex](#)

The group also discussed:

- What are Nordic institutional investors looking for? (page 15, 17, 19)
- Why is activism easier in the Nordic countries than in the US? (page 7) What is the overall opportunity set for activist investors in Europe? (page 8)
- How market players use Eurex products for a pronounced sector rotation and the revival of ART (Artificial Risk Transfer) (page 8-9)
- How do systematic funds deal with “far out” risks such as political risks? (page 11-12)
- How over the past 11 years IPM's macro strategy has outperformed many other funds (page 12)
- Which very small differences in a CTA's risk management framework and risk allocation make all the difference in performance? (page 12) Has momentum been commoditized? (page 16).
- Are asset managers trying to do too many things? (page 13) Why managers can't succeed only by having the investment edge (page 14)
- Should investors be buying a dip when a fund manager's performance gets behind his historical returns? (page 17-18)
- Why are qualitative factors important in evaluating illiquid assets? (Page 18)
- What is the right level of diversification for a manager? (page 18-19)
- How has multi manager portfolio construction changed over the last 10-15 years? (page 19-20)
- Regulation: From pain point to innovation (page 22-24) Is MiFID II creating competitive disadvantages for European asset managers? Can KYC create internal frictions? (page 24)

Enjoy!

Matthias Knab
Knab@Opalesque.com

Participant Profiles



(LEFT TO RIGHT):

Henri Österlund, Stefan Nydahl, Laura Wickström, Johannes Asp, Markus-Alexander Flesch, Per Ivarsson, Matthias Knab

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Introduction

Markus-Alexander Flesch
Eurex

My name is Markus-Alexander Flesch, I am heading Global Sales Equity and Index Derivatives at Eurex. Thank you, Matthias and everyone participating today, I'm always enjoying the Opalesque Roundtables as they are a perfect opportunity for the leading European Derivative Exchange and market infrastructure provider to get in direct contact and constructive dialogue with you, representing different buy-side lines and therefore various segments of the alternative as well as the traditional investment universe. By the means of this format Eurex is getting a sense and an indication where the industry is heading to and what the major themes for the buy-side are.

Johannes Asp
Madrague Capital Partners

My name is Johannes Asp, I work for Madrague Capital Partners in Stockholm. We are an equity long/short manager with a 15-year track record, which makes us one of the longest lasting equity long/short managers in the Nordics. Our long history together, managing the same strategy, is one of the things that make us unique. We have a strong focus on European equities and run a liquid portfolio with a big focus on risk management and security selection.

Prior to Madrague, I was in Switzerland where I worked for Man Group in Pfäffikon outside of Zurich for three years doing hedge fund structuring and portfolio construction for Nordic clients.

Laura Wickström
AIM Capital

My name is Laura Wickström. I am CEO at AIM Capital. We are a Helsinki-based asset manager focusing on alternative investments. We invest primarily through external funds. Our client base consists of institutional investors in Finland and Sweden.

We manage three Irish domiciled funds of funds with three distinct investment strategies. One is a hedge fund of fund investing in high quality hedge funds. The second one is an alternative credit focused fund of fund. The third one is an insurance-linked fund that invests in insurance-linked funds and side cars. That is our latest vehicle and set up in 2012, while the other two have been operating since 2009.

Stefan Nydahl
IPM

Stefan Nydahl, CEO of IPM. We are an alternative investor investment manager here in Stockholm founded in 1998. Our flagship fund is a systematic macro fund with a major focus on relative position-taking largely based on fundamentals. This makes us somewhat different in the space of futures managers.

In the alternative space, we run around US \$3.8 billion, and we also have an equity product line doing more traditional long-only equities. All our products are systematic.

I have been in the hedge fund business mainly as a manager since the late 90s focusing on systematic management and market neutral strategies.

Per Ivarsson
RPM

Per Ivarsson, Head of Investment Management from RPM. We are a CTA specialist established in the early 1990s managing multi-manager products in the CTA or managed futures space. Up until 2008 the main focus was bespoke products for the institutional market. In recent years we have also created open ended, RPM branded funds and products that are catered directly to the end investors, including retail.

One fund is a concentrated blue chip CTA product called Galaxy and the other one invests only in what we call evolving managers, which means providing acceleration capital to managers that are in their growth phase. This group display quite interesting risk return characteristics.

We also provide the independent risk function to a number of Swedish hedge fund managers as required under the AIFM Directive.

Henri Österlund
Accendo Capital

My name is Henri Österlund. I am the Founder of Accendo Capital. Accendo is an activist investor investing primarily in the technology space and in the Nordic countries, but we have done one investment in Switzerland as well.

Unlike, say a typical mutual fund, we like to be the largest or second largest owner in the companies where we invest in, so we have a very concentrated portfolio – usually a handful of companies – which we then seek to influence from the inside. That means that one of us sits on the Board of Directors of the portfolio company and we have an influence on who else is sitting on the Board of Directors.

The fund was launched in 2008 and today we manage just above EUR 70 million. Performance the last couple of years has been pretty good. So far in 2017 we are up +16%; last year we returned a bit more than 30%, and 2015 we delivered a whopping +49% – all net of fees and without leverage.

80

percent of all Beatles songs are about love.



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Matthias Knab

Thank you for your introductions! Let's look at the opportunity sets for each of you. Henry, let's start with you, what's the opportunity set for your fund doing activist investing in Europe? And secondly, can you explain us more about your style of activism? You said you're doing activism from the inside, how would you say this is different from other types of activism, particularly in the US where you also see a lot of fights, noise and media engagement from activists?

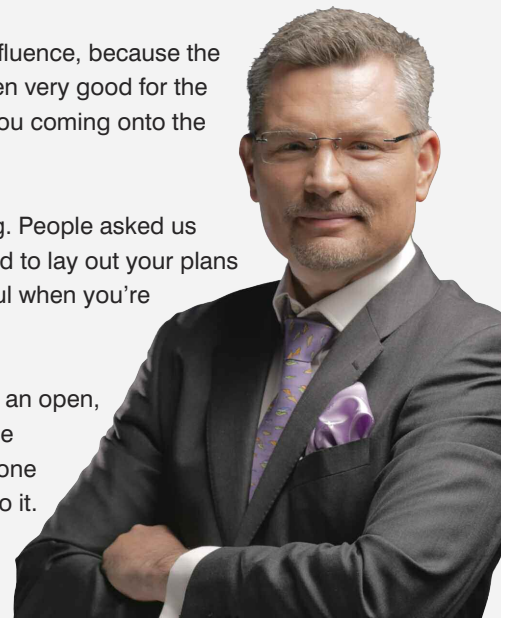
Henri Österlund: We see us as an **entrepreneur in the companies where we invest**. So we enter an investment with the same spirit as an entrepreneur would show towards his company, and we really try to do the best for the company and obviously the best for all shareholders, including us, at the same time. This is how we seek to get the returns.

Comparing European activism and US activism, I think one of the key or structural differences is that in Europe, at least if you look at the Nordic countries where we mainly focus, **activism is easier here** because typically the procedure is that the largest shareholders form a nominating committee that appoints the Board of Directors, whereas in the US the operating management has outsized influence on who sits on the Board of Directors. So if the company management doesn't like somebody or proposed changes, it's very difficult to get on the Board, which then means that the US activist investors have to go in proxy battles or use public relations to pressure the companies. On the other hand, here in the Nordic countries, we have a fairly straightforward procedure we can follow.

What helps us now is that we have a good track record, and this helps us to gain influence, because the other shareholders say, "Okay, what you have done in the other companies has been very good for the companies, and we will also like to see our share price going up. So we welcome you coming onto the Board of Directors."

This was not the case when we started. At that time we had to do a lot of convincing. People asked us about our plans and what we want to do with the company and so on, so we needed to lay out your plans and argue and make our case. Of course, we still have to do that, but it's very helpful when you're trying to convince people if they generally have a positive view on our input.

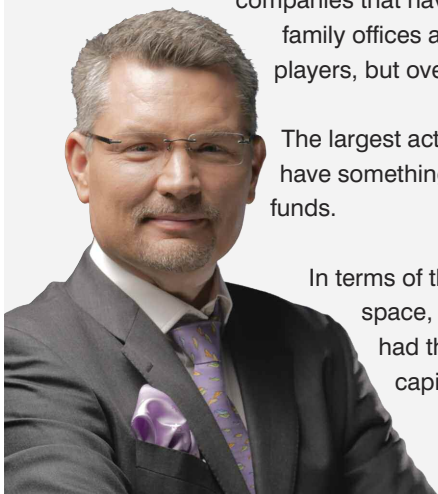
We see us as a **positive and collaborative activist investor**. We have never driven an open, public relations-driven argument on anything. We have disagreed at times with some investors and some Board members and some management teams, but we have done that privately and that is I think the way people here in the Nordic countries like to do it.



