

Weaving Capital collapses over derivatives position [Print](#)

By James Mackintosh

Published: March 19 2009 23:51 | Last updated: March 19 2009 23:51

A \$639m (£440m) London hedge fund collapsed on Thursday night after the discovery that the main asset of Weaving Capital's flagship fund was a \$637m derivatives trade with an offshore company controlled by the fund's founder and chief executive.

Weaving Capital called in administrators on Thursday and its Weaving Macro Fixed Income fund was put into liquidation in the Cayman Islands, after claims the trade could not be paid. Weaving froze the fund a week ago after discovering the position and calling in PwC to investigate.

The failure brings down one of London's older, if relatively small, hedge fund managers, set up in 1998. Weaving, which runs small funds including one in Sweden, was set up in 1998 by Magnus Peterson, former head of trading at Swedish bank SEB. It had solid returns of 10-12 per cent a year for the past five years.

Also on the board of the UK company were his wife, Amanda, James Stewart, head of research and a frequent TV commentator on economic issues, and Chas Dabhia, chief operating officer, who called in PwC.

The two directors of the Cayman fund were Mr Peterson's brother and stepfather.

PwC, liquidators of the fund, said there was "considerable uncertainty" over the \$637m value listed for the the fund's main asset not pledged to lenders, a derivative transaction with Weaving Capital Fund Ltd in the British Virgin Islands.

PwC said it had been told the BVI company's assets were \$10m of cash and \$40m of private equity positions, although these have not been substantiated. It is unclear who the directors of the BVI company are, but PwC said on Thursday night that Mr Peterson had told them he controlled it.

Matthew Wilde, partner and head of the hedge fund restructuring team at PwC, said he could not comment on who at Weaving put the trade in place, or what it was for.

"Core to the role of the liquidator is to undertake the investigation of who knew what," he said. He said he had had a "fruitful dialogue" with Mr Peterson, who had been in the office on Thursday.

The problem was discovered after investors tried to withdraw \$223m, of which only \$90m has been paid so far. In addition to the outstanding \$133m payments, the fund reported assets of \$506m at the end of February, down from \$535m in January.

Paul Clark was appointed joint administrator of the UK management company with Geoff Bouchier, his partner at restructuring specialist MCR, by the board of Weaving.

[Copyright](#) The Financial Times Limited 2009