Following a relatively quiet year in 2012, the community of Ucits hedge fund platforms have enjoyed a return to form in 2013. *HFMWeek* explores the explosive growth – and biggest contributors – within a sector held to some of the highest expectations in the industry

BY TONY GRIFFITHS

In terms of inflows at least, the Ucits hedge fund space has seemingly had a knack for riding out the storms reported elsewhere in the wider environment. In last year's countdown of the industry's ten largest platform providers, proprietors reported a period of stagnating enquires and quiet expansion. The actual result? Growth of 27% at the group's combined AuM – an increase most sections of the industry would jump at. In Ucits land expectations are a little higher.

Fast forward 12 months and providers across the board have reported a return to form. In relative terms, that's something of an understatement. In the 2013 *HFMWeek* countdown, the largest platforms added over $6bn, up from just over $13.8bn to a shade over $20bn, growth of 46%. Three players added more than $1bn. Only two of the top ten failed to grow by more than 50%.

While almost all providers enjoyed a strong 12 months, there is no denying the survey's standout performer. German investment giant Universal-Investment was responsible for almost three quarters of the group's dollar growth, adding $4.2bn to its 2012 total. "More than ever, fund partners expect a wide sales support from marketing and communications to hard sales with road shows," explains Andreas Hausladen, head of private label business development. "We see a lot of international asset managers using Universal-Investment's platform as a door opener to the European market."

Inflows at fellow German firm Alceda had predominately come from institutions and wholesalers in the German states, namely Germany, Austria and Switzerland, as well as some other European countries like the Nordics and the UK.

Growth at Bank of America Merrill Lynch (Baml), up by $1.2bn, tells a similar story, with the UK and Switzerland the biggest allocators, but increases also from Germany, Luxembourg and Spain. "We have kept the same focus throughout – the groundwork laid by our sales team has paid off over the past year," says Miriam Muller, head of product development at Baml's Fund Solutions Group, in reference to last year's more modest $210m rise.

The low interest rates environment has prompted a "significant" rise in demand for fixed income credit and market neutral strategies, says Universal-Invest's Hausladen. Stephane Berthet, head of Morgan Stanley's FundLogic Platform tips credit and macro to receive an increase in attention all round as platforms become more comfortable looking at the next set of strategies. Hausladen notes an uptick in "specialised hedge fund managers wrapping their successful strategies in the Ucits banner".

As the data suggests though, interest has not only been deep but wider ranging, with most platform providers reporting interest from managers of all shapes and sizes.

"Reverse enquiries are up significantly having been reduced somewhat during 2012," says Muller, noting a more "level playing field", with inflows less dominated by a handful of larger funds compared to previous years. "Managers are much more willing to take a meeting – although the product offering remains most appealing to US firms."

A defining trend for several years, US managers looking to use Ucits as a means of accessing European inflows was a big factor in the pickup in growth seen in 2013, with many of the firms on the list noting the influence of the trend. One of the year's success stories has been the Schroder GAIA Sirios US Equity Long Short Strategy, an onshore version of Boston-based Sirios Capital Management's flagship. Launched in February with $10m, the fund has since grown to over $700m.

Andrew Dreaneen, head of product and business

10 ALPHA UCITS

$107m
HEDGE FUND UCITS AuM

205% ($72m)	2	+1
12-MONTH GROWTH	UCITS HEDGE FUNDS	12-MONTH NET FUND ADDITIONS

The only new entrant on the list, Alpha Ucits, has made quick progress since debuting its first fund, GSB Equity Market Neutral, in 2012. The London-based firm, established by former Brevan Howard partner Stephane Diederich, has since added one fund, the Milan-managed Amber Equity Fund, to its Luxembourg-domiciled platform and surpassed $100m in AuM. Previously domiciled in Italy, the Amber offering is believed to have launched with $80m under management. Alpha Ucits hopes to add two to three funds in the next 12 months, taking assets to $300-500m. Ultimately, the target is to support over ten funds and at least $1bn.

