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## Atom's Tsuchiya Bets on Hatoyama Policies for New Hedge Fund

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By Tomoko Yamazaki and Komaki Ito



Jan. 8 (Bloomberg) -- **Atsuko Tsuchiya**, a former Merrill Lynch & Co. managing director, plans to start a new Japan-focused hedge fund in March, employing an event-driven strategy that seeks to profit from a change in government.

The Atom Japan Alpha Fund will have Hong Kong-based **Penjing Asset Management Ltd.** as its anchor investor, Tsuchiya said in an interview yesterday. The 37-year-old chief executive officer of Tokyo-based **Atom Capital Management Co.** said the fund will have about \$500 million capacity and aims to open with about \$20 million.

She's betting the election of **Yukio Hatoyama's** Democratic Party of Japan last year will prompt adjustments at companies, creating investment opportunities. Atom may target ecology-related stocks and listed units of large companies to profit in a market that rose 3 percent in dollar terms in 2009, making it the worst-performer among developed nations last year.

"Ask me if I'm bullish on the Japanese market as whole, and I'd say 'not yet'," Tsuchiya said. "But for event-driven strategies, the direction of the market doesn't really matter. The government has become a trigger for corporate events because companies may have to change tack as policy shifts."

The Hatoyama government's goal of cutting greenhouse gas emissions 25 percent by 2020 from 1990 levels will boost the environment industry, Tsuchiya said, without naming individual companies. The DPJ ended five decades of almost uninterrupted rule by the Liberal Democratic Party with its Aug. 30 election victory after vowing to reduce the power of bureaucrats, promote ecological sustainability and revive the economy.

### Unit Listing Ban

Atom is also examining the likely impact of legislation proposed by DPJ lawmaker **Tsutomu Okubo** to ban listed subsidiaries, Tsuchiya said. The plan could affect about 400 units listed on exchanges in Japan, according to **Kengo Nishiyama**, a strategist at Nomura Securities Co.

Atom will invest in about 60 to 80 companies and overlay its event-driven focus with a long-short equities strategy. In a short sale, a manager borrows stock and sells it in the hope it can be bought back later at a cheaper price. Event-driven investors seize on changes including government policy, mergers and acquisitions, and earnings announcements to make profits.

**Ohsho Food Service Corp.**, a Kyoto-based Chinese restaurant operator known for its dumplings, is a company that may withstand **deflation**, presenting a good investment in a weak economy, Tsuchiya said. Any signs of economic revival will create opportunities in real-estate stocks, she added.

### Event-Driven Returns

Event-driven funds returned 38 percent in 2009, based on preliminary figures, beating the 19 percent gain by the **global hedge fund index**, according to Singapore-based **Eurekahedge Pte.**

Tsuchiya is making a comeback after terminating an advisory agreement for the **Atom Japan**

**Equity Fund** in April 2009, followed by the closing of the fund. That fund, which was owned by Sumisho Capital Management (Singapore) Pte, a unit of Japanese trading company Sumitomo Corp., returned 18 percent in 2008, beating rivals who suffered the worst year on record.

The new Atom Japan Alpha Fund will be owned by investment manager Gordian Capital Singapore Pte in Singapore.

The biggest obstacle to starting a fund was Japanese regulations making it difficult to set up an investment management firm, Tsuchiya said. This requires at least 50 million yen in capital and staff including compliance officers, she said.

“Japan’s hurdles to entry are too high and it’s losing out against countries like Hong Kong and Singapore where the cost to set up the business is much lower,” Tsuchiya said.

Tsuchiya, one of the nation’s few female hedge-fund advisers, founded Atom Capital after leaving Merrill Lynch, where she worked as a managing director. 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.

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.

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