Matthias Knab

How would you characterize the overall opportunity set for activist investors in Europe?

Henri Österlund: Activism is a relatively large asset class in the US. The US market is big, but the amount of capital chasing activist deals is also maybe 10+ times bigger than in Europe, and we focus on the smaller end of it, so we are investing in companies that have a market cap between 50 and say 250 million Euros. In this segment we compete with family offices and with industrial and financial holding companies and in some cases with private equity players, but overall, activism is not something that has a lot of capital in Europe.



The largest activist investor in Europe is Cevian, a Swedish fund that's big by any standards. They may have something like EUR 15 billion, and then the rest of the guys are managing significantly smaller funds.

In terms of the opportunity set, our screening presents us maybe 300 or 400 target companies in our space, but for us *the smallest problem has been to identify investment cases*. We always have had the cases, at any point in the cycle, and so the larger challenge for us has been on the capital raising side.

Matthias Knab

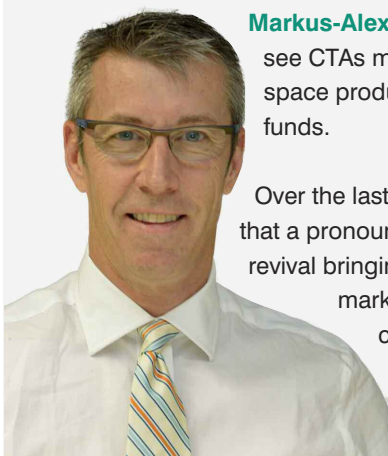
Thank you Henri. Per, what's the situation with CTAs and managed futures?

Per Ivarsson: The main drivers in the CTA space are technical trend following strategies. The opportunity set for those strategies has been rather poor recently as a consequence of the **suppressed volatility**. Volatility is extremely low, we haven't seen these levels of low equity volatility and general volatility for many, many years. Trend following needs volatility and in particular directional volatility, meaning price moves that drive a trend to thrive.

Just recently we have seen some signs of increasing directional volatility and improving returns.



Markus-Alexander Flesch: Per, I was wondering if on the back on this very unfortunate low volatility you see CTAs moving away from pure volatility trading, expanding in more complex products of the volatility space products like correlation and dispersion, which are becoming more popular amongst specialized funds.

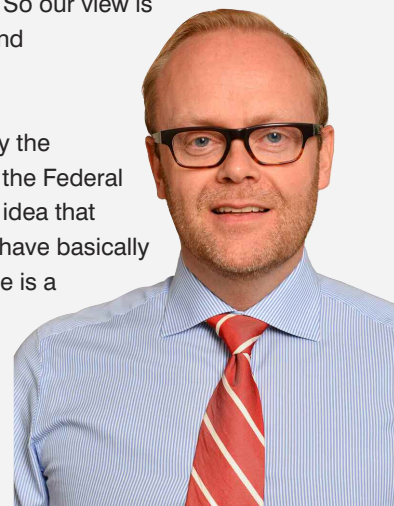


Over the last months Eurex could witness through our decently well developed- sector futures portfolio that a pronounced **sector rotation** has taken place and especially ART (**Artificial Risk Transfer**) has seen a revival bringing some more specialized products to the foreground. Sector rotation has been seen in the market since Brexit and later on by the success of President Trump last November. This "ART" cycle develops as banks' structured products pair with distributors to issue yield enhancement products to retail investors. These products hold different risks, typically, volatility, skew, convexity and correlation risk. Is that something you see here in the Nordics as well?

Per Ivarsson: Right, being a CTA specialist, the discussions we have are usually centered around CTAs and technical trend following et cetera, but what we see is that, for instance, the VIX futures market has an increased share of what the managers are trading, and we see specialist managers trading the curve of the VIX futures and so forth. So our view is that VIX futures will be considered to be a regular futures market like others else fairly soon and incorporated in the models of most CTA managers.

But I also think that this low vol regime will not continue. There's been a discussion about why the volatility is so low when the geopolitical uncertainties are so high at the moment. The CEO of the Federal Reserve in New York has for instance expressed this very view. But we subscribe to the other idea that says that the *low volatility is an outcome of not having consensus*. When market participants have basically random opinions about the value of assets, it is easier to find a buyer that think your sale-price is a bargain, because there is no consensus about what is cheap and what is expensive.

So we actually believe that consensus will drive volatility. As soon as people start competing for the same assets, it will drive prices up or down and increase volatility.



Johannes Asp: On the volatility topic, that's something that has affected us as well this year. We remember that coming into this year, there was a lot of discussions in general in the market saying that volatility should be going up following the Trump election and that there would be growing economic dispersion.

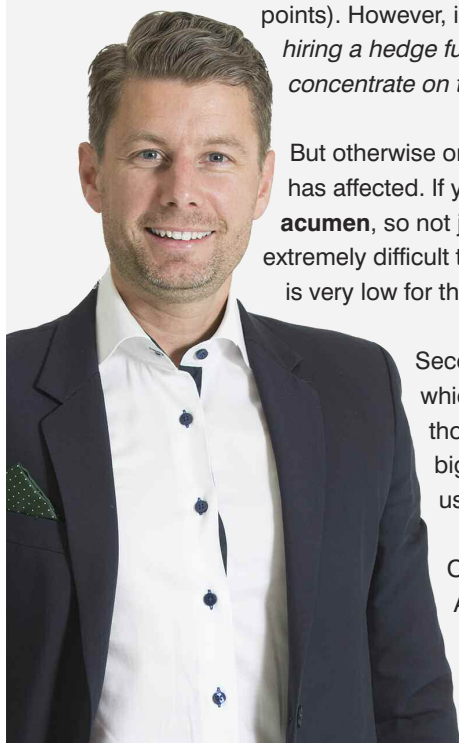
About 90% of what we do is European equities, so coming into 2017, we wanted to identify the main tail risks in Europe. The main risks were the political 'elephants' in the room, the French (and to some extent the Dutch) elections. To hedge these risks, we bought put options on the SX7E, which is the Eurozone Bank Index. Our analysis was that the bank sector would be worst off should there be an increased worry about additional referendums. This hedge protected against that main tail risk, and we could focus on our security selection and stock-picking alpha.

Consequently, the political risks didn't materialize, so we paid away some premiums on the SX7E hedge (about 35 basis points). However, investors came to us and said: *"Well, this is exactly what we are paying for in terms of hiring a hedge fund manager. They should look at risks, tail risk for the year, hedge those away and concentrate on their main engine of alpha generation"*.

But otherwise on the volatility, I think there are two things in our strategy that the extremely low volatility has affected. If you decompose the returns, about 10-20% comes from what you would call **trading acumen**, so not just security selection, but sizing and managing the positions in the portfolio. That's extremely difficult to do in an environment with this low volatility, and therefore that element or contribution is very low for the year.

Secondly, which is partly what linked to what we discussed previously, our hedge book, which is an overlay element in the portfolio where we buy puts on equity indices and hedge those with futures, has been affected by the low volatility. Because there has been such a big difference between implied and realized volatility, the hedge book is actually costing us significantly more than usual.

Our hedge book (overlay) typically costs about 100 basis points per year, however by April this year we were already up to about 75 basis points in cost because of that difference between implied and realized. So unfortunately the volatility issue is affecting us both on the alpha generation and the hedging component of the strategy.



Laura Wickström: From the three strategies that we manage, hedge funds have had a more difficult time compared to credit and ILS. Risk-adjusted returns have been good, but absolute returns have been lower, maybe also reflecting to some extent the lower volatility environment.

But then again, because we serve as an asset allocator with broad investment mandates, our investment universe is not limited and we are able to look where the best opportunities are and find the right managers, so from that perspective we are able to access a large opportunity set.

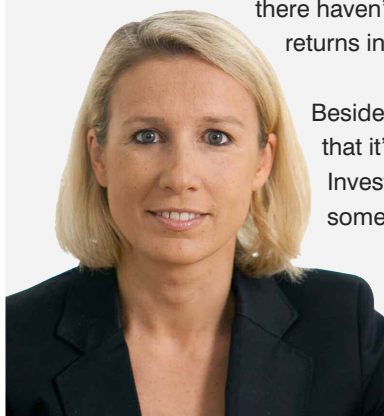
So obviously there are a lot of **opportunities on the credit side and in ILS**. In credit there is pressure from increased regulation on banks and other regulated entities to offload these different type of portfolios while at the same time you see ECB supporting the credit markets with bond purchases. We therefore see good opportunities especially in the structured credit and different types of specialty financing that offer good return potential as well.



