

No Amaranth trade yet on Hedgebay secondary market

From the Globe and Mail: (scroll down): ...For example, people who had \$1-million (U.S.) invested in the fund a few weeks ago are now willing to sell their position for \$400,000, said Hedgebay co-founder Jared Herman in an interview from Connecticut. Investors are now willing to pay \$300,000 for that stake. So far, no trades have been made. But Mr. Herman said he has "hundreds of customers who are unfortunately affected by this thing." Source

Some Amaranth investors want out, others worry

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Globe and Mail Update

Mammoth losses at Amaranth Advisors LLC offer important lessons for Canada's fast-growing hedge fund industry, experts in the field said Wednesday.

Amaranth is now under investigation after losing about \$4.6-billion (U.S.) in the past few weeks by placing the wrong bets on the price of natural gas. The losses may amount to be one of the largest in the history of hedge-fund trading.

It's not the first hedge fund to suffer big losses, nor will it likely be the last. It's significant for Canada because the lightly regulated industry is the fastest-growing segment of the financial market, jumping more than sixfold in the past five years, according to Investor Economics.

"It's definitely going to bring hedge funds to the forefront of everyone's minds," said Franc Godri, Canadian managing director of Lake Shore Asset Management. "It forces everybody to get back to basics...when greed and arrogance run rampant, these events are the great equalizers and they bring things back into perspective."

Amaranth's mistake was putting too many eggs — in this case, natural-gas trades — into one basket, without having enough safeguards in place, analysts said. The lesson for investors, in this case, is buyer beware.

"It's going to force people to ask questions before they put their money blindly with someone," Mr. Godri said. "People are going to get a little smarter about this."

Unlike other infamous hedge funds, such as Long-Term Capital Management, Amaranth was fairly open about its trading positions, said Les Marton, managing director of Scotia Capital Inc.

"I think sophisticated investors are fully aware of what they're getting into," he said. "In this particular case...it's not that anything was dramatically hidden under tables here. People were aware of what they were getting involved in."

For its part, Amaranth has reached an agreement to transfer all of its energy trades to an unnamed third party, the hedge fund said in a terse letter sent to investors.

“We have concluded a negotiated transaction which transfers the entirety of our energy portfolio to a third party,” chief executive Nicholas Maounis said in the letter, adding that more information will follow “shortly.”

As of late yesterday, the Greenwich, Connecticut-based company was said to be in negotiations with Citadel Investment Group LLC.

Officials at Amaranth have remained mum over the past several days as they try to unwind positions, play damage control with business partners and fend off a growing colony of vultures.

Many investors, meantime, want out. Some are so anxious to exit their positions that they're willing to sell their stakes in the fund for less than half what they were worth at the end of August, according to Hedgebay, which operates a secondary market for hedge fund holdings.

For example, people who had \$1-million (U.S.) invested in the fund a few weeks ago are now willing to sell their position for \$400,000, said Hedgebay co-founder Jared Herman in an interview from Connecticut. Investors are now willing to pay \$300,000 for that stake.

So far, no trades have been made. But Mr. Herman said he has “hundreds of customers who are unfortunately affected by this thing.”