

FINANCE PUBLICATIONS OFFSHORE
[JUNE 18 2012]

ILLIQUID HEDGE FUNDS LOOK TO NEW SOURCES OF CAPITAL
Finance Publications Offshore

Gamma Finance, leading provider of advisory services to the secondary hedge fund market, is seeing a number of new trends emerge.

Florian de Sigy, founder of Gamma Finance LLP comments: "We are seeing a bifurcation of the secondary market between those investors who want to transact in the shares of illiquid hedge funds, and those who want to access the real assets held within the illiquid hedge fund portfolios themselves".



This latter trend is possibly the most significant development in the secondary market since the post-Lehmans financial crisis. Real asset investors - often family offices, private equity or real estate funds - are starting to wake up to the supply of opportunities that are available. For hedge fund managers a key benefit of this interest from the real assets sector is that it opens up a new and previously untapped source of capital, and this in turn generates additional liquidity for the hedge fund's investors."

Ben Keefe, director and head of advisory for Gamma Finance LLP comments: "The hedge fund secondary market has evolved considerably in the last three years: investors are no longer distressed sellers, and buyers are increasingly interested in the real assets held on the hedge funds' balance sheets. A second development is the increasingly hands-on involvement of Fund Directors, and Liquidators. The SEC's recent comment on so-called "zombie" funds has high-



lighted Directors' focus on ensuring investors' interests are pursued and protected. This can often mean investigating optimal exits from low-liquidity positions which, if handled by specialist advisors such as Gamma, can avoid firesales at distressed levels through the discreet identification of targeted, experienced buyers who are comfortable with the asset's liquidity profile.

Florian de Sigy adds: "At present, we are seeing very positive trends in the secondary market. In terms of hedge fund shares, there are a number of managers looking to set up new funds to target the lower liquidity sector, whilst this new flow of capital from real

assets investors is also creating additional liquidity. This is good news both for the hedge fund managers and their investors. But this is all part of the ongoing evolution of the sector. Regulation - particularly Solvency II and Basle III - may well increase supply of illiquid hedge funds."

Ben Keefe concludes: "These funds, along with their advisors, are working to ensure that they are aware of all the routes that could maximise shareholder value. Gamma Finance is working with such restructuring professionals, and their hedge fund clients, to advise on how to enhance and accelerate exits from illiquid assets that may require a specialist approach."

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