Matthias Knab

Could you give us more details what type of returns are you targeting with these funds of funds?

Laura Wickström: In our credit and ILS fund we have been able to generate annualized returns of around 7% to 8% since inception. We set up the ILS fund in 2012 after we had made our first investments to ILS in 2011. It was good timing with a bit of good luck. We had just completed our initial research and due diligence in the ILS space and then the Japanese earthquake happened, so we were able to invest right after that. Since then it has been quite a favorable time period because there haven't been major reinsurance catastrophes, and that certainly has also helped to generate good returns in that fund.



Besides the good return potential comparable to high yield or even higher, the opportunity with ILS is that it's **non-correlated**, so that's especially valuable to investors in the current environment. Investors want higher returns, but they don't want to add or concentrate risk into equities. Having something that provides uncorrelated returns is really helpful, and ILS serves that purpose very well.

But just as with other asset classes, there has been increased flow of capital to ILS, and this could start eroding the return potential and create more difficulties going forward to find attractive opportunities.

Stefan Nydahl: Just a brief comment on that, I don't think luck is involved when your investments are going up. Positive returns are always skill.

[laughter]

And going back to Per, I agree that this combination of low volatility environment, while at the same time we know we have lots of risks out there, is a somewhat strange and interesting thing.

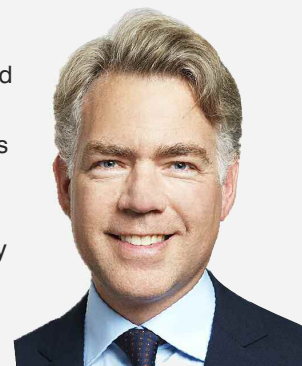
In a way, **most of the risks we see are far out risks**, they are farfetched. You know they are lurking out there, *but how do you actually act on those?*

Of course, in our case we are systematic and the way we deal with this environment is exactly the same way we deal with every other environment. We focus on the fundamentals. We have 85% of our risk in relative positions. We use a large range of underlying indicators to predict where markets are going, and over the last couple of quite turbulent years our strategy has continued to deliver good returns. We are averaging since inception around 9% net, 2016 we were up 7.4% and this year, we are up 8% gross.

An interesting challenge recently has been political events. As fundamentally focused managers, a political event can certainly be a trigger moving prices in what we perceive is the correct direction. But if you look at Brexit or at Trump getting elected and how these were affecting the market, all of these events were pushing markets away from fundamentals.

Market expectations might be that fundamentals will change and sometimes these expectations are fulfilled and sometimes not. For instance, it could have been that in the Brexit case, UK economy could have slowed down – as markets expected it to do but it didn't really turn out that way, the initial data points did not confirm it. So the way we manage these events and these periods is to stick to our guns and continue to focus on the underlying fundamentals.

In this relative space, *in many cases over the years it turns out that the markets are over reactive*. They anticipate things happening that will not really turn out that way.



Matthias Knab

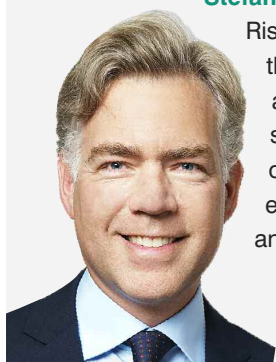
Do you also set up certain tail hedges to possibly benefit from these political risks?

Stefan Nydahl

We take into consideration tail risk in general in the risk allocation between portfolios.

Matthias Knab

But I assume it's not done on a discretionary basis, right?



Stefan Nydahl: Correct, our philosophy is to avoid discretionary decisions as much as we can. We do have a Risk Management Committee that meets every week which I chair, but that's mainly to try to identify things that are outside the model. The Brexit event is a good example for that, we saw this as many others did as a big risk event, but again, that was an exception. We could see that the risk will spike, so we did stress tests, we looked at implied vol, et cetera, and we said, "Okay, the risk is probably going to spike over the event, so therefore we should be proactive and actually reduce our overall risk exposure over the event, and then bring it back on after the event," and that's something we did. But it's not to try to gain any P&L but strictly a risk decision.

Another example is if a central bank decides to peg the currency. That's not something that our models

can pick up, therefore we usually take that instrument out and then we bring it back on when the peg is released. But apart from these things, managing risk including tail risk, to the extent we can, is actually built into the system.

Matthias Knab

Stefan, your fund has done really well, also over the long term. I think your macro strategy has now an eleven year track record largely outperforming many other funds. When investors come to see you, how do you explain this outperformance?

Stefan Nydahl: I think we found an interesting niche, and as you said we have been doing it for a long time, so we developed these skills over many years. Our focus and strength is our relative focus together with the fundamental focus. We are distinct from many other funds in that way, for example we don't have a momentum component, and so we are an excellent complement to what RPM provides, for instance. We have basically no correlation with CTAs, even though we are in the managed futures space as well.

We also have developed a broad enough set of indicators and a methodology to look at the markets to actually be able to take a long-term view on many different things. When we look at how to take positions, we look at it from a valuation angle, a macro angle etc., so we try to capture a wide range of indicators and then predicting what positions would favor us. This is one side of our process, and then the 2nd component that explains well our returns is that we stick to being relative.

I sometimes get questions about this difficult central bank environment that has caused a lot of problems for many discretionary global macro managers in recent years. Well, on our side *we never tried to second-guess a central bank*. We continue to focus on the relative space and the fundamentals. Assume that the central bank environment is something that affects everybody or all the markets the same way. If we take a long position in US Treasuries and a short position in UK Gilts, that spread trade will not be affected by an overall environment going up and down like this. That's sort of the beauty of being more neutral.



Per Ivarsson: We invest with systematic managers as well, but the bulk is in trend following. Another interesting aspect of the current environment of low volatility and high risk is that *trend following strategies are basically all having really good returns in equity markets this year, but they are losing almost an equal amount, or even more, in energy, metals, bonds and currencies*.

This means that a small difference in how you allocate between those sectors or the timeframe of your allocations can have a huge impact on the returns this year.

This creates a very peculiar situation for investors. The managers' strategies are very similar, their focus is *very similar and the markets they cover are very similar, but very small differences in risk management framework and risk allocation make all the difference*.



Matthias Knab

This is an interesting observation. Certainly those differences in the risk management or allocation framework between different managers isn't arbitrary. Looking at the wide dispersion in CTA returns, can you give us more details what those who are outperforming are doing right or differently?

Per Ivarsson

Well, what the outperforming CTAs have done right this year is that they navigated the equity markets better and avoided some of the pitfalls of especially the oil market. If you look at the positioning of the managers during this year, they have been short, long and short again, but they have consistently been caught on the wrong foot by OPEC and by US inventories, et cetera. So the short answer is that managers with a higher relative allocation to equities and probably a slightly shorter holding period and less energy will do better.

Henri Österlund: I think this topic on risk management and volatility is a really important one. For Accendo and our strategy, the most important risk management is the actual work we do in the portfolio companies, because that will impact the operational performance of those companies and eventually it will be reflected in their valuations.

So like any fund manager I often get the question from investors, "What is your risk management strategy?", and depending a bit on their background, sometimes it's easy to explain, and sometimes it is very difficult to explain. For example, if we talk with an ultra high-net-worth individual who has been an entrepreneur, they quickly understand when we explain our plans or show them past examples and they say, "Yes, that will make the difference."

But when we talk to a sophisticated institutional investor, usually with an entire department for risk management, they don't get it. They don't believe that our type of operational engagement could be an effective approach to risk management. Often, they see that our portfolio is not diversified and conclude therefore it lacks proper risk management.

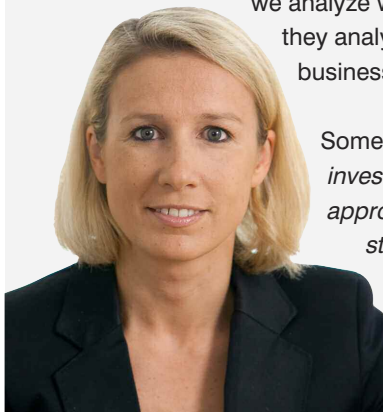
Then, coming to Matthias' last question about what makes the difference when it comes to outperformance, our view is that **a lot of managers are actually doing too many things**. Let me explain by reflecting on our experience and what people are asking us to do. So since we've been around, we have been going through different phases where people came to us and say, "Yes, it's a nice product, but it should be market neutral!", or "How are you hedged against these currencies and those events?", or "What's your overall view on the equity market?"

