

Hedge Fund Solutions Through the Eyes of an Asian Specialist

In the last few years, there has been a resurgence of interest in alternative investments. Many institutions and pension funds globally have not only taken a deeper interest, but have increased their allocation to this asset class via allocation to hedge funds.

The term 'hedge fund' itself can refer to a bewildering array of products and vehicles, which adopt a wide variety of investment strategies, across multiple asset classes. However, hedge funds share some similarities that make them fairly unique. They tend to have absolute return objectives, have much wider investment latitude than traditional long only funds, employ leverage and usually charge performance fees.

Institutions Increasingly Seeking Hedge Fund Exposure

A few key factors have driven the higher interest in hedge funds. Lower interest rates and estimated long term returns have placed pressure on large institutions and pension schemes to look beyond traditional asset classes. Years of low interest rates have also created a funding gap and many defined benefit plan sponsors have to overcome lingering funding deficits, by seeking to deliver excess returns without significantly altering their risk profile.

Hedge funds can offer a range of benefits from diversification to lowering volatility in portfolios. They encompass a variety of investment strategies such as long/short/market neutral, arbitrage, macro driven etc. This diversity is the key to their versatility, as different strategies can be incorporated to potentially deliver desired outcomes or to meet specific investment objectives.

Benefits of Blended, Multimanager, Hedge Fund Solutions

However, investing in single strategy hedge fund pre-supposes a high degree of knowledge in this field, which can often be opaque. Investors would need to be sure that the strategy they select fits their requirement, against ever changing market conditions.

As such, one could consider investing in a diversified strategy that invests in a number of different hedge funds. An actively managed strategy also provides the added benefit of reviewing its underlying hedge funds in a timely manner, and repositioning them as necessary in view of market and economic conditions.

As an active investment specialist, Fullerton Fund Management ("Fullerton") has access to the best-of-breed hedge fund managers. We also have the ability to blend them into a portfolio, which we then offer to investors.

Investing With Fullerton

We are among the few Asian asset managers with an experienced and dedicated in-house Alternatives team researching and investing in hedge fund strategies and managers.

- We have a long history of investing in hedge funds
 - Started investing in hedge funds in 2003
 - More than 10 years of experience investing in Global and Asian managers
 - Open architecture for best in class manager selection across the traditional and alternative spectrums
- Our team is highly experienced with established expertise
 - Highly experienced team head with about 24 years of investment experience
 - Individual team members with an average of 23 years of experience
 - Fullerton is a significant investor in the Asian hedge fund space
 - One of the first port of call for most new launches in Asia
 - Award winning team
- We are well-resourced with a strong focus on governance
 - Dedicated team of five investment professionals
 - Dedicated teams within Fullerton providing risk and operational support
 - Robust risk management framework
- We can offer attractive performance characteristics
 - Our hedge funds solutions can offer good risk adjusted returns over a long term horizon, which is particularly relevant in this uncertain and volatile climate
 - For example, our FAR-IS strategy (see performance table below) which was inceptioned in November 2004, invests in a globally diversified group of non-traditional asset managers and/or hedge funds including funds of hedge funds

Table 1: Return comparison for various asset classes and Fullerton Absolute Return Investment Strategies (FAR-IS)

