

Review of Hedge Fund Managers: Appendix 2

Signet

Mandate	Fixed income fund of hedge funds
Inception date & initial investment	31 July 2007; £45.3m
Current mandate size (30 Sept 2010)	£46.3m
% of Fund	c. 1.9%
Performance target	LIBOR + 3% p.a.
Fees	See JLT Report

Signet specialise in global fixed income funds and invest in underlying managers deploying a range of fixed-income related strategies including investment-grade government and corporate bonds, high-yield bonds, Emerging Market debt and distressed securities. Like Gottex, the Signet mandate is expected to have lower risk / return characteristics than the Man and Lyster Watson portfolios.

1. Organisation

Established in 1993, Signet's principal investment focus is on funds of hedge funds. Signet's client base is primarily institutional with approximately 95% of assets managed on behalf of financial and other institutions; the remainder consists of family offices and other qualifying investors. Signet have around £1.3bn assets under management in their Fund of Hedge Funds. Signet is independent and owned by its management and founders. Signet have one of the smaller teams of the Fund's FoHF providers, with a team of 16.

The majority of Signet's funds of hedge funds are listed either on the Irish Stock Exchange or the Luxembourg Stock Exchange. Signet Capital Management Limited is part of the Signet group of companies (Signet). Signet Capital Management Limited, authorised and regulated by the FSA and based in London, is the group's investment management company & distributor. Signet Capital Management Limited is advised by Signet Research & Advisory SA, located in Lausanne, Switzerland, and is the focus for manager research, due diligence, risk management and portfolio construction.

2. Structure and Key Facts

The Fund's investments with Signet are in their Global Fixed Income Fund, which invests in a portfolio of c.60 underlying managers diversified across a variety of fixed income strategies – this means they only invest in managers who invest in debt type assets and therefore do not invest in equities or commodities. Signet's Global Fixed Income Fund invests approximately 50% in credit and 50% in macro fixed income strategies.

Redemption terms are quarterly with 90 days notice.

The Fund is domiciled in the British Virgin Islands, and Signet Capital Management Limited is authorised and regulated by the UK Financial Services Authority.

3. Philosophy & Process

Signet's approach looks to generate superior investment returns within the parameters of capital preservation and systematic risk control. The investment process adopts a four-fold approach that combines "top down" strategy allocation and "bottom-up" manager selection, utilising a systematic approach to portfolio construction.