FQS Seeks Up to 20 Managers for Quant Fund of Funds

By Hema Parmar

FQS Capital Partners is looking for up to 20 quantitative managers this year for its latest fund as it seeks to ramp up its focus on machine-driven strategies amid investor demand.

The $120 million fund of funds’ new vehicle, FQS Quantitative, is seeking small- to mid-size market-neutral quant managers to add to its current stable of 10 funds, according to CEO Robert Frey. For the $25 million fund, which launched last year, FQS will consider a range of quant strategies, including systematic managers and those that use machine-learning and artificial intelligence technologies, Frey said in a Jan. 18 telephone interview. Allocations to managers range from $1 million to $6 million and the operational due diligence process typically takes up to six weeks, Frey said.

The firm started the fund in July following requests from investors for a quant-focused vehicle, he said. It joins allocators such as BattleFin and Protege Partners in creating funds to invest in the strategy and capitalize on a world awash in data. Managed futures funds were the biggest asset gainers last year, attracting $10.3 billion in net inflows versus $13.4 billion in 2015, according to eVestment.

“The fund fits investor needs because this is an area they feel particularly ill-equipped to handle due to fund capacity constraints and manager visibility,” said Frey, who has a Ph.D. in applied mathematics and statistics from Stony Brook University and is now the co-director of its quantitative finance program. He spent more than 15 years at Renaissance Technologies, including as a member of the management committee for its internal fund of hedge funds, Meritage Fund.

FQS may also replace three to five managers in its $35 million FQS Multi Strategy Fund, which currently invests in about 35 managers across strategies ranging from equities to credit, Frey said. Any strategy where the fund effectively manages risk and produces "outsize returns" and high alpha may be considered, he said. For its long-short equity-focused fund of funds, which also launched in July, the firm may add five or six managers.

For all of the funds, Frey said he prefers mid-sized managers who have a track record of at least two or three years, and avoids those who are highly-levered and whose assets have grown too quickly. To help determine investable hedge funds, FQS uses a proprietary machine-learning model, which analyzes manager risk and return. "For the fund to be interesting to us they will need to pass through the quantitative models, and then we will do a qualitative, legal and regulatory analysis," Frey said.

Frey founded FQS, which has offices in New York and London, in 2009.

Quant Funds Raised Capital Globally in 2016

Number of the Week

$3.02 Trillion

Global hedge fund assets in 2016, which surpassed $3 trillion for the first time, Hedge Fund Research found.

What to Read

Let he who has alpha cast the first hedge fund stone, says Bloomberg Gadfly.

Inside

Quant fund Quest Partners' assets rise, topping $1 billion: Milestones

Westfield's flagship fund gains in 2016. TAH fund sees its first annual loss: Returns in Brief

Englander is left alone again after bond chief's exit: Strategy Focus

Renaissance picks a winner in a Japan tech stock: Market Calls

The SEC is said to review bond trades by hedge funds, Devaney's firm: Regulatory/Compliance

Activists target smaller firms in 2016: Activist Situations

'Clinton Cash' book got most of its funding from Robert Mercer: Over the Hedge

Quote of the Week

“Anything that keeps jobs in the U.S. will do well. If you can buy companies in different jurisdictions and save jobs in the U.S. as a result, that's going to be considered favorably by the current administration.”

— Halcyon Capital CIO Jason Dillow
Quest Partners Assets Surge 77%, Topping $1B

Assets at quantitative hedge fund Quest Partners grew 77 percent last year amid inflows into its main fund.

New York-based Quest managed about $1.1 billion as of Jan. 1, up from $622 million at the beginning of 2016, according to a person familiar with the matter.

The flagship AlphaQuest Original strategy now manages $828 million in assets, more than tripling the $245 million it managed last January, the person said. The AlphaQuest Original fund, which has $257 million of the strategy’s assets, returned 7 percent last year after a 4.6 percent gain in December, the person said.

Quest, which was among the computer-driven funds that gained after the June 23 Brexit vote, has seen assets grow as some of the largest hedge funds suffered withdrawals last year.

The firm, which has three funds, was founded by Nikol Koulajian in 2001. A spokeswoman for Quest declined to comment.