Well, we started in the financial crisis, and I had a bearish view on the equity markets that kept on going up, and if you ask me, I don't feel that we are out of the woods by any measure. But my point here is that after some time of hearing all those questions and demands from people, I took the position *not to focus on other people's concerns, because that's not our work*. Our work is to find good investment ideas, invest in them and then make sure that the portfolio is performing, and by that I mean that the companies are operationally performing well and creating value. And that's our niche, our strength and our strategy, and that's where we should focus.

We are not worried too much about where the US Dollar is going or what's happening to interest rates, but I do think a lot of managers do too many things in that respect. They may be good in *one area, but then they try to offer the full à la carte and end up with many different strategies and lot of tools to manage various risk dimensions, and then eventually they lose focus and don't really know anymore where they are really good and where they are bad and where they are just average*. That's why I would say that a lot of managers would probably do better if they focused on their core strength and then ignore the noise around them.



Laura Wickström: I agree with what Henri said, managers should focus on the things that are most relevant. This is also what we analyze when we look at hedge funds. In a way this is similar to the work Henri and his team do when they analyze the companies they invest in. We also analyze how well the hedge funds are run as businesses in our due diligence process.



Some factors we look at: *Are the funds and the management companies managed well? Are the investors and managers interests aligned? Do they have good corporate governance and the appropriate checks and balances in place? Are they exceptional at their specialized investment strategy?* So it's a combination of operational aspects and an investment edge. We believe that **a manager can't succeed only by having the investment edge**, rather, all aspects of the business need to be managed at a high level.

Johannes Asp

Henri, we get a lot of questions from investors and allocators trying to dissect alpha and beta returns. So for a strategy like yours, I was wondering how do your investors and allocators benchmark you? Are they also looking at the beta component of your return and how much has been generated by being active with the companies?

Henri Österlund

This is a good question, and we have addressed this by issuing a share class in September 2015 where performance fees are paid only when we are beating the MSCI Europe Small Cap Total Return Index. I consider that the **proof of alpha**. So when we do better than the Index, we get paid. We also have a high watermark, so if the index tanks and we go down, but not as much, then we are not paid, but then once we are up and the Index is maybe as well, then we get paid for any alpha at that stage.

Johannes Asp

And was that driven by investor demand for a product like that?

Henri Österlund: Correct, it was driven by some of our bigger clients who asked us for an equity benchmark and at the same time expressed their willingness to commit to a longer lock-up if we did that. We launched that share class back in 2015 and today the fund is about 50-50 between our two share classes, where the other share class has a Euribor benchmark.

When it comes to alpha-beta separation, we give investors and prospects our monthly return data and they crunch the numbers. If you look at our returns since inception in 2008, we have delivered 13% net per annum, with an annualized volatility of 14%. Those are better returns with lower volatility than the equity markets over the same period, and so far our investors have liked those numbers.

But we are not managing the portfolio to a certain beta exposure, it is strictly case-driven and we focus on helping our companies perform to their maximum potential, whether the market is going up or down. We don't decompose our returns into alpha or beta, we are only focused on getting the most out of each individual company operationally, providing the best input we can as owners and Board members.



Laura Wickström: Well, I can talk a bit here about Finnish investors who were quite early investors in hedge funds and alternatives. Of course that meant that there were also some disappointments and public critique towards hedge funds during the financial crisis. Today some of the **Finnish institutional investors are among the largest investors in alternatives**. But there is still some hesitation towards hedge funds stemming from the earlier disappointments especially among smaller investors.

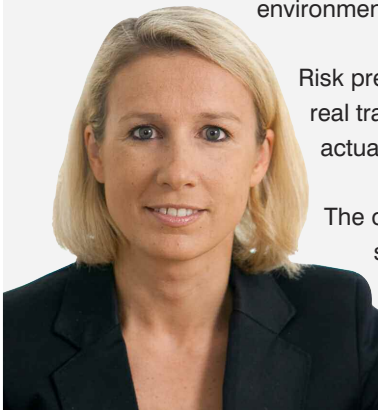


The current low yield environment has increased the need for investors to look at alternative return sources. There has been an increased interest from investors towards alternatives, especially alternative credit, private debt, private equity and ILS.

Markus-Alexander Flesch: I would assume that also the themes of **alternative risk premia** are very topical for Nordic investors. Though alternative risk premia investing is more relevant in the US, Eurex and Xetra – our cash market division – is seeing more and more inquiries by clients looking into this new factor investing style. Given the degree of sophistication of the Nordic institutional investors I was wondering if you could add some flavor on this particular trend here in the Nordics?



Laura Wickström: Correct, there's definitely demand for risk premia as those strategies have the potential to generate good returns and provide diversification. Part of the demand also comes to a certain extent from the disappointment with hedge funds and their higher fees. Risk premia type of strategies can offer alternative exposure at lower fees. In the current low yield environment many investors focus on fees.



Risk premia strategies are marketed often on pro forma or simulated track records as they have short real track records. There are certainly rather high expectations, but it remains to be seen what will actually be delivered.

The other aspect is that risk premia products differ from each other. There are good risk premia strategies available and some that are not so good. So *investing in risk premia or factors doesn't really take away that you have to do your analysis and understand what you are investing in*. Even though risk premia has lower fees, it's the net return that is important in the end.

Per Ivarsson: I agree with Laura that there has been a lot of marketing and a lot of buzz around these strategies. I think the most important thing with this risk premia framework is helping investors to classify and understand on a high level where the risks and where the returns are coming from.

If we look at trend following for example, the main risk factor is momentum. Now, some people will say it's very simple to build one of those systems, so let's do that and we sell it cheaply.

If it was the case that momentum has been commoditized, the return dispersion for those strategies should be very small. But the reality is that *we have the same dispersion between the risk-premia as we do in the broader group of trend followers that have different ways of attacking the problem.*

What you can observe though is that the more *pure risk-premia strategies do better in a broadly trending environment such as the second half of 2014, but they also tend to do worse on average when you have whip-saw periods or difficult periods.*

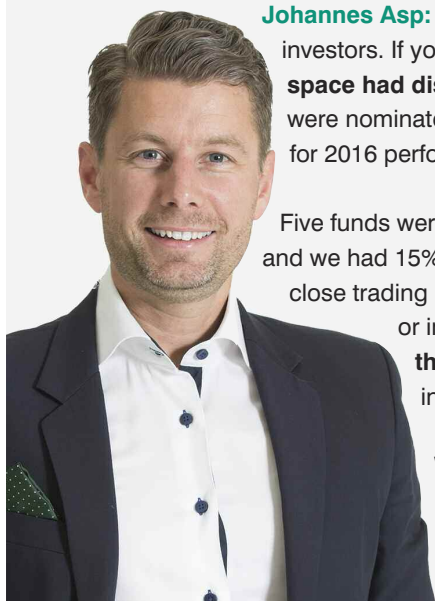
So I don't think the risk premia strategies will replace the other, the more advanced or broader strategies, but they **can be a complement**, and I fully agree with Laura that there's a lot of paper trading involved, and the lower fees have been driving this market.

That being said, I think it's sound to have a fee discussion and there has to be transparency so that you are paying for what you are actually getting. *What I do see as problematic though is managers having a flagship program with all the bells and whistles and risk management tools etc., and then they are also offering a pure or risk premia version of it.* I think these managers are cannibalizing on their own programs, and they will have difficulties explaining the different return profiles. But from the investor perspective, I think the two can coexist.



Laura Wickström

For us as allocators, the risk premia and risk factors are also a tool to analyze if a manager actually generates alpha. So there is a real benefit for the industry to have more understanding on how returns are generated and distinguishing between alpha and beta.



Johannes Asp: This dispersion of returns we're talking about here has been really frustrating for investors. If you look at equity long/short, to give an example, **in 2016 the European equity long/short space had dispersion between the best and the worst manager of +24% and -50%.** For 2016 we were nominated and won the EuroHedge Award, which is based on Sharpe ratio and absolute return, for 2016 performance. We had a +15% performance in 2016 when the equity market was flat.

Five funds were nominated in our category, and one of the runner-ups had a yearly performance of 9% and we had 15%, and both of us were in the top five in the group. I had expected the returns to be quite close trading in the same market, but that wasn't the case. Putting myself into the shoes of an allocator or investor, I think that's probably quite frustrating seeing that it's so **tough to actually pick the winners.** And if you don't, your asset allocation has less of a weight simply because the individual manager selection has such a big impact on your returns.

We ran some data looking at the dispersion between active equity long/short managers and active managers in the long-only space, and over a 10 year period the dispersion between top and bottom quartile on annualized returns over that time was 6% on the equity long/short space, and only 1.6% on the long-only managers.

