

Libra focus is fixed on euro zone

By Sara Utecht

The Libra Europe Fund was launched in 2001. Founding partner Bruce Mee began the fund with his business partner Roberto Bogoni.

Immediately before setting up Libra, Mee worked with Compass Capital Advisors and Newman Rogazzi. Between 1996 and 1999 he was a managing director at Creditanstalt Investment Bank where he was responsible for global equity product distribution.

Prior to starting Libra, Bogoni spent six years at Giano Capital, the principal European hedge fund of Newman Rogazzi. Between 1995 and 1996 he worked as an Italian equity analyst at Merrill Lynch.

Mee believes when starting a fund it is important to be independent. "I think it's really important to prove you can do it on your own outside of the big investment banks. If you can set up a fund on your own and establish a successful track record you can really prove to investors that what you are doing works."

The fund was originally launched with €30m provided by Mee and Bogoni. "We then rolled it out to external investors after about three years, after we had been able to establish a track record and methodology and could demonstrate to an investor that what we were doing worked," says Mee.

Around a quarter of fund capital still comes from the partners, with the rest in equal amounts from fund of funds, ultra high net worth individuals, private bankers and insurance companies. Most of the investors come from Europe with a few from Canada.

The fund's net asset value at end December 2007 was just short of €207m with assets under management totalling €220m.

The fund strategy is long/short focusing on West European equities with a bottom-up stock selection based on fundamental research and company visits. The fund has a special focus on mid caps and special situations. "This is an area we feel we know and where we have an edge. Because it's our own money we're talking about, we aren't going to get involved in a strategy that we don't understand," Mee says.

"We have a very strong view on how we manage our money. We were aiming for returns of 15% per annum and a volatility of 7% per annum. On average we have achieved returns of 16% and volatility of 6.7%. Basically we've achieved what we said on the box," he explains.

Mee explains the impetus to launch Libra came because there was "insufficient notice or care placed on risk". He believes many hedge funds focused on high-risk strategies because they thought they would give higher returns. Mee believes this type of strategy does not sufficiently protect investor money.

"There was much more concentration being put on returns by hedge funds. We focus on both sides of the coin. For us risk-adjusted returns are the important thing."

So far the fund has made money, says Mee, during both up and down market cycles. "We've made more than the market, while all the time maintaining a volatility of just under 7%," Mee comments. "Our aim through the cycle is to capture the upside but still to be able to make money on the way down. Our track record shows that this is exactly what we have done, we do it because we focus on the risk-adjusted returns."

"This is an area we feel we know and where we have an edge. Because it's our own money we're talking about, we aren't going to get involved in a strategy that we don't understand."

BRUCE MEE, LIBRA EUROPE

He points out that from inception to mid-2002 the fund made around "7% and the broader market lost some 45%. In the up cycle from mid-2002 to mid-2007, the fund made some 100% against the market making some 90%. In the new down cycle from mid-2007 the fund had made some 8% against the market's loss of 18%," Mee says.

Mee believes funds go wrong because the focus on returns is too great. "There are people who have no risk management. On the way up they may make more money than us, but on the way down people have gone bust," he comments.

"We always focus on both risk and reward. The discipline of investing a large chunk of your own money makes this paramount. In bear markets the problems associated with the more *laissez faire* attitudes that come from investors who are used to playing with other people's money from investment banks can be revealed. I feel this is a general issue at the moment."

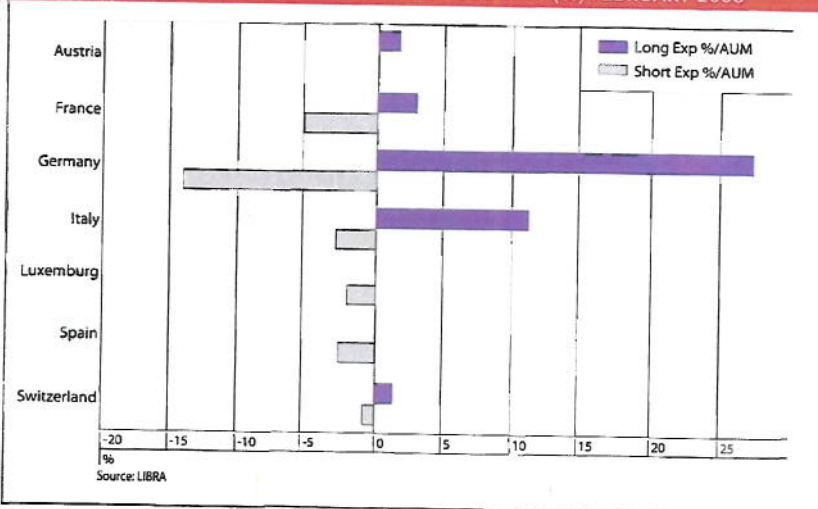
The fund has a rigorous process of selecting companies in which to invest. "We like to have very close contacts with the management of the companies we're investing in. We really want to know what's going on at the coal face."

Three selection criteria

Companies to be included in the fund are measured against three selection criteria. "First of all we use a control panel which gives us an indication of where we are in the cycle at present. So we can decide how much to invest, whether to go long/short, etc. We can observe where we are in the cycle and act accordingly." He explains this works by using a series of macro, technical and monetary indicators.

"We also employ an active risk management system. This focuses on the daily risk-adjusted

GEOGRAPHICAL BREAKDOWN EXPOSURE BY COUNTRY (%) FEBRUARY 2008



returns of our positions. We micro-manage risk on a daily, hourly, even minute basis. We have to understand what a company is doing before we invest. They have to show us how they are going to improve."

Mee explains the fund only focuses on euro zone companies as this reduces foreign exchange risk. "As a euro-denominated fund it also helps to reduce our currency exposures," he comments.