— Hema Parmar

Hedge Fund Capital Surpasses $3 Trillion for First Time

The hedge fund industry ended 2016 with $3.02 trillion in global assets under management, surpassing the $3 trillion mark for the first time as performance gains offset net withdrawals, according to data released by Hedge Fund Research Inc. on Friday. The industry, which saw about $70 billion in outflows last year, had about $2.9 trillion in assets in 2015.

— Melissa Karsh
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Hedge Funds

Jan. 24, 2017

Returns in Brief

A look at hedge fund performance in December and 2016. Funds in the charts not mentioned in the accompanying text were reported in other issues of the Brief or in Bloomberg News stories. For questions, e-mail mkarsh@bloomberg.net.

- **Westfield Investment's** flagship fund returned 50.7 percent last year, gaining in each month except for January, according to an investor letter seen by Bloomberg Briefs. The Westfield Fund, which manages $139.2 million and focuses on credit, was up 6.3 percent in December, the letter said. More than half of the fund's exposure was in corporate bonds, with a "big fraction" of that focusing on distressed names, according to founder Renyuan Gao. "We saw fantastic value in secured debt in the first quarter of last year," Gao said in a Jan. 18 telephone interview. This year, the firm will continue to focus on distressed corporate bonds, as bond issuance has more than doubled since the last credit cycle and a "huge" amount will be maturing over the next few years amid rising interest rates, he said. "A lot of corporate bonds will have trouble getting refinanced and will head toward distress," signaling more volatility and opportunity, he added. The health-care and retail sectors may also see more distress this year, he said. Gao, a former managing director at Goldman Sachs, started the firm in 2015.

- **Latigo Partners'** main fund bounced back from 2015 losses with a gain of 25 percent last year, according to a person familiar with the matter. Event-driven credit-focused Latigo Ultra lost about 12 percent in 2015, the person said. It returned 1.9 percent in December. The fund boosted its net exposure to almost 70 percent by the end of last year from 14 percent in February, and raised its distressed exposure, the person said. Steve Bruce, an external spokesman for the firm, declined to comment. New-York based Latigo, which managed $556 million as of last January, was founded in 2005 by co-portfolio managers David Ford and David Sabath.

- **Seth Klarman's** $30 billion Baupost Group gained about 9 percent last year as value investing rebounded, according to a person with knowledge of the matter. The Boston-based firm's return from its multiple partnerships was boosted by investments in energy and distressed credit, said the person. Baupost has multiple partnerships with varying returns. Diana DeSocio, a spokeswoman for Baupost, declined to comment. Baupost turned around its performance after facing a tough climate for value investing in 2015 when monetary policy inflated stock prices. The firm benefited last year from a revival in commodity prices after purchasing distressed debt and buying stakes in energy companies on the cheap. Baupost said in its year-end letter from 2015 that oil prices may be approaching a bottom, with the energy sector now considered "so toxic to investors that almost no one wants to get involved." The firm increased its exposure to energy by purchasing bonds of several companies in the industry in the fourth quarter of 2015 as it started to see opportunities in credit markets. Cheniere Energy Inc. and Antero Resources Corp., among the firm's largest losers in 2015, contributed to a nearly 6.7 percent decline in public holdings that year. That drop contributed to the firm's third down year since it was founded in 1982. Those holdings rebounded last year. Cheniere, the firm's largest U.S. public stock holding at the end of September, gained about 11 percent last year. EMC Corp., Baupost's largest U.S. public stock holding at the end of the second quarter, was sold to Dell Inc. in September. Klarman, 59, who wrote the preface to the sixth edition of "Security Analysis," the landmark 1934 book by Benjamin Graham on value investing, has been a portfolio manager with Baupost since its inception.
Returns in Brief...

Continued from previous page...

The Corre Opportunities Qualified Onshore Fund rose 31 percent in 2016, its best annual performance since inception in 2009, according to an investor letter seen by Bloomberg Briefs. The event-driven fund, which focuses on middle-market companies undergoing change, gained 2 percent in December, the letter said. A spokeswoman for New York-based Corre Partners Management, which manages $300 million, declined to comment. The firm was co-founded in 2009 by John Barrett and Eric Soderlund.

TAH Management’s long-biased equity fund fell almost 18 percent last year, its first annual loss since it started trading in 2011, after gaining 44.4 percent in 2015, according to an investor letter seen by Bloomberg Briefs. The TAH Core Fund fell 3.2 percent in December and 5.1 percent in November, the letter said. The $27 million fund lost on its biggest position, Evolution Gaming Group, a person familiar with the matter said. The Swedish company fell 14.5 percent last year, after gaining 283 percent in 2015. A spokesman for the New York-based firm declined to comment.

