Green Street

Hedge Fund Alert

THE WEEKLY UPDATE ON FUND MANAGEMENT INTELLIGENCE

OCTOBER 21, 2020

King Street Suffers Billions in Redemptions

Debt-fund manager **King Street Capital** has seen its assets plummet this year as investors react to middling performance and a leadership transition.

As recently as the start of 2020, the New York operation managed $19.9 billion overall. Since then, limited partners have yanked billions of dollars from its flagship King Street Capital Master Fund and companion feeder vehicles, which together account for the vast majority of the firm's assets. Those funds are expected to have fallen to about $10 billion by yearend after pending redemptions. It's not clear how much money King Street runs via its other strategies.

The flagship vehicle, which employs an event-driven strategy to invest primarily in a broad mix of credit instruments worldwide, evidently booked notable losses this year as the emerging coronavirus pandemic caused widespread upheaval in the credit market. The fund has since clawed back much of the falloff and is roughly flat on the year.

The redemptions — some submitted by longtime limited partners — coincide

See KING on Page 7

EJF in Market With New-Look Loan Product

EJF Capital is continuing a recent fund-raising frenzy with the planned launch of a vehicle that would offer financing to law firms.

The Arlington, Va., shop is aiming to close on an initial round of commitments for its Rocade Capital Fund 4 by yearend.

The plans mark a change in identity for the fund series. The initiative started in 2014 under the Armadillo Fund banner, with that name reflecting a partnership between EJF and **Armadillo Financial** of Houston. But that iteration of Armadillo effectively ceased operations on Aug. 21, with EJF acquiring additional ownership stakes from departing personnel to establish a majority interest.

With that move, some of the core team that worked on the prior funds began operating as an EJF unit called **Rocade Capital.** That group is led by chief executive **Brian Roth** and senior managing director **Harry Devens,** both from EJF, and

See MARKET on Page 10

Spinoff Concludes Paulson & Co. Conversion

Paulson & Co. partner **Andrew Klaber** has spun off from the firm.

Klaber's **Bedford Ridge Capital** launched Oct. 1, taking with it some $280 million of assets. And the private equity-focused operation already is setting out to raise additional capital.

For Paulson & Co., the separation completes a transformation into a family office for founder **John Paulson.** That process began in 2019, marking a dramatic shift for a multi-strategy operation that rose to prominence when it netted some $15 billion on short sales of subprime mortgage bonds during the 2007-2008 financial crisis.

That result likely stands today as the most profitable hedge fund bet ever in the securitization field. But the once-$38 billion firm later saw investor interest erode amid less-compelling returns in areas including merger-arbitrage, activist and gold-focused plays. It was running less than $9 billion last year, mostly for Paulson himself.

As for Klaber, he is pursuing minority and majority growth-equity investments

See SPINOFF on Page 10

THE GRAPEVINE

Schonfeld Strategic Advisors has hired a portfolio manager with a background trading the stocks of healthcare companies. **Brett Caughran,** who is based in Scottsdale, Ariz., started at the New York firm this month after two years at healthcare-focused **Bell Rock Fund Management,** where he was a founding partner and chief investment officer. Caughran also has worked at **Citadel** equity unit **Aptigon Capital, D.E. Shaw, Maverick Capital** and **Greenhill & Co.** Schonfeld was managing $18.8 billion of gross assets on Jan 1.

Ron Biscardi's new **iConnections** conference business continues to hire executives with connections to his former employer, rival **Context Summits. Vern Bratton Sr.** is at least the fifth former

See GRAPEVINE on Back Page

Gold-Mining Play Gets ESG Twist

An activist firm in New York has launched a fund that agitates for change among gold-mining operations outside the U.S.

James Rasteh's Coast Capital started trading its Coast Capital Midas Fund in mid-September and racked up a gain of 12.5% in short order. The vehicle has lined up $100 million of investor commitments so far.