It is crucial, Mee believes, to stick to what they know and what they understand. "Many investors seem to believe that they have to invest everywhere. We tend to focus on businesses where we have a local knowledge."

Companies need to be "real" according to Mee. "We need to understand the business model of the company. What their costs are, what they sell, how much profit they expect to make, how much of their product they are aiming to sell."

Looking at the immediate future for equities, Mee believes the market is in for a difficult time. "The equity market is in a slow down. We haven't reached the bottom of that yet. It makes choosing the right stocks even more important. In a slow down the market is expected to lose 30%-50% of its value. So far the equity market hasn't lost 30%. It's probably at about 20% at the moment so we still have a bit further to go."

Libra, says Mee, remained largely unaffected by the market turmoil in August 2007 through to this year. "We were hardly affected at all by last summer. In fact we were up for most of it. We had a couple of down months but the rest was good for us."

While many hedge funds focus on a long/short strategy, Mee says his fund offers something different. "We believe that we have an edge over our competitors by having a very clear and definite idea about what we want to achieve and where we are going. Our constant focus on risk is another differentiating factor. There is also our approach to looking only at clusters and sub-clusters of industries where we can be sure that we have an edge. We have a very disciplined and rigorous way of investing. We are talking about our own personal wealth here as well as that of our investors. We're not going to do anything careless with it."

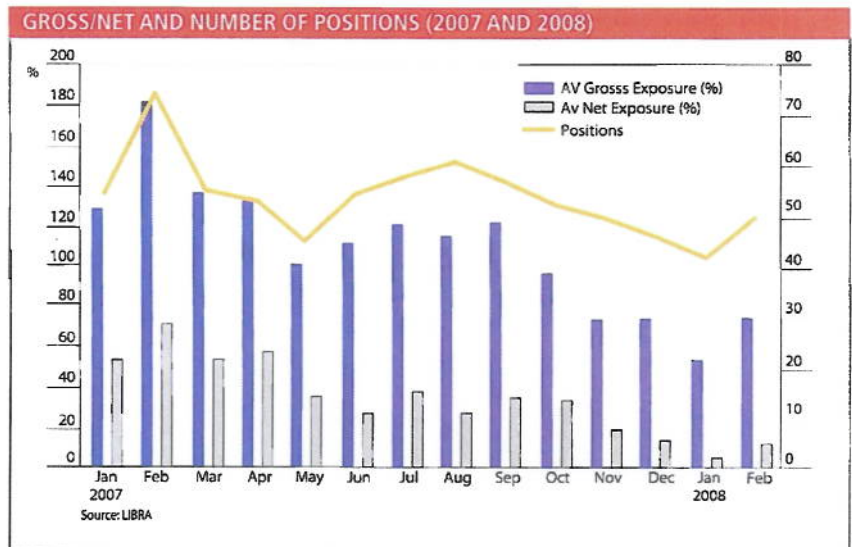
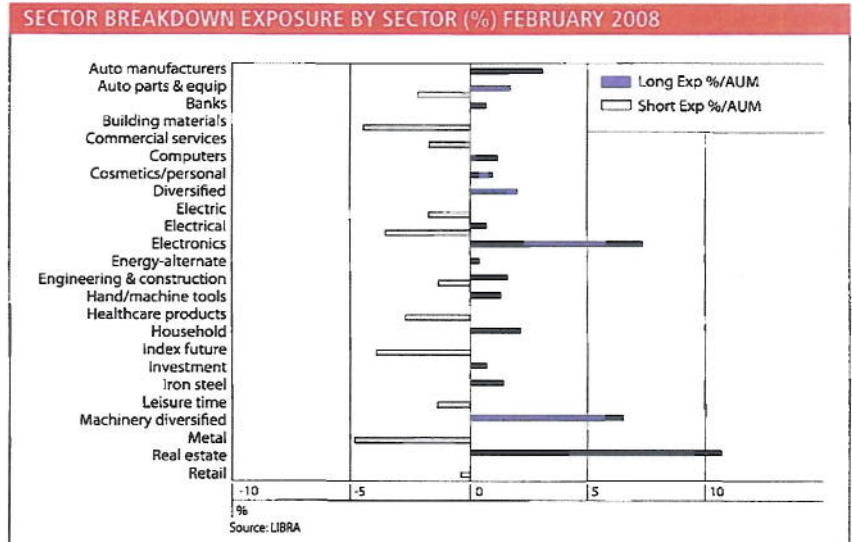
Mee believes this cluster focus gives Libra an edge. "We do not cover everything but focus on

areas where we have an edge."

The fund has a strong presence in a number of sectors including industrial and business services, construction and building materials, oil and oil services, steel, utilities, telecommunications, car components and banks.

Examples of clusters are cement, materials, contractors, developers and concessions.

Libra has no new fund launches planned. "We have one fund and we concentrate all our energies on that. It's what we do, and I think we do it pretty well," concludes Mee. ■



FUNDAMENTALS OF LIBRA EUROPE

Name of managers:	Bruce Mee and Roberto Bogoni
Full name of fund:	Libra Europe Fund
Address:	Libra Equity Limited, 23 Tavistock Street, London WC2E 7NX
Launch date:	November 5, 2001
Portfolio size:	€214.22m
Annualised volatility:	6.2%
Annualised returns:	16%
Prime broker:	Morgan Stanley
Administrator:	Citco
Auditor:	PricewaterhouseCoopers
Listed:	Dublin
Domiciled:	Cayman Islands
Management/performance fee:	1.5% management and 20% performance
Minimum investment:	€250,000

"We have one fund and we concentrate all our energies on that. It's what we do, and I think we do it pretty well."

BRUCE MEE, LIBRA EUROPE