

Realogy: In 2007, Leon Black's private-equity outfit Apollo Global Management had taken Realogy private just before the housing bubble broke. WorldArb stepped in amid the ensuing crisis and purchased 11% convertible bonds maturing in 2018 after the company, which owns real-estate brands such as Century 21 and Coldwell Banker, got in trouble. Realogy filed in June to raise \$1 billion in an initial public offering. Schoenfeld's fund will exit from the convertibles at the time of the IPO either by converting to stock

or by redeeming the bonds. Meantime, WorldArb gets a 13.5% current yield.

Energy Future Holdings, formerly known as Texas utility TXU: WorldArb a year ago began buying the distressed secured and unsecured bonds of the company, which was taken private by buyout specialists KKR, TPG Capital and the private-equity arm of Goldman Sachs, in the world's biggest LBO, \$43.2 billion, on the eve of the financial crisis in 2007. The sharp drop in natural-gas prices has limited the hugely indebted company's

ability to repay its bondholders.

Chesapeake Energy (CHK): WorldArb owns bonds issued by the energy outfit, whose CEO Aubrey McClendon stirred controversy with his huge pay package and rapid expansion of natural-gas exploration as prices plummeted. Schoenfeld & Co. also bought a portion of an unsecured bridge loan issued to the energy giant by Goldman Sachs and Jefferies in May 2012. The \$3 billion loan carries an implied interest rate of 8.5% that ratchets up above 10% at the end of this year.

TNT Express (TNTE.Netherlands) and **United Parcel Service (UPS):** As part of its merger arbitrage activity, the fund is betting that the U.S. logistics company can complete the \$6.3 billion (about \$12.51 a share) purchase of the Dutch outfit within a few months. "We've had our doubts about approval [by European regulators], but the better odds are they will," says Doug Polley, a credit portfolio manager at the firm. A fall decision is expected.

Liberty Media (LMCA): WorldArb bought shares on the expectation that Chairman John Malone will ultimately spin off **Sirius XM Radio (SIRI)**. Distributing Sirius stock to Liberty shareholders via a spinoff could allow the company to avoid paying taxes on the sale via a stock swap. Based on Malone's prior spinoffs, special-situations portfolio manager Rich Bilotti estimates the resulting Liberty shares could be worth at least 50% more than the current market value.

Inmarsat (ISAT.U.K.) It bought stock in the satellite and spectrum firm based on an expected shortage of U.S. radio spectrum. Bilotti learned that Inmarsat, which had leased 40% of its spectrum to bankrupt wireless phone-network LightSquared, has protection in the proceedings. Inmarsat shareholders early in 2012 panicked, and the stock fell to 365 pence (\$5.75) a share. WorldArb sees another 30% to 100% upside in the price, and sees it a safe way to invest in radio spectrum. The stock's now at about 490 pence.

Yahoo! (YHOO): The fund started buying stock before activist investor Dan Loeb of Third Point took aim at the company. Schoenfeld says he's extremely happy with the new board, and thinks new CEO Marissa Mayer will "try to monetize some of their investments. We think if executed properly the stock should be trading in the low to mid 20s," up from \$15.95 last week.

The tumult in Europe, says Schoenfeld, has obscured some potentially interesting investments in the U.S. For instance, he expects the prospect of higher taxes after the U.S. presidential election to prompt a lot of dividend payouts to be declared right at the end of 2012. "Europe has distracted everyone from the U.S." That's exactly the kind of event Schoenfeld looks for. ■

Not Really Bustin' Out All Over

The biggest hedge funds struggled in June. Only four of the 20 largest were able to post gains.