Global Sigma Group, the commodity trading adviser founded by former SAC Capital trader Hanming Rao, gained 15.5 percent last year in its AGSF Fund, according to an investor letter seen by Bloomberg Briefs. The fund, which returned 0.8 percent in December, is up 0.4 percent this year through Jan. 17, the letter said. The AGSF strategy manages $192 million. Rao started the $230 million firm in 2009. “Global Sigma’s high turnover S&P 500 option strategy was further enhanced in 2016 by the inclusion of the Wednesday expiry contract that was launched by the Chicago Mercantile Exchange in late September,” Rao said Jan. 23 via e-mail of the options on S&P 500 and E-mini S&P 500 futures that expire on Wednesday and Friday each week. “The Wednesday expiry option was of particular value in managing the portfolio during the significant market volatility surrounding the release of the Tuesday night Election results.”

— Hema Parmar and Nishant Kumar

Source: Bloomberg Briefs

BloombergBriefs.com

2016 Returns

Phoenix Investment Adviser
Westfield
Mudrick
Hathersage G10 Macro Access Strategy
Brigade Energy
Brigade Distressed Value Master
Corre Opportunities Qualified Onshore
Marble Ridge
Astenbeck
Brigade Structured Credit
Latigo Ultra
Autonomy Global Macro
Hayman Capital Master
Brigade Credit Fund II
Brigade Leveraged Capital Structures
Autonomy Dynamic Opportunities
Strategic Value Restructuring
Element
Global Sigma AGSF
Quad Multi-Strategy
HG Vora Special Opportunities
PSAM World Arb Master
Long Pond
Greenlight
Baupost
AlphaQuest Original
OZ Master
Maglan Capital
TAH Core

-20% -10% 0% 10% 20% 30% 40% 50% 60%
57%
50.7%
39%
38%
34.2%
33.4%
31%
27%
26%
26%
26%
25%
25%
24.8%
22.9%
22.8%
22.3%
21.6%
19.4%
15.5%
15%
13.7%
13.4%
11.4%
9.4%
9%
7%
3.8%
-4.8%
-17.9%
Halcyon Capital’s Dillow Likes Multiple-Bidder M&A, From Lavendon to Punch Taverns

Jason Dillow, Chief Investment Officer, Halcyon Capital Management

- The firm is bullish on merger deals involving Lavendon Group, Punch Taverns and Rite Aid, and predicts strong merger activity to continue under the Trump administration.
- Manages $9.3 billion in assets, including $2.4 billion in hedge assets through multistrategy and asset-backed funds.

Q: How did Halcyon perform last year?
A: Last year was strong for Halcyon. We did well in complex credit situations, distressed credit and merger arbitrage. The latter comprises 40 percent of our portfolio today. Within complex credit, we did a lot of claims trading. Each claim is a mini M&A transaction, so we found a lot to do. With credit, our largest allocation was in the liquidations and litigation-related space, which represents about 35 to 40 percent of the $1.8 billion we have in multisticture assets. There was a lot to do in names like Nortel Networks and Bernard L Madoff Investment Securities.

Q: What’s your outlook on the M&A environment under President Trump?
A: There’s easier regulation, lower tax rates, a strong U.S. dollar and increasing CEO confidence — all these things lead to more merger opportunity and the repatriation of cash. When companies have a bunch of cash coming back, they have options. They can pay down debt or acquire other companies. You saw a record level of deal breaks last year, but that’s a good thing for us. When you have many large transactions being called off — like Allergan’s with Pfizer — that makes it a really great investing environment. Deal breaks keep spreads wide and create attractive opportunities.

Q: Do you expect fewer deal breaks under Trump?
A: We expect robust merger activity, but I think the nature of deal breaks may change a bit. You can see that with Trump’s rhetoric related to China, and with his more protectionist views, cross-border transactions may be challenged. So you may see more deal breaks with international transactions rather than domestic ones.

Q: What are you avoiding this year?
A: We tended to avoid tech last year and we avoid it now because valuations are quite high. Generally, we’re cautious on health-care deals and on anything related to China. Many deals will still get done in these areas but we go through them with an extra fine-tooth comb.