9 GOLDMAN SACHS

$272m
HEDGE FUND UCITS AuM

93% ($131m)	4	+2
12-MONTH GROWTH	UCITS HEDGE FUNDS	12-MONTH NET FUND ADDITIONS

One of several firms to enjoy stellar 12-month growth while being overshadowed by progress further up the list, Goldman Sachs has almost doubled the AuM on its offering. Growth has been tempered by some high-profile closures, namely Karsch Capital Management and GLC, veteran managers who called it a day while running well-known Goldman Ucits offerings. The Luxembourg-based umbrella, officially labelled as Serviced Platform SICAV & Structured Investments SICAV, is aiming to add three funds in the next year and move to $500m in AuM. Run by, Debora Daskivich, the platform holds $1.63bn in total Ucits assets.

TOP 5
BY 12-MONTH PERCENTAGE GROWTH

310%	213%	206%	148%	93%
MONTLAKE	LYXOR	ALPHA UCITS	UNIVERSAL	GOLDMAN

8 LYXOR

$288m
HEDGE FUND UCITS AuM

213% ($196m)	4	0
12-MONTH GROWTH	UCITS HEDGE FUNDS	12-MONTH NET FUND ADDITIONS

There were some big changes among Lyxor's range of platform-housed Ucits funds in 2013. However, despite the upheaval, the names stayed household and the growth remained impressive. Out, among others, went the IKOS Futures fund. In came new strategies from Winton Capital Management and Canyon Capital Advisors to TIG Advisors, offering systematic, credit and merger arbitrage exposure respectively. Paris-based Lyxor – who has rebranded its umbrella as Alternative Ucits from its previous Dimension incarnation – doesn't have any quantitative targets set for 2014 but is keen to expand its range to better cover managed futures, global macro, long/short equity, liquid credit and event driven.

7 MONTLAKE

$410m
HEDGE FUND UCITS AuM

310% ($310m)	5	+1
12-MONTH GROWTH	UCITS HEDGE FUNDS	12-MONTH NET FUND ADDITIONS

ML Capital's Montlake platform has had a particularly busy few months. The Ireland-domiciled umbrella added two funds in September – a systematic offering from London-based Future Value Capital and US-managed Open Field Technology Ucits Fund – and is gearing up to debut a further three in January. The Open Field vehicle debuted with a reported $100m, making it Montlake's biggest launch to-date, contributing to more than $300m in 12-month growth. The firm has also been buoyed by some strong performances, with its Pegasus vehicle, a long/short equity strategy sub-managed by London-based Clareville Capital Partners, up over 40% YTD through October.

6 MORGAN STANLEY

$1.3bn
HEDGE FUND UCITS AuM

84% ($594m)
12-MONTH GROWTH

18
UCITS HEDGE FUNDS

+4
12-MONTH NET FUND ADDITIONS

Among several of last year's heavy-hitters to stay static in terms of their countdown ranking while making big strides in terms of AuM, Morgan Stanley has added almost $600m in Ucits hedge fund assets during the last 12 months. The banking giant's FundLogic Alternatives platform now boasts – along with Bank of America – the widest range of well-known managers, its 18 funds including industry stalwarts such as Ascend Capital and Dalton Investments. Morgan Stanley hopes to add three to five funds in 2014 and surpass $2bn in AuM. Credit and macro strategies are of particular interest. One of several platforms to report strong interest from US-based managers.

5 ALCEDA

$1.48bn
HEDGE FUND UCITS AuM

-50% (-$1.52bn)
12-MONTH GROWTH

19
UCITS HEDGE FUNDS

-17
12-MONTH NET FUND ADDITIONS

There has been a sizeable drop in AuM at Alceda following a change in the definition of alternatives and hedge funds as well as some changes to the firm's product range. However, the Luxembourg-based firm, owned by German investment manager Aquila Group, describes 12-month inflows as "healthy", with new capital coming predominately from German-speaking countries. Alceda counts nine strategies as contributing to its hedge fund AuM, including sizable contributions from its AC Risk Parity series. Away from single manager success, onshore conversions have also made headlines for Alceda, with *HFMWeek* reporting on the onboarding of a previously BVI-domiciled FoHF from Rasini Fairway Capital.