That capital is set to arrive in stages from large family offices, pension plans and asset managers through January. Along with other inflows, the contributions would boost Coast's overall assets to some $250 million.

And the firm could end up with more should its strong performance continue.

The new fund invests 95% or more of its capital in publicly traded small- and mid-cap mining companies, reserving a small amount for private plays. It typically holds no more than 12 positions at a time.

Rasteh had been planning to launch Coast Capital Midas Fund later in the fourth quarter. But he accelerated the effort after noticing that the market capitalizations of most mining companies were at all-time lows relative to the price of gold, which has soared this year as investors sought safe havens amid the coronavirus pandemic.

In an Oct. 1 letter to investors, Rasteh additionally pointed to the **U.S. Treasury Department's** loose monetary policy as setting the stage for rising gold prices. He further described the trajectory for gold businesses as "overwhelmingly long," likening the opportunities to those seen in the technology sector just before the 1990s dot-com boom.

Rasteh also cited record inflows for exchange-traded funds with gold exposures and noted recent forays into the sector by prominent investors including **Warren Buffett, Ray Dalio, Jeff Gundlach** and **Paul Tudor Jones.** "We believe that institutional investors, who have for decades shunned the precious metals sector, will gradually and then precipitously buy their way back into it," Rasteh wrote. "A wish to diversify away to uncorrelated markets will only add to this impetus."

Another part of the pitch: Gold discovery volume is shrinking, reinforcing the advantages of more efficient operations.

That's where a big part of the activist angle comes into play. Rasteh has told potential limited partners that guiding miners toward acquisitions often improves their overall operations.

Rasteh additionally is hawking elements of the fund as adhering to environmental, social and governance principles. While that might seem counterintuitive considering environmental damage caused by mining operations, Coast's message is that improvements are possible.

"We have worked hard to identify next generation mining technologies which notably decrease the environmental impact of mining companies," Rasteh wrote. "As activist investors with an ecological mandate, focused on improving the emission of polluted water by the industry, we are working to speed up the adoption of these technologies."

Coast also designed the Midas fund to advocate for greater local employment while pushing for diverse management and board picks, an approach seen as likely to appeal to pension systems that are setting aside capital for such strategies.

An advisory board consisting of more than a dozen outside executives is aiding in the effort. Among them: **Western Exploration** chief **Darcy Marud; Rubicon Minerals** head **George Ogilvie; Pretium Resources** chief executive **Jacques Perron;** and **Guyana Goldfields** chief executive **Alan Pangbourne.** Overseeing the board's ESG efforts is **Truman Semans,** who leads the **Linux Foundation's** OS-Climate project and earlier directed **Pew Research's** climate-change studies.

Coast's in-house investment team includes four analysts. The firm could add more personnel next year.

In marketing the new fund, Rasteh and partner **Chad Tappendorf** have been highlighting the performance of Coast's flagship fund. That vehicle, Coast Capital Engaged Master Fund, was up 17.5% over the first nine months of 2020 and gained 21% in 2019.

The fund has been closed to additional contributions since the first quarter of 2019. While Rasteh and Tappendorf aren't marketing it now, indications are that the offering will reopen to current investors and newcomers soon.

The Engaged fund invests in relatively small companies in Europe with an eye toward driving acquisitions or wagering on special situations. Rasteh has been pushing the idea that European companies have been trading at historically cheap values relative to their U.S. counterparts, due in part to differing disruptions caused by the coronavirus pandemic.

Rasteh got started in ESG investing at **White Eagle Partners,** an activist firm formed in 2007 with backing from **Investcorp.** But Investcorp withdrew its capital in 2011, leaving him to pursue a series of one-off deals until unwinding in 2017. Earlier, Rasteh worked at **Jana Partners.**

Tappendorf formerly was a senior principal at Abu Dhabi sovereign wealth fund **Mubadala.** ❖

Industrials Offering In the Works

A former **Highline Capital** partner is preparing his own hedge fund.

