Triple A Partners AUSTRALIAN HEDGE

September 2012 NEWSLETTER

A short break, but we are back!

We had a bit of a business re-structure, moved offices, and changed phone and fax numbers and email addresses. We also changed our web address which is now www.aaapartners.com.au.

We proudly represent and consult to Kapstream Capital, Fidante Partners, and Ramius Alternative Solutions. We look to be adding a number of other clients in the near future.

We are again producing our monthly newsletter so please feel free to recommend us or tell me to bugger off by UNSUBSCRIBING!

There are some things that I am very clear about?

Yes, there are some things in the markets that I am quite clear about and others where I just don't know. But everyone's an expert these days, right? The funny thing about that is, that a lot of people miss the basics.

Take the Australian dollar. Currently sitting just under 1.04. It seems as if everybody wants it to drop from current levels. Exporters, tourist industry operators. So, one thing I am pretty clear on is that it isn't going to decline in a meaningful way. In fact, more than likely, it's going to get stronger. The RBA cash rate is 3.5% versus next-to-nothing in the rest of the developed world. Investors will take the currency-risk to get Aussie-based income. Westpac and ANZ are predicting two rate-cuts before the end of the year. If we are in a risk-on environment, i.e. a shift to buy assets, the level of confidence may make the RBA reluctant to cut. Irrespective, on two rate-cuts the official cash rate will be 3%, still significantly higher than most developed countries. The risk is rate rises in the US or Europe, which are unlikely to happen for some time.

I'm also an old chartist. One thing I have learnt over the years is that you form an opinion around fundamentals, and then look at the charts. First, looking at price-movement history puts your view in the frame. You visualise the price movement and get a feel for the momentum. Second, some simple indicators will confirm your fundamental view. Moving average crossovers, Relative Strength Indicators, and just simple downtrend lines. Recently, a leading chartist, Regina Meani, pointed out that the AUD had broken a very long downtrend line. This break was supporting a number of chartists whose upside projections are suggesting $1.30 and as high as $1.70. These are big calls but the charts support my fundamental interest-rate view. I can't say if the market will get that high but I am convinced the trend is up and will stay that way.

My second clear thought is that Australian real estate will continue to decline but it won't be a rout. We hear a lot about offshore hedge funds shorting Aussie banks off the back of a collapsing housing market. Yes, I believe that residential real estate will decline, but it will be a slow burn. Over the years I've seen quite a number of real estate booms. They are cheap money leveraged fueled. We obviously haven't got that at the moment. Also there is a quite well set in negative sentiment. Eastern seaboard financial services are really in the doldrums and when you have financial institution layoffs, you see steady downward pressure on real estate.

I catch up with a few former colleagues who have been out of work for the first time in many years. A number of them are concerned enough to put their houses on the market. I also look at charts comparing our residential values with the US, UK, Europe and Asia. Where the developed world has seen significant declines, the Australian market looks to have some way to go. Yes, the comparison is tenuous, based on the fact that our lending was arguably more restrained than the US and to a lesser degree the UK.

Some years ago, I sat in a presentation with the ANZ Chief Strategist. He pointed out that the bank was not concerned with the housing market. One rationale being that 38% of homeowners did not have a mortgage. Another reason why I don't think it will be a rout, is that every time a publication, and it is nearly daily, announces that property is down and it's a great time to buy, punters come out of the woodwork and buy. I guess I find it strange because I work in the markets and we see price up, price down, price trends, price reverses, all in day-to-day timeframes. The man in the street seems to have a mentality that because I can buy it cheaper today versus yesterday, it must be good value. Of concern is the house-price to income ratio. The medium house-price to household income is over four times versus the average over the nineties at slightly over two times. This is used as a measure of affordability and clearly there is room to move. The flip side of this argument is interest rates being significantly lower. Our unemployment rate is still very low, hovering above 5%. I think this is somewhat false. In financial services, we all seem to adjust to lower profitability by accepting lower income. I believe this adds to the unaffordability of real estate. But again, a slow burn down. This whole process could take quite a few years. My message to my kids is don't jump into home ownership straight away, wait awhile.

There's a whole bunch of other things that I think about that I'm not so clear on. Why is the German stock market up 40% year to date? Is it too late to buy Apple? Would you short it? Will I buy an iPhone 5 day one? Stupid question. I am very clear on that last one.

165 firms in Australia's first comprehensive Hedge & Boutique Fund Directory

The inaugural Triple A Partners / Basis Point Consulting **Australian Hedge and Boutique Fund Directory 2012** has been launched.

Highlights

1. The directory is the first comprehensive report on Australia's hedge & boutique fund industry.
2. 165 firms control $208.4 billion, equivalent to 17% of the $1.19 trillion managed by all investment managers in Australia.
3. The directory identifies 102 independently owned boutiques (predominantly long-only, benchmark-unaware strategies) with $165.6 billion in AUM, and 63 hedge fund firms with $42.8 billion in AUM.
4. They eclipse Hong Kong's A$37 billion in hedge fund & long-only absolute return assets, and Singapore's A$20 billion sector.
5. More than $60 billion (roughly 30% of sector AUM) is deployed by Australian managers into global markets such as global and Asian equities, global fixed income and global macro.

The 56-page (hard-copy only) directory has 28 pages profiling each of the 165 managers. There are also details on 42 service providers (brokers, fund admin, operational, software/data/IT, business services) and global managers marketing into Australia. In addition, there are 17 pages of qualitative and quantitative analysis on Australian investors including super funds, (world's fifth largest pension fund) and high-net-worth investors.

The directory is sponsored by:

Gold: Merrill Lynch, NYSE Liffe

Silver: Moore Stephens, Singapore Exchange, TMF Fund Services

Bronze: EUREX, Predicted Markets, UBS Fund Services.

