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ProfitScore Launches Multi-Manager, Long/Short Product

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Boise, Idaho-based ProfitScore Capital Management is hoping that the second time is a charm for its latest hedge fund offering. The firm recently developed a quantitative multi-manager equity long/short product and is currently shopping it to hedge fund investors. So far, the firm has landed a \$30 million institutional client and aims to attract some \$200 million in assets by year-end.

ProfitScore launched the new offering, Unified Hedge Account, in February after pulling the plug on its four-year-old hedge fund, the ProfitScore Quantum fund, because of administrative difficulties, according to founder John McClure.



John M. McClure

“Last year, we gave the money back to our investor because it killed us from an administrative standpoint, but our performance was good considering everything that occurred,” McClure said.

After the demise of that fund, McClure received a call from a custodian that was aware of his “hedge fund difficulties” and wanted him to work with its tech group to create a hedge product that invested in specialized traders with uncorrelated returns in a separately managed accounts format. Since its launch in February, the product has returned over 4.5% net of fees.

The product’s institutional portfolio is currently invested in eight quantitative long/short traders with exposure to major equity indices and emerging market equities. ProfitScore is also one of the managers within the portfolio, but McClure said “we don’t allocate anymore to ourselves than it makes sense to from a risk/reward viewpoint.”

McClure added that his current position as chairman of the board of industry trade group the National Association of Active Investment Managers gives him unique access to “identify, evaluate and employ some of the finest long/short quantitative traders in the country.”

According to McClure, manager-specific risks are mitigated in the Unified Hedge Account because there is full transparency of the traders’ positions and daily liquidity, which is not common in a more traditional fund of funds format.

“To have multiple traders manage one individual account is a big deal in terms of transparency and liquidity because our clients don’t have the normal risks that someone investing in a typical hedge fund structure would have,” he said.

And unlike funds of funds, all of the underlying managers’ fees are paid by ProfitScore. Investors are also able to customize their own accounts to exclude emerging markets exposure.

Although McClure admits that the new product may be considered a competitor to long/short-focused funds of funds, he said it’s a “great match” for other diversified funds of funds because “we give them all the things that they want in terms of transparency, daily liquidity, and a persistent and smooth equity curve, which everybody wants.”

Unified Hedge Account charges fees of 1% for management and 20% for performance, with a \$250,000 minimum investment requirement for investors utilizing the firm’s custodian, Trust Company of America, and \$1 million for those who utilize all other custodians.