

Boutique looks for points of difference

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Westpac Banking Corp-backed boutique investor Ascalon has seeded a global hedge fund and is on the lookout for other alternative investments to differentiate it from the crowded managed fund arena.

Ascalon would provide "several million" dollars in seed capital for a global equity fund run by Helix Partners, and eventually take a 40 per cent stake in the boutique.

Helix is run by three Harvard University graduates – partners Brandt Leahy, Justin Webb and Matthew Perone – who used to work at Macquarie Funds Group.

Westpac said last week it would acquire full control of Ascalon after reaching an in-principle agreement to purchase the half share held by Kaplan Equity. The transaction is expected to be complete in October.

Ascalon chief executive Andrew Landman said the firm would assess opportunities in hedge funds and private equity funds, particularly in the Asian region.

"There's so much competition in

Australia for manufactured product we'd like to focus more on alternative assets where the base fee is still reasonable but there's the opportunity to charge performance fees if you make money," he said.

The Helix Partners product had a typical hedge fund management fee of 2 per cent and a performance fee of 20 per cent, although Mr Webb said details of the fee structure had not been finalised.

The so-called "market neutral" fund will choose its investments from 1800 global equity stocks, by investing in about 800 stocks and matching these with an equal number of short positions.

That means it has no net market exposure on the long or short side.

It will initially be marketed to wholesale investors with a \$50,000 minimum, with an offer to retail investors next year at the \$5000 to \$10,000 level once it has a track record.

Mr Webb said the fund's quantitative strategy was sufficiently different to ensure it was not vulnerable to the situation during the crisis

where several hedge funds were burnt in the rush to unwind identical stock positions due to similar mathematical investment models.

"When you have the same ingredients and the same cookbook, you get the same result. We are using the same ingredients but the cookbook is very different," Mr Webb said of the fund's point of difference.

The Helix Partners global market

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Helix's Justin Webb

neutral fund will be run between Mr Webb, Mr Leahy and Mr Perone.

Before starting their own boutique, the trio worked at Macquarie overseeing the Helix Japan Fund, which returned 4 per cent for the 2008 calendar year against a 15 per cent loss for the Eurekahedge Asia Long/Short Index.

Ascalon's head of investments,

Nelson Lam, said the transaction sent a clear signal. Ascalon was reviewing opportunities and was able to make fast decisions.

Accounts filed to the Australian Securities and Investments Commission show Ascalon has been losing making for at least the previous two financial years, losing \$644,742 in the nine months ended June 2008.

It incurred a net loss of \$253,171 in its 2007 financial year (the 12 months ended September 2007). No dividends were declared in either year.

Westpac inherited the Ascalon relationship when it acquired smaller lender St George Bank last year.

Because of the nature of its business, Ascalon's income is invariably tied to the volatility of the listed equities market.

Shares of Westpac yesterday declined by 43¢ to \$24.09, trimming their gain this year to 42 per cent.

Separately, the search continues for a chief executive to replace Dirk Morris at the listed BT Investment Management in which Westpac has a 60 per cent stake.