$70,000 worth of the directory is available free to qualified Australian institutional super fund and family office investors on a 'first come first served' basis. For others, the cost is A$396 (US$410).

To order your copy or for more information, please email info@basispoint.com.au

Sample copies will be available from the Australian Trade Commission's global offices in London, New York, Hong Kong, Singapore, Toronto, Shanghai, Dubai, & Tokyo (from October).

Basis Point Consulting (established 1996) provides market intelligence on the Australian and Asian funds industry and financial markets. Clients include government entities in the Asia Pacific, and exchanges & exchange groups in Europe and the US.

David Chin, founder and managing director of Basis Point Consulting, is the author of the Australian Trade Commission's Investment Management Industry in Australia Report; and the Australian Hedge Funds Industry Report.

Notes: To be included in this directory, firms must have investment teams located in Australia. The directory excludes specialist private equity, real estate, and infrastructure investment managers, & fund of funds. It also excludes investment management firms owned by institutions except where they deploy hedge fund strategies from Australia.

Capgemini high-net-worth report

The annual global wealth report by Capgemini and RBC Wealth Management estimates there are:

- 179,500 Australian millionaires with at least $US1 million ($982,000) in investable assets, down 6.9 per cent from a year ago.
- 1800 ultra-high-net-worth Australians with more than $US30m ($29.4m) in investable assets.

The Asia-Pacific region now has more millionaires than any other region, overtaking the US and Europe with 3.37 million, compared with 3.35 million in the US and 3.17 million in Europe.

MIR joins Fidante stable

MIR Investment Management has joined the stable of boutique fund management firms being supported by Fidante Partners (a unit of Challenger). MIR founder Michael Triguboff sold his equity stake to Fidante, according to InvestorDaily.

MIR will now be led by John Beggs as CEO and Kenny Tjan as CIO. The pair were CIO and head of quantitative research respectively. MIR has $1.1 billion AUM, after peaking at $4 billion in 2009. MIR is an active stock-picker with 16 investment staff across Singapore, Sydney and Melbourne. It has a joint venture based in Hong Kong, MIR Libra, focused on Greater China.

Russell releases global institutional survey on alternatives

Russell Investments has released its 2012 Global Survey on Alternative Investing.

Highlights

Institutions currently have significant allocations to alternative investments – on average, 22 percent of total fund assets.

Diversification was cited as one of the top three reasons for using alternatives by 90 percent of respondents, while volatility management and low correlation to traditional investments was mentioned by 64 percent, and return potential was noted by 45 percent.

The majority of respondents indicated that allocations would remain static or increase over the next one to three years across all alternatives categories. Thirty-two percent of respondents expect to increase their investment in hedge funds and private real estate, 28 percent in private infrastructure, 25 percent in private equity, 20 percent in commodities, and 12 percent in public real estate and public infrastructure.

49 percent of respondents who participate in hedge funds currently utilise the fund of funds structure approach. However, only 17 percent of respondents using hedge funds expect to be using this traditional structure for implementation over the next one to three years.

Between January and March 2012, 146 institutional investors in North America, Europe, Australia and Japan representing a total of $1.1 trillion in assets completed the online survey.

http://www.russell.com/institutional/research_commentary/alternative-investing-survey.asp?wt.mc_id=altsurvey2012

Treasury Group buys stake in Evergreen, Octis

Treasury Group (TRG) has acquired a 30 percent equity stake in Evergreen Capital Partners, a Melbourne-based $100 million absolute return equities manager.

TRG paid $1.4 million and will pay a further deferred amount contingent upon business performance hurdles. The majority of the TRG stake was acquired from Jo Rylance, Evergreen's COO, who will continue in her executive capacity. Evergreen was established in 2009 by Tim Hannon. The firm has managed TRG's Ascot Fund since Dec 2011. It also has a joint venture with Freehold Investment Management that manages Australian real estate and infrastructure securities. The joint venture is led by Andrew Smith and has $70 million AUM.

Meanwhile, TRG is taking a 20% equity stake in Singapore based Octis Asset Management for $224,000. Founded in 2007, Octis is an Asian multi strategy equity manager with $50 million in AUM.

Henderson Global to expand in Australia

Henderson Global Investors, with global AUM of £66.7 billion, has hired Rob Adams as executive chairman to spearhead its investment management business in Australia.

The firm expects to announce additional hires in due course. Adams (ex-CEO of funds management at Challenger Funds) is responsible for business strategy, which, according to the AFR, could include mergers and acquisitions with a local operation and setting up a locally based funds management capability.

The firm already has a representative office in Sydney handling about $2 billion in direct property, equities and hedge funds, according to the AFR.

ASIC releases hedge funds regulatory guide

ASIC has released Regulatory Guide 240 – Hedge funds improving disclosure. The 38-page guide offers benchmarks and disclosure principles related to the issue of Product Disclosure Statements (PDS).

The guide covers benchmarks for valuation of assets and periodic reporting, and disclosure principles on investment strategy, manager, fund structure, valuation/location/ custody of assets, liquidity, leverage, derivatives, short selling and withdrawals.

For the first time, the regulator has defined a 'hedge fund' and 'fund-of-hedge-fund' (via its recent 'Class Order 12/749 - Relief from Shorter PDS' where hedge funds are excluded from using a shorter 8-page PDS.

ASIC defines a "hedge fund" as a registered MIS that is promoted by the responsible entity as being a hedge fund (using that expression); or has two or more of the defined characteristics of a hedge fund.

