

FTfm

## Duo leading the way in specialist banking

### Face to face

Ana Haurie and Robin Bowie tell Steve Johnson about Dexion's evolution

Dexion Capital, best known as manager of a trio of London-listed funds of hedge funds, has seen its assets under management halve to just \$1.5bn since 2008. Yet Dexion has increased its workforce to 45, the most it has ever been.

This apparent conundrum is squared by Dexion's ongoing evolution into a very different kind of beast, blazing a trail that a number of larger asset managers may seek to follow.

Ana Haurie, group chief executive, describes the new-look Dexion as "a specialist investment bank in the alternatives sector", although both she and chairman Robin Bowie bridle at the suggestion they are now bankers.

In practice this means Dexion has branched out into fund marketing and distribution, product selection, market making, research and fund administration. A corporate finance function, the last piece in the puzzle, is due to come on stream soon.

According to some industry commentators, this may be the direction of travel for a number of houses, particularly with fund distribution becoming seemingly ever more important and lucrative.

Amin Rajan, chief executive of the Create Research consultancy, says: "I can see some fund managers become distributors rather than manufacturers. I know for a fact that two or three very large asset managers are moving into that space."

Dexion's evolution has been a gradual one. It had its first taste of raising funds for external managers back in 2002, when it worked on an offshore fund for Julius Baer.

However, Dexion did not expand these activities into the closed-end listed world until 2008, when it drew on

its experience of acting as bookrunner and fundraiser for its own share classes to act as joint bookrunner for the Brevan Howard Global fund, a deal that opened the door to further contracts.

"Since 2002 we have raised £9.3bn (\$14.9bn) for hedge funds [including £3bn for Dexion's own funds]. That makes us the market leader by a substantial margin," says Ms Haurie.

Dexion's expansion into pastures new was doubtless also driven by the impact of the financial crisis, which badly damaged the listed hedge fund sector, pushing average discounts to net asset value to 35 per cent.

In common with many participants in the listed alternatives world, Dexion found that the much-trumpeted concept of "permanent capital" was not so permanent after all, with the triggering of a swathe

'The banks are failing to lend and the asset managers are doing the job for them'

of discount control mechanisms leading to a barrage of continuation votes. Shareholders of Dexion Commodities voted to wind-up the fund, while the sister Trading and Equity Alternative funds both underwent restructuring, although the flagship Dexion Absolute vehicle, with assets of £721m, is the largest remaining listed fund of hedge funds, according to Winterflood Securities.

"We have probably returned half the capital that we had at our peak back to shareholders," says Ms Haurie.

Despite these woes, Dexion remains convinced the listed hedge fund universe has a future, with single-manager funds typically trading on a discount of just 4 per cent, and funds of funds on an average discount of 12-13 per cent, according to Ms Haurie.

"The continuation votes have worked, many companies have failed these votes



### Dexion Capital

**Established:** July 2000

**Assets under management:** £1.5bn

**Total capital raised:** \$9.3bn (as joint bookrunner)

**Number of employees:** 42 (34 in London, 8 in Guernsey)

**Ownership:** Employee equity

cent of our activity is in the listed hedge fund arena. We want more open-ended structures."

Dexion has taken steps in this direction by raising £135m for a Ucits version of Man Group's AHL strategy. But it also hopes to expand into other asset classes.

"We are broadening from just hedge funds into alternatives. We are interested in other areas, such as infrastructure, private equity and renewables. We have been doing the background work and we have started to trade them in the secondary market," says Mr Bowie, who believes Dexion can once again capitalise on a partial withdrawal by the banking industry.

"What's really going on in my mind is that the banks are failing to lend and the asset managers are doing the job for them," says Mr Bowie, citing the example of Neuberger Berman's Global Floating Rate Income fund, which invests in senior secured loans, for which Dexion, in conjunction with Oriel Securities, raised \$507m in April.

"We are very interested in this area. We are seeing the hedge fund and private equity businesses actively involved in direct lending and that shift is proliferating. The banks are getting disintermediated," he says.

Mr Bowie is hopeful the UK government will sponsor a scheme to encourage greater involvement by non-traditional lenders, and says talks to this effect are ongoing.

and have been wound up. [The remaining funds] have come through an enormous stress test of the structure."

Last year Dexion helped raise £350m for a new share class for BlueCrest's AllBlue fund and £100m for the launch of Brevan Howard's Credit Catalysts vehicle, both of which are currently trading on a premium.

Overall, £1.06bn of new capital flowed into the sector in 2010, according to

Dexion, outweighing the £750m returned to investors, although the fund of funds sector is still struggling to attract new money.

However, the crisis prompted most of the big banks that serviced closed-ended funds to exit, leaving the way clear for boutique operators such as Dexion.

"Market-making activities were dominated by banks but they withdrew capital [during the crisis], therefore

spreads widened and confidence and liquidity decreased," says Mr Bowie. "We set up our market-making business in 2009. We were going around to see everybody, really to absorb the anger."

Dexion has built an £18m balance sheet out of retained earnings. "We don't have yachts or Ferraris but we do have a balance sheet that we use to facilitate our business and our clients' requirements," Mr Bowie adds.

The impending addition of a corporate finance function will allow Dexion to be lead bookrunners and engage in corporate broking and advisory work.

"We can provide the full range of services. We have a fund management business in Guernsey and provide company secretarial and fund administration services," says Ms Haurie. "Now we want to roll out more white-labelled structures in Ucits funds. 70 per

### Curriculum Vitae

**Ana Haurie**

**Born:** 1966

**Education**  
1997: Stanford University, MA International Policy Studies

**2002:** Open University, MBA

**Career**  
1997: Analyst, Bank of

England

**1998:** Office manager, City Axis, London

**1998:** Self-employed consultant, Haurie Ltd

**2001:** Head of advisory business, Dexion Capital

**2006:** Group chief executive, Dexion