Working through his **Hallstatt Advisors** in New York, **Jonathan Goldberg** is aiming to launch a debut vehicle in the first quarter of 2021. The entity's investments would include the shares of industrial, metals and mining companies, the same areas Goldberg covered as a sector head at Highline.

Goldberg had been at Highline from 2004 until this June. From 2011 on, he was co-portfolio manager of the Highline Select fund.

Earlier, he was an analyst at equity manager **Trafelet & Co.** and spent time at **McKinsey & Co.**

Highline was running $1.6 billion of gross assets at year-end 2019. The New York firm, founded in 1995 by **Jacob Doft,** invests in mid- and large-cap stocks. ❖

Big Numbers for 100 Women Event

Trade association **100 Women in Finance** is expecting a large turnout for its first global capital-introduction conference.

The virtual event, "2020 Global FundWomen Week," takes place Nov. 9 to Nov. 13. It so far has enrolled about 150 investors. Some 180 fund managers, all run by women, also have applied to participate.

The event takes the place of separate regional conferences the group has held each year in New York, San Francisco and London. Because of the coronavirus pandemic, those gatherings were canceled in 2020. In previous years, cost constraints kept the events to about 35 investors and 35 fund managers each.

The limited headcounts in part reflected the fact that 100 Women, unlike virtually all other conference organizers, is a nonprofit organization that doesn't charge managers to attend. Now, it's taking advantage of rapid advancements in virtual cap-intro technology to extend its reach.

To that end, **iConnections,** the conference business that former **Context Summits** chief executive **Ron Biscardi** founded this year, is donating its services in holding the event. **J.P. Morgan** also is a sponsor.

Another change: For the first time, 100 Women's conference is attracting significant participation from Asia and Australia. About 15% of the investors and managers are from those regions, including large pension systems in Australia.

Archer Asia of Hong Kong is on the list as well. Also among the scheduled attendees are representatives of sought-after investors in the U.S. and Europe that include **APG Asset Management, Callan, Capricorn Investment, California Teachers, Commonfund, Lighthouse Partners, Stable Asset Management** and **UBS.**

To attend, investors must commit to at least three 30-minute meetings.

"Institutional investors know diversification reduces risk and helps maximize the value of a total portfolio," said **Michael Weinberg,** who oversees hedge fund allocations at APG, a Dutch pension manager that had €512 billion ($606 billion) of assets in April. "Women may see opportunities that men don't, or see a different way of benefiting from the same opportunities. This could result in complementary alpha and less correlated returns, which are accretive from a portfolio construction perspective."

The mission of 100 Women is to help women raise capital for alternative-investment vehicles they run. The organization has about 15,000 members. It maintains a public listing of about 450 managers, of which about 180 run hedge funds. ❖

Taconic Marketing Europe Debt Fund

Taconic Capital is aiming to raise up to $800 million for a vehicle that would invest in distressed bank loans in Europe.

The New York firm's European Credit Dislocation Fund 3 is the latest in a series of vehicles that combine hedge fund strategies with longer-term, private equity-style investment horizons.

The first vehicle in the series launched in 2014 with a focus on distressed-debt investments and direct-lending opportunities. The second began trading with $600 million of commitments in 2017. It targets distressed debt, liquidations and special situations.

Taconic is preparing the new fund with a view that the coronavirus pandemic has accelerated a multi-year distress cycle in Europe, with loans issued by small and regional banks expected to suffer the worst performance.

European banks already are saddled with non-performing loans amounting to €636 billion ($752 billion), largely a legacy of the previous financial crisis. Meanwhile, Taconic predicts that defaults for commercial borrowers in Europe will reach levels comparable to those seen in 2007 and 2008.

"Covid-19 is driving synchronized recessions across Europe, bringing about an abrupt end to nine years of economic expansion," Taconic wrote in September marketing materials. "The sheer magnitude of the economic shock has few historical comparisons."

The firm contends its experience in the space, along with the fact that it employs people familiar with Europe's corporate landscape, gives it an edge in determining which companies can make good on their debts at a time of economic upheaval.