This gives you an idea that it actually makes sense to use people like Laura and other advisors and specialists, because it has such a huge impact which managers you select.

We have an annualized return of 8.5% with a 8.5% volatility, so a Sharpe of around 1, over the past five years. That is probably a return profile similar to other managers here, but of course we all serve a different spectrum of investors. Maybe some investors are happy with a 3% return if it's just uncorrelated, because what they want is a bond proxy, while other investors are happy to maybe look at more directional strategies in order to generate higher returns.

We also talked about having to answer and explain to investors how we are generating returns higher than the 3%, 4% that you get from non-correlated strategies. What's alpha, what's beta, what's the correlation to other managers and to the market.

But if investors dig into that, this also means that it will be easier for managers to have the right expectations from investors and meeting those expectations as well, and have less discrepancy between expectation and what you actually deliver.

Matthias Knab

Correct, and one thing investors want foremost is consistency. He doesn't want to put his money into last year's EuroHedge winner and then next year they are in the bottom quartile. You have a 15 years track record and very good annualized returns, do you have a focus trying to ensure that your returns are consistent?

Johannes Asp: I would say that we implicitly try to ensure that the returns are consistent in the sense that we are trying to meet a certain return every year. What I think investors should do, is look at the *expectation of the strategy, what's the tolerated downside/upside capture and alpha generation over a longer period of time and use that as a general framework to evaluate Madrague and other funds as well.*

Then looking over that longer period of time, an investor can be comfortable with the type of volatility/return a strategy has delivered over a longer period of time. As long as the fund is within that band, I wouldn't really be worried. An investor should then also rather be **buying the dip** than anything else, because if you have a 15 year track record, unless we have changed something, some key personnel has left or the strategy has changed, you can just look at the time series and statistically identify the peak, trough and recoup periods over the 15 year period and be confident with that. That would be my argument.

And in fact, our larger institutional investors, they do just that. So they say, "Well, I understand that you have a challenging year this year but it's still within my tolerance of volatility, so we are just going to stick to our investment plan", that's what they are doing.



Laura Wickström

The problem is that if you just look at short term performance, you would end up investing in the best performers in one year, but usually there is some **element of mean reversion in many of the hedge fund strategies** and the best performers probably might end up the worst performers at some point.

This means you would probably end up with a bad portfolio using past performance as fund selection strategy.

Henri Österlund

And you would pay a lot of fee for that.

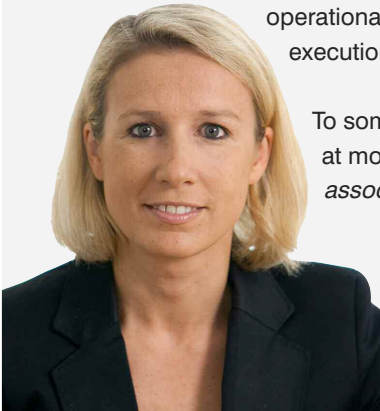
Laura Wickström

Exactly, so that's probably not the best strategy for hedge fund investing. This is why investors need to conduct thorough due diligence and have a systematic investment process rather than chase past returns when investing in hedge funds.

Matthias Knab

This is a very important point, and I was just thinking if an investor happens to get poor results because of such a type of performance chasing and inferior portfolio construction process, it's certainly not the hedge funds' fault. So a lot comes down to education and professionalism. So from an educational point of view, what instead of just performance should investors consider when building a hedge fund portfolio?

Laura Wickström: Johannes mentioned a few important points and we've also talked about some operational factors such as corporate governance, interest alignment, operational infrastructure and execution.



To some extent there is mean reversion in hedge funds strategies. On the other hand when you look at more illiquid strategies one needs to understand *how assets are valued and the potential risks associated with valuation of illiquid assets*.

For example with illiquid strategies, one must be careful when assessing potential diversification benefits when assets are valued accrual based. So those kind of issues you need to look at and analyze not only quantitatively but also using qualitative analysis.

Henri Österlund: I'd like to add something on diversification, as that's a favorite topic I occasionally debate with potential investors, who might say, "Well, you have four names in your portfolio, it's not diversified enough, so we cannot invest."

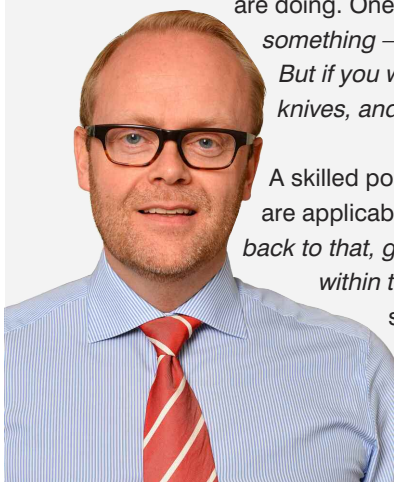
I would accept that argument from a small investor with no other equity exposure, but of course the investors we talk to are investing millions or billions, so they are already well-diversified. As a fund manager, I would sleep better at night having a diversified portfolio. But that benefits me and not necessarily my investors.



Investors should force their fund managers to be naked in front of their strategies and **not** give them the luxury of being diversified. Then, the managers can't blame South African miners or Chinese trade or Trump or anyone else for their poor performance. Rather, each manager should have a clear-cut strategy to follow, that he is picking up each morning when he goes to work and where he has to perform.

So investors who invest tens or hundreds of millions or more, their portfolios are well-diversified. They should be picking managers on certain strategic and tactical considerations, and then looking at the overall diversification. My team and I have nearly all of our own assets in the fund, but for our investors we are talking about 5% of their assets or less, so the other 95% (or more) is taking good care of the diversification, and therefore I don't see diversification as our job.

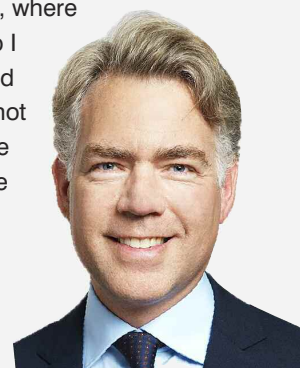
Per Ivarsson: I completely agree. As Henri said, I prefer managers that are very specific in what they do and stick to what they are doing. One analogy is that **a multi-manager portfolio should be like a toolbox**. *If you want to build something – good returns, diversification, whatever – you need a good hammer, a saw, pliers or whatever. But if you want all the individual components to be well diversified, you end up with a bag of Swiss army knives, and you wouldn't be able to build anything meaningful or big with that.*



A skilled portfolio manager would rather have the real, “professional” tools and use those whenever they are applicable. And interestingly, I think especially in the US, *the pension fund community is returning back to that, giving the managers wider and longer investment horizons to actually do what they are doing within their niche*. I think that needs to come quickly to Europe and European institutions because sometime they really are trying to get things done with a collection of Swiss army knives. And that doesn't really serve them, especially in the alternative space because they are also lumping too many strategies together and basically diversifying away everything except fees.

Stefan Nydahl: About 40% of our assets are now from the US. We are growing quickly there and many of our investors are quite sophisticated institutions. I can confirm that they are often looking for investments with specific characteristics such as uncorrelated returns, which is something we have provided and we take great focus and effort to keep delivering. *This is a major reason investors look at us. Before it was perhaps more that investors looked for a certain strategy toolbox like equity long/short and then picked the best manager within equity long/short, and then they looked at CTAs picking the best CTAs and then finally looking at how to best combine these boxes into a good portfolio.*

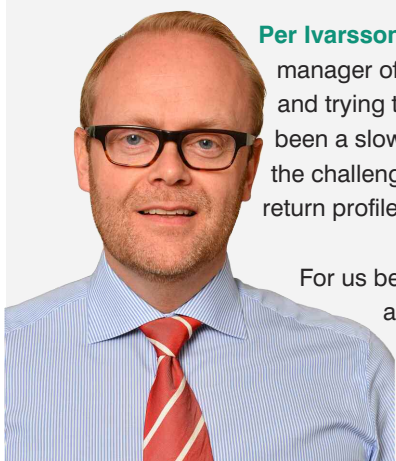
Now, my impression is that we are turning more sophisticated. Which takes us back to the question about how to combine alternative risk premia products with active strategies into a good diversified thought-through portfolio, where you can include strategies such as activists, CTAs etc.. But it's more a matter of what kind of profile do I get from the underlying funds or strategies, and not really taking 10 boxes like it was 15 years ago, and then just trying to find the best combination of 10-15 boxes. Today, I think investors often come to us not because we are a systematic macro-manager, but because we provide uncorrelated returns. That's the key. I think that's a big step in the right direction. Again, we go through great pains to show that we are not exposed to the regular risk premia products, for instance. I agree with all the issues raised here before regarding simulated returns and all that, but if good risk premia products is something that investors can find at a low cost and use in their portfolio then great! We are not competing with those products.