BEST	% Returns					Assets (ml)	Strategy
	June	YTD*	1-Year	3-Yr Cum.	5-Yr Cum.		
Stratton Street Japan Syn War Yen	39.5%	23.2%	49.3%	83.0%	98.8%	N/A	HF Lg-Only Eq
Stratton Street Japan Syn War USD	38.5	19.9	-48.8	-79.6	-98.7	N/A	HF Lg-Only Eq
Acer Cube Acc	19.7	3.8	-57.6	-24.5	-94.8	3.3	HF Systemc Futures
AIS Futures LP 3X-6X	19.0	-8.1	-28.4	86.4	10.3	76.0	HF Systemc Futures
AIS MAAP Leverage 3x - 6x Net	19.0	-8.1	-28.4	86.4	10.3	76.0	HF Systemc Futures
Kinkopf Capital Mgmt LLC	18.8	43.3	48.1	98.3	51.4	0.1	HF Systemc Futures
Xmitic Sihai Investment 1	18.2	25.1	2.1	N/A	N/A	N/A	HF China Lg/Sh Eq
Bernett Diversified Global	17.1	8.6	-40.4	N/A	N/A	0.3	HF Global Macro
Trana - Triple Alpha	15.1	N/A	N/A	N/A	N/A	2.4	HF Lg-Only Eq
Foncalxa Prlv Ideas FIL	15.0	-11.4	-30.9	-11.6	-44.2	6.4	HF Multistrategy
WORST							
Vol Edge A	-33.6	-52.0	-14.6	-92.4	-69.0	124.5	HF Volatility
Vol Edge B	-31.8	-53.0	-25.3	-93.1	N/A	4.6	HF Volatility
Stresa Investment	-23.0	-12.2	45.2	N/A	N/A	2.9	HF Event Driven
Superfund Green Master	-20.9	-3.2	-30.1	-25.7	-31.3	0.9	HF Systemc Futures
Superfund Green C USD SICAV	-20.6	-6.5	-34.8	-35.9	-45.0	20.5	HF Systemc Futures
Superfund Green C EUR SICAV	-20.4	-5.7	-33.5	-37.2	-46.0	11.4	HF Systemc Futures
Superfund Green Gold C (SPC)	-20.0	-4.4	-30.5	-8.2	-11.5	48.8	HF Systemc Futures
Angle Investment Ptnrs LLC	-19.0	-4.6	20.3	N/A	N/A	19.8	HF Systemc Futures
Mulvaney Global Markets Ltd	-18.1	-18.1	-16.1	15.5	61.6	160.4	HF Systemc Futures
Estlander & Ptnrs Alpha Trend IIP	-16.4	-2.5	-29.9	-14.3	N/A	37.0	HF Systemc Futures
BIGGEST							
Bridgewater Pure Alpha Strat 18% Vol	-2.7	-3.9	9.6	91.5	114.3	21920.0	HF Global Macro
Millennium International Ltd	-0.2	2.5	5.2	34.2	47.2	9945.0	HF Diversified Arbitrage
Bridgewater Pure Alpha Strat 12% Vol	-1.9	-2.7	6.1	53.5	70.3	9748.0	HF Global Macro
Transtrend DTP - Enhanced Risk (USD)	-5.3	5.0	1.4	0.3	40.2	7604.0	HF Systemc Futures
Winton Futures USD Cis B	-3.2	-4.1	1.9	19.6	48.5	7180.0	HF Systemc Futures
Bridgewater All Weather 12% Strat	0.7	8.1	19.0	72.2	51.4	6526.0	HF Global Macro
Permal Macro Holdings Ltd USD A	-1.4	-1.8	-3.4	6.6	7.8	4946.0	HF of Fd - Macro/Systemc
EnTrust Capital Diversified Ltd - C	-0.2	1.3	-4.4	31.2	8.6	4917.5	HF of Fd - Event
Renaissance Inst Diversified Alpha	-1.3	N/A	N/A	N/A	N/A	4800.7	HF Multistrategy
Millennium USA LP	-0.2	2.7	5.7	34.7	46.9	4590.0	HF Diversified Arbitrage
Permal Fixed Income Hldgs NV USD A	-3.4	-0.6	-7.7	18.3	10.5	4161.0	HF of Fd - Debt
Quantitative Global Program	1.3	9.6	28.9	18.4	77.6	4133.5	HF Systemc Futures
ACL Alternative	-5.0	-1.5	-3.0	3.5	42.2	4072.5	HF of Fd - Macro/Systemc
FTM	0.1	3.6	8.5	N/A	N/A	2866.0	HF Lg/Sh Debt
MFS Investment Global Eq TUKGBP	2.5	7.5	-1.3	N/A	N/A	2797.4	HF Lg-Only Eq
CSIMF Swiss Bonds CHF F	-2.8	-1.2	3.6	13.2	24.6	2545.2	HF Lg-Only Debt
Pinnacle Natural Resources LP	-0.8	2.5	9.3	13.8	49.8	2205.0	HF of Fd - Relative Value
MKP Opportunity Offshore Ltd	-0.8	3.3	11.9	19.3	70.8	1854.7	HF Debt Arbitrage
Winton Futures GBP Cl D	-3.1	-4.0	2.2	20.0	52.6	1756.7	HF Systemc Futures
Wexford Offshore Spectrum	-0.6	0.1	-3.1	16.7	15.0	1723.0	HF Multistrategy