

Duff Capital Advisors Purchases Azimuth's Risk Analytical Tools

Greenwich, CT - 03/05/08

Duff Capital Advisors (DCA) announces the purchase of a majority of the assets and intellectual property of Azimuth Asset Management (Azimuth), including the Fat-Tailed Catastrophic Risk and Asset Allocation System (FatCat). FatCat is a suite of proprietary risk analytics and portfolio optimization tools. In addition, DCA replaces Azimuth as managing member and investment advisor of three of its diversified funds of hedge funds.

“This is the first risk management tool that has been enhanced to include both illiquidity risk and crisis risk. FatCat enables us to unbundle market factor risks so that we can effectively incorporate alternative investments into a dynamic risk allocation framework for our clients,” said Phil Duff, CEO and founder of DCA. “The drastic changes in liquidity and correlations present in today’s credit market crisis illustrates where these tools will be very helpful to our clients.”

FatCat offers a unique asset allocation framework that incorporates deep-downside risk and asset illiquidity risk, giving investors the ability to construct portfolios that achieve a target return profile while balancing both the volatility expected in normal markets as well as the potential losses that would be suffered in a crisis risk environment.

FatCat evaluates the factor risks embedded in different strategies and groups strategies by the way they respond to financial crises. For example, fixed income arbitrage has relatively low volatility during normal times, but has a very high expected tail loss, while global macro strategies will add more volatility to a portfolio during normal times, but add less to the expected tail loss. In addition, the FatCat framework incorporates the differential impact on correlations across strategies in normal times versus stressed markets. Using this framework investors can specify not only a risk budget in terms of portfolio volatility, but in terms of the Worst Expected Quarterly Loss (WEQL (sm)) that the portfolio would be expected to suffer, optimizing diversification when it's needed the most.

The acquisition also adds two key leaders to DCA who will help the firm continue to develop institutional-quality infrastructure and risk management capabilities.

Robert Litzenberger

Bob Litzenberger will focus on helping DCA develop its risk and asset allocation capabilities. He was formerly a Partner and Chief Risk Officer at Goldman Sachs, and managed a portfolio of hedge funds for Azimuth Asset Management. He is a Professor Emeritus of Investment Banking at The Wharton School.

Paul Toldalagi

Paul Toldalagi will focus on integrating Azimuth's proprietary risk framework into the DCA suite of liability, risk management and allocation tools and services. He is Managing Director of Business Technology Associates, a boutique firm focused on providing strategic advisory business technology, risk and operations services to hedge funds and asset managers. He was formerly Chief Business Technology Officer of Azimuth Alternative Assets.

About Duff Capital Advisors

Duff Capital Advisors (DCA) is an investment management firm providing institutional investors with a unique, holistic approach to portfolio management. DCA seeks to provide customized solutions to pension funds, insurance companies, foundations, endowments, and sovereign funds to help organizations fund their long-term liabilities by integrating a complete suite of investment strategies with advice and proprietary liability, risk management and allocation tools and services. DCA's institutional-quality operational infrastructure and risk management capability will be combined with a broad array of strategies with an emphasis on non-correlated, alpha-generating alternative investments, including absolute return strategies, private equity and real assets. These strategies can be enhanced in multiple ways, utilizing leverage, hedging tools, overlays or wrappers to customize solutions that meet clients' objectives and liability and risk profiles.

DCA was founded by Phil Duff, who co-founded and was Chairman & CEO of FrontPoint Partners.

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