

## SPECIAL REPORT | HEDGE FUNDS

# Our Top 100 Hedge Funds

*Equity came roaring back into style in 2013. Now what?*

By Eric Uhlfelder

Photograph by Roger Hagadone for Barron's

BARRY ROSENSTEIN'S JANA PARTNERS SHARES A COUPLE OF traits with other leading performers in *Barron's* Top 100 Hedge Funds. This year, many of them are equity specialists that focus on a short list of companies they get to know extremely well.

The prime example would be this year's No. 1: Larry Robbins' **Glenview Offshore Opportunity** fund, which averaged a 32.61% annualized return over three years and even managed to leave 2013's huge stock market rally in the dust with a 101.74% gain. Robbins, whose 20 biggest long positions make up two-thirds of his portfolio, calls his form of activism "suggestivism." He encourages executives to realize the growth potential in their businesses. Even in well-run outfits, notes Robbins, managements remain reluctant five years after the financial crisis to unleash their cash or to exploit their debt capacity.

Robbins has played a controversial U.S. policy to great effect. Glenview targeted a third of its portfolio toward hospital, managed-care, life-science, and pharmaceutical shares. "While many investors have been wary of Obamacare," he says, "it has been a boon for much of the health-care sector." (*Barron's* profiled Robbins in "Bullish on Obamacare," July 29, 2013. For the first time, that and other profiles plus related articles are available at [Barrons.com](http://Barrons.com) for selected funds appearing on our Top 100 list on pages 25 and 26.)

Other equity investors found their own profitable themes. Chris Hohn's **Children's Investment** fund, No. 4 on our list,

posted annualized gains of 27% over the past three years by concentrating on a dozen investments. One of them, airplane-manufacturing giant European Aeronautic, Defense & Space, since renamed **Airbus** (AIR.France), soared 90% last year. And the value of his investment in **Aurizon Holdings** (AZJ.Australia), the privatized Australian railroad, jumped 30%.

Nearly as focused was Richard Mashaal and his **Senvest Partners** fund, No. 37. Mashaal's 20 biggest stakes make up 80% of his portfolio, and they pushed his returns 80% higher in 2013 alone. His selection of out-of-favor financial and real-estate stocks helped boost his fund's three-year annualized returns to 16.82%. The fund had seven names, including mortgage insurer **Radian** (RDN) and REIT **Northstar Realty Finance** (NRF), that more than doubled last year. "Our fund also benefited from the reduced fears surrounding both the U.S. and European debt crises," explains Mashaal, "and the return of economic growth on both sides of the Atlantic,



He's No. 1. Larry Robbins' Glenview Offshore Opportunity fund parlayed Obamacare beneficiaries into *Barron's* top position.

which together are spurring multiple expansion."

As we predicted a year ago, funds focused on some of the previously leading areas, such as structured credit, simply couldn't keep up their sprint. For instance, **Zais Group**, which was No. 1 in both 2011 and 2012, was driven by the strong recovery in mortgage- and asset-backed securities after the credit crisis. Zais fell to No. 15 this year because its 2013 returns dropped to 9.75%.

Overall, as the world has regained its footing after the Great Recession, returns have begun to revert to more normal levels, below the dramatic, postcrisis figures. Zais had three-year returns of more than 78% and 50%, respectively, in winning the last two contests. In comparison, this time around, Glenview's three-year return was a much more modest 32.61%.

To qualify for our eighth edition of *Barron's* top-ranked funds, a fund needed at least a 12.25% three-year annualized return, net of fees. The average return of this year's leaders was 17.01%, nearly four times that of the typical hedge fund, as measured by the BarclayHedge Fund Index Average's 4.37% rise. The Top 100's gains also beat the Standard & Poor's 500's three-year average of 16.15%. However, even the *Barron's* 100's average of 22.97% for 2013 couldn't keep pace with the S&P's 32.38% return.