Q: What deals are you bullish on?
A: We really like situations where there are multiple bidders, where convexity is to the upside and where maybe you buy in at just above or below the original bid and you have that ability for upside if there are additional bids. Companies like Lavendon Group and Punch Taverns, which are both takeover targets, are good examples of multiple-bidder situations that we like. We actually owned the bonds of Punch heading into its merger with Heineken and Patron Capital. So it’s a credit position and also now a merger equity position. We’re invested in 17 different merger transactions today, and the duration of these are quite short.

We continue to be constructive on Rite Aid, which may be bought by Walgreens. You see the Walgreens CEO in the press speaking about closing this transaction in the relatively short term. So the question is, does the entity Walgreens is selling stores to — which is Fred’s — qualify as a purchaser who everyone is going to be comfortable with? We think so. There have been reports that the outgoing FTC chair may seek to block the deal. We continue to believe the deal should close on its merits, but have trimmed our Rite Aid position slightly and added to our options to help mitigate potential losses.

Q: Is there a credit position you like?
A: We’re looking for forced sellers. As banks are working to meet risk-based capital ratios, they are selling assets at very attractive levels. An example of that is U.S. power producer Star West Generation. It’s a smaller, under-followed credit situation. We bought the first-lien bank debt. That was a big winner for us last year and we’re still invested in it.

Q: What sectors do you like?
A: Even after some of the recent comments from President Trump, we think U.S. and European large pharmaceutical companies are still looking to build product portfolios. They’re dealing with patent cliffs and with generics, so these bio-pharma companies should be a positive. There are fewer energy companies in Europe, but if they end up being cheaper, those should be positive. Anything that keeps jobs in the U.S. will do well. If you can buy companies in different jurisdictions and save jobs in the U.S. as a result, that’s going to be considered favorably by the current administration.

Q: What’s your outlook for Europe?
A: A lot of what we’ve seen from a merger arb perspective is positive for Europe, especially in terms of targets. If you look at what’s happened to the pound and the euro, companies in the last several months have become a lot cheaper for U.S. acquirers who are dollar-based. That leads to fundamental positives from a target perspective in Europe.

Editor’s Note: Halcyon is invested in Lavendon, Rite Aid, Star West, Punch, Nortel and Madoff.

At a Glance

Career: 2001-2005, Goldman’s special situations investing; 2005, started at Halcyon
Education: BA in Economics from Princeton University
Hobbies: Golf, squash and anything my kids want to do
Best Investing Advice: Don’t try to time the market
After Bond Chief’s Exit, Millennium’s Englander Left Alone Again

By Saijel Kishan

Israel Englander isn’t used to getting blindsided. But on the morning of Jan. 3, Englander, the billionaire founder of Millennium Management, was caught off guard in his eighth floor offices on Fifth Avenue when his top lieutenant and potential successor abruptly resigned.

After eight years, Michael Gelband, a hot shot in fixed income, wanted to be more than an employee at Englander’s wildly successful hedge fund. He wanted a stake.

Englander, 68, now finds himself where he’s spent much of his career: alone at the top. His $34.4 billion empire, built out of scores of separate trading teams, remains solely in his control and without an anointed successor. The question for Englander’s 2,100 employees and his deep-pocketed investors is whether Millennium can move out of its founder’s shadow. Gelband’s looming departure has set the industry abuzz. Outsiders, and many insiders, are asking what exactly is going on at Millennium.

The answer, according to people close to the firm, is that Englander didn’t share ownership. A Brooklyn native with a no-nonsense demeanor, Englander is famous for his eat-what-you-kill ethos. Make money, and you get rich. Lose money, and you’re out — fast. He’s placed his traders in about 175 silos, each with a different market strategy. Few of them get to see the big picture, a setup that makes managing Millennium a challenge but also keeps the teams focused.

Tough Year

Gelband, who plans to leave in the second quarter, didn’t respond to messages seeking comment. A spokesman for New York-based Millennium declined to comment.

Gelband, 57, is departing after a tough year for the hedge fund. The firm’s main fund last year posted the worst performance since 2008. While it was up 3.3 percent, that’s a far cry from the double-digit returns generated in the previous three years. Millennium has only had one losing year since its founding — a 3 percent drop in 2008 — and has returned an annualized 14 percent compared with about 10 percent for the average hedge fund. It’s also bucked the industry trend: As investors have pulled money from managers amid lackluster performance and demanded lower fees, Millennium has attracted billions of dollars and remained one of the most expensive hedge funds.

