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Risk arbitrage fund switches to Ucits III

By [Philip Haddon](#) | 07:31:00 | 12 May 2010

French alternatives boutique Laffitte Capital Management is changing its risk arbitrage fund into a Ucits III fund

The firm hopes the move will enable the FCP Aria-EI Laffitte Risk Arbitrage II fund, which invests in merger arbitrage opportunities in the US and Europe, to reach a broader range of European investors.

Previously the fund was an Aria-EI fund, a French classification for leveraged hedge funds. However, the change to a Ucits III structure will not change the fund's strategy at all, according to the firm, as it never used the full scope of the Area-EI status in terms of risk concentration, leverage and number of positions.

The fund [faced problems in 2009](#), when it was closed due to the bankruptcy of the fund's prime broker, Lehman Brothers. But the fund recovered all its assets thanks to French regulations and reopened with a positive performance.

Managed by founding partners Arnaud Yvinec and Gabriel Teodorescu, the fund targets annualised returns of 10%-12% from 20-40 positions, with a volatility of less than 5%. It will typically be two times leveraged, with a maximum of four times.

90% of the event-driven portfolio will be invested in merger arbitrage opportunities from announced merger deals, while 10% may be in pre-merger situations.

'Our merger arbitrage fund has the advantage to offer not only an exposure to the equity market by positions on stocks targets of a takeover bid but also an hedge to the equity market because the strategy has a very low correlation,' David Lenfant, the firm's managing partner, said.

This is the second Ucits fund from the Paris-based alternatives house, following the market neutral equity arbitrage fund it [launched earlier this year](#).