



Aussie hedgies open new international fund

By Simon Osborne | 16 April 2007

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Cadence Capital allows international investors into its Australian long/short strategy via the Caymans.

Cadence Capital has launched a new offshore hedge fund named the Cadence Cayman Fund. The original vehicle was established three-and-a-half years ago as an open-ended fund and that was subsequently joined with a listed closed-end fund.

The Cadence managers have not been marketing, but lured by return numbers of 57% in 2006, institutional investors, who are now in greater numbers placing Australia on their business-trip itineraries, have been knocking on Cadence's door and asking for access, hence the arrival of this new fund.

The founder of the fund is Karl Siegling, who formerly worked at Deutsche Morgan Grenfell and Goldman Sachs, before setting up eFinancial Capital as a subsidiary of Australia's Challenger Group. Set up when tech was in fashion, this fund held the accolade of being the highest-returning tech fund in its class. Although it only achieved a 5% positive return, it still beat the rest of the market by 80%.

Siegling has been joined recently by Wayne Davies, an accountant who used to work at Matthews Capital Partners.

Average annual returns for the existing fund have been approximately 28% on 10% volatility, but with average downside volatility of just 3%. The parnters plan to replicate this with the Cayman fund and target fund size of \$30 million after the first year of operation. There is a one-year lock-up for the new fund and the existing open-ended fund. The closed-end domestic fund can be traded publicly.

Management and performance fees for the new fund are 1.5% and 20%. Maximum leverage is 100% but the most it has utilised to date is 3%. Today the fund is 20% in cash. Gross exposure ranges between 80% and 150% with net exposure on average at 75%.

“We have an open mandate,” says Karl Siegling. “When we started we were looking at a lot of small- and mid-cap stocks, but now our bottom-up and fundamental analyses are pointing us towards larger-cap stocks. There are about 1,900 listed companies in Australia; eliminating those which are of less interest to us, for example certain trust companies, 1,200 remain and we visit about half of those each year. Then we put on 35-40 core positions out of those.”

Service providers are UBS as prime broker, Citco as fund administrator and Walkers as lawyers.

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