money management *letter*

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Conqut11t Develop• US Hedge Fund Fund Replications

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Marc Mo1•k

Conquest Capital Group's developing a quantitative strategy to replicate returns of long/short equity hedge funds. This follows an earlier managed futures strategy that emulates commodity trading advisors. The new approach will go long and short US equities, just as hedge funds do, using a systematic process and charging lower fees, said Marc Malek, managing partner

Conquest's managed futures strategy as exhibited 87-90% correlation to the Barclay Hedges Newedge CTA Index on a daily and monthly basis during its four year track record. It is transparent and charges a 1% management fee with no performance fees. It was up 10.42% for the first quarter versus 5.61% for the Newedge index. It was created in 2004 for an Ivy League endowment

Additionally, the firm developed an approach combining carry trades, which lend to be short volatility, with macro trades that are long volatility, to produce a better risk/return profile. It started managing the strategy April 1 for one client

In December, Conquest designed an agricultural commodities strategy to hedge against the risk of stagflation. It was up 8.29% for Q1 despite losses of 12.25% in March. The Dow Jones•AIG Agriculture Sub-Index returned 4.01% for Q1

Separtly the firm's flagship macro strategy is up 60.07% since June without leverage and abou1 300% with leverage. The unlevered version returned 22 15%in 01 it performed well by going short equity via options and futures. shorting the dollar going long energy, precious metals and some bonds, Malek explained

Malek Is In advance talks with several prospective investors, including funds of funds.family offices. large macro hedge funds and multi-strategy shops. The firm's assets have grown *by* 54% since last June to S569mmion from investment returns, new in flows. and slrategy launches .

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