

Opalesque Exclusive: Swiss wealth manager goes active with new UCITS hedge fund

Benedicte Gravrand, Opalesque London:
Wednesday, 04 August 2010

As reported last month, a multi-family office took the unusual step of launching its own first single-manager hedge fund, in a bid to meet a growing demand from institutions for alternatives. It is unusual as such organisations normally invest in funds on behalf of clients, instead of doing the “managing” part. But this group already has a FoHFs, so it is no stranger to this approach. And besides, the directors really liked the two portfolio managers who are running the new fund so much, they had to have them.

7H Absolute is a European long/short equity hedge fund. It is domiciled in Luxembourg under the UCITS III Sicav structure, and it is the first of its kind to be launched by the Institutional Division of a multifamily office, namely Global Wealth Management (GWM) Holding. The international group’s main offices are in Switzerland and Luxembourg and the division in question is called GWM Institutional.

The fund invests mainly in equities and equity-related instruments listed on European exchanges. The equity exposure is carefully managed using a bottom up approach.

The expected return is 15% p.a. and it is up almost 3% since its 28-May-2010 inception. With a 1.5% and 20% fee structure, the fund is starting with Eur50m and targets up to Eur300m in the next twelve months.

It is run by two portfolio managers: Simone Chelini and Pietropaolo Rinaldi, both former co-founder and fund managers of the Unifortune Albatross Fund, which was selected as best Italian Hedge Fund and winner of Mondo Hedge Award 2007, and was in the top three in 2005, 2006 and 2008.

Peter Sartogo, CEO of GWM Institutional and managing partner of GWM Group, who participated in the [Opalesque Geneva Roundtable in 2008](#), talked to Opalesque yesterday about the new venture.

GWM created a new division of the firm, called GWM Institutional; it is an asset management company that interfaces with institutional clients. “On this platform, we have put two products, that we effectively make available to external clients,” he said. “One is our fund of hedge funds (FoHFs) that we have had since 2004, which did quite well. Then there is our new UCITS fund.”

Cont.

Wednesday, 04 August 2010

“The rationale behind the launch is very simple,” he explained. “We’ve known the fund managers for quite a long time, they’ve been very successful. We noticed that from what they were lacking, we could bring something to the table a sort of internationalisation of clients and an openness towards endowments, pension funds etc. which they did not have before.”

GWM liked being investors with Chelini and Rinaldi, liked their communication and management styles, and their absolute returns. The group tried to hire them several times over the last few years, and in 2008, was able to convince them. The two managers eventually partnered with GWM.

Chelini and Rinaldi, now based in Geneva, had been managing a long/short fund in Italy for the past six years, building a nice track-record. The Unifortune Albatross fund had returned about 40% since 2005 (more if you take off the 12.5% Italian taxes on NAV) and its investors were mainly Italian.

“The reason we decided to launch a fund like this is because we have found the right managers to do that,” Sartogo said. “And because these managers have recognised in us a platform on which to build their future. We give them an international platform, we give them structure, solidity but no seed capital. We are already invested in the fund, which will have Eur50m by the end of August. And now institutions are waiting to invest in the fund, as they are well-known.”

GWM, as a wealth manager, caters for people (such as foundations, endowments, pension funds, insurance companies and other institutions) who have the same objective in trying to gain absolute return. “We are making what we think is attractive and available to external clients,” he noted.

Whether this is the sign of a new trend or not remains to be seen – as GWM may be the only wealth manager to have both the resources and the will to run its own hedge fund for the moment.