



*Essential Advice for Tomorrow's
Leading Hedge Funds*

Retailization of Alt Assets: 40 Act, Act II

Overview Slides Presented April 8, 2014 at



Where C-level Alternative Investing
Operations, Due Diligence and
Compliance Experts Meet Peer-to-Peer

David Geffen, President, Geffen Advisors LLC



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Market Size – Already Meaningful

Barclays Prime Services, April 2014

The liquid alternatives space grew by 43% in 2013 to \$137 billion (1% of the \$13.2 trillion in the entire US mutual funds industry. Hedge funds account for 1/3 of that \$137 billion.

Citi Prime Finance, May 2013

“U.S. alternative retail funds has been surging, allowing assets to more than triple from \$95 billion in 2008 to \$305 billion in 2012.” (These figures include alternative ETFs)

Morningstar, 2013 & 2014

In the first three quarters of 2013, 55 new alternative funds were introduced bringing the total number to approximately 400 (reported in *The New York Times*, Oct 2013)

“Alternative funds hold \$234.4 billion in total assets, up from about \$157 billion at the end of 2012 and \$41.8 billion in 2007” (reported in *The New York Times*, Oct 2013)

Assets managed in multi- and single-manager hedge fund strategy mutual funds jumped 54% to \$139.3 billion in 2013 and increased 292% from year-end 2007
(reported in *Pensions & Investments*, March 2014).



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Outlook – Significant Growth Expected

Barclays Prime Services, April 2014

“Our estimates, based on recent flows and the growth of assets over the last 12 months, suggest a range of ~\$650 – 950bn of assets in the '40 Act Alternative industry by 2018.”

Citi Prime Finance, May 2013

“Our analysis...shows U.S. retail demand for alternative 40 Act mutual funds and alternative ETFs pushing assets up from \$259 billion in 2012 to \$779 billion by 2017.”

McKinsey & Company, June 2012

U.S. retail alternatives, including hedge fund strategies re-packaged as '40 Act funds, will likely account for 13 per cent of U.S. retail assets by 2015 (separate estimates place current U.S. mutual fund assets at ~\$13tn implying total U.S. '40 Act alt funds could grow to \$1.7tn).



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Who is Participating in this Market?

Institutionally focused hedge funds-of-funds managers

Arden Asset Management LLC	Blackstone Alternative Asset Management
Aurora Investment Management LLC	Grosvenor Capital Management LLC

Institutional hedge fund managers

AQR Capital Management, LLC (20 funds, > \$9bn)	Graham Capital Management LP
BlackRock	JANA Partners LLC
Cerberus Capital Management LP	Peak 6 Advisors LLC
CQS (U.S.) LLC	Two Sigma Advisers
D.E. Shaw Group	Wellington Management Co. LLP
Gotham Asset Management, LLC	York Registered Holdings LP



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Strategies in the '40 Act Space

