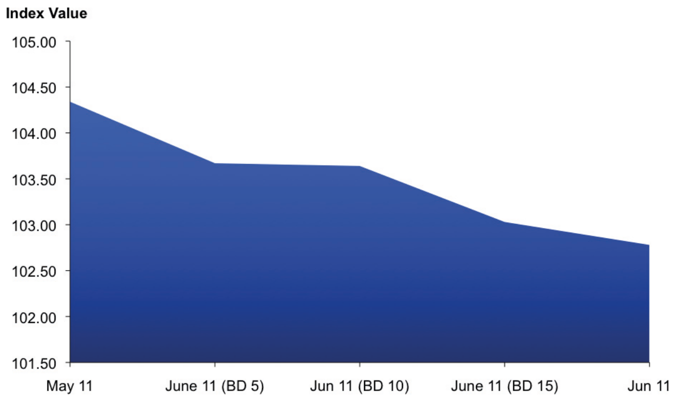
Ucitsindex.com

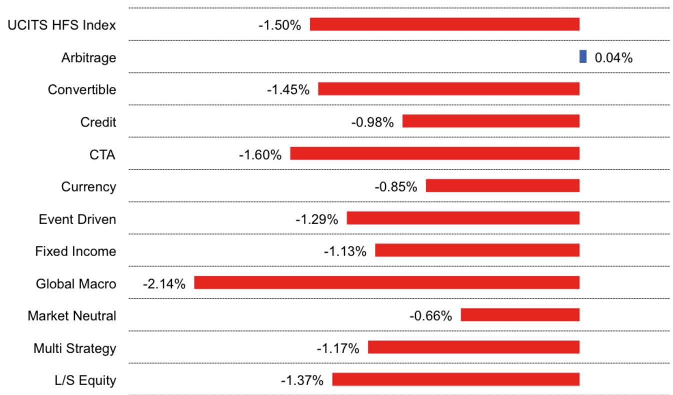
Newsletter July 2011

UCITS HFS Index takes hit in June 2011, loses -1.50%

Performance June 2011



Performance June 2011 by strategy



The UCITS HFS Index takes its biggest hit from a monthly perspective this year and reports a loss of -1.50% in June 2011. The month already started in the red with a loss of -0.64% in week one. Although the second week of trading was nearly flat with a minor loss of -0.03%, week three ended hopes of a happy ending in June as the market turmoil caused the UCITS HFS Index further losses of -0.58%. Despite the fact that some sub-strategies were able to generate gains in the last week of June the broad index lost another -0.24%. Of all funds tracked in the broad UCITS HFS Index only 25.86% were positive in June 2011.

June 2011
Funds positive: 25.86%
Funds negative: 74.14%

From a sub-strategy perspective the best performing strategy in June was Arbitrage (+0.04%), although it only turned positive in the last week of trading. All the other strategies finished in the red, therefore the second best performing strategy – Market Neutral – earned this status with a loss of "only" -0.66%. Compared to the worst performing strategies this still looks like the lesser of two evils though, considering that Global Macro (-2.14%), CTA (-1.60%) and Convertible (-1.45%) all performed far worse. While CTA accumulated most of its losses in the second half of the month, Convertible lost constantly for the first three weeks, which was too much to turn things around with a decent last week in June. Global Macro on the other hand – just like L/S Equity – performed the worst in week one and three. The UCITS HFS Index remains negative in 2011 and now stands at -2.16% from a year to date perspective.

Fund presentation of the month: DB Platinum AIMhedge Index Fund

Fund Strategy

The DB Platinum AIMhedge Index fund is an open-end UCITS III compliant fund that aims to provide returns linked to the performance of the AIMhedge GDF Classic Cayman fund using a collateralised OTC swap transaction with Deutsche Bank AG. The AIMhedge GDF Classic is a managed futures medium term trend follower that takes a very different approach to that of most of its competitors. The key aspects of this approach are the ability to quantify risk as a real, monetary based, value (instead of VaR), and superior diversification. The main risk control aspect is implemented using hard stops. Unlike VaR risk, monetary based risk is additive so risk can be accurately limited at numerous levels. This means that AIMhedge clients have a very clear understanding of where their risks lie and what to expect from the portfolio they hold. The superior diversification is achieved through its ability to effectively diversify into commodity markets. Since inception over 50% of the AIMhedge GDF Classic fund returns have come from commodity trades.

Fund Manager

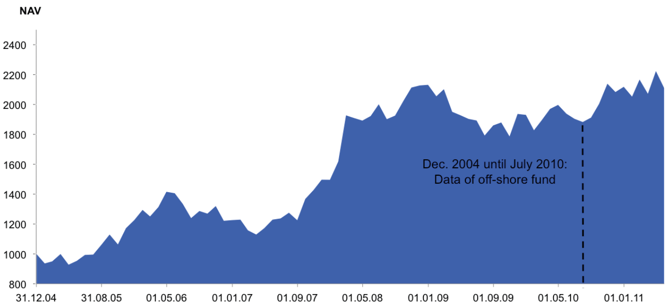
Richard Bibb, Chief investment officer and Partner at AIMhedge, joined in 2009 and is responsible for all research and technological development. He has extensive knowledge of systematic CTAs, starting his financial career with Man Quantitative Research in 1995 where he worked for David Harding, one of the founders of systematic trend following CTAs. Over the following 13 years he worked for Man AHL as the Development manager for AHL trading and market data, forming a detailed knowledge of automated systematic managed futures trading.

