

# The Russian Hedge Fund Universe

data as of December 31, 2016

[presentation dated May 15, 2017]

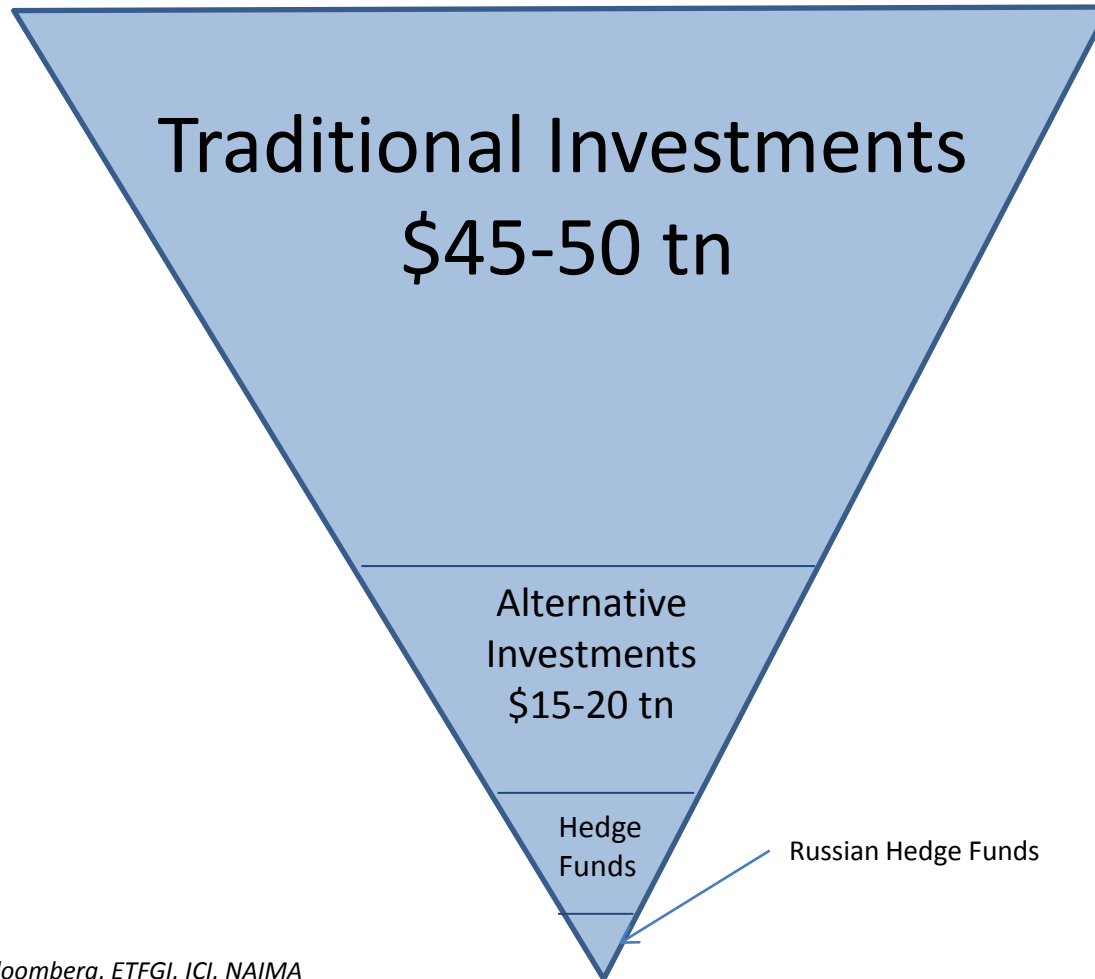
Michael Boboshko

Chairman, Hedge Fund Committee

National Alternative Investment Management Association



# ...BUT FIRST... Worldwide Fund Assets Under Management: \$60-70 tn



Sources: HFR, PreQuin, Bloomberg, ETFGI, ICI, NAIMA

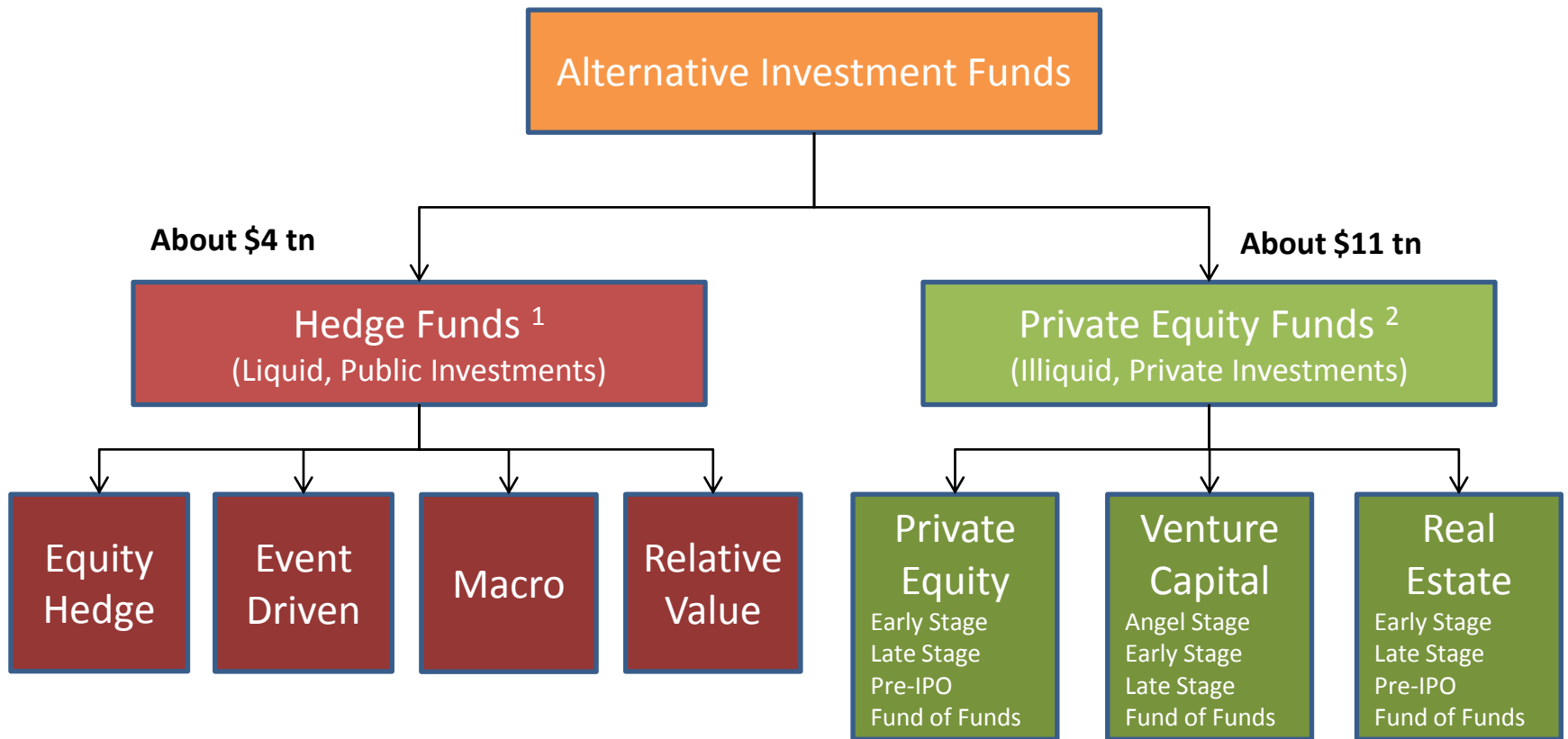
# ...What is a Traditional Investment Fund?

