

Arvenus Capital launching Europe Event Driven fund

The product is based on a concentrated, actively managed equity and derivative portfolio. Target performance 5-8%

by Marco Degrada and Valerio Magni

The company

Arvenus Capital, Zurich was founded in June 2009 by Robert Hardmeier and Dr. Thomas Stäheli with the objective of providing independent investment management for private and institutional clients as well as the management, advisory service and sale of investment funds authorized for distribution in Switzerland. At present, the company employs three specialists which stand out not only by a long experience in business but also by exceptional professional expertise which qualifies to ensure the offering of high level services to clients. As an authorized asset manager of Swiss collective investment, Arvenus Capital is under supervision by the Swiss Financial Market Supervisory Authority FINMA.

Arvenus Capital (CH) Europe Event Driven Fund, launched in October 2010, is one of the few single HFs according to the new Swiss Federal Act on Collective Investment Schemes which received the authorization for public distribution. A long and difficult process that took 18 months for approval. MondoHedge talked with **Robert Hardmeier**, founder and managing director of Arvenus Capital, the asset management company founded in 2009 and now finally operating.

Why did you decide to launch a new asset management company?

Actually, several years went by between the idea first coming to mind and its subsequent implementation. Eventually, it was a general dissatisfaction in our old positions with our former employer combined with the wish to create "our own" business that became the determining factors in this decision. In the end, it was the introduction of the Swiss Federal Act on Collective Investment Schemes dated 23 June 2006 that enabled us to offer fund management with a simplified bank structure and regulated by Swiss Financial Market Supervisory Authority FINMA. And of course we believe in the success of our fund and future products.

Who are the participating shareholders of your company?

Arvenus Capital has been wholly owned by its board of directors since the foundation of the company back in 2009. The board of directors of Arvenus Capital consists of me, in the role of managing director and majority shareholder, and an external lawyer specialized in business law, who provides important external expertise.

Can you describe your team?

As a newly founded company in a highly competitive market it is absolutely vital to have the support of a core team comprising specialists who are highly

motivated and committed to develop and implement ideas from scratch. In order to secure this, Arvenus Capital was formed by former colleagues who had previously worked together for more than 10 to 15 years in the same financial institute, some of them even in the same department. It further set the stage for an ideal combination of each individual's respective skills and specialist know-how with the areas of responsibility being assigned accordingly. Thus, I mainly handle the asset management and I am in charge of all things to do with the management of the company. Andreas Roca is responsible for the marketing. We are both highly experienced in trading securities and derivative instruments. Beatrice Gfeller, a longstanding HR professional with economic background combined with project management, takes care of the Administration/Finance side of things. Legal and Compliance services as well as our entire IT are covered by outsourcing partners.

You are one of the few firms launching a new HF regulated in Switzerland since the start of the subprime crisis. What can you say about the authorization process with FINMA?

We perceived the approval process with FINMA as difficult. The approval of the fund prospectus took a total of 18 months (compared to 3-4 weeks for the approval of a fund prospectus in the Cayman Islands or 2 months in both Lichtenstein and Luxembourg). Within that time period, the fund prospectus proposal was refused more than ten times by FINMA with the latter each time requesting new modifications.

What are the alternative products that you will promote?

We concentrate on activities of which we have a good understanding and experience. We have a background in pro-

proprietary trading with an emphasis on equities and derivative instruments with a focus on arbitrage which we replicate in our new established fund. The latter is largely geared to the Aramus (CH) Europe Event Driven Fund, a successful single hedge fund in our preferred sector which we have previously already managed at our former employer.

What are its main features?

Our first single hedge fund called Arvernus Capital (CH) Europe Event Driven Fund was launched in October 2010. This fund is a concentrated, actively managed equity and derivative portfolio with European orientation. The focus in the Event driven strategy is on Merger arbitrage and Special situations (due to a lack of expertise we do not cover Distressed securities). With this defensive orientation within the hedge fund universe our product aims for an absolute return over a 12-month rolling period in EUR. A target volatility of 5-8% p.a. and a target performance of equally 5-8% over money market p.a. tells you a thing or two about our working method. Issuance and redemption of shares for the ongoing calendar month are accepted without restrictions until at latest the 20th calendar day of such month (no restrictions such as gate, penalty etc.). We deliberately do not have a performance fee (risk reduction) and the management fee is 2.5%. Custodian bank is Credit Suisse subsidiary Clariden Leu Ltd (Zurich) and the fund management is provided by Swiss Investment Company SIC (Zurich). Auditing firms KPMG respectively BDO supervise and report to the FINMA. Furthermore, as authorized asset management company of collective investment schemes we are under the direct control and supervision of FINMA.

Who are the target investors?

Our fund is one of the few single hedge funds according to the new Swiss Federal Act on Collective Investment Schemes which received the authorization for public distribution. We have refrained from asking a minimum investment and welcome all investors.

Do you already have any distribution agreement with private bank?

We are our own distributor of our products and respective funds. Our negotiations for a sub-distribution agreement with a private bank should be finalized

by the end of February 2011. Furthermore, we are in the initial stages of negotiations with two more financial institutes.

HFs are often criticized for their low transparency. What do you think about that and what is the level of transparency that you are going to offer to your clients?

We do take these concerns seriously and offer a monthly fact sheet that is not only sent to investors and potential clients but is also available on our website. With this fact sheet we create a meaningful and significant information tool which offers a high degree of transparency. We are open to the wishes and suggestions made by our clients and try to address such additional information either in our fact sheets or another suitable publication tool. With exception of the annual and semi-annual reports we do not provide further information on the current open business and transactions since the event driven niche concept can only work if information is not too widely spread.

The EU Parliament recently approved the AIFM Directive, which will be enforced only in a few years. What do you think about that?

The domicile of the fund was an issue. Our focus is on Switzerland. Having said this, an additional distribution approval for the EU-market would certainly be a plus. However, we did not want to rush things and apply for an approval with BAFIN or in Liechtenstein as long as the final domicile of the asset manager and the regulations of the non-EU countries were unknown to us. With the approved AIFM Directive in its current form the EU countries now become interesting for us so that we will take the necessary steps and do the preliminary work to apply for a EU passport. We believe that a certain amount of control and supervision of our industry are important after the incidents in recent years. Investor protection and the securing of absolutely reliable and professional business activities must be of paramount interest to all of us. If necessary and sensible we will consider voluntary assignment. We will keep an eye on the current pace in the EU parliament and the front against the UK to see if they have a negative impact on the proposed timeline. ■