Lehman Hire

Immediately after breaking the news to Englander, Gelband sent an e-mail just before 11 a.m. to his teams, telling them he planned to leave, according to the people. The move had Millennium scrambling to notify investors and employees.

Englander hired Gelband after the 2008 implosion of Lehman Brothers Holdings Inc., where he was global chief of fixed income and had warned executives of the firm’s subprime exposure two years before the bank’s collapse. Englander gave Gelband one task: turn Millennium’s fledgling fixed-income unit into a powerhouse. By the end of last year, Gelband had expanded the number of teams trading in markets such as interest rates and credit to 45.

Englander has sought to fortify Millennium’s capital and management. Starting in about 2009, he began holding talks with sovereign wealth funds and other investors about selling a stake to secure permanent capital and avoid a repeat of the fallout from the global financial crisis, when clients pulled about half of the hedge fund’s assets.

Englander is now exploring other options including listing a fund, said the people. Englander, who has said he expects to be in the business at least until he’s 80 years old, hasn’t appointed a successor. As part of that planning, he has implored his deputies to take on more responsibility. And as the number of Millennium’s trading teams grew, Englander told senior managers he needed someone to help him run the firm.

The founder told investors and employees about four years ago that Gelband was the most likely lieutenant to run Millennium in his absence. Englander viewed him as someone who could evolve from running just one unit and, at one point, asked him to head a new commodities group, the people said.

That never happened. In about 2015, Englander’s view of Gelband changed, said a person familiar with Englander’s thinking. The founder concluded that Gelband was too focused on his fixed-income group — often at the expense of decisions that would benefit Millennium as a whole — and didn’t meet his expectations to grow into a leader with a firm-wide perspective, that person said.

Those who know Gelband have a different view. The executive, whose business accounted for about a fifth of the firm’s capital, did have broader ambitions and was involved in decisions beyond his unit, they said. He helped hire chiefs for Millennium’s equities and Asia businesses as well as its global risk operations. Gelband also pitched company ideas to Englander. But with greater responsibilities, the bond chief wanted equity in the business, they said.

Jain’s Arrival

Instead Englander looked outside the firm for lieutenants. In 2015, he hired John Anderson, 52, from JPMorgan Chase & Co. as head of commodities. And in July he brought on Bob Jain, who ran Credit Suisse Asset Management, to be his co-chief investment officer.

Amidst these hires, Englander formed a trustee group that would nominate someone to run the business in his absence.

Ultimately, a frustrated Gelband decided to move on. He wants to run his own show and may start a hedge fund with Hyung Soon Lee, 48, Millennium’s former equity chief who was let go in October amid a management restructuring of his group, according to people who know them. Lee declined to comment on his plans.

For Englander, he’s left with the task of filling central roles of deputies that had together managed almost three quarters of Millennium’s capital. And he still has to decide on a successor. The question investors have is: Can he?

— With assistance from Yalman Onaran
Market Calls

Renaissance Picks Winner in Hot Japan Tech Stock

V Technology Co., a small Japanese supplier to display makers, added a surprising new shareholder last June: Renaissance Technologies.

For the hedge fund, it turned out to be an especially savvy bet. Shares of V Tech surged almost threefold in 2016, with much of the gain coming after Renaissance first reported a stake. V Tech, whose market value has jumped to $690 million, posted the second-best stock performance in a broad index of Tokyo-listed companies last year.

While Renaissance is staying silent on why it built a $27.8 million position in the stock, V Tech President Shigeto Sugimoto says he’s never been more confident about his company’s outlook. He’s betting V Tech will soon sign a revenue-doubling deal with one of the Chinese screen makers seeking to break Samsung Group’s dominance of the latest big thing in mobile phones: organic light-emitting diode displays. “The OLED market will have to grow,” Sugimoto said in an interview in Yokohama. “Our products can help make that happen.”

V Tech spent five years developing a key component of machines for manufacturing OLED screens, Sugimoto says, unveiling in 2016 an upgraded version of what it calls fine hybrid masks, which are used for patterning the organic layers on the displays. The masks are a potential alternative to those currently used by Samsung Electronics Co.’s display unit. Samsung controls about 98 percent of the OLED display market, according to Yi Choong-hoon, chief analyst at UBI Research in Seoul.