These defined characteristics are:

1. the investment strategy has a low correlation to published financial market or bond indices;
2. the fund acquires financial products through three or more interposed entities within its control, or at least two, if one of the interposed entities is an offshore entity;
3. the fund uses debt (leverage) for the dominant purpose of making an investment;
4. the fund deals in derivatives for speculative purposes (i.e. not to manage a foreign exchange or interest rate risk);
5. the scheme engages in short selling strategies; or
6. the responsible entity of the fund has a right to be paid fees which are performance-based.

"Funds of hedge funds" is defined as a registered MIS that:

(a) is promoted by the responsible entity as being a 'fund of hedge funds' (using that expression); or

(b) invests at least 35% of its assets in one or more (i) hedge funds; or (ii) schemes that would be a hedge fund if they were a registered MIS; or

(c) is promoted by the responsible entity on the basis that its assets are invested in the way set out in (b) above.

Citi global survey on institutional investor attitudes to hedge funds

Citi Prime Finance has released a global survey on institutional investor attitudes to hedge funds. The study suggests global assets invested with hedge fund firms could rise from the current record $2.1 trillion to more than $5 trillion as a result of two emerging trends.

One - the potential for institutional investors to increase allocations to hedge fund strategies by $1.0 trillion in order to better insulate against risk and to help ensure more diversified portfolios.

Two - a “convergence zone,” in which hedge funds and traditional asset managers will increasingly compete head-to-head to offer a broad set of equity and credit strategies. As a result, there could be an additional $2.0 trillion in new allocations to hedge fund firms in the form of regulated alternatives and ‘unconstrained’ long-only products.

73 firms participated in the survey and represented $821 billion in assets allocated, managed or under advisement in the hedge fund industry.

http://citibank.com/icg/global_markets/prime_finance/business_advisory.jsp

Manager developments

Morphic Asset Management, a global equities hedge fund, has been launched by Jack Lowenstein and Chad Slater. (Both are ex Hunter Hall). They are joined by Tim Cheung (ex Cheung Capital) as research manager, and Geoff Wood as risk manager. (ex Global Trading Strategies). Financial planning group Innova Portfolio Management has selected the firm to join its suite of recommended global equities managers.

* H3 Global Advisors has appointed Nelson Lam as COO. He was previously head of investments at Ascalon Capital Managers. Ascalon is a minority shareholder in H3, and is supporting Lam’s transition. H3 Global is a CTA with $600 million AUM.

* BlackRock has closed its fundamental Australian equities strategy and will transfer about $1 billion to the quantitative Australian Scientific Active Equity (SAE) team. This team will assume sole responsibility for all active Australian equity products, according to *InvestorDaily*.

* Monash Investors has been launched by Simon Shields and Shane Fitzgerald, both ex-UBS equity fund managers. The firm has raised $20 million in seed capital. Minimum investment is $500,000. UBS has taken a minority equity stake in the business.

* US manager T Rowe Price has launched an Australian Equity Fund run by Randal Jenneke (ex-Schroders equities fund manager) and a 5-strong team. The firm has $554 billion AUM, of which approximately $3 billion is from Australia and New Zealand.

* The Winton Global Alpha Fund has been awarded the Money Management/Lonsec Fund Manager of the Year award for the alternative investments sector. Colonial First State Aspect Diversified Futures Fund came second and AQR Wholesale Delta Fund came third. The investment teams for all three firms are based offshore.

* Lanyon Asset Management, a high conviction boutique fund manager, will have its Australian Value Fund listed on investment platforms, namely BT Wrap, Macquarie Wrap and MLC Wrap, according to InvestorDaily. Lanyon was launched in July 2010 by David Prescott and MMC Asset Management founder Erik Metanomski.

* PIMCO Australia has established a new absolute return unit trust that will feed to the PIMCO Absolute Return Strategy, according to InvestorDaily. The strategy has been run as a separate mandate for a local institutional investor for 5 years.

* WAM Capital, an ASX-listed LIC, has announced a share placement. WAM Capital chair Geoff Wilson told Morningstar that a number of financial planning groups have participated in the placement and noted that the end of trail commissions under the Future of Financial Advice reforms would mean greater interest in LICs and ETFs from planners.

Opalesque releases Australian roundtable discussion

Opalesque has released a 21-page 'Australian Roundtable' report, based on discussions with industry executives. The report notes that;

Large Australian institutional investors often focused their attention offshore for global absolute return exposure. However currency and hedging costs have been a big drag on performance.

Australian asset consultants and large investors have significantly added internal research capabilities directed at alternative investments and started to allocate more to domestic hedge funds.

Some Australian hedge funds have successfully set up multi-channel distribution to retail, mezzanine, institutional, and high net worth/ SMSFs.

5 or 6 Australian funds have opened offices in Hong Kong or Singapore over the last 12 months. The main motive is to be closer to the investors from North America and Europe traveling to Asia.

http://www.opalesque.com/RT/RoundtableAustralia2012.html

People on the move

Andrew Landman is joining BlackRock to head the firm's Australian alternatives business. Landman was previously head of Ascalon Capital, a 'house of boutiques' which has $4.2 billion. He is also head of BTFG's investment strategy. Both BTFG and Ascalon are owned by Westpac.

At BlackRock, Landman will report to Rick Arney, BlackRock Alternative Investments' head of hedge funds, based in San Francisco. BlackRock runs about $110 billion in alternative strategies, of which around one-fifth is sourced from Asia-Pacific.

* Meanwhile, Justin Arter (ex-Victorian Funds Management, ex Goldman Sachs JB Were) has been appointed country head of BlackRock Australia. BlackRock's Asia-Pacific chairman, Mark McCombe told the AFR that the firm will be stepping up sales of alternative products such as hedge funds and other funds offering absolute returns.

