

AMC ALTERNATIVE FUND – BCV Directional Fund

Review

Risks and doubts abounded as regards the likely success of the tough, hard line being taken on public-sector debt: events of the second quarter highlighted the contradictions in how the draconian belt-tightening budgetary measures being put forward by a number of Western governments were being interpreted. The markets were testing non-stop politicians' and central banks' capabilities to press ahead down paths much debated by many eminent economists and international organisations (WTO, IMF). Never before has Asia being accorded such significance when it comes to fulfilling expectations about economic recovery and for being involved in refinancing public-sector debt in the Western world. Big swings in volatility on equity, currency and commodities markets further reflected the turbulence of a quarter rich in complications.

The sub-fund posted a fall of 3.11% in the second quarter. The positive input came from Long-Short Credit (+0.16%) whereas Long-Short Equity (-0.91%) exacted the heaviest penalty. The benchmark HFRX FoF index registered a 2.98% fall whereas the MSCI World index was down by 13.39%.

Outlook

Without losing sight of long-term goals, the focus has tended to drift towards the medium-term climate. From one week to the next, the markets can have either a contradictory or an obliging mindset. The second quarter resulted in the allocation needing to be somewhat dyslexic or, at the very least, managed according to a dualist approach. There have been two main avenues: assessing gaps between liquidity and fund managers' investment time-frames (inherent in the specific fund style or strategy being adopted), then assessing the convergence/divergence of fund managers' beliefs so as to obtain a lesser degree of correlation and broad diversification.

The favoured strategies and/or those to be augmented are Macro Discretionary, Event-Driven Equity and Fundamental Market-Neutral Equity. Moreover, positions allocated to Distressed Securities and Merger Arbitrage have been successfully pruned.

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30.06.2010