Geneva Shop Prepares Green, Distressed FoFs

Geneva's Peak Partners plans to launch two funds of funds around year-end, one focused on green investing and another that will allocate to distressed managers. This reflects both the opportunity set the $600 million firm sees and its philosophy to offer managed accounts and niche strategies only, CIO Nikhil Jhangiani told *AIN*.

Nikhil Jhangiani

Robert Seiler

Investment Manager Robert Seiler will be the lead manager for the *Mont Blanc Green* fund, which is likely to be seeded by Swiss pension funds. While Seiler has been looking at green investing for the past few years, various problems have existed until now, such as significant downside volatility. There were also a limited number of offshore funds available. Moreover, he wasn't confident in valuations in sub-sectors such as ethanol and solar power, which have both seen bubbles in the past couple of years.

The biggest change is that governments are now serious in tacking the energy problem, Seiler told *AIN*. There is now a real political will to change the way power is produced and how transport will work, he added, and alternative energy sources are becoming more competitive and scalable.

The green fund is likely to start with 20 funds and possibly grow to 25. It will invest in long-only as well as long/short managers, due to capacity constraints in some green hedge funds. Buying long-only funds will also enhance the new fund's liquidity profile, which Seiler said will be better than the few existing green funds of funds.

Seiler is conducting due diligence at the moment and is looking for managers that understand the technical dynamics of the market—which companies will make it and which won't, as well as which technologies will become commoditised and so easily copied. Peak is looking to grow the fund to $250 million in the first year or two.

Philippe Manet

For the distressed offering—*Mont Blanc Crest*—Peak will roll out a concentrated portfolio that allocates to around 15 names. The strategy will initially be launched as a managed account for a family office and later offered in a fund structure. It could kick off with $20 million and grow to $200 million, Phillippe Manet, the lead manager for the fund, told *AIN*.

Manet emphasised that the aim of the fund is to capture an illiquidity premium and it will therefore be even less liquid than some of its competitors. This is designed both to weed out short-term performance-driven investors and to appeal to institutional investors with longer-term investment horizons. It will offer quarterly liquidity with a 100-day notice period and two-year lockup.

Manet said the fund will have a tactical aspect that many other distressed fund of funds lack. While the initial emphasis will be on stressed credit with a long bias, it will then be overweight long/short credit before moving into pure distressed plays.

Peak will target institutional investors for both funds. While there is the temptation for asset managers to go after retail money, "in the long term you're just doing yourself a disservice as an investment manager," noted Jhangiani, as they don't always understand the asymmetric nature of hedge fund returns and tend to pull capital at the first sign of trouble.

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