* Jonathan Armitage, head of equities at MLC Investment Management, has been made acting CIO following the resignation of Nicky Richards from the position. MLC will undertake a global search for a replacement to Richards.

* Bennelong Funds Management has appointed Jeff Phillips as CFO. He was previously COO at NAB-owned Antares (formerly Aviva Investors Australia).

* Insurance Australia Group (IAG) has appointed David McClatchy as CIO. He was previously CEO at ING Investment Management in the late 2000s and more recently was an investment consultant. IAG has $12.7 billion AUM and owns NRMA Insurance, SGIC, and SGIO amongst others.

* Brad Gale has joined Wilson HTM Investment Group to lead its private wealth division. He is a former managing director at JBWere. Wilson HTM has around 15,000 active clients and around 35,000 clients in total, according to InvestorDaily.

* Treasury Group has appointed Stephen Bramley (ex-head of institutional sales, Mercer) as a distribution director covering Victoria and South Australia.

* Zenith Investment Partners has hired James Tsinidis as alternatives research manager and Scott Lin as alternatives investment analyst. Tsinidis was previously at Bell Potter Securities. Lin joined from NAB Asset Servicing.

KPMG/AIMA global survey

KPMG and AIMA have jointly released a global survey of 150 hedge fund managers with $550 billion AUM.

Highlights

- 57 percent of global AUM are now from institutional investors.
- 90 percent of respondents reported increased due diligence since 2008
- 98 percent have hired additional staff in regulatory compliance since 2008
- 77 percent of respondents have observed an increase in investment by pension funds since 2008

To download the full report please click here.

Alternatives survey by Morningstar & Barrons

A survey of alternative investments among US institutions and financial advisors has been released by Morningstar and *Barron's* magazine.

Highlights

- Alternative mutual funds saw inflows of $23.2 billion in 2011, while U.S. equity mutual funds saw outflows of $84.7 billion.
- Approximately 65 percent of advisors and 67 percent of institutions indicated that alternative investments are as important or more important than traditional investments, down slightly from the last survey.
- 26 percent of institutions indicated they plan to allocate more than a quarter of their portfolios to alternative investments, down from 37 percent in the last survey.
- For the second year in a row, advisors cited managed futures as the asset to which they were most likely to increase their exposure.
- Institutions flagged long/short equity (or debt) and private equity/venture capital as the top two strategies for increased allocation.
- Institutions stated lack of liquidity was the greatest impediment, while advisors cited higher fees.

The survey was conducted in January 2012. 264 institutions and 365 financial advisors responded.

http://corporate.morningstar.com/us/asp/subject.aspx?xmlfile=174.xml&filter=PR4817

Greg Nolan, general manager of investments at $4.8 billion CARE Super told BRW that the pension fund had earlier made a decision to 'get out' of funds of hedge funds. 'They haven't met our expectations, especially in relation to their high costs and low transparency,' he reportedly said. The super fund's focus has been on credit and infrastructure debt for the past two years. CARE Super is exploring a merger with ASSET Super.

* NGS Super has provided $30 million in seed capital for an Australian domiciled catastrophe bond fund managed by US-based Fermat Capital. Fermat is represented in Australia by 3rd party marketer Brookvine. NGS Super has $4.4-billion AUM and is headed by Anthony Rodwell-Ball, CEO.

* Of the $1.3 trillion superannuation industry, around 29 percent is invested in Australian equities, 24 percent in international equities, 10 percent in Australian fixed income and 6 percent in international fixed income, according to the Association of Superannuation Funds of Australia (ASFA).

* Geneva-based Faraz Sultan, global head of portfolio management for HSBC Alternative Investments, was recently interviewed by The Australian newspaper. He reportedly noted that the firm had fewer than 200 hedge fund managers on its recommended list of which "one or two" are local (Australian) names. The firm has also increased focus on early-stage hedge funds, from which HSBC has been able to demand lower fees.

http://www.theaustralian.com.au/business/wealth/bespoke-winning-out-over-off-the-shelf/story-e6frgac6-1226367337451

* The Australian Treasury department has established a board for the $10 billion Clean Energy Finance Corporation (CEFC). The investment entity will 'drive innovation through commercial investments in clean energy through loans, loan guarantees and equity investments.' The board's tasks are to develop an investment mandate and hire a CEO for the fund.

* Only 25 per cent of SMSFs made investment decisions with their financial planner, according to the latest Vanguard/Investment Trends Self-Managed Super Fund Report. The use of advisers dropped 9 per cent since the last survey.
SMSF allocation to managed funds continues to decline, hitting 6 per cent in April 2012 compared to 9 per cent last year. Direct shares increased slightly to 41 per cent in April 2012.

* Wilson HTM Investment Group has cancelled plans to sell its 79.3 percent stake in fund incubator business Pinnacle Investment Management due to lacklustre buyer interest. Pinnacle will retain its interests in all six of its boutique fund managers.

* Certitude Global Investments has changed the name of its HFA International Shares Fund to LHP Global Long/Short Fund. The HFA Diversified Investment Fund has also been changed to LHP Diversified Investment Fund. The rebranding reflects Lighthouse Partners' role in managing the

fund, and does not change either of the fund's investment strategies, structure or operation.

* The $45 billion Swiss National Accident Insurance Institution plans to allocate two to three new hedge funds in the next 12 month and is particularly interested in macro managers based in Asia, according to Preqin.

* Instreet has launched the Instreet Link Alternative Manager DPA, a structured product that allocates to three global CTAs/FX managers, Aspect Capital, Axiom Investment Advisors and Quantica Capital.