Fund Facts

Date of inception:	3rd of August 2010
AuM:	€ 50.7 million
Sharpe Ratio:	0.84
Volatility:	17.53
1 year performance*:	15.02%
4 year performance*:	81.37%
6 year performance*:	133.75%
Ann. performance since inception:	14.75%

**refers partially to the AIMhedge GDF Classic Cayman fund before the UCITS fund was launched*

(All data as of 31.05.2011)



Contact

Florian Dettmer (Director of Business Development)
AIMcapital
Industriering 10
FL 9491 Ruggell
Liechtenstein
Phone: +423 375 77 00
Email: florian.dettmer@aimhedge.com

Interview with Peter Nünlist, Peter Nünlist AG

Peter Nünlist is an acknowledged portfolio manager and from 2002 till 2007 was top-ranked in a strategy contest of a Swiss investment magazine (CASH strategy contest). After having worked as a portfolio manager for Swiss private banks for years, he founded his own asset management company in 2007. His company manages assets of private as well as institutional investors out of Zurich, Switzerland. He studied business administration at the HWV Olten and holds a Master of Economics from the ESSEC Business School Paris. We sat down with him to learn about his take on UCITS hedge funds and how they are perceived from the perspective of an independent asset management company that deals with institutional investors and private investors alike.

Ucitsindex.com: How important are alternative investments from your perspective as an independent asset manager?

Peter Nünlist: The expected returns for bonds are currently 2% net, for stocks expected returns are 5% net. For hedge funds we expect up to 8%. This implies that this investment category should be included in an investment portfolio. But we also know now that after the financial crisis 2008 the big American university trusts like Yale had to re-evaluate their investment strategy. The until then successful category of alternative assets became illiquid from one day to another and created problems which were not anticipated to that extent. In the meanwhile the hedge fund industry meets the investor demand for liquidity, in particular via UCITS vehicles. By offering liquid investment opportunities hedge funds became attractive again for risk aware investors. From our perspective as an asset manager we don't fear alternative investments as long as they offer liquidity. We implement a quota of about 15% of alternative assets in our portfolios. In volatile times like today this helps to minimize investment risk.

Ucitsindex.com: Long-only investments didn't perform well over the last years, neither from a 10-year nor a short term perspective. Will alternative investments consequently get more attention from investors in general and do you intend to invest more in these types of funds?
Nünlist: The assignment of our clients is clear: we should generate (steady) returns. At the same time the client wishes a steady performance of his portfolio with low volatility. Now circumstances led to a situation where also hedge funds experience investment plight. An example: arbitrage strategies are not as effective as they were a few years back. One can only succeed via leverage, but this leverage – which means additional risk - is not what clients want in the first place. Therefore only the increased liquidity enables us now to back alternative investments again.

Ucitsindex.com: Are UCITS funds in that regard relevant or do you get the transparency and liquidity your clients require from an off-shore fund as well?
Nünlist: The new regulation via UCITS plays a very important role for us. Clients request more liquid investments with at least monthly, better weekly subscription and redemption terms. But there is also another factor, which is nearly as important as liquidity: the taxation of investments. Especially gains of off-shore funds are being taxed regarding the domicile of the fund. However, funds should reflect the individual tax situation of the client. Needless to say it poses problems for the hedge fund industry to deal with tax questions as well. This again underpins that UCITS plays a very important role for investors.
Regarding the preference of products I can say the following: within the off-shore universe there are very good strategies which speaks for single fund managers from our perspective. Fund of funds are not that attractive for us as they don't satisfy our return expectations, obviously the additional fees don't help here. Clients have an interest in funds that can generate alpha and we believe that they understand more and more the benefit of UCITS. Even clients that did not want to invest in hedge funds so far are now being more open for alternative investments via a UCITS vehicle.

Ucitsindex.com: What are your expectations for the UCITS hedge fund market in general and what influence will this have on your portfolio allocation?
Nünlist: The market for regulated hedge funds gained momentum as the latest statistics about EU-regulated hedge funds show. Private investors start to ask more and more about these types of alternative assets. The main reasons for this trend are the increased transparency and better liquidity terms. With 50 million Euros of assets under management the average volume of these vehicles is still relatively small though. Certainly returns will lead to the way to success for the UCITS hedge fund industry which "Newcits" still will have to prove. Ultimately returns is what we all want. However, in these challenging market conditions these type of products have at least proved to be able to preserve capital which should not be underestimated.
Moreover I think that it is more attractive for hedge fund managers to switch to UCITS instead of keeping their off-shore structures. Hence I expect this category to grow in the future alone by new hedge fund managers entering the UCITS space. Furthermore risk aware investors get more and more choice to invest in all types of alternative strategies in a UCITS vehicle which will also help grow the market size and lead to more assets over the months and years to come.

