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[Hedge Funds: Gerken launches new regional fund](#)

[Euromoney September 2007](#)

By [Chloe Hayward](#)

Hedge funds should broaden their horizons beyond Brazil to the rest of the region in their search for yield, says Lou Gerken, chief executive of Gerken Capital Associates (GCA). Although there are 148 hedge funds in Latin America, only nine are not based in Brazil and solely focused on the region's biggest economy.

But now it would seem that investors, such as GCA, are seeing an opportunity across the region as countries such as Peru and Colombia, as well as Brazil and Mexico, are set firmly on the route towards investment-grade status. On top of this, liquidity in the region has been improving, although mostly in Brazil, which can now give funds a choice of nearly 60 stocks to short.

In August, Gerken put his views to the test when GCA, a San Francisco alternative asset manager, which manages \$1.4 billion, finally announced the launch of its much talked about OCA Latin America Hedge Fund.



"Latin America has an attractive near-term and long-term investment outlook"
Lou Gerken, GCA

"We believe the Latin American region offers a very attractive near-term and long-term investment outlook for investors," says Gerken. "Our fund is positioned to be the institutional grade management team of choice for Latin American investors. With the region's largest on-the-ground investment team, we have the requisite infrastructure to achieve the fund's investment objectives."

The fund will manage assets on a risk-adjusted basis, across all asset classes, using a range of investment strategies, and will invest throughout Latin America, with a primary focus on Brazil, Mexico, Argentina and Chile.

The shareholders for this new fund are all part of Gerken's Bric master fund, which has been designed to provide flexibility and alpha. The aim for the GCA is to have five share classes – India, China, Latin America, Russia, and the Middle East – so that once this new fund has an established platform, investors can rotationally trade between the classes according to their preference. Gerken hopes that with this strategy additional alpha will be generated from cross-border opportunities as managers in each country are constantly talking to each other.

BBVA Bancomer will act as adviser to the new Latin fund. Gerken says: "Importantly, as part of our institutional-grade manager approach, we have signed a long-term, exclusive manager/adviser agreement with BBVA Bancomer, for the establishment and management of the [fund]."

BBVA is one of Latin America's leading asset management companies. The region's team manages 106 Latin American mutual funds with \$18 billion of assets under management and advises seven international funds with \$229 million of assets. BBVA also manages \$48 billion in pension fund assets.

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