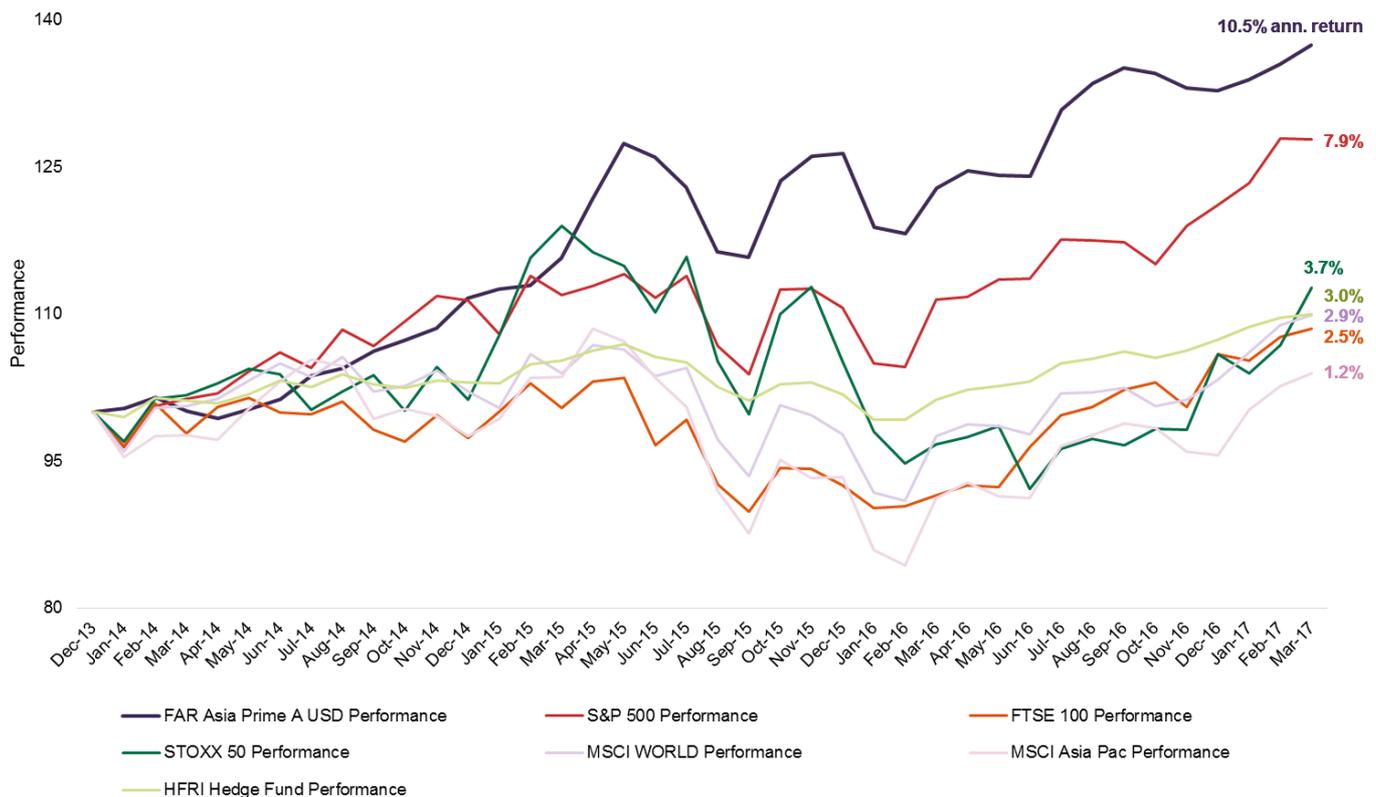
	MSCI All Country World Index	Citigroup World Government Bond Index	EurekaHedge Hedge Fund Index	HFRI Hedge Fund Index	Fullerton Absolute Return Investment Strategies - FARIS
Jan 2016 - Dec 2016 (1-year)					
Returns (%)	5.63	1.60	4.49	5.44	4.92
Volatility (%)	11.15	8.73	2.98	4.19	4.74
Sharpe Ratio	0.49	0.14	1.27	1.14	0.88
2014-2016 (3 years)					
Annualised Returns (%)	1.07	-0.84	3.80	2.39	7.15
Volatility (%)	11.17	5.98	3.03	3.98	6.11
Sharpe Ratio	0.11	-0.18	1.13	0.51	1.10
2012-2016 (5 years)					
Annualised Returns (%)	7.08	-0.99	5.58	4.49	7.30
Volatility (%)	11.41	5.34	3.20	4.1	5.28
Sharpe Ratio	0.65	-0.23	1.64	1.02	1.31

Source: Fullerton Fund Management; with gross data calculated in USD, as at end December 2016

Fullerton Absolute Return – Asia Prime: An Award Winning Strategy

The Fullerton Absolute Return – Asia Prime (FAR-AP) invests in hedge fund strategies with a focus on Asia. FAR-AP was inceptioned in January 2014, and was recently awarded the Investors Choice 2017, Multi-Manager Fund – Long Term Performance Award. Since inception the Fund has delivered an annualised return of 10.5%*, significantly above the performance of international benchmarks as shown in the chart below.

Chart 1: Performance of FAR-AP versus global indices (monthly data from 31/12/2013 – 31/03/2017)



Source: Fullerton

*Data as at end-Mar 2017, since inception of FARAP. Performance of FARAP is computed net of all fees in USD. Past performance is not necessarily indicative of future performance.