The Top 100 excludes funds that happen to be in a hot industry, region, or specialized asset class. We screen out those that invest in a single foreign country or sector, or specific commodities or currencies. To help ensure inclusion of professionally run shops that may offer more stability and liquidity,

funds must have at least \$300 million and three years of reported returns.

The data-crunching begins with screens prepared by three leading hedge-fund databases: BarclayHedge ([barclayhedge.com](http://barclayhedge.com)), Morningstar ([morningstar.com](http://morningstar.com)), and eVestment ([evestment.com](http://evestment.com)). They sort through thousands of funds to meet our basic criteria. With the help of *Barron's* Contributing Editor Erin E. Arvedlund, we draw from other trustworthy sources. We then contact the managers to verify results, affirming all data and that performance is net of expenses.

Based on a sampling of opinion from 40 leading wealth advisors, Penta recently suggested

that hedge funds could be a good bet over the next few years because they can go short various markets and offer returns uncorrelated to major indexes. With the outlook for bonds and stocks so uncertain, investing in a diverse array of funds, including those on the next couple of pages, makes sense.

Besides equity and structured credit funds, other strategies well-represented on our list this year include commodity-trading/macro, fixed-income arbitrage, and distressed-credit. Through April, 2014's top-performing strategies have been distressed (4.7%), event-driven (3.3%), and fixed-income arbitrage (3.1%). Long/short managers have struggled a bit so far, up just a half-percentage point.

Eric Siegel, global head of hedge-fund investments at Citi Private Bank, believes event-driven funds should be able to continue to exploit the rise in corporate deal-making, particularly by investing in specific parts of a company's capital structure. He's also keen on European distressed funds, as that region's banks sell assets at attractive prices. And with corporate fundamentals starting to drive share-price performance, displacing the common lift that most shares had been receiving from the rising macro tide, Siegel sees opportunities for sharp long/short equity managers.

Just remember that all hedge funds aren't created equal. Scores closed their doors last year. And the average hedge fund returned a paltry 11.12%—roughly a third of the stock market's gain. *Barron's* Top 100 Hedge Funds is our way of helping you get to know managers and strategies that have succeeded over time. ■

The complete  
Hedge Fund 100  
listing begins  
on page 25

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**BARRON'S TOP HEDGE FUNDS** reflected a number of marketplace shifts last year. As we predicted in early 2013, investors in asset-backed and mortgage-backed have seen a slowing of returns over the past year, ending a remarkable run. Our 100 best funds, many of them equity-related, returned an annualized 17.01%, net of fees, over three years, beating the BarclayHedge Index Average by a comfortable 13 percentage points and the Standard & Poor's 500 by a point. Leading the way was Glenview Offshore Opportunity, up 32.61% per year over three years, and distressed investor Hildene Opportunities, up 30.64%.