But that is why the question about education or sophistication is essential, because we in a way also have to rely on rather sophisticated investors out there like Laura that can actually differentiate between apples and pears, who are able to differentiate someone who provides alpha or if it's more like an alternative risk premia return disguised as a hedge fund. Investors don't want to pay high fees for that if they know they can get it for cheap from an investment bank or other providers. So this **dissection of returns** is potentially a great step for us as alpha managers, but we also have to rely on the investment community to actually apply and use it.

Matthias Knab

What other trends or changes do you see in the industry?



Per Ivarsson: After a number of fairly tough years for multi-managers, fund of funds or in our case manager of managed accounts, due to pressure from institutions not to pay someone else to do their job and trying to bring everything in house, avoiding multiple layer of fees, et cetera, I think that there has been a slow but steady **turn of the tide towards specialists**. Johannes and Laura already spoke about the challenges of fund selection, and now again if an investor wants to invest in CTAs to get that specific return profile, they tend to use a specialist, and the same in equity long/short.

For us being a specialist manager, I think those are good signs as investors see the value added and are also willing to pay for it in the same way they pay for any outsourcing function that they use.

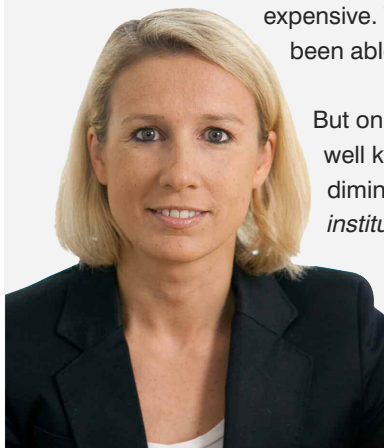
Johannes Asp: As a manager, if we compare the industry to maybe 10-15 years ago, the hedge fund space was more about one-size-fits-all type of funds where you could have one vehicle commingled and you could raise several billions of dollars relatively easy. Today, there is a certain pressure down to mid-sized, and even smaller, managers to appeal to different markets. It could be different types of segments of investors, requesting different liquidity profiles, vehicles, managed accounts and various filters such as ESG.

This trend has put **more product development complexity** on the industry on top of everything driven by regulation, and in sum, over the past five years these factors have put a lot of pressure on smaller managers in particular. The question they face is, *are they institutionalized enough to appeal to a clerk at an allocator who has a lot of career risk in terms of finding the right manager?*

So this trend towards customized solutions, including ESG investing, will likely continue to be a factor that hedge funds need to look at in order to appeal to a larger segment of investors.



Laura Wickström: Johannes touched a bit on the regulatory pressure and certainly the **barriers of entry** have increased for new hedge funds. Setting up a fund today requires more investment in infrastructure and regulatory compliance that might be expensive. This has contributed to a sort of polarization where the large institutional hedge funds have been able to gather a lot of assets while many smaller ones have struggled.



But on the other hand there is also the question about capacity and the issue around fund AuM. It is well known that when a fund grows too large, usually the ability to generate excess returns starts diminishing. It is a **balancing act** *between the investment strategy capacity and fulfilling the institutional quality requirements for the manager.*

On our end, this is what we as investors are trying to do as well: to find those managers that meet the operational requirements, but that are not too large to the point where they are not able to generate good returns because of their AuM.

Per Ivarsson: Another thing that some people are not realizing is that it's a challenge getting your hands on **quality data**, which is quite expensive. I think technology or at least storage and computational power has become cheaper now when everything is in the cloud. Going back 10 years, if you wanted to set up a quality hedge fund, you needed to have quite advanced storage facilities and decent generators out in the back of the office and things like that. So those costs have eased, but getting your hands on unique quality data has become a lot more difficult these days.

We also mentioned that the **regulatory headwind** has become quite strong. That can actually be a challenge for someone like us who is sourcing managers globally, basically from Australia to the West Coast of the US. We can see a number of discrepancies in US and European regulation. European regulators can have difficulties understanding the set-up between the CFTC and the NFA in the US where the NFA is a private industry organization which do most of the daily compliance and oversight whereas the CFTC is actually overseeing the NFA.

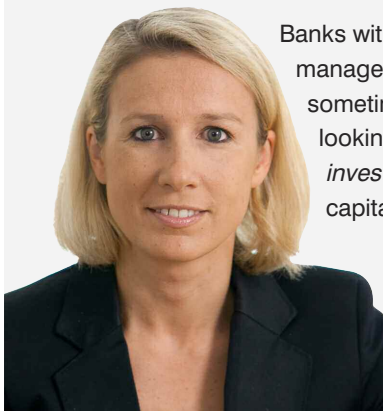
Europe doesn't have such a split and it's the authorities that are overseeing the managers. We found that this European way of looking at things doesn't really harmonize with the US way of doing things.



Matthias Knab

Let's look at innovation, new approaches and new products. How are you keeping pace with this changing landscape?

Laura Wickström: I already referred to **specialty finance** where funds are now providing different types of financing previously provided mainly by banks. We still see opportunities in trade finance, legal finance, and other type of structured finance – things that banks have withdrawn from because it's not their core business or it has become too expensive in the regulatory framework.



Banks withdrawing and with new regulation introduced, for example different retention rules that require managers to retain certain risk, create new investment opportunities. These opportunities are sometimes less liquid, so we have to take that into account and assess those risks on a forward-looking basis. *It's difficult to say what the liquidity premium is going to be ex ante for illiquid investments, or if there is any.* That's something we are careful about as there is large amount of capital currently targeting illiquid investments.

We also look at **market neutral, liquid strategies**, and we see that there might be even more good opportunities in the market neutral strategies going forward.

Markus-Alexander Flesch: Well, innovation is contingent upon the freedom of a marketplace. The massive increase in regulations puts a strain on all market players, and in many places you can see frozen budgets because of that and in consequence less funding for innovation, which in my view has been significantly bigger in previous years. Developments like MiFID II kicking in by January 2018 are now also forcing buy-side players into what used to be sell-side regulations, so that's just one aspect.

Though I do think there are a number of **pain points**, which the industry can't get away with. I'm convinced Eurex does a lot to address some of these in a positive and innovative way, be it by the creation of new products in particularly bringing "OTC-type" products into the listed and centrally cleared world, or be it by offering simple solutions in an efficient manner like our transaction reporting.

I mentioned the growing demand for risk premia products and how to use them, and even here I think it's good news for the market that Eurex has together with the index provider STOXX jointly launched successfully *six different exchange-traded risk premia futures*, our **iSTOXX Factor index futures** (iSTOXX® Europe Low Risk, Momentum, Quality, Size, Value, Carry). From our perspective innovative – as the European market is still very much fragmented, with no real benchmark yet – we believe that being open and introducing innovative products, Eurex can make a meaningful contribution to the market place.

Some of the pain points, as I referred to them earlier, that are putting a burden on the sell-side are things like MiFID II or go even beyond capital constraints imposed by Basle III or CRD IV. In order to offer balance sheet relief, Eurex launched in December 2016 jointly with our partner BNP a new product to bring innovation and alternatives to the industry: an exchange traded version of OTC Total Return Index Swap on the EURO STOXX 50. This future helps facilitating the **balance sheet/collateral management** and reduces the capital constraints being affiliated with long dated capital heavy OTC TRS index swaps.

Though the first product design was addressed to serve mainly sell side banks, it turned out that it even fit the need of many buy-side clients, which is clearly reflected by the composition of the current outstanding notional of over EUR 5.5bn. The current take-up of the product shows a good dynamic and a further increased momentum, which will further be supported by us, if we expand the TRF segment by further index underlyings, which will come this year. The good demand Eurex sees with such "futurized" products encourages



us to continue our approach to expand into products type beyond our ordinary clientele.

I'm happy to disclose that **Eurex will be launching a new, innovative future on an investible hedge fund index**, reflecting a composite hedge fund universe of over 2000 different hedge funds. As no other derivative exchange has ever listed a tradable derivative on such a universe, I dare to say that such an invention is a real innovation...

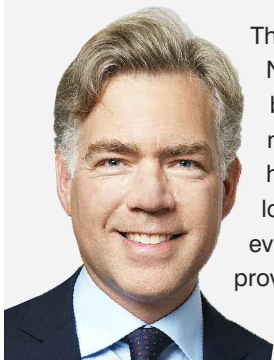
Per Ivarsson

Markus, you are right. Many institutions are sidetracked and instead of actually doing what they are supposed to do – managing money and providing good pensions for their pensioners – they are actually busy just keeping up with new regulations, which could never be the intent of the regulators. It should be to protect the end investors rather than providing them with inferior returns, which probably is a consequence of the situation right now.