4 SCHRODER GAIA

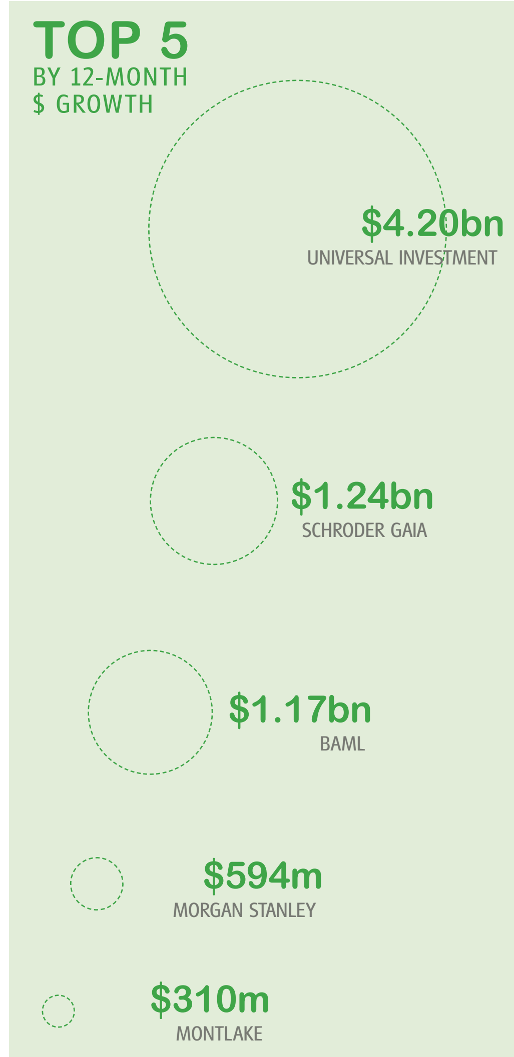
$2.77bn
HEDGE FUND UCITS AuM

81% ($1.24bn)
12-MONTH GROWTH

6
UCITS HEDGE FUNDS

+3
12-MONTH NET FUND ADDITIONS

One of three firms to increase AuM by more than $1bn, Schroder GAIA has the best dollar growth/per fund ratio on the list, averaging a jump of over $200m at its six products. Its standout performer, though, has been its new US long/short equity strategy from Boston-based Sirios Capital Management. Added in February with just $10m, the GAIA Sirios offering has added over $500m since July alone and now manages more than $700m. Funds from UK giants CQS and Egerton account for most of the remaining growth, with the rest divided across the platform's three internally managed funds. Fixed income and equity strategies are the next targets on the list.



development for Schroder GAIA, cites "the changes to the regulatory environment, such as AIFMD" as a key reason for US interest, while Morgan Stanley's Berthet points to the ease that Ucits affords American firms in outsourcing the structuring and administration, as well as the access to European distribution capabilities.

Stephane Diederich, CEO of new entrant Alpha UCITS, believes there is a "clear trend" towards launching on platforms. "Regulations make it more and more complicated to run your own Ucits fund unless you have the internal resources of a multi-billion hedge fund."

Perhaps the biggest regulatory change in the Ucits space during 2013 saw Esma update its guidelines on the extent to which financial indices were permissible as part of the structure. The new restrictions – due to come into force in February – put a question mark over the futures of a number of CTA and commodity strategies.

