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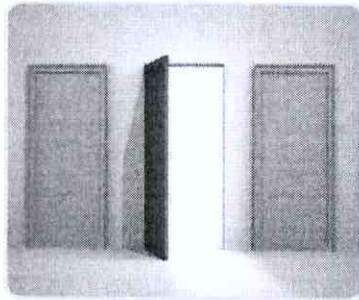
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High quality managers available

By Wouter Klijn
Mon 21 Jun 2010

Hedge funds, private equity and property are on the buying list of incubators.



Incubators of boutique funds management firms are looking to hedge funds, private equity and property for new acquisition opportunities, a number of managers have said.

"We are moving much more to the alternative hedge fund space," Ascalon chief executive Andrew Landman said.

"All new purchases will be in alternative assets or thematic-style products."

The global financial crisis (GFC) had left mostly high-quality managers standing, with those managers increasingly looking for capital backing and distribution and that had created good opportunities, incubators said.

"All we want is hedge funds that invest in listed securities, being listed derivatives or equity, which offer daily pricing and daily liquidity. They have obviously the ability to go long, short and also leverage," Landman said.

Despite the narrow definition there were many opportunities around, he said.

"You could do a specific thematic around merger and acquisitions: a merger arbitrage-style fund. Or you could do a market neutral fund, a long-short Asian equities, a global strategy managed futures portfolio, there are lots of opportunities. It is a higher margin-style product that has also global appeal, not just domestic appeal," he said.

Treasury Group also indicated it had seen some interesting opportunities in the alternatives space.

"We now have got a couple of alternatives managers and we think that will expand," Treasury Group executive director David Cooper said.

"After the GFC, who were left standing were the high-quality hedge funds. Some of those we are talking to," he said.

Treasury Group currently has a stake in Melbourne-based absolute return manager AR Capital.

Nabinvest investment director Nick Basile singled out infrastructure as an area the company might expand in.

"Infrastructure made its name on the back of the Macquarie model. A lot of it was very highly geared and the results you ended up with weren't really purely infrastructure," Basile said.

But the sector has shifted back towards traditional infrastructure projects, which could form an alternative to income funds.

"More and more, assets like infrastructure could be married to the ageing demographic and the need for income as long as it is not geared, because when it is geared it brings in other risks," Basile said.

"But there is certainly a big need to spend on infrastructure and the return profile from those sort of investments will be well sought after."

He said the company had a healthy pipeline and also indicated that, as part of the wider National Australia Bank group, it had opportunities handed to it.

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