Bloomberg.com

Ex-Citadel Manager Returns 18% With Atom Japan Fund (Update1)

Email | **Print** | **A A A**

By Tomoko Yamazaki and Komaki Ito

Jan. 29 (Bloomberg) -- **Atsuko Tsuchiya**, the Japanese hedge- fund adviser who left Merrill Lynch & Co. to found her own firm, led **Atom Japan Equity Fund** to an 18 percent return in 2008, beating rivals who suffered the worst year on record.

Tsuchiya, 36, achieved the gains in the fund's first full year of trading, withstanding market losses and investor withdrawals that ravaged the $1.5 trillion hedge-fund industry, Bloomberg data shows. The Eurekahedge Hedge Fund Index fell a record 12 percent in 2008.

One of the nation's few female hedge-fund advisers, Tsuchiya combined so-called event-driven and equity long-short strategies in the Japan-focused, 3 billion yen ($33 million) fund. Bets on companies that launched buyouts or bought affiliates to combat Japan's first recession in seven years helped Atom dodge a 33 percent slide in assets at Japan-focused hedge funds last year.

"As the world gets increasingly dysfunctional, there should be good opportunities for event-driven funds in Asia," said **Peter Douglas**, principal of hedge-fund consulting firm GFIA Pte in Singapore. "Leveraged strategies were a mess last year."

Tsuchiya, a Keio University graduate, founded Tokyo-based **Atom Capital Management Co.** after leaving Merrill Lynch, where she worked as a managing director. The fund is owned by Sumisho Capital Management (Singapore) Pte, a unit of Japanese trading company Sumitomo Corp.

'Aggressive Turnaround'

Prior to Merrill Lynch, she worked as a hedge-fund manager at **Kenneth Griffin**'s Citadel Investment Group LLC and as an investment analyst at Sparx Group Co., Asia's largest hedge-fund manager.

Tsuchiya said she sees more opportunities investing in companies that shed unprofitable assets and turn their businesses around after Japan, the U.S. and Europe last year entered their first simultaneous recession since World War II.

"It's going to be a good investment environment," said Tsuchiya, who is president and chief executive officer of Atom, in an interview yesterday in Tokyo. "There will be some investment opportunities as a lot of subsidiaries of bigger companies are ripe for aggressive turnaround by their parents."

There are four event-driven funds in Japan, and another eight based overseas are focused on the nation, according to Singapore-based **Eurekahedge Pte**, an industry data provider. An index measuring global hedge funds using event-driven strategies slid 20 percent last year, while the one tracking Japan-focused event-driven fund gained 7.1 percent, Eurekahedge said.

Long-Short

"Due to a decrease in merger and acquisition activity, we do not expect to see many Japanese event-driven funds starting up in the near future," said **Alexander Mearns**, chief executive officer at Eurekahedge. "However, we are seeing funds increasingly looking at the distressed-securities space."

The number of inbound merger and acquisition deals announced by Japanese companies fell 12 percent to 1,769 last year as the global credit crunch made fund-raising difficult, according to data compiled by Bloomberg. The transaction value also declined, by 12 percent to $71 billion.

"In an environment of easy leverage, mediocre managers had a better chance of flourishing," said **Kirby Daley**, the head of capital introductions at Newedge Group in Hong Kong. "Once the cost of credit increased, they had to cut dependence on leverage or pay higher prices."

Atom Japan Equity Fund also uses an equity long-short strategy, betting on rising and falling stock prices. In a short sale, a trader borrows stock and sells it in the hope it can be bought back later at a cheaper price.

For her long bets, Tsuchiya sees opportunities in environment-related and domestic-demand related companies that will not be hit by the overseas slump, as well as agricultural stocks as Japan aims to become more self-sufficient.

"The agriculture theme may not take off for a while, but finding a long-term trend is the key," Tsuchiya said.

Hedge funds are mostly private pools of capital whose managers participate substantially in the profits from their speculation on whether the price of assets will rise or fall.

To contact the reporters on this story: **Tomoko Yamazaki** in Tokyo at **tyamazaki@bloomberg.net**; **Komaki Ito** in Tokyo at **kito@bloomberg.net**

Last Updated: January 28, 2009 23:18 EST