"Many structuring solutions do not comply with the new Esma guideline," explains Lyxor platform chief Lionel Paquin, "which means they will be forced to restructure their funds in order to remain compliant under Ucits regulations. The bigger the size and infrastructure, the better equipped the asset manager will be to provide Ucits structuring capabilities, which smaller asset managers can't offer."

3 BANK OF AMERICA MERRILL LYNCH

$3.18bn
HEDGE FUND UCITS AuM

58% ($1.17bn)	14	+1
12-MONTH GROWTH	UCITS HEDGE FUNDS	12-MONTH NET FUND ADDITIONS

Adding almost $1.2bn in the last 12 months, 2013 has proved a return to form for the Merrill Lunch Investment Solutions (MLIS) umbrella. In fact, AuM has more than doubled since early 2012. While only one fund has joined the Luxembourg-domiciled platform this year – the Beach Point Diversified Credit Ucits Fund – the US bank's sales team has been in overdrive, capitalising on a rejuvenated appetite for risk across Europe, one that had been dulled during last year's eurozone crisis. Attention is now turning back to fund additions, with three due before the end of the year and another three scheduled for Q1 2014. Home to one of the list's most high-profile array of industry talent, with AQR, Marshall Wace, York Capital and Och-Ziff among the 18 firms with strategies represented.

RATIONALE

This survey does not aspire to cover the entire Ucits hedge fund sector, just those held at Ucits platforms. To be eligible, a platform must have at least one externally managed fund. *HFMWeek's* definition of Hedge Fund Ucits excludes 130/30 funds and ETFs. AuM totals as of the end of October 2013, except for Alceda (26 September 2013), Morgan Stanley and Goldman (30 September 2013), and Lyxor (22 October 2013). Please note: Growth statistics for Alceda is based on a revised AuM total for 2012 using a new hedge fund definition for 2013 that discounts previously included strategies.

2 DEUTSCHE BANK

$3.3bn
HEDGE FUND UCITS AuM

-1% (-$30m)	18	-2
12-MONTH GROWTH	UCITS HEDGE FUNDS	12-MONTH NET FUND ADDITIONS

Having enjoyed stellar growth in the last two surveys, Deutsche Bank, last year's number-one ranked platform, relinquishes its crown following a static 12 months. Still, despite the lack of growth in AuM, the firm's dbalternatives Ucits platform – with funds branded under the Platinum moniker – has more than $3bn under management across 18 top-pedigree funds. Omega Advisors, Paulson & Co. and Winton Capital Management all have strategies with Deutsche, with London-based Winton's still the crowning jewel at more than $1.2bn, despite concerns that recent changes to the Ucits regulations would impact its viability. More recent additions include a long/short credit offering from Loomis Sayles.

Retail-oriented investors in particular need help to select the appropriate strategies and pick the right managers, Paquin adds. "We expect that investors will increasingly use platforms, thus encouraging the most established managers to be part of this trend."

And with greater demand for platforms comes greater competition – investors and managers alike are becoming fussier. "We have seen a pickup of managers not only looking for a platform, but particular platforms. Managers are far more specific as to what they expect from a platform," Berhet adds. Dreaneen agrees. "New managers appear to be spending more time comparing each platform in detail to ensure they find the best partner to work with."

However, Alpha UCITS's Diederich, a former Brevan Howard partner, believes investors have become wary of Ucits funds that may have been "over-engineered" and thinks there is a trend towards simple and cheap structuring solutions. "We see platform fees coming down," he explains. "While initially some platforms were pricing hedge fund Ucits like managed accounts, we now see convergence between the operational costs on hedge fund Ucits and offshore funds. We even know several examples where the Ucits version has cheaper operational costs than the offshore fund on the same strategy."

Looking ahead, all platforms tip growth to continue in 2014. While European investors naturally remain key, Alceda has identified an opportunity to partner with an expert in Latin America, AFINA, as a means to capitalising on the region's widely predicted "explosive growth potential in the next ten years," notes a company spokesperson. "Equally, we see great opportunity in the Asia-Pacific region and are working to finalise a partnership with regional experts in order to broaden the distribution range and client basis."

