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Sparx Asia's credit CIO Flint spins out to form Double Haven

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Darryl Flint, the well-regarded CIO-credit at Sparx Asia Investment Advisors (formerly PMA Investment Advisors), is spinning out along with his five-member credit team to establish his own hedge fund group moniker Double Haven.

The Hong Kong-based team runs a \$230 million credit portfolio (comprising the PMA Credit Opportunities Fund, the PMA Temple Fund and a managed account for a large institutional investor) within the former PMA Advisors platform, and the proposed structure will migrate the entire assets/products as well as investors to Double Haven. Target date for the deal completion is end September.

The five members of the credit team who are joining Flint at Double Haven are Torquil Macleod, Thomas Doud, Richard Mcdade, Arun Vaswani, and Kunal Saha.

On aggregate, the credit strategy has delivered an annualized return of 11.34% between August 2002 and June 2011, with a Sharpe ratio of 2.08. The three credit funds have also shown strong performance through the choppy markets of 2011, recording gains of 3-6% year to date. Flint and his credit team ran as much as \$860 million at its peak in mid-2007.

"The way I look at it, the Asian credit world has two distinct parts – liquid credit and illiquid credit," says Flint. "In the past, we've had commingled funds combining everything from investment-grade bonds to high yield to distressed and private credit, but going forward we will play these two segments through separate products to match the liquidity profile of the investors."

The firm will also launch two new funds – the first being an investment grade bond and high-yield bond-focused long/short credit fund that follows a similar strategy to the existing managed account. This will be followed by a fund that focuses purely on private lending.

The move comes as the \$8 billion Sparx Group, which acquired PMA Advisors in 2006, refocuses on its core strength - equities. Of the \$8.3 billion the Sparx group manages, over 90% of the assets are in equities (approximately \$3.3 billion in Japanese equities, \$4 billion in Korean equities, and the remainder \$1 billion in Asian equities and other assets including credit).



Masaki Taniguchi

Kam Bahra

Masaki Taniguchi, the Sparx Group COO, says a review of the group's business a year ago resulted in deeper integration of PMA (now Sparx Asia) in Hong Kong and Cosmo in Korea with Sparx in Japan, and prompted a greater focus on the group's core competence in equities, which has resulted in the launch of a pan-Asian long/short equity fund in June this year.

The split is being described as 'harmonious' and 'consensual' and sources at both sides sought to highlight the cooperative stance being shown to each other even as they part ways.

Flint, who has been in Asia for 18 years, is a veteran of PMA Advisors, where he had worked since the firm's establishment in 2002. The credit team, which first established its track record managing the credit strategy for seed investor Credit Suisse, went on to manage dedicated credit funds, beginning with the PMA Credit Opportunities Fund launched in 2004.

Flint says the significant interest from global investors into Asian credit combined with the rising volume of credit issuance bodes well for the new venture. The response from existing investors on the spin out of the team has also been positive. "They like the idea," Flint says. Most of the institutional investors in his funds have been investing with his team since 2004.

Meanwhile, Kam Bahra, CEO of Sparx Asia, says investors have stayed calm despite the recent market turbulence, adding there has been no significant outflow from Sparx funds in recent weeks or months, and that investor interest toward investing in Asia continues to be strong.

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