



Opalesque Exclusive: As institutional investors look to diversify exposure to hedge fund centers Florida managers benefit

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From Kirsten Bischoff, Opalesque New York: Florida is known as a place to retire. Now, it is becoming known as a place for hedge funds. The Florida Alternative Investment Association (FLAIA) (www.FLAIA.org) last week held its inaugural investor-driven One-on-One event where mostly Florida-based hedge fund managers met with institutional capital sources. The event attracted approximately \$82bn of institutional capital allocators and a pool of approximately 100 hedge fund managers.

“The genesis of the idea for the One-on-One event came from a top 5 educational endowment looking at geography as a factor for driving their manager search and selection process in the hedge fund space,” Michael Corcelli, the FLAIA founder and Chairman told Opalesque.

According to FLAIA board member Dr. Rainford Knight, “the event served as the start of building out a hedge fund cluster and footprint in Miami not only for Florida-based funds but also for hedge funds based in Latin America. We are in Florida and Miami is the “gateway” to Latin America, so the convergence makes sense.”

The event also gave Corcelli a chance to hone in on what institutional investors are looking for in managers and how they approach tactical asset allocation during uncertain times.

First and foremost, investors are looking to identify managers that have an institutional infrastructure, good track record, and have been operating under the radar of main stream institutional allocators. Investors want managers that have extra capacity, transparency and are nimble enough to consistently deliver alpha. The search for such managers is what enticed the educational endowment and the majority of allocators in attendance to take a closer look at the pool of managers in Florida. The one-on-one meetings were investor driven, and the hedge funds they chose all managed at least \$100m in assets, with a minimum of a 3 year track record (to ensure that 2008 performance could be tracked), and an institutional infrastructure. “Significant staff was also important to the investors attending, there were no single trader funds – the investors are very focused on ‘bench strength’ in terms of a full management team,” Dr. Rainford Knight added.

The strategies that were most in favor with investors were long/short equity, and global macro/CTAs. The pension fund consultants were also eager to find funds of hedge funds and multi-strategy funds to meet with, as contrary to much of what has been reported in the mainstream media, many of those investors do not want to manage a basket of single strategy hedge funds. As a result, they are hoping to allocate to funds of hedge funds and multi-strats to hedge their traditional portfolios of stocks and bonds. “There appears to be significant demand for funds of hedge funds and multi-strats coming from the public pension space. A number of allocators in attendance cited the performance advantages of hedge funds and the administrative advantages of funds of funds as the prime drivers for their interest in these strategies” Corcelli says.