The **International Monetary Fund** expects the gross domestic product of European Union member countries to contract by 10.2% in 2020, with Italy and Spain predicted to have the steepest falloffs. To capitalize on crisis opportunities, Taconic has tapped **Piergiorgio Lo Greco,** a former portfolio manager at **Cheyne Capital** in London, on an advisory basis. He's tasked with identifying distressed deals and special-situations plays in Italy, **Bloomberg** reported in June.

Taconic also added **Eduardo Riera Suarez,** a London-based investment associate, to focus on deals in Spain. Suarez previously worked for **Citigroup** in Madrid, focusing on mergers and acquisitions.

"There is an emerging consensus that given . . . the steep increase in unemployment rates across Europe, the recovery is likely to take longer than several of the recent crises including the great financial crisis," Taconic wrote.

The new fund has a term of five-and-a-half years, with a 30-month investment period and a harvest period of three years. The terms also give the manager discretion to extend that by a year. Taconic says its expected positions will be less liquid than typical U.S. debt investments, lengthening the time it will take to profit.

Taconic anticipates a first close for the vehicle in mid-December, with additional closes in 2021.

The fund will take 15-35 positions, investing no less than 2% of the portfolio in each of the positions and no more than 10% in any of them.

Taconic promises to park at least $25 million of its own money in the fund, which will be run by **Keith Magliana,** the firm's head of European credit. Magliana also manages the first two vehicles in the series with support from 11 investment professionals. Fund 1 had an internal rate of return of 14.2% from its August 2014 inception through this June. Fund 2 gained 8% by the same measure since inception in October 2017 through June.

Founded in 1999 by former **Goldman Sachs** partners **Frank Brosens** and **Ken Brody,** Taconic manages $7 billion overall in event-driven funds that primarily invest in credit products. ❖

Remote Work Continues Unabated

The work-from-home experiment shows no sign of letting up in the center of the private fund universe.

According to a survey conducted by commercial real estate broker **JLL,** staffers at New York hedge fund managers and private equity firms continue to work remotely by an overwhelming margin, with 58% of respondents saying that employees who have returned to the office represent less than one-tenth of their workforces. Just 12.9% of the firms had more than half of their staffers back in the office.

While the survey's sample size is small — 36 hedge fund managers and private equity shops were polled over the past month — the findings are a snapshot of the challenges faced by managers in a once-in-a-lifetime pandemic.

Indeed, optimism continues its retreat. Fund managers and big banks initially hoped to bring employees back to the office over the summer, then pushed back their plans until the fall. But as virus cases continue to surge across the country, employers again have delayed those plans.

According to the JLL survey, just 41.9% of respondents expect to have at least half of their staffers in the office in the first quarter of 2021. Meanwhile, 29% said they didn't know when it would be safe to have half of their employees back.

Moreover, the pandemic appears to have changed attitudes about working from home on a permanent basis. Nearly a quarter of respondents said they expect 10% to 20% of their workers to do their jobs remotely even after the virus subsides. And 45% said they expect at least 10% of staffers to work from home two to three days a week post-pandemic. Only 9.7% of managers said they expect nearly half of their workforces to work remotely two to three days a week on a permanent basis.

Most managers plan to spread out workstations post-pandemic. And precisely a third said they expect to use less office space overall, reflecting an expected increase in the number of employees working remotely for years to come.

A majority of those polled remain committed to staying in New York City, with 67.7% saying they don't plan to open satellite offices in suburban New York, New Jersey or Connecticut. Nearly 13% said they plan to do so, while 19.4% were undecided. ❖

Crypto Veteran Mapping Hedge Fund

A well-known figure in the cryptocurrency space has formed a fund that will invest in digital assets and blockchain-technology businesses.

William Quigley, working through Cayman Islands-based **Magnetic Management,** formed Magnetic Capital Fund 1 this month. It's the first hedge fund from the company, which Quigley co-founded in 2016 with fellow cryptocurrency investor **Jonathan Yantis** and **Megan Kaspar,** who previously worked in real estate investments.