Rank		Fund Name	Fund Assets (mil)	Fund Strategy	3-Yr Compound Annualized Return	2013 Return	Firm Name / Location	Firm Assets (mil)
2013	2012							
1.	75.	Glenview Offshore Opportunity	\$2,026	Opportunistic, Concentrated Equity L/S	32.61%	101.74%	Glenview Capital Management / New York	\$7,706
2.	6.	Hildene Opportunities LP	1,004	Distressed Securities	30.64	35.33	Hildene Capital Management / Stamford, Conn.	1,809
3.	3.	Chenavari - Toro Capital IA Class A (Euro)	383	Asset-Backed Securities	29.96	32.93	Chenavari Investment Managers / London	4,429
4.	54.	Children's Investment Ltd	7,830	Equity Activist	27.00	47.22	TCIF Management / London	12,100
5.	N.R.	Tiger Global	6,000	Equity Long / Short	26.68	14.00	Tiger Global Management / New York	14,500
6.	2.	Quantedge Global	710	Global Macro	26.47	9.16	Quantedge Capital / Singapore	710
7.	47.	Napier Park European Credit Opportunities Ltd	331	Credit Long / Short	25.90	30.73	Napier Park Global Capital / New York	5,500
8.	7.	STS Partners Ltd	962	Mortgage-Backed Securities	25.66	25.63	Deer Park Road Corp / Steamboat Springs, Colo.	1,100
9.	N.R.	Tiger Ratan	503	Equity Long / Short	25.41	46.80	Ratan Capital Management / New York	503
10.	8.	Asgard Fixed Income I Ltd (Euro)	400	Fixed-Income Arbitrage	24.93	16.00	Moma Advisors / Copenhagen	400
11.	N.R.	Matrix Capital Management <sup>1</sup>	1,346	Equity Long / Short	24.46	56.00	Matrix Capital Management / Waltham, Mass.	1,600
12.	N.R.	Marlin Fund LP	433	Equity Long-Bias	24.37	77.47	Masters Capital Management / Atlanta	474
13.	16.	Danske Invest Hedge Fixed- Income Strategies	1,373	Fixed-Income Arbitrage	23.56	18.83	Danske Capital / Copenhagen	132,626
14.	N.R.	Tilden Park Investment Master	1,639	Multi-Strategy / Fixed Income	23.31	20.53	Tilden Park / New York	1,935
15.	1.	ZAIS Opportunity Ltd Series B	419	Credit Long / Short	22.13	9.75	ZAIS Group / Red Bank, N.J.	4,300
16.	N.R.	Conventum Lyrical, SICAV [UCITS]	534	Equity Long-Only	22.00	53.30	Lyrical Asset Management / New York	1,582
17.	42.	Palomino Ltd Class B	7,986	Opportunistic / Global Macro	21.34	42.36	Appaloosa / Short Hills, N.J.	20,000
18.	28.	Citadel Kensington	8,246	Multi-Strategy	21.18	18.55	Citadel / Chicago	16,100
19.	62.	Adage Capital Partners LP	25,300	US Equity Long / Short ex Small-Cap	21.00	38.70	Adage Capital Management / Boston	25,300
20.	12.	Barnegat	649	Fixed-Income Arbitrage	20.55	6.82	Barnegat Fund Management / Hoboken, N.J.	649
21.	5.	Metacapital Mortgage Opportunities Ltd	1,230	Mortgage-Backed Securities	20.51	0.53	Metacapital Management / New York	1,685
22.	19.	Renaissance Institutional Equities LLC Series B	7,924	Equity Long-Bias	20.02	17.62	Renaissance Technologies / New York	23,399
23.	N.R.	Tiger Eye Master Ltd	1,058	Equity Long / Short	19.41	38.15	Tiger Eye Capital / New York	1,058
24.	N.R.	BloombergSen Partners LP	910	Equity Long-Only	19.39	38.78	BloombergSen / Toronto	935
25.	72.	Jana Nirvana Offshore	2,909	Event Driven	19.10	31.40	JANA Partners / New York	7,373