Bijak's Macroeconomic Digest

*The forum to show your best work to 7,000 professionals around the World**

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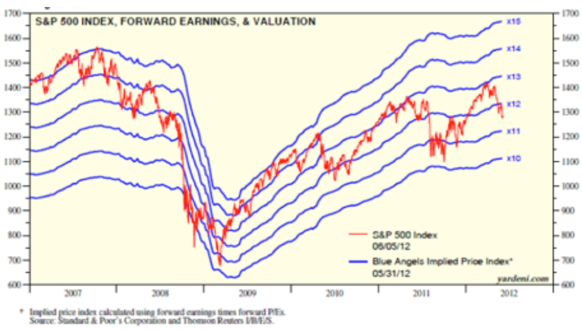
European politics depressed valuation multiples
It was the P/E multiple correction in the last three years; earnings were sound.

We had a nasty correction in the middle of 2010, 2011 and 2012 caused by political uncertainty about Europe's debt.

In times of market declines it is good to remind ourselves the difference between a correction and a bear market. From a technical point of view correction is when the market falls short of a 20% decline; more than 20% drop is a bear market. From a fundamental perspective during corrections investors expect future earnings to fall so they put lower valuation multiples (P/E's) on the current earnings. If the earnings do not fall or continue to rise P/E rebounds and bull market resumes. If earnings do fall, the P/E's may drop further resulting in a bear market.

So corrections are panic attacks that aren't confirmed by the fundamental earnings trend. No wonder that stock market's behavior is often compared to that of a manic-depressive.

As you can see in the below chart, S&P 500 index (red) market's volatility since early 2009 bottom is attributable almost entirely to the volatility in the P/E. The USA earnings are in a clear sharp uptrend and that is why the corrections did not turn into a bear market and an economic recession. The blue lines represent S&P 500 index value at theoretical constant P/E's ranging from 10 to 15 times.



Source: Yardeni, June 2012

If the investors were more optimistic about the future and put P/E multiple of 15 on the recent earnings, the S&P 500 index would be much higher at around 1700 level.

What caused the negative P/E sentiment?
Markets lacked confidence because of the political uncertainty surrounding the three issues:

1. European periphery sovereign debt problems
2. Slowing China
3. Looming USA Fiscal Cliff

All three issues are going to be resolved in my view given sufficient time and political will. The short term focused markets will fluctuate on the way until the long-term picture becomes clear.

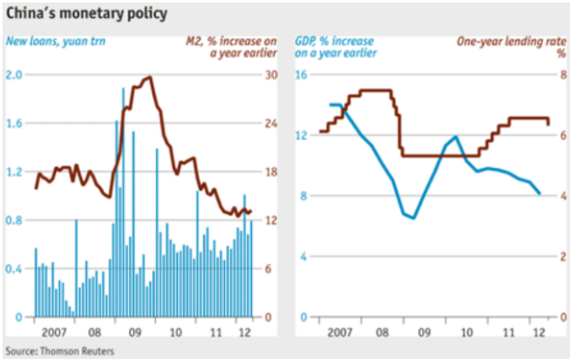
Germany will have to underwrite Europe
Resolution of the European periphery sovereign debt problems requires evolution of the political will to allow the structural changes. In previous writings, I advocated that every crisis brings the eurozone countries to a closer banking, monetary and fiscal union. More centralization should enable use of the available powerful macro tools: joint bank guarantees & rescues, joint-eurobonds, low interest rates for all countries and badly needed coordinated fiscal stimulus for whole of Europe.

Germany is an obstacle on the road to the more integrated Europe. It's society represented by Merkel failed so far to fully appreciate their dependence on the prosperity in the rest of the eurozone. The graph of German industrial production synchronized with the rest of Europe illustrates the close interdependency. If periphery economies fall Germany will fall with it; Germany does not have much choice but to underwrite the common Europe to promote growth or the whole euro project built since the end of WWII will collapse.

Source: FactSet, German Federal Statistics Office, Eurostat, Charles Schwab. June 12, 2012.

China's growth story should continue under new leaders
China is slowing but still growing strongly at around 8-9% per annum. The growth has been predominantly driven by domestic investments. Trade surplus was negligible.

China has tools to maintain healthy growth by easing lending rates, resuming investments and increasing domestic consumption. The recent slowdown was intentional. They took a conscious decision in 2010-11 to tighten lending rates as The Economist's charts show.



Source:
http://www.economist.com/blogs/graphicdetail/2012/06/focus-1

A new incoming China's leadership can easily loosen up the policy to mark the beginning of their reign with resumption of strong growth.

Looming fallout from the USA "Fiscal Cliff"
The fast approaching November 2012 USA Presidential Elections call for political "sweeteners". This is the best time for politicians to announce economic programs that will be popular with the voters - programs that will create jobs and restore a sense of wealth and optimism about the future.

Any substantial new fiscal and monetary stimulus would be most welcomed by the stock market conscious of the Fiscal Cliff at the end of 2012 when many of the current programs run out. Recent extension of the Twist program signals Fed's accommodative intentions.

Absence of a stimulus announcement would weaken President Obama's re-election chances and depress the stock market. The Republican opposition will surely do whatever they can to make life difficult for President Obama. They will attempt to block any large immediate fiscal initiative in the upper house the same way they did last year during the debt ceiling increase debate. This time however, the timing is on President Obama's side regardless of what the opposition does. The elections are so close, that Obama will not need Republican support to deliver any new programs immediately; he will just need to present a better program for the future. Once re-elected, Obama will have plenty of time for the implementation.