It's not clear if Quigley has started trading the fund, which presumably would invest in part in liquid cryptocurrencies. The vehicle also is likely to take positions in promising private blockchain companies.

Quigley is perhaps best known for helping to create Tether, seen as the world's first stable digital coin. A venture capitalist and entrepreneur, Quigley helped design Tether to trade in tandem with the U.S. dollar, with the idea that a less volatile coin could simplify trading in and out of a range of digital assets.

For Magnetic, the private plays would fall in line with Quigley's investment activities since starting the firm. In addition to investing propriety capital, indications are that the firm has provided consulting services to family offices and other types of asset managers, and pursued co-investments.

Much of the operation's activities remain under wraps. Part of the rationale for Magnetic Capital Fund 1: Quigley likely views the coronavirus pandemic as a real-life test of the value of digital assets, especially given the fluctuating values of fiat currencies as central banks have continued to print fresh money.

Quigley also has deep venture capital connections. He was a founding member of **Clearstone Venture Partners** in 1997 and later co-founded **Idealab Capital,** which focuses on investing in and incubating innovative internet startups.

Along with Yantis, Quigley started **Worldwide Asset eXchange** (WAX), an online marketplace built on blockchain technology. Yantis, who heads operations for Magnetic, previously worked with Quigley and crypto pioneer **J.R. Willett** on the development of Omni, known as Mastercoin when it hit the market as the world's first initial coin offering in 2013.

Quigley, who has founded or incubated dozens of blockchain and crypto companies, also runs blockchain-focused venture capital firm **Cashel Enterprises.** ❖

Biotech Pro Eyes 9-Figure Launch

A former employee of healthcare-stock investor **Perceptive Advisors** has set up a hedge fund operation.

Weston Nichols is calling his Dorado, Puerto Rico, firm **Lynx1 Capital.** While the precise timing of the shop's launch isn't known, sources expect it to take place soon with $100 million or more.

Via his Lynx1 Fund, Nichols would assemble a portfolio consisting primarily of long positions in U.S. biotechnology-company stocks. He also plans to pursue some private-company investments and intends to take some short positions.

Lynx1's staff includes chief operating officer and chief financial officer **Sarah Haynes** in New York. She previously held the same titles at **Lucha Capital,** where she started in 2019 after stops at **Oasis Management, Omnium** and **Deloitte.**

Nichols, who has a doctorate in neuroscience, was an analyst at Perceptive from 2016 to this March. Earlier, he was at **Balyasny Asset Management** and **SunTrust Robinson Humphrey.**

Nichols additionally remains on the boards of Perceptive portfolio companies **Cerebral Therapeutics,** which he joined in January, and **Crinetics Pharmaceuticals,** which he joined in March 2018. Those positions reflect Perceptive's participation in a $35 million capital-raising round by Cerebral and a $63.5 million financing round by Crinetics.

New York-based Perceptive has put up strong returns. Its $2.2 billion flagship vehicle, Perceptive Life Sciences Offshore Fund, has posted an annualized return of 19.8% since its inception in 2000 with annualized volatility of 18.2%.

Those results include a 5.9% gain over the first nine months of 2020 plus a 52.4% return last year, an 8.3% loss in 2018, a 43.4% gain in 2017, a 1.6% gain in 2016 and a 49.6% gain in 2015. By comparison, the HFRI Equity Hedge Sector Healthcare Index was up 9.6% from Jan. 1 to Sept. 30 following gains of 22.5% in 2019, 1.8% in 2018 and 18.9% in 2017, a 1.5% loss in 2016 and a 2.75% gain in 2015.

Perceptive runs $7.2 billion overall. In February 2018, former head trader **Michael Cho** launched his **Affinity Asset Advisors** with $14 million. That operation was up to $70 million early this year, coming off an 82.2% gain in 2019 and a 4.5% loss in 2018. ❖

Raine Pitches Communications Play

Raine Capital has incorporated coronavirus-related opportunities into the marketing message for a fund that invests in mobile and broadband infrastructure stocks.