Elsewhere, suggestions that AIFMs will cannibalise inflows are dismissed, with most proprietors expecting the near-term confusion surrounding the AIFMD to work in their favour.

Neither is the list's constituents expected to change much. There are only a handful of platforms outside the top ten, and all will do well to catch the group up as it stands. SEB's platform, last year's number ten, lost almost half its assets following the liquidation of its RAB Capital and SAM Capital offerings. It now manages a little under $40m.

The one big tip for 2014 is Decura Group. The secretive London-based outfit has been quietly building both its fund platform and reputation. Sources suggest managed account structures have been the early focus, but several survey interviewees expect Ucits offerings to play a larger role next year. ■

TURN OVER FOR THE NUMBER ONE PLATFORM

1 UNIVERSAL-INVESTMENT $7.03bn

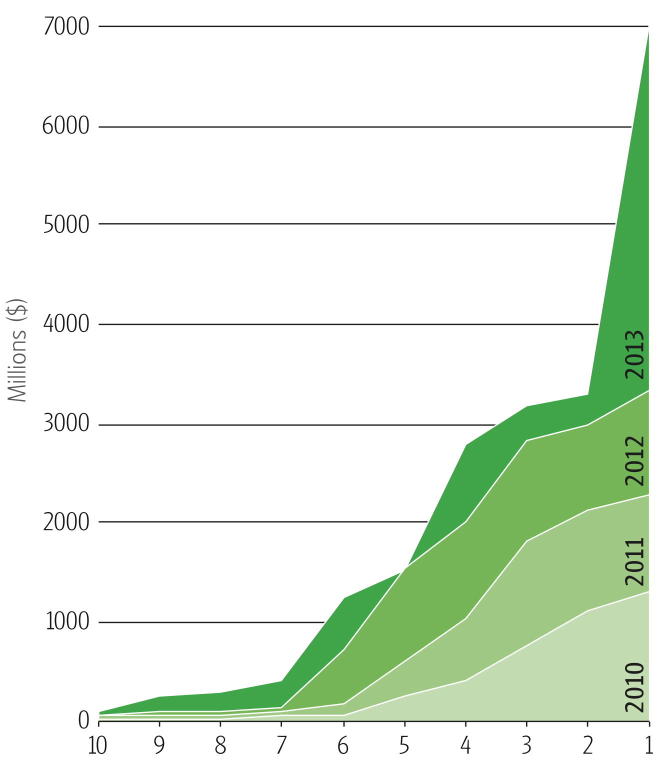
HEDGE FUND UCITS AuM

148% ($4.20bn)	45	+10
12-MONTH GROWTH	UCITS HEDGE FUNDS	12-MONTH NET FUND ADDITIONS

Meteoric. There are few better ways to describe the growth at Universal-Investment. Less claiming the 2013 countdown's number one ranking so much as seizing it with greedy abandon, the Germany-based firm reported an eye-watering €3bn ($4bn) in inflows over the course of the last year into its hedge fund Ucits products from "all types of investors", its head of private label business development, Andreas Hausladen, told *HFMWeek*. Now up to 45 hedge funds, the Luxembourg and Germany-based platform saw growth across a full suite of strategies, although low interest rates prompted a "significant" rise in demand for fixed income and market neutral funds, Hausladen notes. The largest independent investment manager in German-speaking Europe, Universal-Investment has €15.7bn ($21bn) in AuM on its Ucits platform – run by Bernd Vorbeck – and €170bn ($227.8bn) firm-wide. Most Ucits platforms in the *HFMWeek* top ten expect Europe's calmer economic waters to further propel growth in 2014. However, it will take a monumental effort for any of them to knock Universal-Investment off its perch come next year's countdown.

UCITS TOP TEN

FOUR YEARS DATA



TOP 10

BY UCITS AuM