

Raleigh hedge firm's returns tickle triple digits

By Lee Weisbecker

RALEIGH – Triangle-based hedge funds generally shared in the 2009 market recovery, but Raleigh's Shah Capital Management and its portfolio of global stocks lapped the field.

New York-based HedgeFund.net, or HFN, keeps track of 7,175 hedge funds and funds of funds offered by 4,900 investment firms nationally. The funds report their returns on a voluntary basis.

From January through November 2009, the Shah Capital Opportunity Fund showed a return of 98.4 percent in the 11 months.

For the 12 months from November 2008



Shah

through November 2009, Shah's Opportunity Fund posted returns of 135 percent, good for ninth best among the 332 funds HFN tracks with assets of between \$50 million and \$250 million.

HedgeFund.net did not have the year-end 2009 numbers by press time.

Asked about the performance, Shah Capital founder Himanshu H. Shah says it was based on advances across the portfolio.

"Obviously, when you have had the growth that we've seen, it cannot come from a few stocks," he says. "... some did

SHAH'S RETURNS *The Shah Capital Opportunity Fund produced a return of more than 95 percent for the first 11 months of 2009.*

Shah Capital Opportunity Fund LP

2009 returns, year-to-date (through Nov.)	98.39%
Total returns (life of the fund)	67.67%
Fund assets	\$182 million
Assets under management	\$280 million

SOURCE: HEDGEFUND.NET

better than others, but we saw success across the board."

Shah says his firm's research found reason to believe solid returns could be

SHAH: Raleigh firm's research showed global investing could be lucrative in 2009, and it indeed was

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achieved during 2009 by investing globally. That went against the conventional wisdom at the end of 2008 that held that the rest of the world's economies would be hit as hard as that of the United States, which at the time was stalled in recession with unemployment rising and home and stock prices falling.

"Contrary to what you read in the press," Shah says, "our fundamental research indicated otherwise."

Hedge funds are generally unregulated pools of private investment capital that use an assortment of trading strategies – some riskier than others – to achieve a return.

Total assets in the industry are estimated at \$2.03 trillion.

Peter Laurelli, who reports on the status of the industry for HedgeFund.net, is putting the final touches on his 2009 summary. The industry as a whole has been on track to return around 20 percent for the year, the highest level since 2003 and the best in 10 years. "Some areas did well, others not," Laurelli says.

For funds such as Shah Capital's that trade stocks with a long/short strategy, the 2009 average return was 22.6 percent, he adds.

Another New York-based hedge tracker, the Hennessee Group, put the 2009 gain even higher, at 24.6 percent, 0.1 below the S&P 500. The Hennessee Index is based on the performance results of 1,000 funds, says a company spokeswoman.

While 2008 was a down year for hedge

funds – Hennessee put the overall decline at 19 percent – 2009 saw most local funds sharing in the rebound with double-digit returns.

Chapel Hill-based Morgan Creek Capital is a fund of funds investor with \$9.8 billion under management, according to a May 2009 filing with the U.S. Securities & Exchange Commission.

For 2009 through November, Morgan Creek posted its best results, of 40 percent, in two emerging market funds focusing on Brazil, Russia, India and China, according to HFN. Returns for its Morgan Creek Fund LP were 22.2 percent.

Fund of funds investors don't put money directly into stocks or other instruments but rather invest with other money managers who make the direct

investments.

Also in Chapel Hill, Franklin Street Partners' Franklin Street Multi-Strategy Fund, with \$550 million in assets, posted a 17.2 percent return for 2009 through November, according to HFN.

In Raleigh, Hatteras Investment Partners, another fund of funds investor that invests in a range of alternatives – stocks, bonds, real estate and natural resources – posted an average return of 11.6 percent on four of its funds, Hatteras Multi-Strategy, Offshore, Multi-Strategy TEI and TEI Institutional.

A trio of other Triangle hedge investors, Chapel Hill-based Silverback Asset Management, Chapel Hill-based Raven Rock Capital and Durham-based Smith Breeden, did not report results to HFN.