26.	N.R.	Candlewood Structured Credit Ltd	901	Structured Credit	19.04	12.05	Candlewood Investment Group / New York	2,231
27.	N.R.	Pine River Fixed Income	3,381	Fixed Income / Relative Value	18.53	10.12	Pine River Capital Management / Minnetonka, Minn.	13,934
28.	N.R.	Quantitative Tactical Aggressive Ltd	774	Equity Long / Short	18.29	12.52	Quantitative Investment Management / Charlottesville, Va.	3,304
29.	10.	VR Global Offshore	2,141	Emerging Markets / Distressed	18.27	32.32	VR Advisory Services / London	2,141
30.	N.R.	Marwyn Value Investors LP	400	Equity Long-Only	18.25	39.93	Marwyn Asset Management / London	400
31.	N.R.	Camden Equity Overlay	366	Convertible Arbitrage	18.02	34.17	Camden Asset Management / Los Angeles	3,611
32.	26.	Silver Point Capital LP	3,300	Distressed Credit	17.23	18.28	Silver Point Capital / Greenwich, Conn.	8,200
33.	N.R.	HG Vora Special Opportunities LP	1,100	Event Driven / Opportunistic	17.22	17.60	HG Vora Capital Management / New York	1,300
34.	N.R.	Lansdowne Developed Mkts Strategic Investment Ltd	1,644	Equity Long / Short	17.17	55.70	Lansdowne Partners / London	17,194
35.	46.	Omega Overseas Partners Class B	2,540	Equity Long / Short	17.01	32.11	Omega Advisors / New York	10,267
36.	35.	Man AHL Evolution	2,646	Diversified, Systematic	16.87	16.90	Man Group / London	54,100
37.	N.R.	Senvest Partners Ltd	550	Equity Long / Short	16.82	79.44	Rima Senvest Management / New York	915
37.	29.	400 Capital Credit Opportunities	655	Structured Credit	16.82	15.23	400 Capital Management / New York	906
39.	N.R.	Bloom Tree Partners LP	311	Equity Long / Short	16.75	13.10	Bloom Tree Partners / New York	765
40.	N.R.	NWI Emerging Market Fixed-Income Master Ltd	3,300	Emerging Market / Macro	16.50	6.75	NWI Management / New York	4,900
41.	N.R.	FrontFour Capital Partners LP	341 <sup>2</sup>	Event Driven	16.33	28.70	FrontFour Capital Group / Greenwich, Conn.	340
42.	61.	Citadel Global Equities	3,411	Equity Market-Neutral	16.25	11.55	Citadel / Chicago	16,100
43.	30.	Waterfall Eden Ltd	564	Asset-Backed Securities	16.23	12.74	Waterfall Asset Management / New York	2,944
44.	N.R.	North MaxQ Macro Class A (USD)	513	Global Macro	16.12	8.19	North Asset Management / London	609
45.	N.R.	Pine River Liquid Mortgage	775	Liquid Mortgage /Relative Value	16.05	0.72	Pine River Capital Management / Minnetonka, Minn.	13,934
46.	22.	ECF Value Fund II LP	2,624	Event Driven	16.04	19.47	Gates Capital Management / New York	2,624
47.	N.R.	Marcato International	2,018	Event Driven	15.87	25.90	Marcato Capital Management / San Francisco	2,700
47.	N.R.	Tiger Legatus	335	Equity Long / Short	15.87	22.40	Tiger Legatus Capital Management / New York	335
49.	N.R.	ChapelGate Credit Opportunity Ltd	453	Structured Credit	15.84	17.36	Orchard Global Asset Management / London	2,250
50.	N.R.	III Credit Opportunities LP	1,042 <sup>3</sup>	Fixed-Income Long-Only Credit	15.76	13.79	III Associates, Boca Raton, Fla.	3,092
51.	N.R.	EJF Debt Opportunities LP	\$1,887	Securitized Credit	15.70	18.46	EJF Capital / Arlington, Va.	\$4,900