- “On-Shore”
- Regulated
- Accessible to Retail Investors – the most vulnerable
- Highly Liquid – daily liquidity
- Conservative – strict rules on diversification; no leverage
- No Incentive Compensation – only management fee
- Traditional Asset Classes/Strategies

# ...What is an Alternative Investment Fund?

- “Off-Shore” – often zero tax jurisdictions
- Usually Un-regulated – sometimes in-house administration
- Strictly for “Qualified Investors”
- Limited Liquidity – HF monthly, PE long-term “lock up”
- More Aggressive/Risky – leverage, derivatives, concentration
- Incentive Compensation – performance fee (“Carry”)
- Alternative Asset Classes/Strategies

# ...The Alternative Investment Fund Universe: \$15 tn



<sup>1</sup> Invested cash mainly gets exchanged in the secondary market; but hedge funds often participate in IPOs

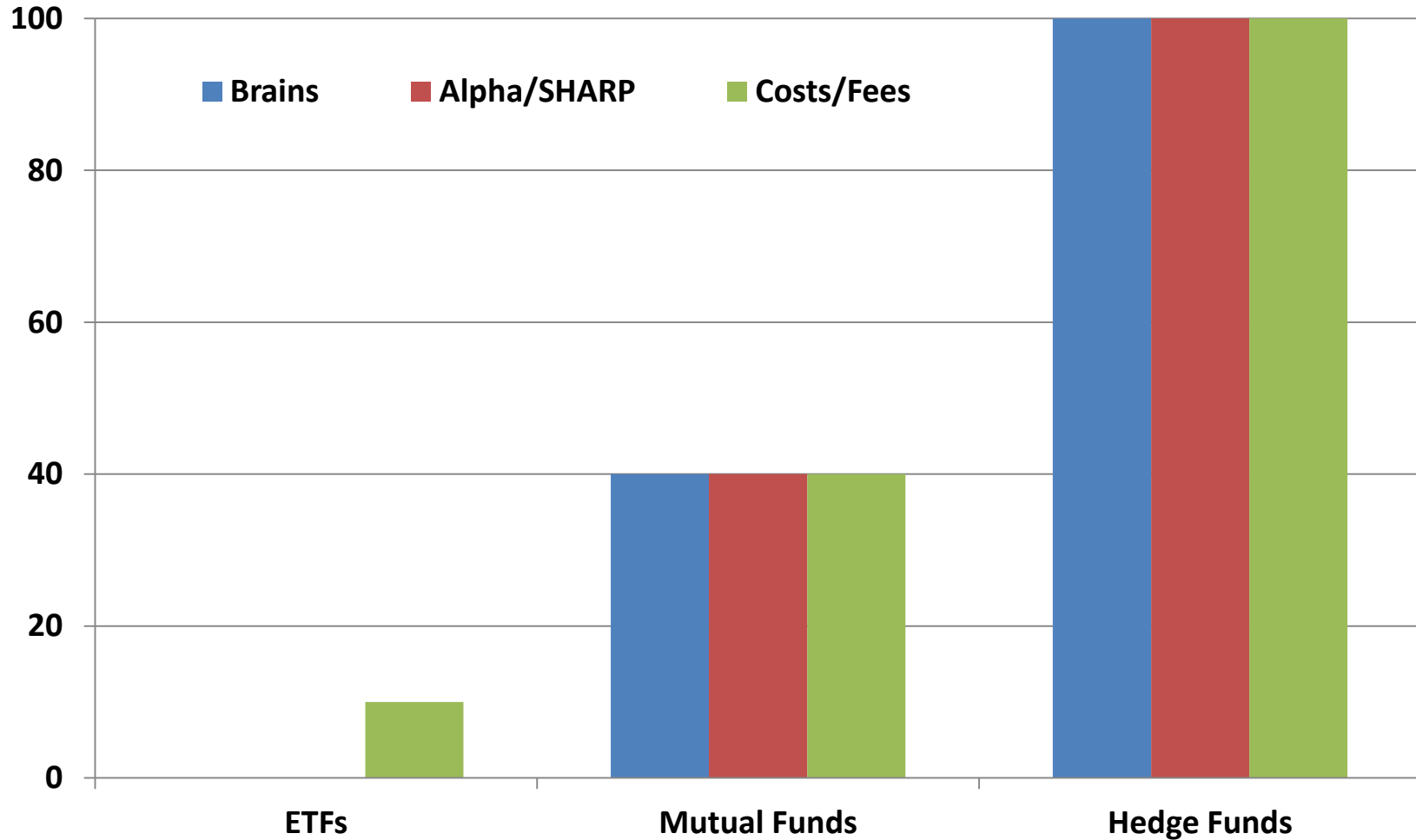
<sup>2</sup> Invested cash mainly goes to the investee companies; but sometimes PE/VC/RE funds also make secondary market purchases

