

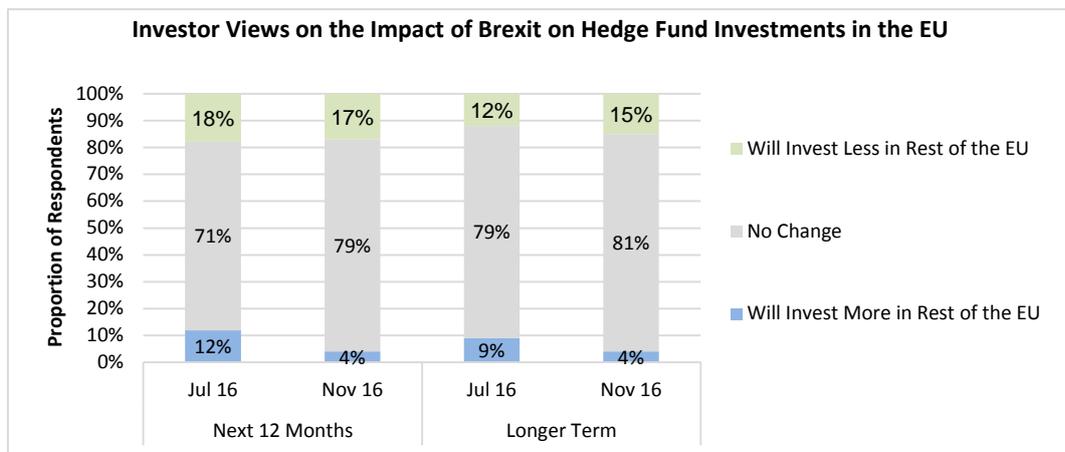
News flows November 2016

Index up again in November

In November, the **HFRI Fund Weighted Composite Index** gained 0.9% again. Despite endless negative articles in the press, the hedge fund industry has just reached the 2nd highest level since inception of the HFR indices in 1990. On the back of a sharp rally in US equities, Event-driven funds gained 2.2%, which is the highest month-on-month jump of all strategies.

Brexit - surveys reveal rather positive expectations

In 2016 Preqin conducted several surveys among hedge fund managers and investors in order to find out about the consequences of the Brexit. Managers reported that Brexit has had a significant impact on the performance of hedge funds in 2016. UK-headquartered hedge funds indicated that they are likely to stay in the UK. The sentiment of institutional investors towards investments in the UK improved five months after Brexit decision. For 2017, fund managers are increasingly optimistic.



Source: Preqin online

Short selling - ongoing discussions in Switzerland

In Switzerland, there is outspoken criticism regarding short selling activities, as the television broadcast *ECO* on November 28 illustrated. Valentin Vogt, Chairman of Burckhardt Compression, argued in favor of clear rules in the form of a reporting obligation in those cases where short positions move above the 3% level. Background story: roughly 18% of Burckhardt shares or 21% of Swatch shares have been loaned. Whereas in the EU and in the US there is a reporting obligation, in Switzerland there are no binding rules. In the TV broadcast, Rudolf Bohli from RBR Capital Advisors made it clear that for him such a reporting rule would be acceptable, despite additional administrative work. PUBLICA, Switzerland's largest pension fund, is actively involved in securities lending, with an amount of approximately 1 billion Swiss francs (exclusively foreign shares), as Stefan Beiner, Head Asset Management, confirmed to *ECO*. In an environment of low interest rates, this creates approximately CHF 4 million of extra net income. Stefan Beiner explained *ECO* that this activity adds additional efficiency, liquidity and information flows to financial markets.

US pension fund to cut back its hedge fund exposure – however on the back of an extremely low funding ratio....

The board of the deeply indebted Kentucky Retirement Systems, KRS, approved to withdraw at least \$800 million out of \$1.5 billion committed to hedge funds by July 2019. Hedge fund investments represent 10% of total assets at KRS. Kentucky's public employee plan, one of KRS's five pension plans, has only \$2.3 billion of the \$12.4 billion it owes state workers (financial statements as per end of June, 2015). This extremely low funding level might be the key reason for this decision, as board members need to keep investments liquid.