** We are inviting investment strategists, economists and researchers to show your best work to 7,000 investment professionals around the World. Submit to me via email "gb at cpgli dot com" your best papers, presentations, research notes on the macroeconomic/ strategic issues/ investment themes that you consider important in spotting the macro trends, for a potential inclusion in this letter. Include a brief summary - an "elevator pitch" - with a link to your website. Naturally, there will not be enough space to publish all submissions. I will wrap it with my commentary, views and own research. My aim is to provide a forum for a range of views so the readers can draw their own more informed conclusions. My preference is for long-term charts identifying big trends and linking it to market performance. By submitting your work you are automatically giving us your permission to use the material.*

Damo's Gadget Corner: iPhone 5 and iPod releases

Apple recently announced the update for the iPhone dubbed iPhone 5. You have probably already read about this. The big question is "should I upgrade"? As per usual my short answer is yes!!!!! And you knew that!

In addition, there are some very interesting new iPod releases, which I'll have a look at.

So what presses my buttons about the new iPhone:

- 4G LTE network, this will work on Telstra's network and I believe Optus. The speed is significantly better than 3G. I think that you'll be able to use it as a hotspot for other devices. 4G LTE is supposedly quicker than ADSL2.
- The phone itself is larger in height with a 4 inch Retina display screen. It's also thinner and 20% lighter than previous models. Early reviews are also indicating better battery life.
- The camera is the best quality added into a phone. It's an 8mp iSight camera. It also takes hi-def video at 1080p. You can take stills while videoing.
- It comes with a faster chip, the Apple designed A6 chip, which is twice as fast as the A5 chip.

It does come with a changed docking pin. Instead of the old 30 pin this is a smaller 9-pin dock. It will need an adaptor to use with various accessories.

It will ship with the new IOS 6. I've had a play with the new Maps App, which replaces Google Maps and it is pretty awesome.

I've pre-ordered the unlocked 64 GB Black. In the past, I haven't had the need for 64 GB and have run with the 32 GB. This time, I am interested in storing various TV shows like the newly released Sons of Anarchy Season 5. I can stream it from the iPhone to my Apple TV.

Again, I reiterate that I always upgrade and put the old iPhone on eBay. It's early days but it looks as if the old 4Ss are getting over $600. The new cost of $999 inc GST is really an approximate $300 changeover.

In addition, Apple has launched a new iPod Touch, a new Nano and Shuffle. They have also released new earbud headphones, which people say are a massive improvement over the old buds. The new iPods will be available in October.

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Triple A Partners is the trading name of Mona Vale Financial Services Pty Ltd ABN 701 584 851 28 AR: 426046.

Australian Manager Performance Table

One of our major changes is to engage with Eurekahedge to produce the monthly Performance Table. If your fund is not listed, please contact us or send your numbers to our new email address:

data@aaapartners.com.au

Apologies if you are not in the tables but we are just using managers who report directly to Eurekahedge.