Sources: HFR, PreQuin, Bloomberg, NAIMA

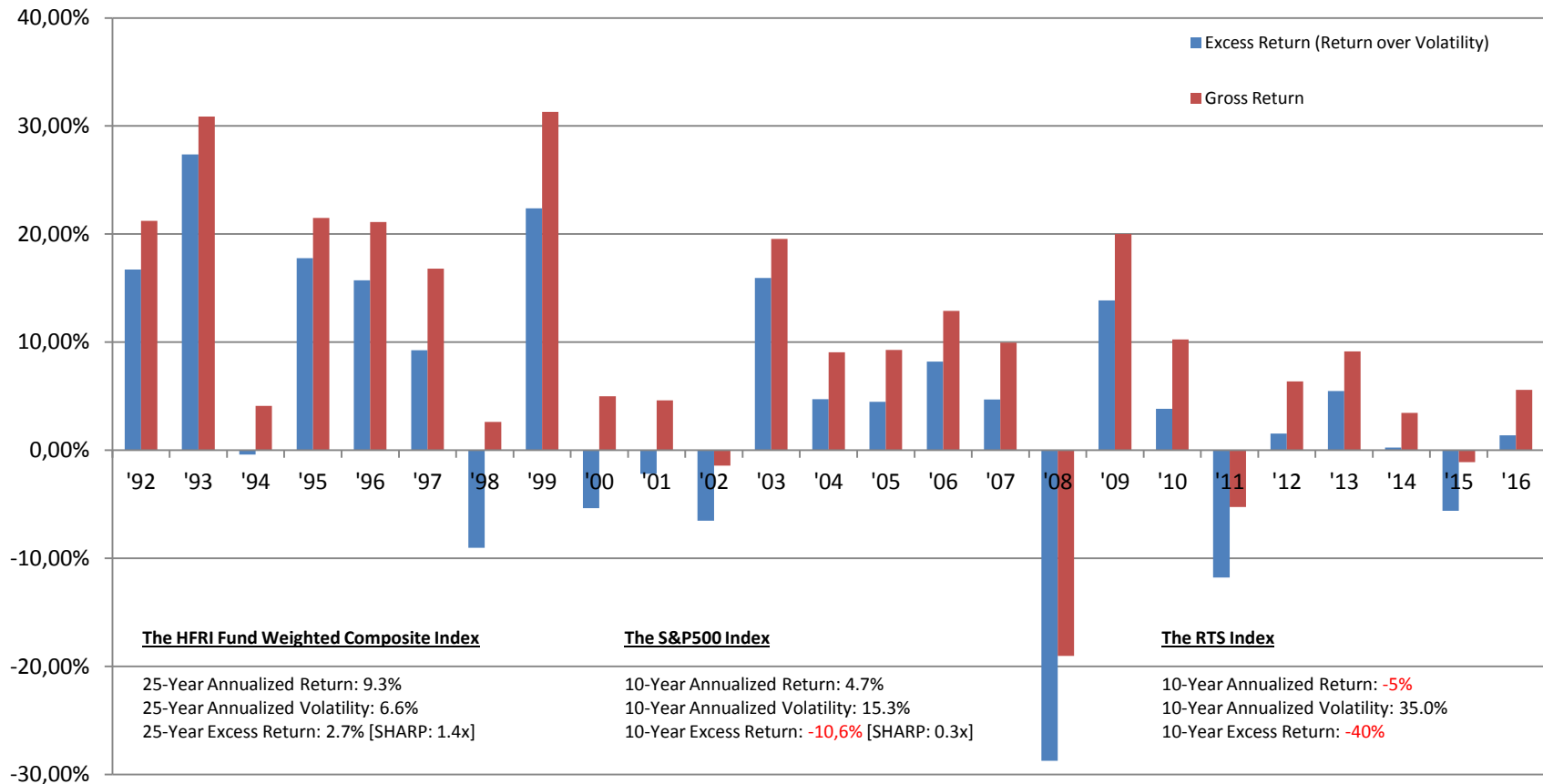
# ...What is a Hedge Fund?

- Usually Un-Regulated or Lightly Regulated
- Liquid Portfolio – trade in listed securities & derivatives
- Semi-Liquid for Investors – usually Monthly NAV cycle
- Absolute Return – can make money in all market cycles
- DECORROLATED returns!
- Lower Volatility – hedging & shorting
- Leverage – often very high leverage; algorithmic strategies
- Incentive Compensation
  - 2% management fee (market is falling)
  - 20% performance fee (market is more-or-less stable)  
...but usually over a certain “hurdle rate”

