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Investors in real assets find supply in hedge funds
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Opalesque Industry Update - Gamma Finance, an independent specialist provider of advisory services to the alternative investment sector, has been awarded advisory mandates of $500 million by clients seeking to optimise exits from a diverse range of lower-liquidity assets, including real estate and private equity positions.

Placement agents and research companies are reporting that **real asset** and private equity investors are currently looking to raise additional capital and may deploy up to $200bn prior to the end of 2013. According to Gamma Finance, some of the beneficiaries of this increased activity may indirectly be the investors in **hedge funds** that have experienced low liquidity in the post-crisis years.

Florian de Sigy, founder of **Gamma Finance** LLP comments: “Since we launched our Real Assets Advisory business in 2011 – which is complementary to our **hedge fund secondary market business** launched in 2009 - we have seen a steady growth of interest both from hedge funds managing lower liquidity investments, and from specialist investors with appetite for the real assets held in such investment vehicles. Private equity funds in particular recognise this as a new source of assets that are not available through their usual channels.

“In the pre-crisis environment of significant capital in-flows into the hedge fund sector, the beneficiaries of these flows needed to put this new money to work, and that often meant seeking alpha in longer dated and less liquid investment opportunities. For example, a number of credit hedge funds started private lending facilities directly to companies, activities sometimes referred to as ‘shadow banking’.”

Ben Keefe, director and head of advisory for Gamma Finance LLP comments: “These private market financing activities often provided a return profile uncorrelated with the equity markets – highly sought after in an environment when the hedge fund market’s correlation to the equity markets was increasing, and managers were seeking a differentiated return profile. These hedge funds were specialist credit investors and the risks were mitigated through ensuring that the loans were adequately collateralised.”

“The severity of the subsequent credit crisis was unprecedented. As a result, many of these private loans defaulted and the hedge fund managers often restructured the financing and took delivery of the collateral - changing the nature of the fund’s investment from credit to, in many cases, equity in private companies.”

Gamma Finance recognised this, and launched its Real Assets Advisory business to create a ‘bridge’ between hedge fund managers, and buyers with appetite for such longer-term assets - often private equity and real asset specialists. Less than 18 months after inception, this business has won mandates with a combined value of $500m with particular emphasis on private companies in the energy and real estate sectors.

“The extended liquidity profile of multiple asset types has resulted in many investment vehicles containing assets that have a longer liquidity profile than is optimal, given redemption obligations to investors” notes Keefe. “This is where businesses such as Gamma Finance are well-placed to assist clients in meeting their objectives. Clients range from those who are approaching or concluding a formal corporate restructure, to those that are perfectly healthy and have simply reached the end of an investment cycle and are looking to monetise their investment.”

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