THE AUSTRALIAN HEDGE - HEDGE FUNDS PERFORMANCE SURVEY

Fund Name	Last Reporting Month %	Year To Date %	Annualised (M) Compound Return %	Annualised (M) Standard Deviation%	2011 Return %	2010 Return %	2009 Return %	2008 Return %	Inception Date	Last Reporting Month
Cash Based										
PM Capital Enhanced Yield Fund	0.66	3.78	6.90	2.37	2.86	7.55	10.97	0.83	Mar-02	Jul-12
Event Driven										
Pengana Asia Special Events Fund	0.37	0.00	11.06	7.02	7.79	8.47	13.92	13.22	Oct-08	Aug-12
HCAP Diversified Fund (AUD)	0.21	9.45	8.76	12.57	-2.35	17.04	0.69	n/a	Nov-09	Aug-12
Kapstream Wholesale Absolute Return Income Fund (Before fees)	0.84	5.93	6.70	0.86	5.74	6.67	7.76	6.90	Jun-07	Aug-12
Global Macro/Commodities/Futures										
36 South Cullinan Fund EUR	-4.37	-16.98	-2.83	20.89	13.69	2.33	-5.69	n/a	Jun-09	Aug-12
Blue Fin Capital - Managed Commodities Program (EurekahedgeHF)	-1.48	-5.30	5.51	7.05	-0.29	13.98	-2.82	11.43	Apr-07	Aug-12
Blue Fin Capital - Managed Currency Program	-1.29	1.54	7.76	11.29	3.20	4.50	5.14	8.75	Jan-02	Aug-12
Blue Fin Capital - Omega Program	-3.35	-0.71	9.24	11.11	8.00	23.51	-3.01	n/a	Nov-09	Aug-12
Blue Sky Apeiron Global Macro Trust - (EurekahedgeHF)	-0.55	-0.81	8.81	11.08	2.60	4.99	-1.69	19.56	Feb-06	Aug-12
Blue Sky World Inc. (Class A)	-6.22	-22.90	6.21	24.08	-16.89	5.79	22.64	-3.96	Feb-06	Aug-12
Camelotfund Capital Guaranteed FX Program Series 1	0.48	0.85	5.15	4.50	12.40	4.71	0.47	4.44	Mar-07	Feb-12
eStats Revolution Master Fund Ltd	1.65	-4.58	-25.54	18.73	-34.30	n/a	n/a	n/a	Jan-11	Jul-12
Excalibur Absolute Return Fund	0.74	8.06	11.27	7.64	-3.48	10.38	0.98	12.23	Jul-06	Aug-12
Excalibur Futures Program	-0.02	-8.45	-11.30	16.62	-2.13	n/a	n/a	n/a	May-11	Mar-12
Global Commodities Agricultural Fund	-0.86	9.29	0.68	17.29	-13.65	35.27	-8.35	-11.93	Apr-08	Aug-12
H3 Global Commodities Fund - Class AUD	2.77	-2.77	3.82	13.27	-14.65	7.32	13.35	-2.53	Nov-05	Aug-12
HCAP Global Diversified Fund (AUD)	0.10	0.73	13.23	11.26	26.65	9.59	1.72	n/a	Oct-09	Aug-12
Kaiser Trading Fund 1X SPC	-0.14	2.70	4.82	6.20	-5.83	4.66	-4.32	8.39	Apr-04	Aug-12
Kaiser Trading Fund 2X SPC	-0.34	5.69	5.25	10.80	-9.60	9.84	-7.78	15.28	Oct-06	Aug-12
Merricks Capital Soft Commodities Fund	0.95	2.03	10.12	7.11	1.85	16.09	20.34	8.02	Jan-08	Aug-12
MGH Investment Fund Ltd	1.91	4.33	11.04	11.12	-3.94	16.22	16.61	-21.67	Jan-03	Aug-12
Premier Global Select Fund	0.81	3.14	4.23	8.44	-10.93	0.59	13.39	-15.65	Oct-01	Aug-12
Long/Short Equity										
90 West Global Basic Materials Fund (AUD - Onshore)	0.66	0.52	12.16	23.27	-27.62	68.51	49.38	-11.90	Jul-08	Aug-12
Agora Absolute Return Fund 2	4.07	15.82	8.42	27.27	24.91	-3.41	22.12	-11.77	Dec-07	Aug-12
Allard Growth Fund	1.60	6.16	12.43	13.19	-6.41	19.90	49.20	-28.83	Dec-95	Jul-12
Allard Investment Fund	1.60	5.61	10.96	9.47	-6.58	8.97	25.45	-13.82	Jul-03	Aug-12
Blue Sky Japan - Class A USD	-2.44	-16.41	3.67	23.78	-23.24	4.68	24.39	-17.97	May-00	Aug-12
Cadence Capital Limited (EurekahedgeHF)	3.80	5.71	15.58	16.77	24.93	24.88	45.37	-34.73	Oct-05	Jul-12
Ellerston Asia Pacific Fund	-1.45	2.74	0.47	8.76	-9.30	17.59	5.09	-16.73	Sep-07	Aug-12
Enlihtan Global Opportunity Fund	0.54	3.70	4.57	6.28	3.00	4.30	n/a	n/a	Apr-10	Aug-12
Evergreen Australian Equities Return Fund	2.29	-7.62	16.93	12.36	17.99	32.13	n/a	n/a	May-10	Aug-12
Jaguar Australian Leaders Long Short Unit Trust	0.89	4.20	2.73	19.10	3.33	-28.94	82.39	-33.96	Mar-03	Jul-12
K2 Asian Absolute Return Fund (EurekahedgeHF)	0.72	3.88	9.41	16.29	-20.80	3.49	40.78	-28.35	Sep-99	Aug-12
K2 Australian Absolute Return Fund (EurekahedgeHF)	2.95	7.02	12.07	12.81	-12.22	4.13	41.03	-18.61	Oct-99	Aug-12
K2 Select International Absolute Return Fund (EurekahedgeHF)	3.44	10.30	9.57	12.27	-12.30	8.99	31.91	-22.44	Jan-05	Aug-12
Lanterne Arran Australia Fund	-2.27	2.33	9.23	7.48	-12.15	5.90	26.92	-3.70	Jan-02	Apr-12
Lanterne Arran Offshore Fund	-2.98	0.45	4.73	8.54	-18.92	7.06	28.81	-5.44	Aug-04	Apr-12
Lanterne High Conviction Fund	2.12	9.62	10.38	9.10	4.92	n/a	n/a	n/a	May-11	Aug-12
Merricks Capital Long/Short Equity Fund	0.05	5.05	8.97	6.23	7.19	12.35	7.98	9.29	Jan-08	Aug-12
OC Concentrated Equity Fund	0.16	-0.23	11.01	22.12	-20.38	30.46	156.41	-58.04	Nov-03	Aug-12
Optimal Australia Absolute Trust	0.26	2.58	13.13	3.82	8.07	13.63	23.81	5.00	Sep-08	Aug-12
Optimal Japan Fund USD	-1.43	-3.73	3.98	11.96	-8.52	4.51	-8.92	-15.68	Oct-99	Aug-12
Optimal Japan Trust	-1.06	-1.05	5.34	11.83	-5.57	7.06	-6.14	-13.41	Dec-99	Aug-12
Pengana Global Resources Fund	4.17	0.00	0.00	0.00	-12.80	30.07	53.07	-32.87	Mar-07	Aug-12
Platinum Asia Fund	1.79	7.21	14.24	14.75	-19.58	4.34	40.04	-29.30	Mar-03	Aug-12
Platinum Japan Fund - AUD	2.22	3.93	11.76	17.48	-11.85	2.11	9.01	-7.79	Jun-98	Aug-12
PM CAPITAL Absolute Performance Fund AUD	-2.31	11.05	2.95	20.77	-23.57	-0.67	32.03	-43.19	Oct-98	Jul-12
PM CAPITAL Australian Opportunities Fund AUD	2.64	11.87	8.85	16.33	-20.16	8.28	58.18	-47.14	Jan-00	Jul-12
Premier Equity Return Fund	1.11	1.17	4.05	4.76	1.25	7.62	9.80	-1.75	Jun-07	Aug-12
SPARX Long-Short Fund Ltd - USD	-0.72	-2.23	5.92	9.49	-12.95	8.46	0.43	-5.95	Jun-97	Aug-12
WaveStone Capital Absolute Return Fund (EurekahedgeHF)	3.36	9.67	9.04	11.76	-5.50	1.26	37.18	-20.71	Sep-06	Aug-12
Market Neutral Equity										
Aurora Fortitude Absolute Return Fund	0.36	3.57	8.53	2.91	3.83	4.33	6.01	12.38	Mar-05	Aug-12
Helix Partners Global Fund	-2.60	-11.22	-6.63	10.81	1.63	n/a	n/a	n/a	Jan-11	Jun-12
Macquarie Asian Alpha Fund	1.24	6.91	12.94	6.61	13.29	16.02	18.02	-9.46	Oct-05	Aug-12
Macquarie Global Multi Events Segregated Portfolio	0.05	-0.74	1.39	4.02	-4.47	8.91	-1.14	2.68	Sep-05	Feb-12
QIC Asia Pacific MArket Neutral	0.49	4.86	3.36	7.35	-2.82	0.72	7.89	n/a	Jul-09	Jul-12
Regal Amazon Market Neutral Fund (USD - Offshore)	2.37	-3.22	18.92	12.79	11.56	21.84	38.58	-8.25	Sep-05	Aug-12
DV01 Mechelle Pty Ltd	-3.14	0.39	12.65	20.28	-25.62	22.49	48.05	-20.88	Jul-05	Aug-12
E.I.P. Aleph Fund (EurekahedgeHF)	-1.36	-6.73	1.68	7.26	-2.48	6.31	9.48	n/a	Apr-09	Aug-12
E.I.P. Overlay Fund	-0.33	2.93	8.60	6.26	3.56	2.86	8.34	17.31	May-02	Aug-12
Prodigal Absolute Cayman Fund	-0.32	-2.30	8.20	12.49	4.94	8.51	57.39	-20.38	Jun-07	Aug-12
Specialist										
Fund of Funds										
Global Low Volatility										
Aurum Investor Fund Ltd (EurekahedgeFOF)	0.61	3.61	7.28	7.37	-3.80	2.49	8.48	-6.28	Aug-94	Aug-12
Aurum Isis Fund Ltd (EurekahedgeFOF)	0.34	0.42	6.46	3.24	-0.90	1.43	7.46	-4.90	Apr-98	Aug-12
Global Macro										
Focus Special Opportunities Fund Ltd	-2.04	-6.40	-5.87	20.64	-3.81	-0.60	n/a	n/a	Jul-10	Apr-12
FRM Sigma Fund PCC Limited - Class A	-2.47	-0.55	4.98	15.12	-7.30	17.50	-10.81	29.33	Feb-08	Aug-12
Ibbotson Global Trading Strategies Trust	1.01	3.24	1.68	6.47	7.57	11.91	5.94	-13.08	Apr-07	Aug-12
Attalus Long-Short Equity Fund Ltd	2.04	5.70	5.71	6.71	-5.31	2.45	7.97	-18.12	Feb-01	Aug-12
BT Total Return Fund (EurekahedgeFOF)	0.40	-0.44	5.02	3.11	1.79	3.14	9.84	-8.61	Jan-01	Mar-12
Focus Europa Fund	-0.74	1.50	7.48	8.27	-8.95	4.39	13.28	-16.09	Jan-97	Apr-12
Lyxor Long short Equity Fund Feeder - USD	-0.28	-3.58	-4.64	6.12	-8.02	1.34	n/a	n/a	Jun-10	Aug-12
NZAM Global Fund Ltd (Class AUD - AUD - Offshore)	2.65	2.65	7.91	9.60	-6.67	5.75	11.19	-16.11	Jan-98	Jan-12
Penjing Asia Equity Fund - Class A	3.59	3.59	-4.39	12.95	-14.62	5.13	25.09	-30.84	Oct-07	Jan-12
Multi Strategy										
Alpha Titans Ltd: Multistrategy	1.82	1.14	2.32	5.85	-0.52	9.29	12.18	-11.10	Nov-07	Jul-12
Attalus Multi-Strategy Fund Ltd	1.17	2.36	4.68	4.83	-4.43	1.85	12.53	-21.42	Feb-00	Aug-12
Caliburn Global Inefficiencies Fund Segregated Portfolio (USD)	-0.37	0.28	0.34	3.61	0.49	4.60	4.08	-9.61	Jul-07	Apr-12
Caliburn Strategic Fund (USD)	0.20	0.25	-0.77	10.40	-10.25	5.55	11.41	-30.02	Jun-06	Apr-12