# ...Hedge Fund vs. Mutual Fund vs. ETF



# ... The Global Hedge Fund Industry



Sources: HFR, MICEX, NAIMA

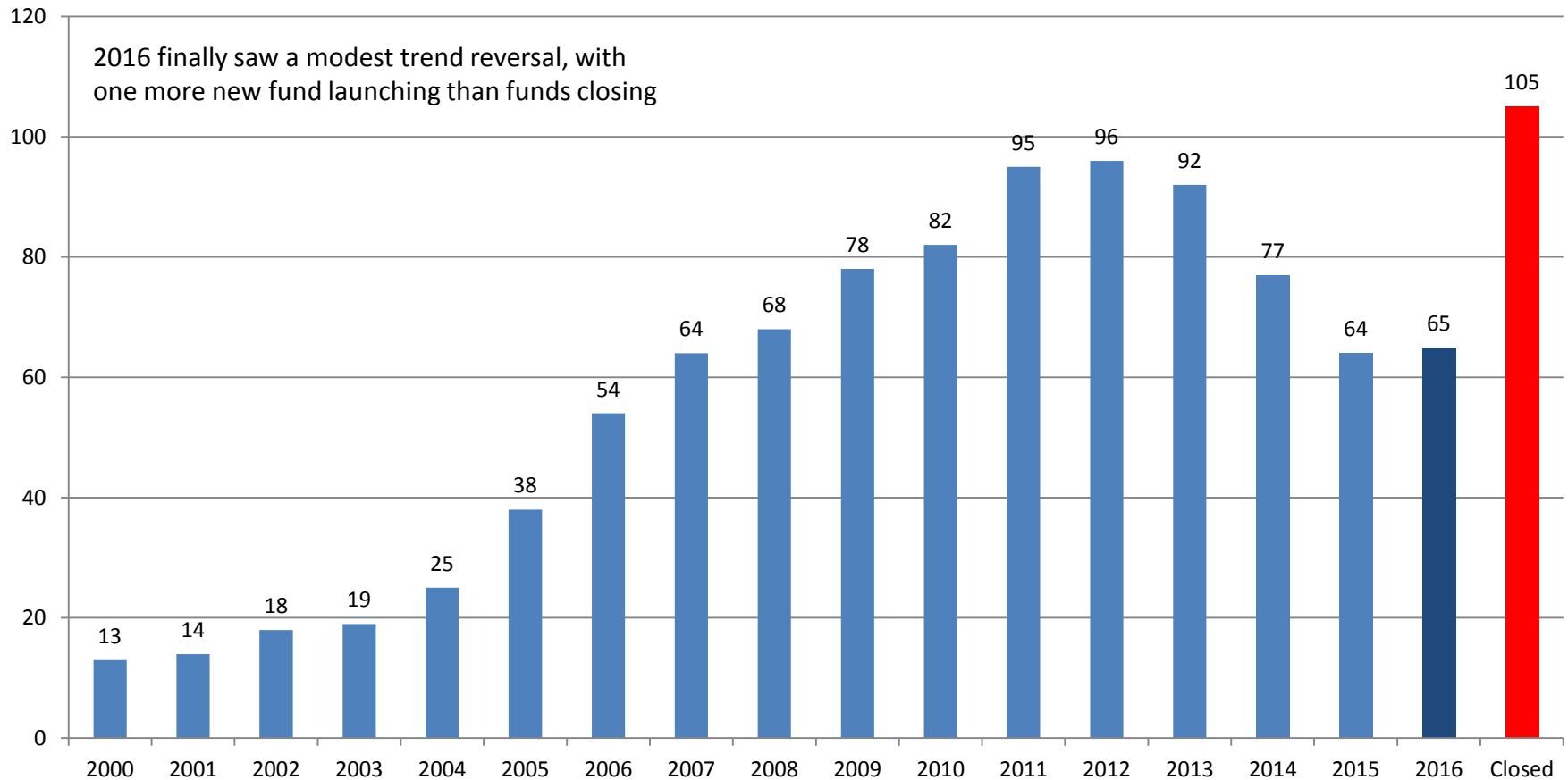


# ...What is a Russian Hedge Fund?

- What is meant by “Russian”?
  - Local Russian Manager/Advisor (at least in spirit)
  - At least some minor business presence in Russia
  - Not necessarily a Russia-focused investment strategy
- What is meant by “hedge fund”?
  - Broad definition, not narrow definition
  - Alternative investment fund investing in traded instruments
  - Not a PE/VC/RE fund
- *Note: most of the funds in the universe remain “long-only” by nature and thus do not attempt to reduce volatility (“risk”).*
- *Note: the source for almost all of the data to follow is the Investment Managers / Investment Advisors themselves; some data is from independent sources such as Bloomberg and general internet search*

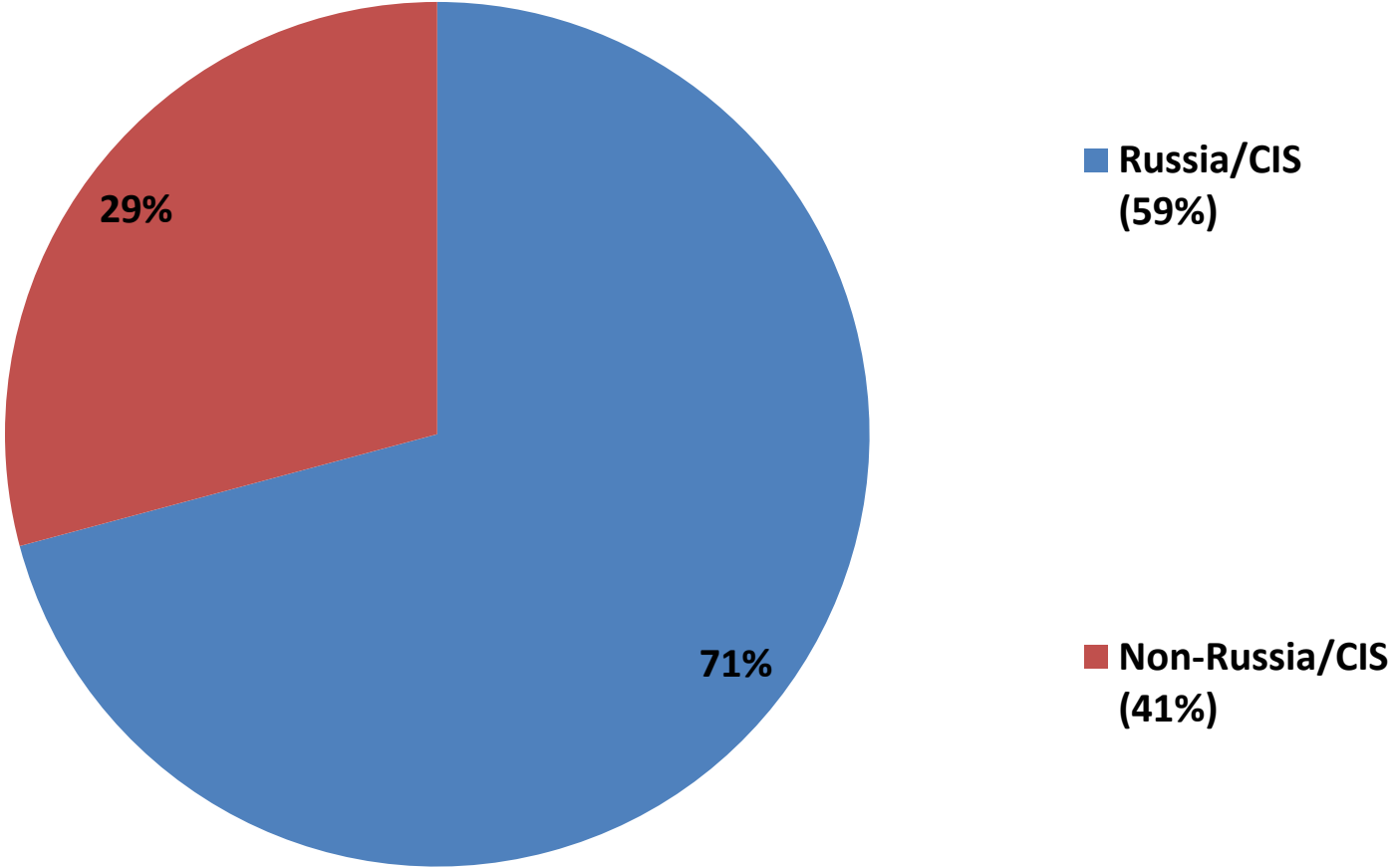
# ...Historical Growth Trend in Funds...