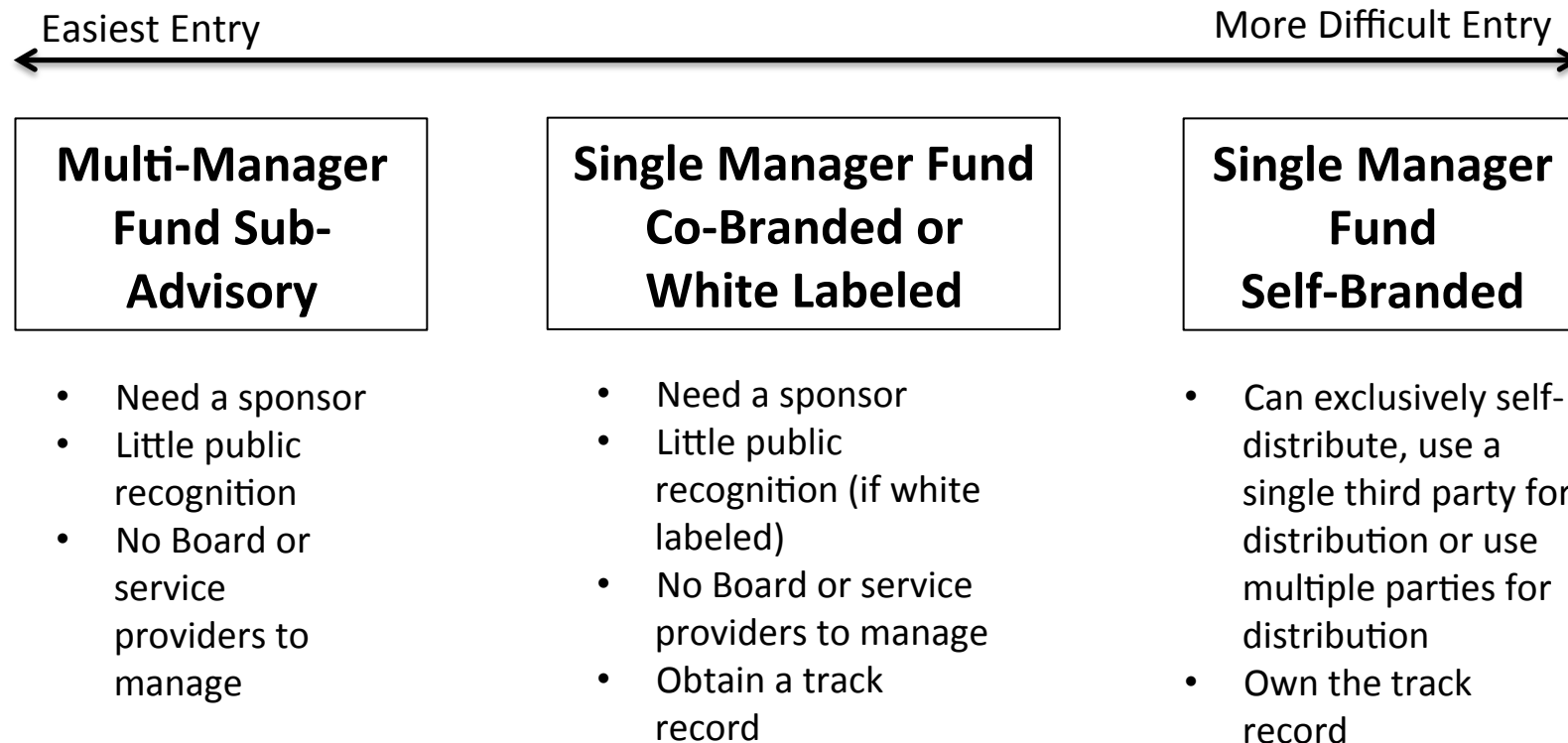
Strategies that are proliferating	
Long/Short Equity	Global Macro
Equity Market Neutral	Managed Futures
Event Driven	Multi-Manager

Strategies expected to get some traction	
Long/Short Credit	Long/Short Emerging Markets



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How Hedge Funds Can Participate





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Additional Resources

Barclays 2014 White Paper: *"Going Mainstream: Developments and Opportunities for Hedge Fund Managers in the '40 Act Space"*

http://www.barclayscommunications.com/CapSol_Publications/492282/Going_Mainstream_A4.pdf

Deutsche Bank 2013 Survey: *"From alternatives to mainstream: Hedge funds' changing role in the asset management industry"*

[http://m.investmenteurope.net/digital_assets/7339/From_Alternatives_to_Mainstream_\(02.12.13\).pdf](http://m.investmenteurope.net/digital_assets/7339/From_Alternatives_to_Mainstream_(02.12.13).pdf)

Citibank 2013 White Papers: *"Introduction and Overview of 40 Act Liquid Alternatives Funds"*

<https://www.managedfunds.org/wp-content/uploads/2013/09/Citi-40-Act-Funds-White-Paper-July-2013-2.pdf>

"The Rise of Liquid Alternatives & the Changing Dynamics of Alternative Product Manufacturing and Distribution"

http://citi.com/transactionservices/home/demo/tutorials8/Hedge_Fund_May2013/index.html#/1/zoomed

McKinsey 2012 Study: *"The Mainstreaming of Alternative Investments: Fueling the Next Wave of Growth in Asset Management"*

http://www.rmb.co.za/investments/library/McKinsey_%20The_Mainstreaming_of_Alternative_Investments_8_2012.pdf



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David Geffen - Biography

David Geffen is President of Geffen Advisors, a consulting firm that offers hedge funds strategic advice and solutions in areas including treasury and counterparty risk management. The firm also advises hedge fund managers on foundational aspects of their launches and provides training on hedge fund topics. Based in San Francisco, David was previously a Managing Director at BlackRock and Barclays Global Investors where he established and managed the hedge fund treasury function. David is an alumnus of Amaranth, Goldman Sachs, and Citibank.

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