In pitching its Raine Liquid Communications Infrastructure Fund, the New York firm is telling prospective investors that upgrades needed to meet bandwidth demands have created an appealing landscape for hardware, software and semiconductor companies, among others.

"We believe the importance of communications infrastructure has never been more apparent than during the Covid-19 global pandemic," Raine wrote in a letter to investors this month. "Overall, we believe the positive trends will continue well into the future, creating investment opportunities on a global basis."

The Raine fund gained 12% over the first eight months of 2020.

The vehicle launched in May 2018. It had $144 million under management this March. The technology-focused Raine runs $3.3 billion overall, mostly in private equity investments.

Managing partner **Kevin Linker** leads Raine's public equity investments.

Raine was founded in 2009 by former **Goldman Sachs** senior partner **Joe Ravitch** and ex-**UBS** executive **Jeff Sine.** ❖

What You Aren't Supposed to Know

Hedge Fund Alert, the weekly newsletter that tells you what tight-lipped fund managers don't want you to know.

[Yes] **Click here to start my 3-issue FREE trial subscription to Hedge Fund Alert.**
There's no obligation. I won't receive an invoice unless I choose to subscribe.

Name ______ Company ______

Street ______ City ______ State ______ Zip ______

Telephone ______ Email ______

You can start your free trial by visiting the HFA website. To order by phone, call 201-659-1700.
Or mail to: Hedge Fund Alert, 5 Marine View Plaza #400, Hoboken, NJ 07030.

Due-Diligence Pioneer Joins Startup

Randy Shain, a trailblazing hedge fund sleuth, has joined due-diligence startup **Hilton Global Associates.**

Shain, the company's chief operating officer, is best known for the 1993 founding of **BackTrack Reports,** the first investigative due-diligence firm to primarily research hedge funds. He sold that firm a decade later to **First Advantage,** staying on until 2016. From 2017 to December 2019, Shain worked at **Blue Heron Research**.

He started in August at Hilton Global, which was founded in January by private investigator and certified fraud examiner **Melissa Kelley-Hilton,** who has worked in the due-diligence field for two decades.

The company's services include fact-checking executives' resumes and biographies, searching for criminal convictions and tax liens and identifying potential distractions, including divorces. Hilton Global also is experimenting with artificial intelligence to improve its investigations.

Clients include fund-of-funds operators, pensions, private equity firms, family offices, law firms and government entities. Hilton Global also works on behalf of investors who want to vet particular companies, along with their senior executives and board members.

The operation has 25 staffers in India and three in New York. Kelley-Hilton is working from home in Naples, Fla. She previously served as president of **Bishops Services,** a large corporate due-diligence and executive-screening firm now known as **Sterling Diligence.** Coincidentally, Shain worked at Bishops from 1987 to 1993. ❖

King ... From Page 1

with the retirement of King Street co-founder **Francis Biondi,** who stepped down in June after 25 years with the firm. Though the move was long planned and had been communicated to investors in advance, some limited partners decided to pull their capital after scrutinizing King Street's operations via due-diligence updates.

While co-founder **Brian Higgins** remains with the firm, those investors worried Biondi's departure could lead to a loss of trading prowess and stability.

King Street is among several longtime hedge fund operators grappling with the transition plans of their aging founders. **Bridgewater Associates,** for one, has strained to replace founder **Ray Dalio,** who has appointed co-chief executives only to demote one and lose others.

One source said King Street's struggles are emblematic of firms whose cultures are built around their founders. "It's still too much [Biondi,]" the source said.

Another source said it wasn't Biondi's departure but performance shortfalls that led to the heavy redemptions. Biondi had worked as a co-portfolio manager on King Street's flagship fund alongside Higgins and other investment professionals.