Stefan Nydahl: For a manager like us, innovation is sort of part of our daily job on the strategy side. We need to continue development and run as fast as we can to keep our position as a leading systematic manager, basically in two dimensions. One is to find new ideas, new strategies, and the other dimension is to find improvements to what we have.

We believe that our strategy is based on sound economic reasoning from the start, and there will always be ways to sharpen the tool even further and make sure that we capture those things even better.

There is also the aspect of product innovation where we have been quite active in finding new channels to give investors access to our strategy. We recently launched a Delaware Feeder in the US, and almost two years ago we launched our strategy in a UCITS format which has been a great vehicle for us to benefit from the increasing interest in liquid alternatives in Europe



Thinking a bit down the road, there is of course also the opportunity of new products with new strategies. Now we are very much talking about the drawing board here but I see some interesting areas where I believe our expertise and experience could add value. For instance Laura mentioned looking at market neutral strategies. We have managed equity portfolios in our other product line for a long time, and we have managed long/short investing in our systematic macro fund for 10 plus years, so I think the equity long/short or market neutral space is one area where we could potentially contribute. But as with everything we do we would be very careful before entering into a new product, making sure that we can provide the same kind of quality of alpha that we provide elsewhere.

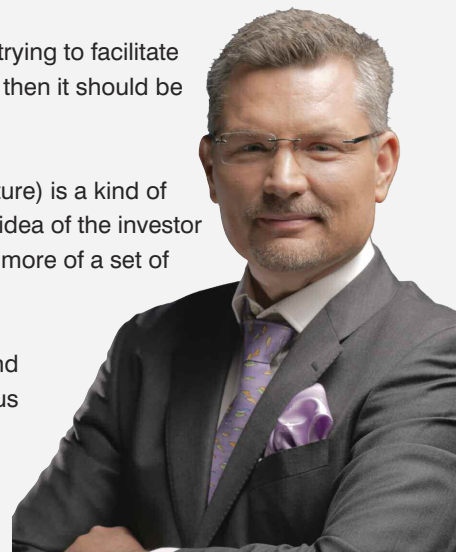
Matthias Knab

We talked about opportunities and innovations, let's also look briefly if there are other things you're concerned about.

Henri Österlund: Well, I think that it's sad that many so-called innovations are actually trying to facilitate people investing in a more regulated environment. But if we were to live in a free world, then it should be between the manager and the investor how to invest.

I could say that something like UCITS (or pick any regulator classified investment structure) is a kind of innovation, but to be honest, it's more a form of regulation and not that innovative. The idea of the investor and the manager is the same and what they do is the same, but the innovation is really more of a set of rules and regulations.

Generally, I am also a bit concerned by the fact that the regulators always have been and always will be so much behind the curve that no amount of regulation is going to save us from financial crisis. In fact – and this would be a good topic for another discussion – regulators have often helped drive financial crises over time.



Laura Wickström

Just as another example of the regulatory dissonances Per mentioned earlier: With MiFID II, research in Europe has to be paid for separately while in the US asset managers will continue to receive research for free. This might create **competitive disadvantages for European asset managers**.

Henri Österlund

But it is also a good example that the regulator should maybe not have anything to do how the market players organize themselves.

Laura Wickström

Just by virtue of having those diametrically opposed views on paying for research shows that imposing these forms of restrictions probably will create some inefficiencies.

Henri Österlund

You create regulatory arbitrage.

Laura Wickström

Correct, this also creates opportunities e.g. in ILS and in credit as insurance companies and banks are regulated there are certain risks that they are able to keep and others that they are not. The capital markets can then provide capital to carry those risks and it creates investment opportunities.



Per Ivarsson: Also the large global banks and organizations can have **internal frictions**. For example, you can have a KYC team in London that do a complete KYC that takes months, but then, if you want to do something in the US, the US KYC team needs to redo the whole thing, because they don't trust what's been done by the European KYC.

The regulatory environment is moving so fast that they don't really know which questions are appropriate to ask whom. Therefore everyone gets asked all the questions every time, and nobody dares to miss to tick a box or ask a question, which means that things take forever, it's a very onerous burden and in the end a huge added cost.

Stefan Nydahl: I would add that generally financial markets are very innovative and will find ways to circumvent issues if they turn out to be too big.

I am probably going to be the only one in the room saying this, but I think that the increased regulation, if you look back over a longer period, isn't all bad and that it started for a reason. 25 years or at least 20 years ago when I started working in the US, hedge funds were a quite closed environment where you had the small partnerships with institutions and a few wealthy investors who, supposedly, could handle losses and therefore you didn't need to regulate the funds the way you did for a, say, mutual fund investor.

In contrast when the hedge fund industry started in the Nordics, also in the late nineties, I would say that at that time we had the advantage of being regulated from the start. Also this regulation was to a large extent based on sound practice. This meant that hedge funds could approach a broader investor base much earlier. Also that when regulation increased, e.g. with AIMFD, Nordic managers were well prepared in comparison to our colleagues in London.

However I agree that *now regulation tend to swing too far away to the other end of the spectrum* with an overload of additional regulations and requirements that sometimes might even contradict the basic purpose, to add transparency and safety for investors.. As a consequence much of the advantages that regulation could add as a comfort to investors might get lost.

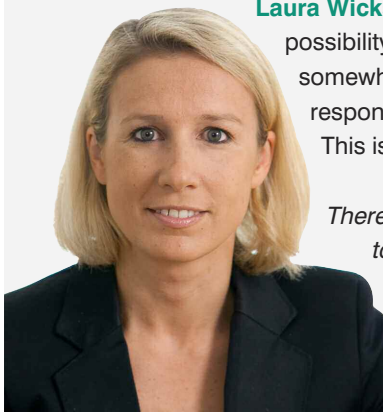
Another concern often raised is about hedge fund returns in general being challenged. But the big positive note is that even though the hedge fund industry as a whole has been perhaps struggling a little bit for the last couple of years, there is also an *increasing awareness of the use and benefits of alternative investments in your portfolios*.

I think the **demand for uncorrelated returns** is definitely there and even increasing. So there is great opportunity for niche managers and for well-informed investors out there.



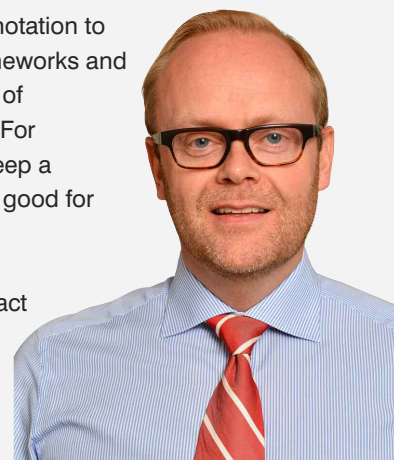
Laura Wickström: Definitely being able to work in an **unconstrained opportunity set** provides the possibility to generate good returns. This is especially relevant when we are in an environment with somewhat stretched valuations. We see still very good investment opportunities, and when you can responsibly utilize them you have the potential to reach your return targets without increasing risk. This is what we believe alternatives at their best may provide.

There is dispersion between funds, as we talked about earlier, and in that sense it's not enough just to allocate to alternatives or to just any hedge fund. With careful analysis and due diligence one is able to build a good hedge fund or alternative allocation and that's what we work to provide for our investors.



Per Ivarsson: Coming from the CTA and managed futures side, I actually see a positive connotation to regulation. I would agree with Henri that the more you try to increase and stratify the risk frameworks and regulators impose risk frameworks and different portfolio management tools on certain types of investments, it will actually end up just increasing the problem when things start to go south. For instance, if you have to sell off your bond position when your equity position goes down to keep a balanced portfolio, it would only increase and broaden the downward move, which is usually good for CTAs.

If you are able to follow a relatively unconstrained strategy, you will actually benefit from the fact that other investors are constrained.



Johannes Asp: With all the battles we as active managers are fighting also comes a **Darwinian clean-up** of our industry. Firms that don't have the right profile to survive are going away, so there is consolidation there which opens even more space for the ones that survive.

From that perspective we should see a good next couple of years if you are able to prove and communicate your added value.





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Content Syndication
Compliance Toolkit
Content Promotion
Content Performance
Support (Dedicated)

Onboarding
Reader Type Data Insight
Reader Cohort Analysis (5 Reports)
Individual Reader Detail Data
Exclusive Content (3 Products)
Lead Generation (3 Products)
Universe Insight Consulting

Go to www.hvst.com/info/opalesque or contact sales@hvst.com to learn more

What happened in Week 3?

