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DynexCorp rolls out currency alpha FoHF

GENEVA: Currency portfolio manager DynexCorp has teamed up with Deutsche Bank to create an investable currency index that will form the underlying of a new currency alpha fund, the Dynex FX Index Fund. The structured fund, slated for launch next month, provides fund of hedge fund type diversification but with lower costs and frequent allocation shifts. Dynex FX Index Fund allows investors to participate in the performance of the bespoke Dynex Investable Multi-FX Index while controlling downside deviation through the use of structured products.

The Multi-FX Total Return Swap, structured by Deutsche Bank specifically for the Dynex Index fund, is a variable leverage total return swap with a payout linked to the index. The basis of the index, which currently chooses from a pool of 70 approved managers, gives investors exposure to currency alpha while greatly reducing the volatility traditionally associated with single Manager FX funds. Single manager currency performance is notoriously episodic," said Peter Panholzer, CEO of DynexCorp. To counter this, Deutsche Bank has created a platform of managers across the FX spectrum in an effort, "to provide a level playing field." DynexCorp will select managers based on their longevity, regularity and alpha returns, Panholzer said.

FX managers who have been trading for under 10 years will not be considered for initial inclusion into the Dynex Multi-FX Index, nor will managers that have suffered a crash, he said. There is also a strict exclusion of all beta managers who have added alpha only recently, he added. The index is managed and re-balanced monthly based on a set of rules developed by DynexCorp. Based on performance data provided by the Deutsche Bank platform, the un-leveraged Dynex Multi-FX Index would have averaged more than 5% annually above short-term interest rates over the last three years. The Dynex FX Index Fund aims to return 30% (levered) per annum with a Sharpe Ratio of between 1.5 and 2. It is launching with between \$10 and \$20m and has a total capacity of \$500m (with no manager in the underlying index controlling more than a quarter of the total AUM). A 1/10 fee structure will apply to all investments above \$1m and 2/20 for investments below \$1m. Minimum investment is \$100,000.

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