



Business Finance Services Ltd

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Project Brief

Alternative asset management hedge fund

July 2011

BFS Ref.: HC/325/045

Investment: up to £2,000,000 in minimum tranches of £100,000

Background

Our client is a UK-based start-up hedge fund management company, which has developed a range of trading strategies for the management of client funds. The company has been formed by a group of highly skilled and qualified individuals with very strong credentials in the field and blue chip careers with leading City institutions.

The company is seeking to raise an initial £2m from a small number of investors as “seed capital” in the initial fund (not the management company) in order to build a strong track record before the fund is opened to large institutional investors.

History

The business has been under development for over 4 years and the management team have over 60 years’ experience between them of quantitative strategy development, risk management, trading, investment management and corporate governance. They therefore have all the requisite skills and experience to launch a greenfield hedge fund management business which is scalable. The project has benefited from over £1m of development expenditure, plus 10 man years of time.

It is the management’s intention to build a major alternative asset management business with several hundred million pounds of funds under management. The Management has tested strategies that can be used to manage external funds to deliver exceptional returns at reasonable levels of risk and is now seeking to attract seed capital to manage.

Trading Strategy

The trading strategy has been developed using quantitative techniques and technical analysis of the markets, after an analysis of over 1,000 market indicators. The strategy does not use fundamental analysis. Positions are taken in index futures, commodities and foreign exchange over a short time horizon, typically a few hours. The fund aims to close positions at the end of each UK trading day. Trades are aggressively risk managed and losses are minimised by identifying exit points at the point of entry.

The strategy has been robustly tested under a range of market conditions, using historic data and in real time. Results from these tests will be made available to short-listed potential investors. Further details of the trading strategy will be provided to short-listed investors, including levels of return and risk profiles, back-test results and live test results.

Charges



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The company will charge a performance fee of 50% of profits generated, on a monthly basis. Losses will be deductible before profits are calculated. The company will not charge a management fee, therefore aligning its revenues with client success.

Management Team

The management team consists of:

An Executive Chairman with a background in investment management, retail financial services and risk management. He is an accountant with a successful track record of developing young businesses. He is non-executive director of 6 other businesses.

A Chief Investment Officer with a background in quantitative trading at major investment banks. He has an excellent track record in the development of trading systems and strategies.

A Chief Operating Officer with a track record in operations, control and risk management at a major global investment bank. He has a strong academic background, including a quantitative PhD.

The Team has access to a number of other specialists, most of who are used on an ad-hoc basis. It is expected that the core team will grow rapidly after the inception of the seed capital fund.

A number of non-core posts and processes are outsourced, including financial and client accounting, legal services, secretarial, technology and infrastructure.

Investment Period

Investors are required to commit funds for a minimum of 12 months from the subscription date. After that date, funds can be withdrawn on 3 months written notice. The risks within the fund, both modeled and expected, will be discussed with short-listed potential investors, along with expectations around volatility.

Investor Profile

Investment in the fund is limited to a maximum of 10 external parties. Each investor must certify that they have the capacity to understand the risks of investment and that their personal investment represents a small part of their overall portfolio. The minimum initial investment is £100,000.

Seed capital investors will be given the right to invest ten times their initial investment in every further fund that the management company launches within five years of their initial investment, capacity permitting.

Regulation

Neither the fund nor the management company are regulated within the UK, but it is expected that an FSA application will be submitted within 12 months of the start of live trading and ahead of a large scale launch of the fund.



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Next Steps

Expressions of interest are sought from high net worth individuals who, after screening, wish to receive further details about our client, its trading strategies and expected returns. This is required by 29th July 2011, as the subscription period ends on 31st August 2011. All subscriptions will be on a "first come, first served" basis, and the company may choose to close subscriptions earlier.

Please contact either Lynn Cowley on 07935 102 445, email lynn@bufinserv.co.uk or Peter Douglas on 01327 349 779, email peter@bufinserv.co.uk in the first instance.

Confidentiality

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