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Rank		Fund Name	Fund Assets (mil)	Fund Strategy	3-Yr Compound Annualized Return	2013 Return	Firm Name / Location	Firm Assets (mil)
2013	2012							
52.	N.R.	Drawbridge Special Opportunities LP	5,215	Distressed Securities	15.68%	18.40%	Fortress Investment Group / New York	\$61,800
53.	60.	Litespeed Offshore	2,486	Event Driven	15.55	21.48	Litespeed Management / New York	2,486
54.	64.	Marshall Wace Global Opportunities Ltd	2,024	Equity Long / Short	15.47	13.37	Marshall Wace / London	14,807
55.	N.R.	Black Ant Value Ltd	750	Equity Long-Bias	15.15	23.58	Black Ant Group / London	750
56.	80.	Teton Capital Partners LP	752	Equity Long / Short	15.08	22.85	Ancient Art / Austin, Texas	752
57.	N.R.	Discovery Global Opportunity Ltd	5,700	Global Macro / Equity Long / Short	14.99	27.57	Discovery Capital Management / South Norwalk, Conn.	15,000
58.	31.	NZC Guggenheim	2,375	Opportunistic Credit	14.87	13.11	Guggenheim Investments / New York	171,837
58.	36.	Third Point Offshore	13,900	Event Driven	14.87	25.25	Third Point / New York	13,900
60.	N.R.	Horseman European Select Ltd (USD)	659	European Equity Long / Short	14.77	32.40	Horseman Capital Management / London	1,421
61.	20.	Greylock Global Opportunity Ltd	675 <sup>4</sup>	Emerging Markets Fixed Income	14.70	5.14	Greylock Capital Management / New York	825
61.	N.R.	Seer Capital Partners LP	1,900	Structured Products	14.70	12.18	Seer Capital Management / New York	2,100
63.	65.	Blue Harbour Strategic Value Offshore	1,200	Activist	14.60	24.90	Blue Harbour Group / Greenwich, Conn.	1,900
64.	N.R.	Tremblant Concentrated Ltd	400	Equity Long / Short	14.57	28.81	Tremblant Capital Group / New York	2,400
65.	N.R.	Tyrian Global Opportunities Offshore	600	Equity Long / Short	14.50	24.28	Tyrian Investments / New York	767
66.	67.	Ellington Credit Opportunities Ltd	504	Mortgage-Backed Securities / Credit	14.47	15.27	Ellington Management Group / Old Greenwich, Conn.	5,600
67.	27.	Axonic Credit Opportunities Overseas	1,360	Structured Credit	14.29	12.10	Axonic Capital / New York	1,666
68.	N.R.	Platinum Partners Value Arbitrage	761	Multi-Strategy	14.26	10.32	Platinum Management / New York	1,280
69.	N.R.	SAB Overseas	320	Equity Long / Short	14.20	23.46	SAB Capital Management / New York	NA
70.	N.R.	Strategos Deep Value Ltd	482 <sup>5</sup>	Mortgage-Backed Securities	14.16	12.67	Strategos Capital Management / Philadelphia	506
71.	N.R.	Altum Credit Ltd	423	Distressed Structured Credit	14.01	15.52	Altum Capital Management / New York	438
72.	N.R.	Viking Global Equities III Ltd	19,800	Equity Long / Short	14.00	22.50	Viking Global Investors / Greenwich, Conn.	27,300
73.	N.R.	Lone Kauri	4,283	Equity Long / Short	13.96	14.39	Lone Pine Capital / Greenwich, Conn.	27,000
74.	77.	Cambrian Ltd	973	Equity Long-Only	13.81	38.34	Atlantic Investment Management / New York	1,897
75.	66.	Pine River	3,460	Multi-Strategy / Relative Value	13.69	9.61	Pine River Capital Management / Minnetonka, Minn.	13,934
76.	N.R.	Parus (USD)	595	Equity Long / Short	13.66	26.36	Parus Finance / London	595
77.	74.	Echo Street Capital Partners QP, LP	519	Equity Long / Short	13.59	17.11	Echo Street Capital Management / New York	788
78.	N.R.	Trian Partners Ltd	3,030	Activist	13.58	39.95	Trian Fund Management / New York	8,170
79.	58.	Premium Point Offshore Mortgage Credit Ltd	841	Mortgage-Backed Securities	13.54	11.22	Premium Point Investments / New York	1,880
