

## Review of Hedge Fund Managers: Appendix 3

### Gottex

Mandate	Market neutral fund of hedge funds
Inception date & initial investment	31 July 2007; £57m
Current mandate size (30 June 2010)	£50.7m
% of Fund	c. 2.5%
Performance target	LIBOR + 3-5% p.a.
Volatility target	1.5-2.5% p.a.
Fees	See JLT report

Gottex's market neutral approach seeks to achieve a low correlation to equities and fixed income markets, and each underlying manager must be market neutral. As such, Gottex have a relatively low volatility target with a moderate performance target when considered alongside the Fund's other FoHF managers.

#### 1. Organisation

Founded in 1992, Gottex are an alternative investment group specialising in fund of hedge funds. They have £4.9bn under management, all of which is in fund of hedge funds. Gottex have developed from a background in managing assets on behalf of high net worth individual to a position where 85% of their client base are now institutions with the largest component being European pension funds. Gottex publicly listed on the Swiss stock exchange in 2007, but is still 55% employee owned.

#### 2. Structure and Key Facts

The Fund's investments with Gottex are in their Market Neutral Fund. This means the fund invests in relative value, event driven and market neutral equity strategies and does not invest in any strategy that has directional bias such as macro and traditional long/short equity.

The Fund's portfolio is invested across c. 70 underlying managers.

Redemption terms are quarterly with 94 days notice.

The Fund is registered in the British Virgin Islands, and the firm is regulated by the SEC (USA), FSA (UK) and SFA (Hong Kong) regulatory authorities.

#### 3. Philosophy & Process

Gottex is a specialist in the market neutral sector. The firm's investment philosophy has been to create absolute return products that maximize risk-adjusted returns. Gottex creates fund of fund products which have low levels of risk and moderate returns. The market neutral funds only invest in hedge funds that are themselves "market neutral" meaning that the funds are not exposed to any significant directional bets on the equity, fixed income, commodity or FX markets. Through focusing only on market-neutral hedge funds, Gottex can significantly reduce portfolio volatility and focus their research effort on a much smaller part of the hedge fund universe. Gottex also believe that diversification across uncorrelated strategies and managers, enables their strategy to generate a steady return profile with a greatly reduced risk of a drawdown (negative return).