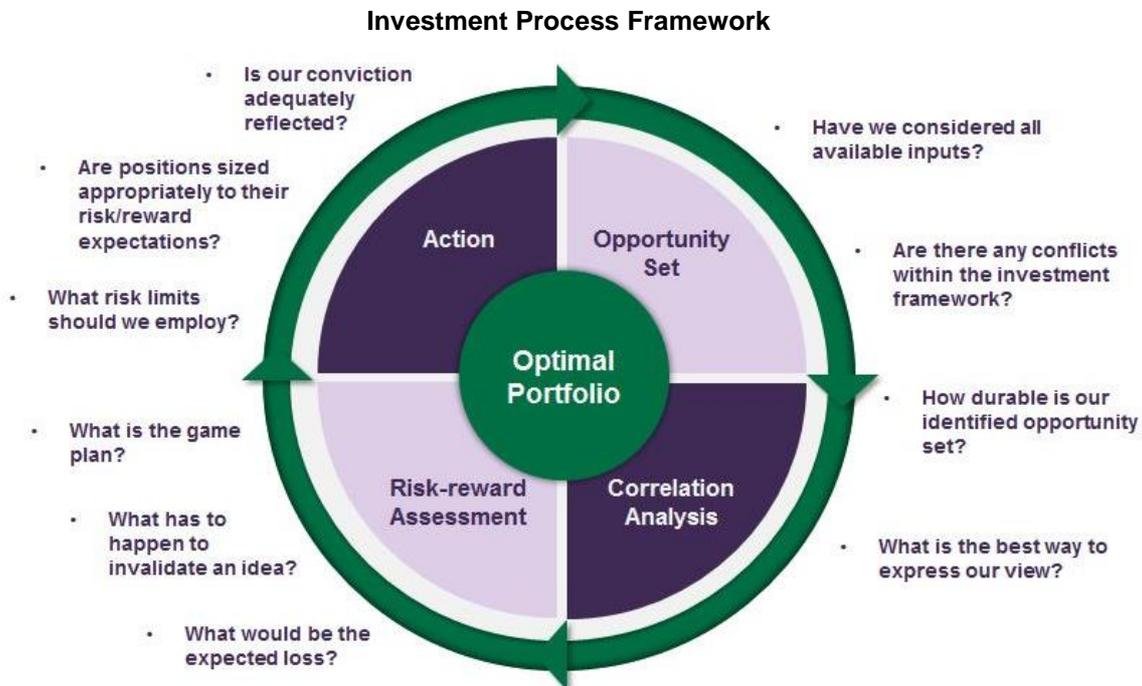
The Fund seeks to achieve an annualised return (net of fees) of 7-11% and annualised expected volatility of 12%. For global investors thinking beyond traditional vehicles and markets, this strategy has the added benefit of diversification. The table below shows that the Asia Prime strategy has low correlation to other developed equity markets. This may be of interest to investors that wish to diversify their existing portfolios.

Table 2: Correlation table of FAR-AP versus other indices (monthly data from 31/12/2013 – 31/03/2017)

	FAR-AP	S&P 500	FTSE 100	STOXX 50	MSCI WORLD	MSCI Asia Pac	HFRI Hedge Fund
FAR-AP	1.00	0.55	0.44	0.42	0.61	0.73	0.66
S&P 500	0.55	1.00	0.62	0.63	0.95	0.74	0.85
FTSE 100	0.44	0.62	1.00	0.66	0.71	0.62	0.68
STOXX 50	0.42	0.63	0.66	1.00	0.67	0.52	0.65
MSCI WORLD	0.61	0.95	0.71	0.67	1.00	0.88	0.91
MSCI Asia Pac	0.73	0.74	0.62	0.52	0.88	1.00	0.82
HFRI Hedge Fund	0.66	0.85	0.68	0.65	0.91	0.82	1.00

Source: Fullerton

All portfolios benefit from a robust investment process that integrates risk management to deliver long term absolute returns.



Source: Fullerton

At Fullerton we strive to create value for our clients by carefully adjusting strategic allocations to different hedge funds, methodically selecting managers with the right expertise to produce sustainable returns for each of the strategies adopted, whilst tracking our managers' and the portfolio's underlying risk exposures using an internal monitoring system.

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