V Tech is in talks with several Chinese display makers and hopes to sign a deal with one of them by March to supply the masks and other equipment, according to Sugimoto, who declined to identify the companies. Such an agreement could bring in sales of as much as 50 billion yen ($441 million), Sugimoto says. V Tech’s revenue more than doubled to 39.2 billion yen in the fiscal year ended March. “Our company would double in size in one go,” he says.

V Tech shares soared 185 percent last year as LCDs helped boost earnings and investors bet on the company’s success in the OLED business. Renaissance first reported a holding in June and owned 4.8 percent of shares as of its latest filing, according to data compiled by Bloomberg. Renaissance declined to comment.

— Min Jeong Lee and Nao Sano

Trump Protectionism Might Help EM, Visser Says

Curtailing access to the world’s biggest market appears damaging, on the face of it, for the emerging markets relying on exports to catch up to developed nations. An alternative view: it could be just what the doctor ordered. Economic resilience comes from domestic demand. And U.S. President Donald Trump’s protectionist moves give developing countries strong incentives to drive productivity, wage growth and consumption at home.

“For all emerging markets, and particularly China, it forces them to continue down the path of the structural reform — which is a very big positive,” said Jordi Visser, head of investments at the $1.3 billion U.S. hedge fund Weiss Multi-Strategy Advisers in New York. “In China’s case there will be a continuous effort on the supply side, reform side, the state-owned enterprises reform and the pension system reform.”

World commerce has already sagged in recent years, never recovering to the growth rates seen before the global financial crisis. That’s put pressure on emerging markets to carry out politically challenging domestic policies, such as reducing corruption, boosting the strength of judicial systems to enforce contract laws, building infrastructure and strengthening healthcare and pension provision so households have confidence to spend rather than save.

“What Donald Trump does is make each country realize that they need to do these things,” said Visser, referring to structural reforms. He favors stocks in China’s Shenzhen Composite Index, where smaller-sized and technology-focused firms predominate.

Visser anticipates optimism about the U.S. will fade in the coming months, spurring other markets to rebound.

“I’m envisioning that the best part of the U.S. side will be in the first quarter, and then I think a lot of the global markets will do better from that point into the end of the year,” Visser said in a phone interview Monday. “The rhetoric on the global relationship of the United States with the rest of the world would lead to outperformance of other markets as the dollar was no longer strong on the back of the economic side.”

— Kana Nishizawa
Activist Situations disclosing the amounts. They won’t appeal their sentences, according to the court. “especially huge, and the circumstances specially serious,” the court said without charged separately. The money involved and illicit gains from their manipulation was employees’ relatives, the court said last year. The executives and owners have been controlled almost 100 trading accounts opened by his relatives, employees and insider information on topics such as dividends, according to the statement. Xu familiar with the matter. The three used an accumulated 40 billion yuan to manipulate billion yuan ($1.76 billion), the largest ever in China for individual economic crimes, with the court said, without providing details. The court fined the three a combined 12.05 given two years with a three-year reprieve on the same charges. The three executives were fined, and their illegal profits entirely or partly confiscated, according to the court, said without providing details. The court fined the three a combined 12.05 billion yuan ($1.76 billion), the largest ever in China for individual economic crimes, with 11 billion yuan of it imposed on Xu alone, Caixin reported, citing unidentified people familiar with the matter. The three used an accumulated 40 billion yuan to manipulate the shares and illegally pocketed about 7 billion yuan, according to Caixin. Between 2010 and 2015, Xu — either alone or with Wang and Zhu — colluded with the chairmen or the “actual controlling shareholders” of 13 listed companies to trade on insider information on topics such as dividends, according to the statement. Xu controlled almost 100 trading accounts opened by his relatives, employees and employees’ relatives, the court said last year. The executives and owners have been charged separately. The money involved and illicit gains from their manipulation was “especially huge, and the circumstances specially serious,” the court said without disclosing the amounts. They won’t appeal their sentences, according to the court. China sentenced former hedge fund manager Xu Xiang to five-and-a-half years imprisonment for market manipulation, in one of the most high-profile cases following the 2015 market rout, a court in the eastern city of Qingdao said in its official Weibo account. Xu, known as “hedge fund brother No. 1” for his winning record in the stock market, was charged with colluding to manipulate share prices in an operation from 2010 to 2015, the court said in a statement Monday. Wang Wei, another defendant that Xu collaborated with, was sentenced to three years in jail while Zhu Yong, a third, was given two years with a three-year reprieve on the same charges. The three executives were fined, and their illegal profits entirely or partly confiscated, according to the court, said without providing details. The court fined the three a combined 12.05 billion yuan ($1.76 billion), the largest ever in China for individual economic crimes, with 11 billion yuan of it imposed on Xu alone, Caixin reported, citing unidentified people familiar with the matter. The three used an accumulated 40 billion yuan to manipulate the shares and illegally pocketed about 7 billion yuan, according to Caixin. Between 2010 and 2015, Xu — either alone or with Wang and Zhu — colluded with the chairmen or the “actual controlling shareholders” of 13 listed companies to trade on insider information on topics such as dividends, according to the statement. Xu controlled almost 100 trading accounts opened by his relatives, employees and employees’ relatives, the court said last year. The executives and owners have been charged separately. The money involved and illicit gains from their manipulation was “especially huge, and the circumstances specially serious,” the court said without disclosing the amounts. They won’t appeal their sentences, according to the court. — Christian Berthelsen
Activist Situations

