



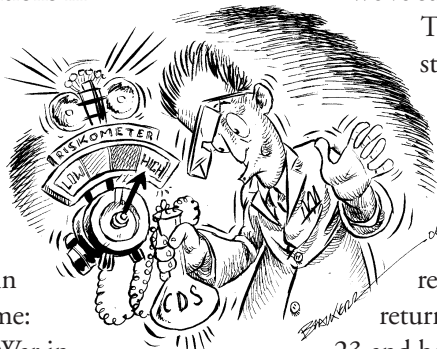
Under The Hood: AIN's look inside hedge fund strategies

'Bama Firm Rides CDS Positions To Big Gains

Point Clear Capital Management, a Fairhope, Ala., fixed income hedge fund firm, last month posted double-digit returns across all three of its strategies, including a record 35% in one, the *Alpha 150 Fund*. The returns came from positions in investment grade credit default swap indices, which shot up as spreads between corporate investment grade and high-yield debt widened last month, according to Co-Founder **Jim Hunter**.

To Hunter, the credit markets are in the middle stage of a historic widening period, the likes of which he has only seen four other times in the three decades he has been trading fixed income: the period immediately preceding the first Gulf War in 1990-91, the 1997-98 Asia/Russia/LTCM meltdown, the 2000-2002 bear market and the converts debacle in the spring of

2005. The current cycle dates to this February, when spreads topped out at 29, he noted. "With each of those events, if you look at the time and the widening, the average time is about a year and the average widening is about 100-125 basis points." With spreads now around 70, this means the cycle is about halfway finished, and has six months to go, Hunter explained. "We've still got plenty of wood to chop."



The \$80 million firm's three strategies are structured as notes and it also offers managed accounts. Its newest strat, *Alpha 50 Fund* launched March 21 and returned 10.77% last month. Its cumulative net return is now 14.71%. The oldest note, *Alpha 1 Fund*, launched May 26, 2006 and returned 11.36% in July for year-to-date returns of 17.39%. *Alpha 150* launched this Feb. 23 and has returned 54.56% since.

Before starting Point Clear Capital in late 2005, Hunter had lengthy stints at **Lehman Brothers** and **Merrill Lynch**.