[Note: funds counted below only those with available data]



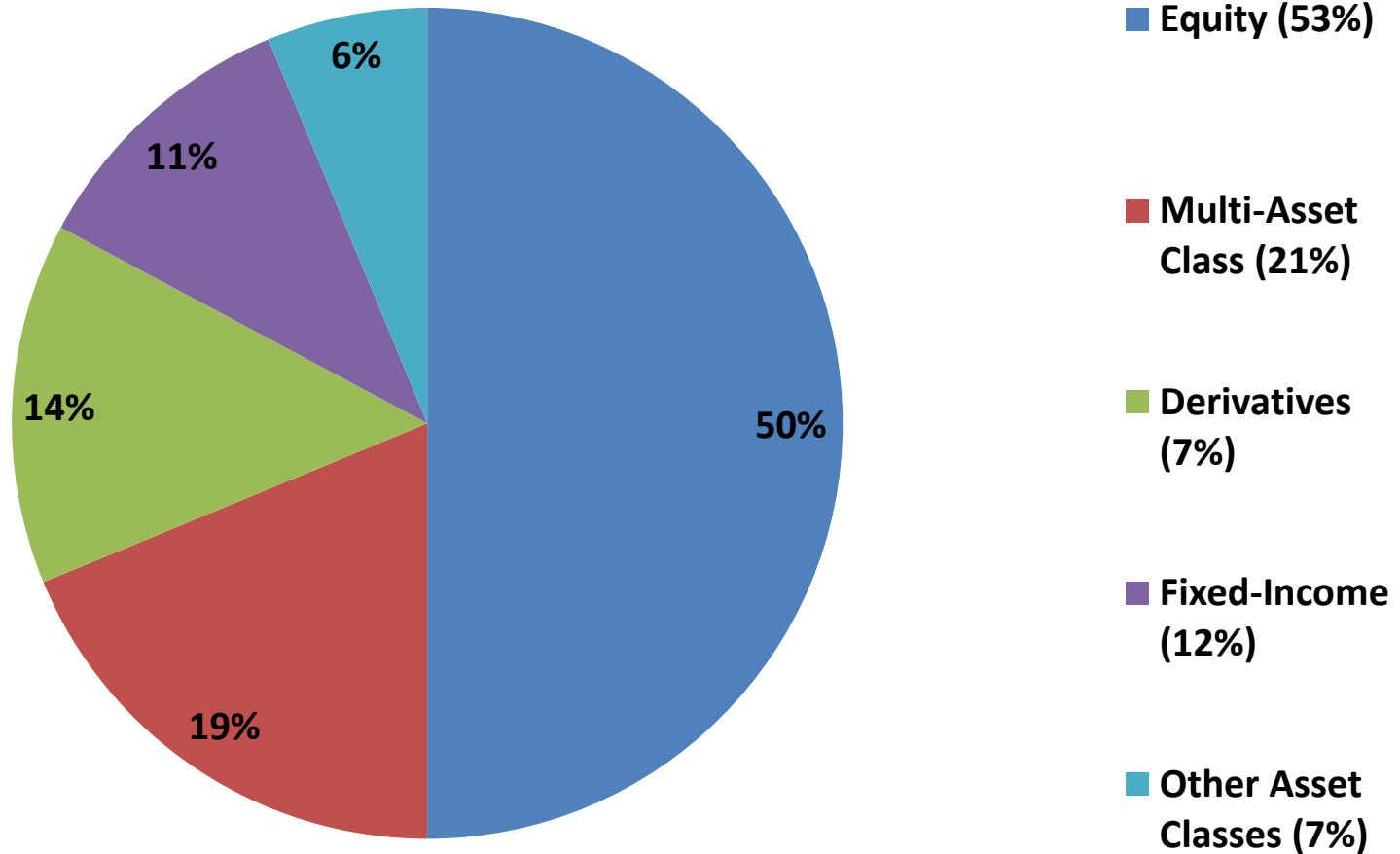
# ...By Core Geographic Investment Focus...

[Note: % in brackets represents whole history, including closed funds]