Coastal Magnum Diversified Performance Fund (AUD - Onshore)	-0.84	-0.84	4.36	5.64	0.85	2.71	10.00	-12.92	Jul-00	Feb-12
Focus Opportunity Fund	-0.67	2.21	4.82	7.64	-10.35	3.53	7.84	-14.73	Jul-96	Apr-12
HDF Eurovest Class A USD	0.56	1.23	8.37	8.46	-6.67	8.08	14.76	-22.43	Jan-00	Aug-12
HDF Fixed Income Alternative Class A USD	-0.91	-0.41	4.27	3.31	-2.34	4.68	8.11	-15.56	Dec-96	Mar-12
Ibbotson Alpha Stategies Trust	0.66	3.73	1.70	6.09	3.26	9.84	11.07	-15.77	Sep-07	Aug-12
Liongate Multi Strategy Fund - USD Class	1.02	1.52	7.00	6.15	-8.09	4.89	8.43	-9.99	Apr-04	Jul-12
NWQ Diversified Fund	0.66	-4.91	4.99	7.33	13.31	4.83	n/a	n/a	Jan-10	Jul-12
Specialist										
Caliburn Greater China Fund Segregated Portfolio (USD)	-0.56	-0.23	2.69	9.36	-6.98	6.13	16.64	-20.07	Apr-07	Jun-12
Penjing Asia Market Independent Fund - Class A	0.31	4.96	2.93	3.39	-2.83	3.36	12.27	-3.88	Oct-07	Aug-12