80.	37.	AG Mortgage Value Partners LP	1,080	Structured Credit	13.30	13.20	Angelo, Gordon / New York	25,000
81.	69.	Solus Sola Ltd	1,681	Event Driven/Distressed Credit	13.25	32.06	Solus Alternative Asset Management / New York	3,590
82.	N.R.	Segantii Asia-Pacific Equity Multi-Strategy	748	Multi-Strategy	13.23	-1.58	Segantii Capital Management / Hong Kong	748
83.	N.R.	BlackRock 32 Capital Master Ltd	1,080	Equity Long / Short	13.22	6.81	BlackRock / New York	4,300,000
84.	53.	Oculus <sup>1</sup>	9,000	Discretionary Macro	13.00	2.00	D.E. Shaw / New York	32,000
85.	9.	SPM Core	1,175	Mortgage-Backed Securities	12.94	-2.62	Structured Portfolio Management / Stamford, Conn.	3,000
85.	N.R.	BTG Pactual Global Emerging Markets and Macro	5,508	Emerging Market / Global Macro	12.94	9.65	BTG Pactual / New York	8,200
87.	98.	Contrarian Capital I	2,700	Distressed Securities	12.87	17.00	Contrarian Capital Management / Greenwich, Conn.	3,880
88.	N.R.	Eminence Ltd	3,831	Equity Long / Short	12.85	14.60	Eminence Capital / New York	4,849
89.	N.R.	Senator Global Opportunity LP	6,400	Event Driven	12.80	26.36	Senator Investor Group / New York	6,500
90.	15.	Providence MBS Ltd	1,492	Mortgage-Backed Securities	12.77	3.12	Providence Investment Management / Providence, R.I.	1,492
91.	N.R.	Varde Investment Partners	1,060	Credit	12.74	22.81	Varde Partners / Minneapolis	8,080
92.	N.R.	Chilton Flagship LP	900	Equity Long / Short	12.70	18.51	Chilton Investment / New York	9,500
93.	N.R.	Sensato Asia Pacific Master	1,291	Equity Long / Short	12.65	10.22	Sensato Investors / San Francisco	3,444
94.	83.	Perella Weinberg Partners Asset-Based Value LP	926	Distressed Securities	12.55	14.23	Perella Weinberg Partners Capital Management / New York	10,800
95.	N.R.	ING Mortgage Investment Master	397	Mortgage-Backed Securities	12.53	6.22	ING Investment Management / New York	204,000
96.	N.R.	Pelham Long/Short Ltd	3,202	Equity Long / Short	12.48	34.23	Pelham Capital Management / London	3,202
97.	68.	Visium Global Offshore Ltd	885	Multi-Strategy	12.45	16.92	Visium Asset Management / New York	4,226
98.	N.R.	Bestinver Hedge Value	364	Equity Long-Only	12.40	39.21	Bestinver Asset Management / Madrid	12,260
99.	N.R.	GSO Special Situations Ltd	4,289	Credit Opportunities	12.35	18.30	GSO Capital Partners / New York	65,000
100.	N.R.	Joho Ltd	2,725	Equity Long / Short	12.25	29.46	Joho Capital / New York	\$5,000
Barron's Top 100 Hedge Fund Average					17.01	22.97		
BarclayHedge Fund Index Average					4.37	11.12		
S&P 500 Total Return Average					16.15	32.38		
Barclay US Aggregate Bond Index Average					3.26	-2.02		

All data as of December 2013. Fund assets include both on- and offshore funds. Fund name: Where there are on- and offshore funds, the performance cited is the larger of the two funds, with LP typically indicating onshore and Ltd indicating offshore. **N.R.**= Not Ranked **1**-Estimates. **2**-FrontFour LP & LTD had \$223.5M + Canadian version (FrontFour Opportunities) and 2 SMAs collectively had \$117.6M—all run *pari passu*. **3**-Total III assets of \$1,042 million include \$159M in commingled funds, \$98M in private funds, and \$785M in separately managed accounts—all run *pari passu*. **4**-Greylock has \$225M in its commingled fund and another \$450M in SMAs that are run *pari passu*. **5**-Strategos has \$100M in the fund and \$382M in SMAs all run *pari passu*. Sources: BarclayHedge, Morningstar, and eInvestment.