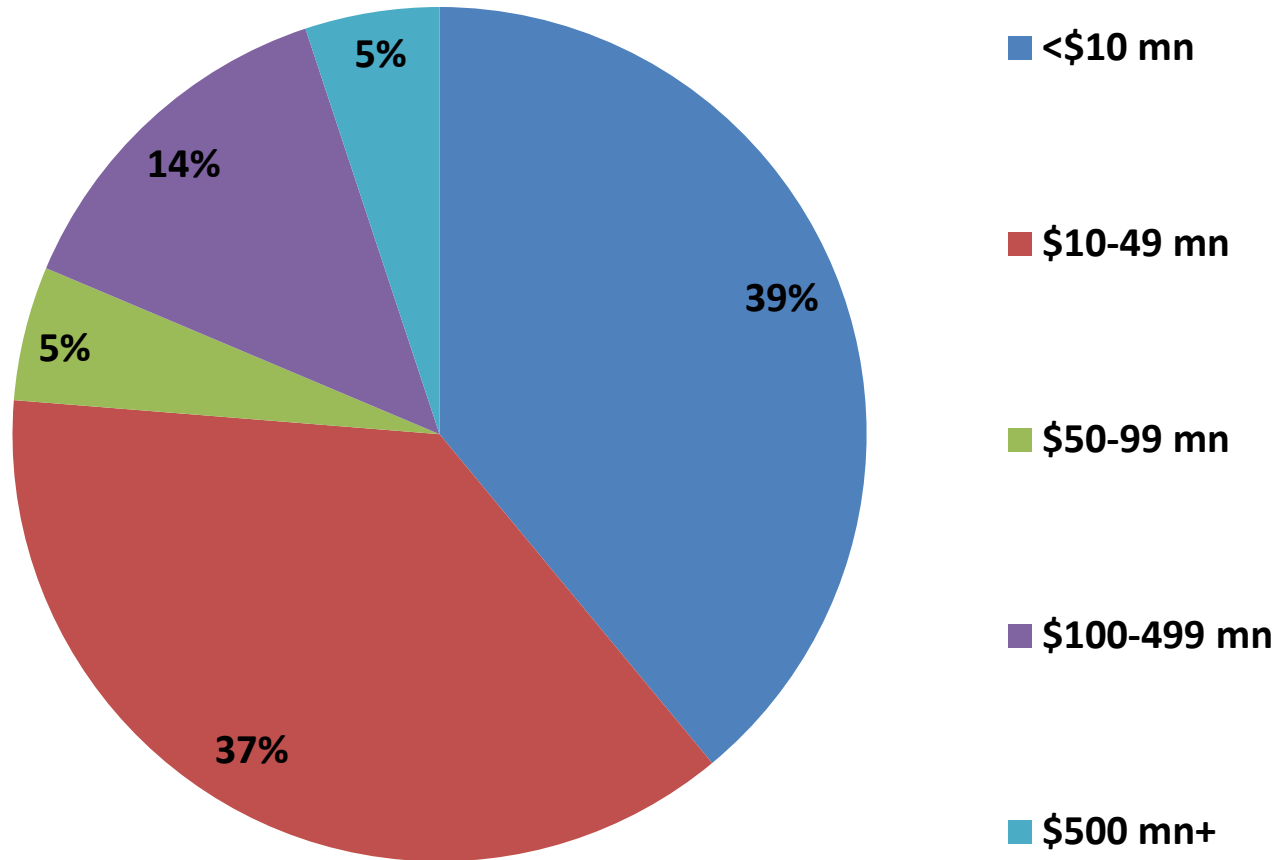
# ...By Core Asset Class...

[Note: % in brackets represents whole history, including closed funds]

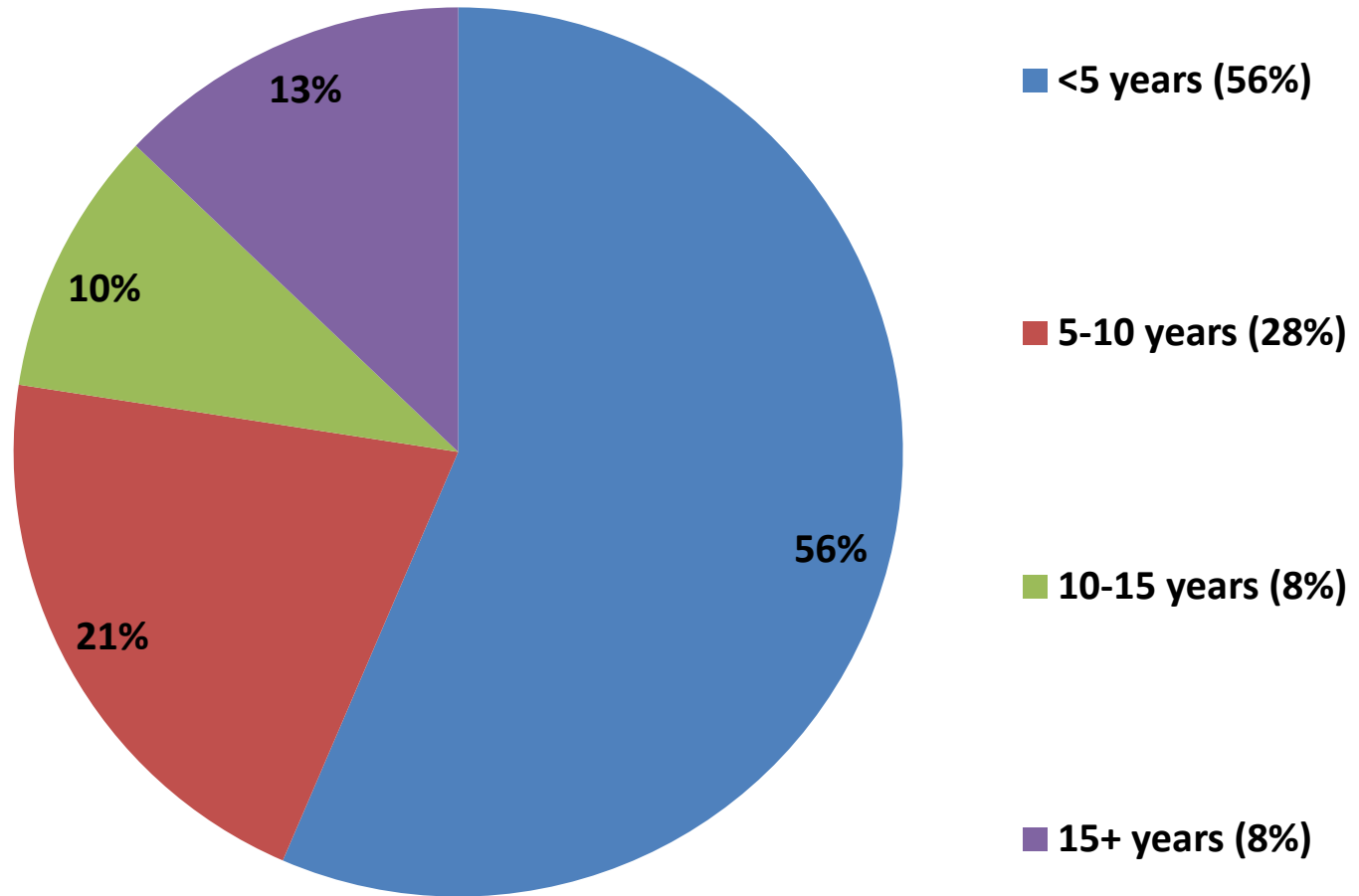


# ...By Size of Fund (NAV)...

[Note: total estimated size of the universe: \$4.5 – \$5.0 bn]