Activists Flex Muscle, Target Smaller Firms With Takeover Ease
By Gregory Elders, Bloomberg Intelligence, and Michael Thieme, Bloomberg Data

Activist investors steered away from companies with larger market capitalizations in 2016, potentially indicating a focus on achieving easier, quicker wins. Smaller companies require less capital to take a large stake and offer a larger pool of suitors when activists advocate M&A.

Nine companies with a market cap of more than $10 billion were targeted in 2016 by large activists tracked by Bloomberg Intelligence, about one-third of 2015’s pace.

Elliott Management has proven adept at targeting small- and mid-cap companies, finding buyers in 2016 for targets Mentor Graphics, LifeLock, Cabela’s, Qlik Technologies and Polycom.

Over the Hedge

‘Clinton Cash’ Book Got Most of Funding From Robert Mercer
By Zachary R. Mider

The nonprofit group behind the bestseller “Clinton Cash,” whose investigation of dealings by Hillary Clinton and her family furnished ammunition for Donald Trump in last year’s presidential campaign, got two-thirds of its funding from a single hedge-fund manager.

Robert Mercer provided $1.7 million of the group’s $2.6 million of revenue in 2015, according to Internal Revenue Service documents obtained by Bloomberg News. The group, the Government Accountability Institute, was co-founded by populist firebrand Stephen Bannon, now the president-elect’s chief strategist.

As co-chief executive officer of Long Island-based Renaissance Technologies, Mercer helps run one of the world’s most profitable hedge funds. The information about the contributions comes from a tax return filed by the Mercer Family Foundation late last year, which reported total grants of $24.5 million in 2015. Mercer declined to comment through a spokesman, and representatives of GAI didn’t respond to inquiries.

“Clinton Cash” author Peter Schweizer is president of Tallahassee, Florida-based GAI, which also helped him research and promote the book. It was published in 2015 by HarperCollins Publishers.

The book debuted at No. 2 on the New York Times bestseller list as Clinton’s presidential campaign was getting underway. It scrutinized the speaking fees and charitable contributions she and her family collected from corporations and wealthy individuals around the world, many of whom stood to gain or lose by decisions she made as secretary of state.

(Full story on the web.)
Calendar

To submit an event e-mail mkarsh@bloomberg.net. The "event" column links to websites. "Attendees of note" links to individual's BIO page, where available, on the Bloomberg terminal.