Hedge fund manager A has produced a custom video with Opalesque.TV and it has been online for a few weeks. As with manager A, we sometimes notice that the weekly views of a video can jump several hundred percent from one week to the other.

Weekly video views	Week 1	Week 2	Week 3
of Manager A:	110	101	376



There are a range of different reasons for such a sudden jump in views, for example manager A could have:

- won a prestigious award or was nominated to it
- been included in some industry ranking
- been written up in the press / hedge fund media
- just launched a new fund that gained a lot of attention
- posted a (very) good month or year
- etc.

It is safe to assume that on any given day, someone or many will google any hedge fund manager's name, fund name, or company name. Good for those who have a custom made, targeted video online that investors can access any time, and at their time.



Unexpected long-term effect

Opalesque has detailed viewer stats on 280+ videos since 2009. What's most interesting is that **video views do not drop significantly over time**, no matter how long the video has been online.

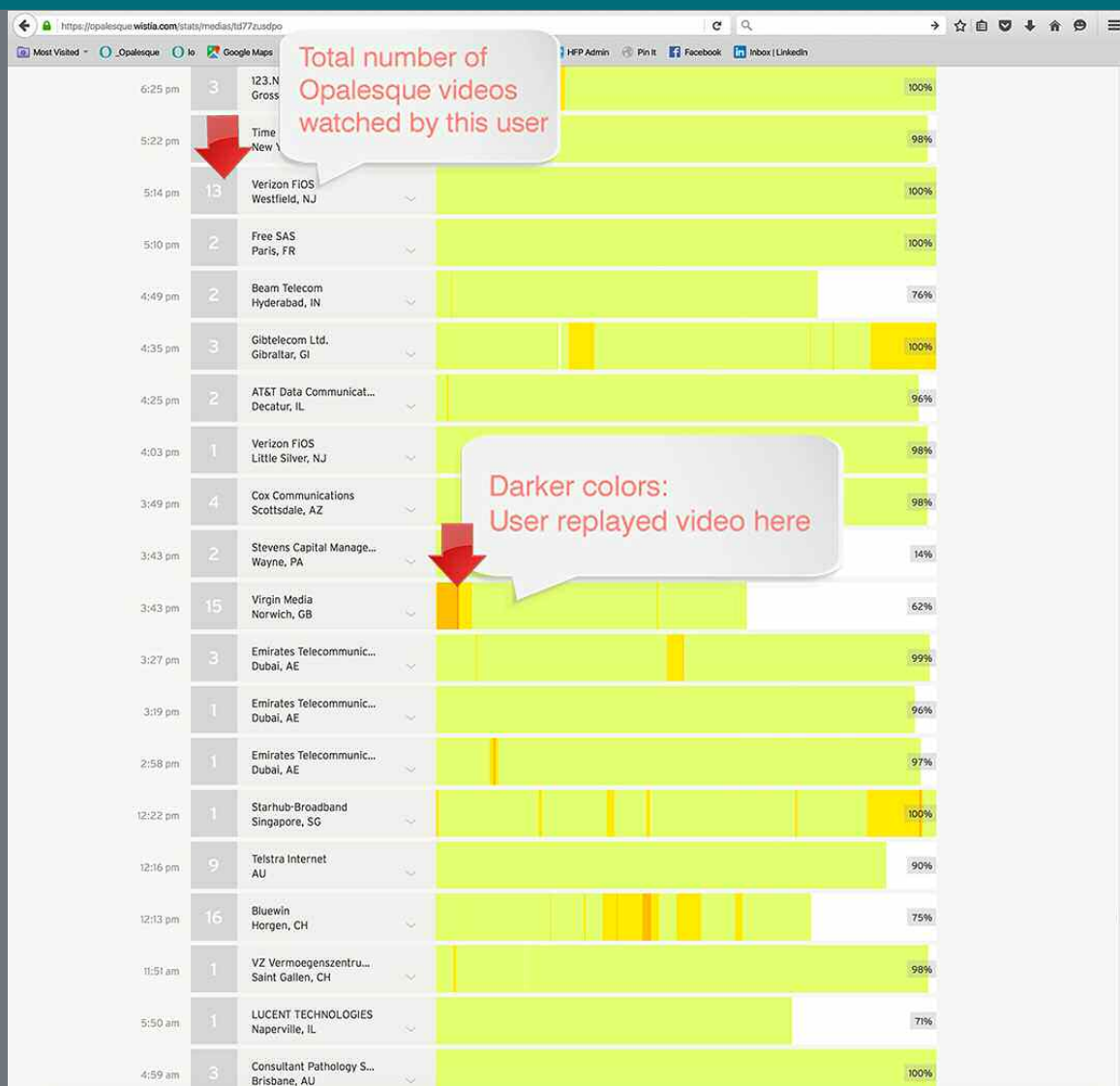
Taking Meetings over Christmas and while you're sleeping

Opalesque.TV videos are designed to simulate a first time meeting with a prospective investor. Many of these allocators will watch a video when they see that there's one available on the manager they are researching (like the viewers of manager A). All 280+ managers who have produced a custom Opalesque.TV video can therefore actually make business (or "have a meeting") while sleeping. Or when it's Christmas.

This video was watched 104 times over the 2016 Christmas holidays:

<http://www.opalesque.tv/hedge-fund-videos/patrick-stutz/1>

Take a look at the next graphic, especially at the hours (which are Central European), the locations, and the completion (how many viewers watched the video until the end):



We therefore believe there are real **opportunity costs** for managers who do not use videos to explain what they do.

Save up to 50% in travel costs by making your first meeting the second one

Have you ever spent time and money to take a trip to present your fund, only to hear, *"Thank you for coming to our office, and please keep sending me your reports ..."*?

What if you had known before that the investor is looking for something else?

By sending their video to prospects **before the meeting**, the manager wins twice. Should the investor be looking for something else, the manager can focus his efforts on those investors who watched the video **and liked** what they saw.

In these cases, managers tell us that the first real meeting becomes more like a 2nd meeting (the 1st one being the video) as the groundwork has been laid and the meeting will be much more successful and achieve much more compared to a regular first meeting. By better **qualifying your leads**, you can basically halve your travel budget and raise more assets quicker.

Compliant

- Opalesque.TV videos are produced to comply with your regulatory requirements
- Allow for true reverse solicitation

You're in control

When you're doing a custom Opalesque.TV video, you have full control about any aspect of your message. This is not a given in any other regular media coverage.

A manager portrait on Opalesque.TV is generally designed to simulate a first time meeting with a prospective investor, meaning that questions like the following will be discussed:

- Please introduce yourself and your firm
- What is special about your strategy?
- How are you different from your competitors?
- What else is important regarding the asset class?
- Opportunities you focus on

Working with a trusted partner

Over 1.2 million people have watched one or more Opalesque.TV videos, which means that the people you may be targeting will already be familiar with Opalesque.TV videos.

Managers like **Julian Robertson, Izzy Englander, Jim Chanos, Jeffrey Ubben, Elena Ambrosiadou, Anthony Scaramucci**, and many others have done Opalesque videos, as well as institutions like **Morgan Stanley, State Street Global Advisors, M&G Investments**.

Broad distribution

You can either produce a private video with us, which will only be hosted on the non-public part of your website, or we can offer you the broadest possible multi-channel distribution on Opalesque.TV and our partners like Reuters and other leading platforms. Contact us to discuss your custom distribution package.

Managers have **quadrupled assets** thanks to our video (\$700m to \$2.4bn in 1 year) and also received a book contract or **invitation to speak at the World Economic Forum or at TED** through our video:

- View count: Over 1.2 million views (hundreds of thousands of people)
- Thousands of investors will view your presentations
- Longterm effect: views do not drop significantly over time
- Without investing a single additional minute of your time – time required to record a video is approximately 90 minutes.

Costs

For a 10 minute video the all-inclusive package price is US\$4000 which includes: travel (Europe and NY tristate), full production at your office, multiple edits (cuts), provision of the final video file, and a global, multi channel distribution package. A 15 minute video is \$5000, so \$1000 will be billed for each additional 5 minute segment above 10 minutes. The client determines the final length of the video.

Links

Opalesque.TV video which got 104 views over 2016 Christmas:

<http://www.opalesque.tv/hedge-fund-videos/patrick-stutz/>

Opalesque.TV videos sorted by number of views:

<http://www.opalesque.tv/most-viewed-hedge-fund-videos/>

Opalesque.TV videos sorted by number of social media shares:

<http://www.opalesque.tv/most-shared-hedge-fund-videos/>

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