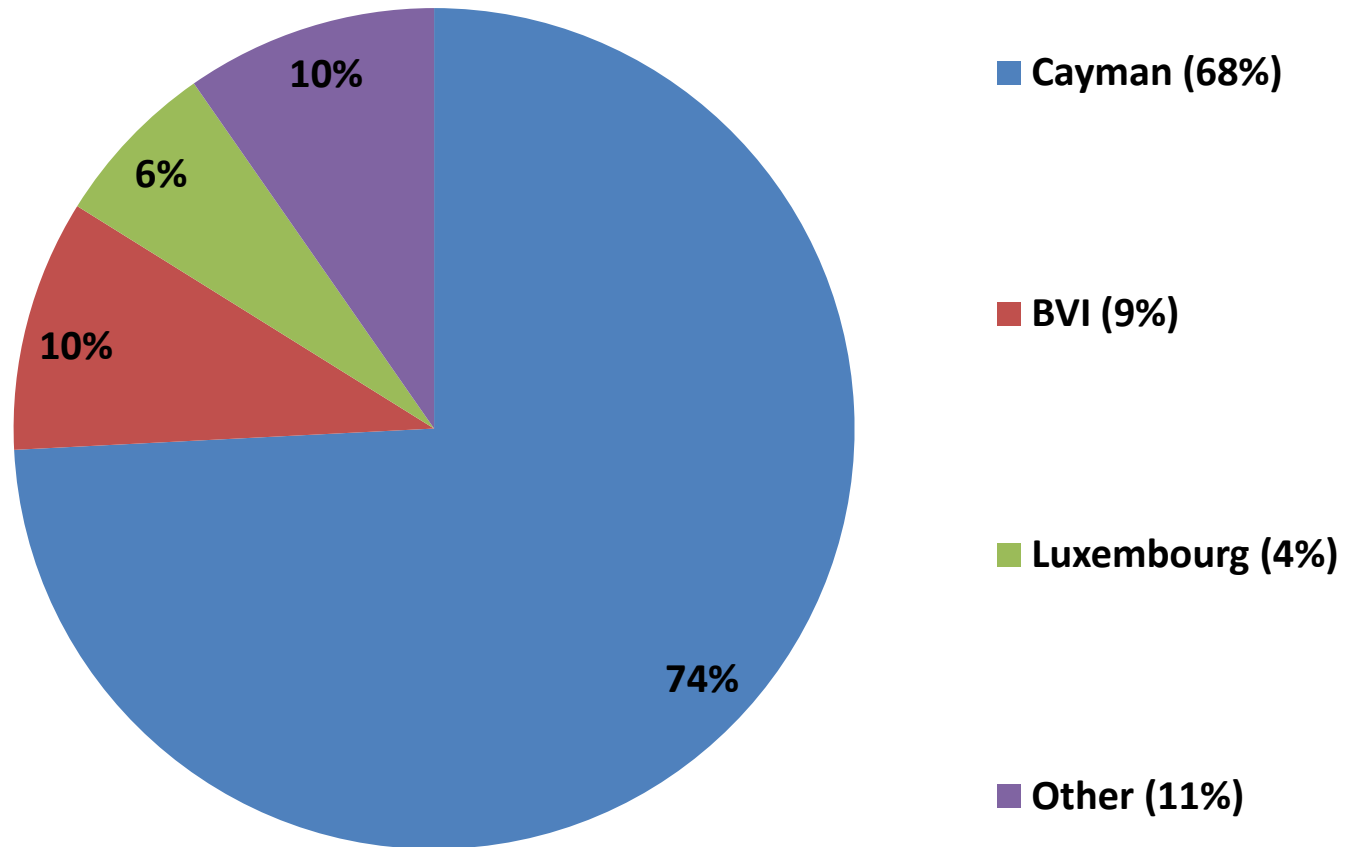


# ...By Length of Track Record...



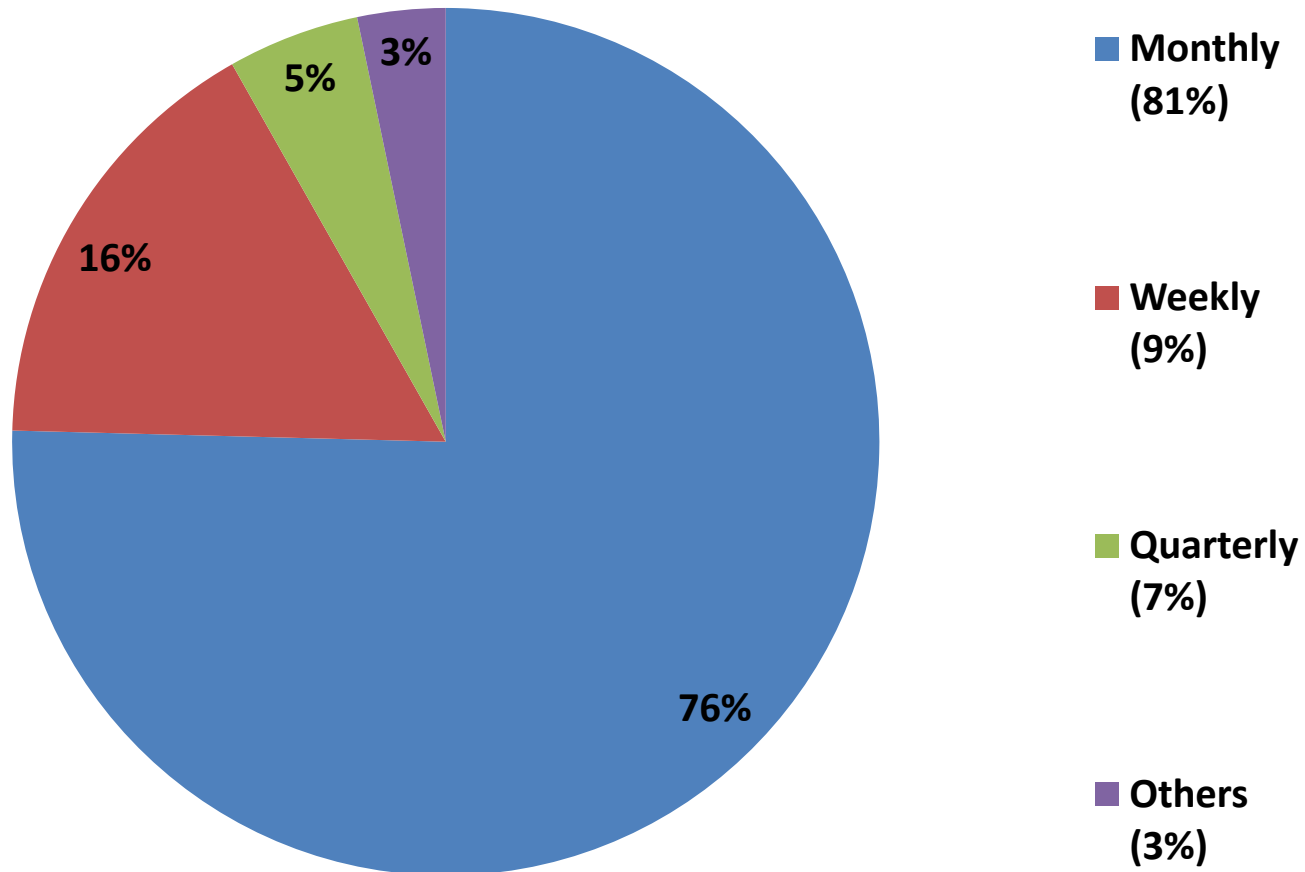
# ...By Jurisdiction of Incorporation...

