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Hedge Fund ALERT

Bond Shop Braces for Rally's End

A rally in the high-yield corporate bond market has **Concise Capital** on track to post its best annual return in years, barring a fourth-quarter correction.

The Miami firm's Canepa Short-Term High Yield Offshore Fund was up 11.8% year-to-date at the end of September. Not since 2012 has Concise generated a double-digit annual return. The fund gained less than 4% in 2013 and 2014, and it fell 2.1% last year as the high-yield market fell.

But founders **Glenn Koach** and **Tom Krasner** are concerned that the rally, which began in February, may have run out of steam. In a September performance report, Koach cited a recent analysis by high-yield investor **Marty Fridson** suggesting that the market is the most overvalued it has been in eight years. "We are currently 35% hedged," Koach wrote.

In the field of high-yield corporates, Concise targets short-duration, under-followed issues, relying largely on interest income to generate returns. The fund, which doesn't employ leverage, shorts the Russell 2000 for hedging purposes. With an eye on interest-rate risk, Concise currently manages a portfolio with an average duration of 1.6 years — versus 2.2 years for the Pimco 0-5 Year High Yield Corporate Bond Index.

The managers favor small- and mid-cap issuers in the U.S., Canada and Europe, which are "less well-researched and less efficiently priced than larger issues," according to the firm. The fund, which launched in April 2006, has produced an annualized gain of 7%, topping a 3.9% rise for the HFRI Fixed Income Index.

Concise has $218 million under management.

That includes $100 million the firm took in last year for a separate account. Koach and Krasner, who founded the firm in 2004, previously employed a similar strategy at Koach's **Riverside Capital.** ❖

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End of the Line for Reservoir-Backed SeaStone

Kenney Oh's SeaStone Capital has nearly finished shutting down, in another disappointing turn for seed investor **Reservoir Capital.**

SeaStone has only a minimal amount of assets remaining in its portfolio, down from an estimated $200 million to $300 million when it began unwinding in March. Most of the New York equity manager's money came in the form of a commitment from Reservoir that dated back to 2012.

Indeed, Oh's decision to shutter SeaStone came shortly after discussions with Reservoir co-founder **Daniel Stern** about the firm's ability to grow in light of both its own disappointing returns and broader challenges facing hedge fund managers.

SeaStone lost 6.5% over the first three months of this year, versus a 1.7% loss for the HFRI Equity Hedge (Total) Index. It also trailed the index in 2015 and 2014, with declines of 1.5% and 5.8%.

That followed gains of 10.5% in 2013 and 4.9% for the six months the firm was

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Rate-Rigging Scandal Shadows Leucadia Hire

Leucadia Asset Management has hired a former **Citigroup** executive who faced criticism from regulators over the Libor scandal.

In his new role, **Chris Cecere** is tasked with starting a unit called **101 Capital** that would employ a discretionary global-macro strategy. The plan still is developing, however, with Leucadia having yet to determine when, or even if, the operation might launch.

Cecere's ties to the benchmark-rigging scandal stem from his former role as head of interest-rate product trading in Citi's Tokyo office. It was in that capacity that he supervised **Tom Hayes,** who was convicted in a U.K. court in August 2015 of fixing Libor at Citi and earlier at **UBS.**

Hayes is serving an 11-year prison sentence. This May, meanwhile, Citi agreed to pay $425 million to settle accusations from the **CFTC** that it attempted to manipulate

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Compliance Pros: Expect More M&A Activity

Increasing demand for regulatory-consulting services by hedge fund operators appears to be fueling mergers and acquisitions in the compliance field.

Since last year, asset-valuation specialist **Duff & Phelps** has established a compliance-consulting practice via its acquisition of **Kinetic Partners** and subsequent purchase of **CounselWorks.** Following the latter deal, former CounselWorks executive **Matthew Okolita** bought compliance consultant **Sansome Strategies** and rebranded it as **Greyline Solutions** (see Compliance Consultants listing on Pages 6-7).

"The industry is really in its infancy," said Okolita, who is based in San Francisco. "Those that aren't in the space want to get in it because they see it as an industry with a lot of room to grow. There is not nearly as much competition when you compare it to accounting and fund administration."

Recent deals have valued acquisition targets at multiples of 4-9 times net operating income. "I'm sure firms will continue to acquire firms to get access to their client

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THE GRAPEVINE

Jenny Killeen, formerly head of human resources at **Pine River Capital**, has joined **Michael Dell's MSD Capital** as a managing director. She started at the New York firm last month with the title head of human capital. Killeen had been at Pine River since 2012. Earlier, she worked at **Plural Investments** and **Merrill Lynch.** Dell founded MSD in 1998 to manage his personal fortune.

Hutchin Hill Capital added senior equity analyst **Birche Fishback** to its investment team this month. Fishback had been working since January at **Amici Capital.** His former employers also include **SeaStone Capital, Reservoir Capital** and **Shumway Capital.** Hutchin Hill is led

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