Ucitsindex.com: Thank you for the interview.

Disclaimer

The financial instrument is not sponsored, promoted, sold or supported in any other manner by 2n20.com AG nor does 2n20.com AG offer any express or implicit guarantee or assurance either with regard to the results of using the Index and/or Index trade mark or the Index Price at any time or in any other respect. The Index is calculated and published by Structured Solutions AG. Structured Solutions AG uses its best efforts to ensure that the Index is calculated correctly. Irrespective of its obligations towards the Issuer, Structured Solutions AG has no obligation to point out errors in the Index to third parties including but not limited to investors and/or financial intermediaries of the financial instrument. Neither publication of the Index by Structured Solutions AG or 2n20.com AG nor the licensing of the Index or Index trade mark for the purpose of use in connection with the financial instrument constitutes a recommendation by Structured Solutions AG or 2n20.com AG to invest capital in said financial instrument nor does it in any way represent an assurance or opinion of Structured Solutions AG or 2n20.com AG with regard to any investment in this financial instrument.

No offer

This information is not intended to be, nor should it be construed as, an offer to sell, or a solicitation of any offer to buy, an interest in any private fund, which can only be made by delivery of the fund's confidential offering documents to qualified, suitable investors. Hedge fund investing entails substantial risk. Before making an investment in any fund, investors should thoroughly review the fund's offering documents with its financial, legal and/or tax advisors to determine whether an investment in the fund is suitable in light of the investor's investment objectives and financial circumstances.
The information contained herein and in any attachments is confidential and is intended solely for the addressee(s). Any unauthorized access, use, reproduction, disclosure, or dissemination is prohibited. Neither 2n20.com Inc nor any of its affiliates or subsidiaries shall assume any legal liability or responsibility for any incorrect, misleading or altered information contained herein.

No advice

No information provided in this Newsletter in relation to any product or investment should be construed as advice to you on the suitability or otherwise of that product or investment for you or any other person, such suitability depending on all the circumstances of the person concerned. Independent advice should be taken unless such advice is not appropriate (e.g. you are, or are accessing this Newsletter on behalf of, an authorised person or an exempted person).

Disclaimer of warranties

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied is made regarding future performance. Opinions and estimates reflect a judgment at original date of publication and are subject to change. The value and income of any of the securities or financial instruments mentioned in this Newsletter can fall as well as rise. Foreign currency denominated securities and financial instruments are subject to fluctuations in exchange rates that may have a positive or adverse effect on the value, price or income of such securities or financial instruments. Investment funds may not achieve their investment objectives.

Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct its own investigation and analysis of the product and consult with its own professional advisers as to the risks involved in making such a purchase.
Investments in hedge funds are speculative and involve a high degree of risk. Hedge funds may exhibit volatility and investors may lose all or substantially all of their investment. A hedge fund manager typically controls trading of the fund and the use of single advisor's trading platform may result in a lack of diversification. Hedge funds also may use leverage and trade on foreign markets, which may carry additional risks. Hedge funds charge higher fees than many other types of investments, which can offset any trading profits. Interests in hedge funds may be subject to limitations on transferability.
This Newsletter is subject to periodic update and revision. Materials should only be considered current as of the date of initial publication appearing thereon, without regard to the date on which you may access the information.

2N20.COM HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES, EXPRESS, STATUTORY OR IMPLIED, REGARDING THE NEWSLETTER, AND ANY RESULTS TO BE OBTAINED FROM THE USE OF THE NEWSLETTER, INCLUDING BUT NOT LIMITED TO ALL WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR USE, AND ALL WARRANTIES ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING AND USAGE OF TRADE OR THEIR EQUIVALENTS UNDER THE LAWS OF ANY JURISDICTION. 2N20.COM DOES NOT WARRANT OR GUARANTEE THE ACCURACY, TIMELINESS, SUITABILITY, COMPLETENESS OR AVAILABILITY OF THIS NEWSLETTER OR THE INFORMATION OR RESULTS OBTAINED FROM USE OF THIS NEWSLETTER, OR THAT THIS NEWSLETTER OR THE INFORMATION OR RESULTS WILL BE FREE FROM ERROR.

UNDER NO CIRCUMSTANCES AND UNDER NO THEORY OF LAW, TORT, CONTRACT, STRICT LIABILITY OR OTHERWISE, SHALL 2N20.COM BE LIABLE TO ANYONE FOR ANY DAMAGES RESULTING FROM ACCESS OR USE OF OR INABILITY TO ACCESS OR USE THIS NEWSLETTER REGARDLESS OF WHETHER THEY ARE DIRECT, INDIRECT, SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES OF ANY CHARACTER, INCLUDING DAMAGES FOR TRADING LOSSES OR LOST PROFITS, OR FOR ANY CLAIM OR DEMAND BY ANY THIRD PARTY, EVEN IF 2N20.COM KNEW OR HAD REASON TO KNOW OF THE POSSIBILITY OF SUCH DAMAGES, CLAIM OR DEMAND.

2n20.com AG | Weinbergstrasse 10 | 8807 Freienbach | Switzerland | Tel: +41 44 578 50 00 | Email: contact@2n20.com