[Note: % in brackets represents whole history, including closed funds]



# ...By Selection NAV Cycle...

[Note: % in brackets represents whole history, including closed funds]





# ...By Fund Fee Structure...

[Note: traditional “2%/20%” model also under pressure in Russia]

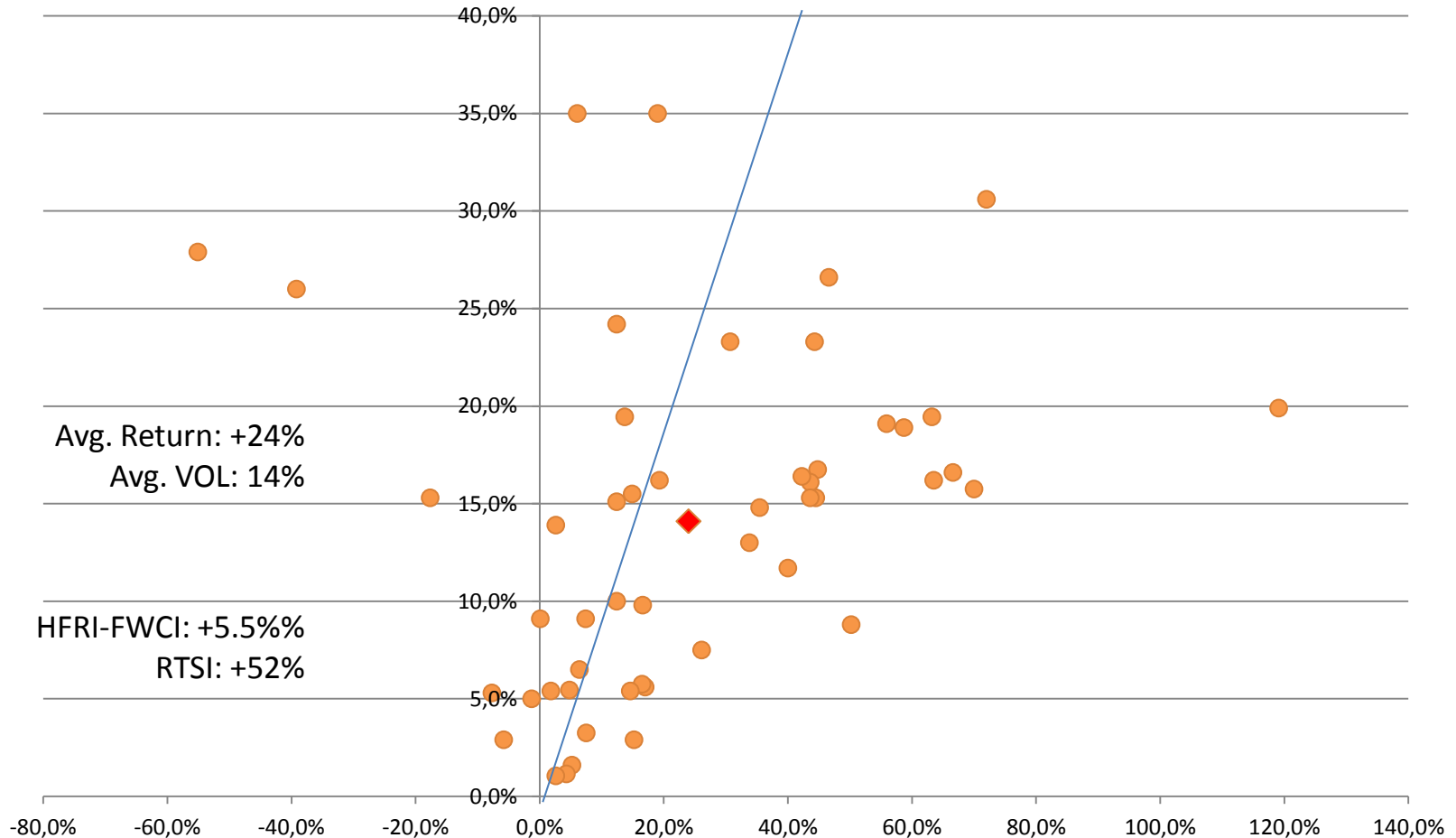
	<u>Low</u>	<u>High</u>	<u>Average</u>
Management Fee	0,5%	2,5%	1,6%
Performance Fee	0,0%	50,0%	17,2%
Hurdle Rate *	0,0%	20,0%	2,8%

\* *also: FedFunds; US\$LIBOR; US\$LIBOR+50bp; RTS Index*

# ...2016 Performance...A Very Good Year!

[hedge funds of all geographic focuses and all asset classes]

## 2016 Performance (X) vs. Volatility (Y)



# ...Historical Performance...

[hedge funds of all geographic focuses and all asset classes]

## Historical Performance (X) vs. Volatility (Y)

