

RAB hedge funds lose \$500m in one month

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RAB Capital said its hedge funds had lost a further \$500m this month even as investors in its largest fund backed a restructuring that locks in their remaining money for three years.

The agreement by investors in RAB Special Situations, its biggest fund, to lock up their money for three years was vital for the company, which had warned that if it lost the vote on Monday night it would liquidate the fund.

But it also said the fund had lost a further \$133m this month, a 14 per cent fall, as the small mining companies in which it specialises continued to suffer from the credit crunch.

Shares in the UK hedge fund manager rose 1p, or 5 per cent, to 20½p, amid a broader market rebound.

The decision by investors to stick with Special Situations is relatively rare in the industry, where a number of high-profile funds have suffered this year from demands by clients for their money back.

Several, including Drake Management, have failed in efforts to persuade customers to agree to lock up their money.

Other RAB funds lost out too, with overall assets under management dropping from \$4.7bn at the start of the month to \$4.2bn last Thursday.

RAB also said it was giving 49 per cent of its Northwest-branded hedge fund division to the management of the operation, which it bought for £20.55m (\$36.54m) two years ago.

The stake - in response to demands from investors in the funds for greater separation from RAB - mirrors pay and bonuses the management would otherwise receive and "does not change the economics at all", Stephen Couttie, chief executive, said.

Mr Couttie said the decision to split the Northwest business into a separately regulated company was the first step to putting operations into divisions.

"The [fund] investors requested greater degrees of segregation between the parent company and the team managing the fund," he said.

"This does not change the economics at all but . . . just gives us a more robust segregated structure."

RAB has been through a turbulent year as Special Situations has plunged, hurt initially by an ill-timed investment in Northern Rock, the failed bank, and then by the writedown of most of its majority holding in A1 Grand Prix, the motor racing series.

Its broader investments in small mining and resource companies have suffered badly from the closure of markets and the difficulty many businesses are having raising cash.

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