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November 24, 2009

Benedicte Gravrand (gravrand@opalesque.com) thought of you and forwarded this article to you:

Title: Opalesque Exclusive: Theta Capital sees SWFs becoming major force in global M&A

Personal message from Benedicte Gravrand: Best regards.

From [Komfie Manalo](#), Opalesque Asia:

Theta Capital Management, an independent fund of hedge funds (FoHFs) manager based in Amsterdam, the Netherlands, said in its recent Quarterly Review newsletter that the company was positive on the outlook for event-driven strategies, as increased M&A volumes are creating more trading opportunities for skilled long/short and merger arbitrage hedge funds. So sure is the firm of even-driven strategies that it said it would add one or two more funds in the coming months.

Theta, with \$1.2bn in AuM, said M&A volumes had picked up in 2009 and forecasted the trend to continue. "Although global M&A lending is at historical lows, we see anecdotal evidence of bank loan issuance picking up. Businesses with strong free-cash-flow generation will be able to access financial markets," the newsletter said.

This assessment was supported by [BNY Mellon](#), a large custodian of financial assets, which announced in late October that it saw more acquisition opportunities in Europe and in Asia in the coming months.

SWFs to become a major force in global M&A

According to Theta Capital, BRIC countries (Brazil, Russia, India, China) and sovereign wealth funds (SWFs) are becoming an increasingly dominant force in global M&A. The firm said that the BRICs had already executed over \$50bn of acquisitions in 2009, with China leading the way. It cited an IMF estimates which placed SWFs' current AuM at \$3.5tn, which would increase to \$10-13tn by 2012.

Theta believes that both the trend in M&A and the repositioning of SWFs in their investment directions would create a good market environment for skilled long/short equity managers with an event-driven focus to generate outsized returns going forward.

In August, the [China Investment Corporation](#) (CIC) said it would increase its new overseas investment in 2009 by at least 10 times from the previous year on signs the global economy has bottomed out.

Earlier that same month, [Business24-7.ae](#) reported that United Arab Emirates' sovereign wealth funds dominated the M&A market by accounting for more than 50% of the total value of deals this year. Globally, SWFs have entered into deals worth \$17.5bn as of August 2009 and SWFs from the UAE dominate the listings,

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accounting for more than \$9.3bn, or 53.4%, of the total deals.

The value of trading commodities

Another area where Theta Capital is hopeful is in the commodities space. The firm added three funds which actively trade in the commodity futures space this year (energy, metals, and agriculture). Theta said the funds have already made significant contributions to the company's performance. It said that global trade imbalances are declining and relative domestic demand fundamentals are driving currency and commodity movements again. A more fundamental driver of commodity returns is a possible return of the "Super Cycle", where strong demand meets constrained supply, pushing commodity prices higher.

However, the firm acknowledged the value of active trading in commodities futures can be highly volatile. This means that Theta's allocation to these funds should be kept limited and required frequent rebalancing.

Last week, Switzerland-based asset management firm [Tiberius](#) said that October had brought vigorous uptrend in the commodities sector.

Earlier this month, [Barclays Capital](#) predicted that investor demand for commodities that helped drive gold to a record high and copper and crude oil to one-year highs was "a trend to stay" as buyers diversify away from stocks and bonds.

Theta Deep Value Fund, up 1.1% in October, 11.4% YTD

Meanwhile, Theta Deep Value FoHFs now has a track record of more than three years which has outperformed the majority of its peers. Since its inception in June 2006, the \$223m fund has returned +30% over the period to October 2009. It returned 1.1% in October and 11.4% YTD.

Theta Deep Value Fund targets returns of 15% to 20% per annum over a five-year investment horizon. The Fund invests in a diversified portfolio of around 10-15 hedge funds and other investment structures, which employ diverse investment styles and strategies. Theta Deep Value focuses on hedge funds engaging in less liquid investment strategies and special situations where it may take some time before an investment's inherent value is unlocked but the upside return potential is significant.

Article Source: <http://www.thetacapital.com/who%20we%20are.aspx>

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