<table>
<thead>
<tr>
<th>DATE</th>
<th>ORGANIZER</th>
<th>EVENT</th>
<th>SPEAKERS/ATTENDEES OF NOTE/DETAILS</th>
<th>LOCATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 26</td>
<td>New York Hedge Fund Roundtable</td>
<td>January Call</td>
<td>&quot;What does a Trump administration and Republican Congress mean for your tax planning?&quot;</td>
<td>Phone Call</td>
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<tr>
<td>Jan. 30-31</td>
<td>Context Summits</td>
<td>Alternative Lending Summit</td>
<td>Clay Smudsky, Social Finance; Eric Koehrsen, DUMAC; Charles Krusen, Krusen Capital; Randy slitka, Slitka Asset Management.</td>
<td>Fountainebleau, Miami</td>
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<tr>
<td>Jan. 30-Feb. 1</td>
<td>Managed Funds Association</td>
<td>Network 2017</td>
<td>Pablo Calderini, Graham Capital; George Coplit, LGT Capital; Bruno Crastes, H2O AM; Anthony Foley Winton; Nick Granger, Man AHL; Brian Hurst, AQR; Sol Kunin, Folger Hill.</td>
<td>Miami</td>
</tr>
<tr>
<td>Feb. 1</td>
<td>BattleFin</td>
<td>Discovery Day</td>
<td>To be released.</td>
<td>Miami</td>
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<tr>
<td>Feb. 1-3</td>
<td>Context Summits</td>
<td>Context Summits Miami 2017</td>
<td>One-on-one meetings with investors.</td>
<td>Fountainebleau, Miami</td>
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<tr>
<td>Feb. 2</td>
<td>Markets Group</td>
<td>Ohio Institutional Investor Forum</td>
<td>To be released.</td>
<td>Columbus, Ohio</td>
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<tr>
<td>Feb. 7</td>
<td>FBN Securities</td>
<td>Capital Introduction Event</td>
<td>One-on-one meetings with investors.</td>
<td>New York</td>
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<tr>
<td>Feb. 7</td>
<td>Terrapinn</td>
<td>Trading Show West Coast 2017</td>
<td>Ted Parkhill, Incline Investment Management; Conrad Gann, Cerebellum Capital; John Netto, M3 Capital.</td>
<td>San Francisco</td>
</tr>
<tr>
<td>Feb. 15-17</td>
<td>CAIS</td>
<td>Cayman Alternative Investment Summit</td>
<td>Howard Aschwald, Quantum Capital; Valerie Sill, DuPont Capital; Darsh Singh, Satori Alpha; Mark Okada, Highland; Mark Ysulo, Morgan Creek; Mark Roberts, Ironside/Biltmore Family Office.</td>
<td>Grand Cayman</td>
</tr>
<tr>
<td>Feb. 27-28</td>
<td>OFA</td>
<td>Operations for Alternatives 2017</td>
<td>Adam Freedman, Angelo, Gordon; Joshua Barlow, Paamco; Marc van Breda, LGT Capital; Jessica Weissman, SEC.</td>
<td>Fountainebleau, Miami</td>
</tr>
<tr>
<td>March 1</td>
<td>Opal</td>
<td>Family Office Winter Forum 2017</td>
<td>Marc Lasry, Avenue Capital.</td>
<td>New York Marriott Marquis</td>
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<tr>
<td>March 22</td>
<td>Markets Group</td>
<td>ALTSLA 2017</td>
<td>Dick Pfister, AlphaCore; Bryan Fujita, LA Employees Retirement System; Michael Wu, GenSpring; Jim Burtt, Pacific Life; Donald Pierce, San Bernardino Employees Retirement Association.</td>
<td>Omni Hotel, Los Angeles</td>
</tr>
<tr>
<td>April 3</td>
<td>Catalyst</td>
<td>Cap Intro: Credit/Fixed Income Alternative Lending</td>
<td>Investment manager and investor meeting.</td>
<td>New York</td>
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<tr>
<td>April 4</td>
<td>Markets Group</td>
<td>Alts Investor Forum South</td>
<td>Steven Wilson, Teacher Retirement System of Texas; Ed Butowsky, Chapwood Investments.</td>
<td>Dallas</td>
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<tr>
<td>April 4</td>
<td>American Conference Institute</td>
<td>4th AML, Sanctions &amp; FCPA Summit for Private Equity and Hedge Funds</td>
<td>To be released.</td>
<td>New York</td>
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<tr>
<td>April 27</td>
<td>13D Monitor</td>
<td>Active-Passive Investor Summit</td>
<td>To be released.</td>
<td>Plaza Hotel, New York</td>
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<tr>
<td>May 8</td>
<td>Sohn</td>
<td>Sohn Investment Conference</td>
<td>To be released.</td>
<td>New York</td>
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<tr>
<td>May 15</td>
<td>Catalyst</td>
<td>Cap Intro: Alternative Investing Funds West</td>
<td>Investment manager and investor meetings.</td>
<td>San Francisco</td>
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DISCLAIMER: The information on this page was compiled by Bloomberg from multiple sources, public and private, and is deemed to be accurate, but not definitive or exhaustive. Questions about events should be addressed to the event organizer.