The loss of capital has spurred some layoffs this year, following an earlier staff reduction in 2019. The firm currently has about 200 employees. King Street's headcount stood at 223 in 2018.

The shop is now back to lining up new strategies. King Street in mid-March began planning a drawdown vehicle designed to take advantage of price dislocations in credit instruments amid the pandemic. King Street Tactical Credit Opportunity Fund held a first close with an unknown amount earlier this year, and indications are a second close is pending.

The firm also started trading a real estate fund in 2019. Separately, King Street maintains a collateralized loan obligation unit known as **Rockford Tower Capital.**

In addition to its New York headquarters, King Street maintains offices in Charlottesville, Va., London, Singapore and Tokyo. ❖

Hedge Fund Performance

	Sept. Return (%)	YTD Return (%)
BENCHMARK INDICES		
S&P 500	-3.8	5.6
Russell 2000	-3.3	-8.7
MSCI EAFE (Europe, Australia, Far East: net)	-2.6	-7.1
Barclays Aggregate Bond	-0.1	6.8
Barclay Hedge Fund Index	**-0.7**	**1.7**
3,000+ funds (unweighted)		
Credit Suisse Hedge Fund Index	**-0.9**	**0.0**
5,000+ funds (weighted)		
Convertible arbitrage	0.4	5.8
Emerging markets	-0.9	6.3
Equity market neutral	-1.1	1.0
Event-driven	-0.2	-3.1
Fixed-income arbitrage	0.6	0.3
Global macro	-1.6	0.5
Long/short equity	-1.5	0.2
Managed futures	-2.2	-3.8
Multi-strategy	-0.5	0.5
Eurekahedge Hedge Fund Index	**-0.7**	**3.2**
2,700+ funds (unweighted)		
HedgeAlytix (CogentHedge)	**-1.4**	**6.9**
600+ funds (unweighted)		
HedgeFund Intelligence	**-0.4**	**1.6**
7,000+ funds (unweighted)		
HFN Hedge Fund Aggregate Average	**-0.6**	**0.5**
4,900+ funds (unweighted)		
HFRI Fund Weighted Composite	**-1.1**	**0.6**
2,000+ funds (weighted)		

Online Matchmaker Goes Live

A former prime-brokerage professional has set up an online capital-raising service.

Mel Sutton launched his **HedgeSync** on Oct. 1 with an eye toward easing relationship-building challenges that have arisen during the coronavirus crisis. The Glasgow, Scotland, firm started off working with 25 hedge fund managers and 50 investors.

But by this week, Sutton already had removed 15 investors due to inactivity. That reflects a pledge on his part to include only active allocators. Indeed, he has been verifying that all of those parties have been putting capital to work since the crisis began in March.

The core of the service is a "data room" where fund operators can post materials including marketing presentations and contact information for investors to review. HedgeSync also plans to launch an app with content-sharing and messaging functions at the end of this week. "The idea is a private **LinkedIn"** for users, Sutton said. "We grew that because of a lack of networking events at the moment."

Managers pay a monthly fee for inclusion, with no upfront charge and the option to drop out monthly. The service is free for investors.

The fund operators participating so far mostly are in Europe and Asia. Sutton also has been pitching his service to U.S. firms.

The roster includes established and emerging shops, with some tapping HedgeSync to help recruit initial investors and other seeking to diversify their client bases. Among established firms, Sutton has been shopping HedgeSync as a complement to their own investor-relations teams.

The managers employ a mix of strategies including relative value, long/short equity, activist, event-driven, life-settlement, quantitative and commodity approaches. Some also deal in private debt and private equity.

Among the few vehicles that Sutton generally won't consider are those that trade illiquid products, including distressed debt, or that have drawdown structures. His reasoning is that those offerings are tough to sell to liquidity-minded investors during the pandemic. But he has expressed a willingness to refer their managers to mainstream prime brokers.

HedgeSync's participating investors, who collectively have nearly $2.5 trillion of assets, are in the U.S., Europe, Asia and the Middle East.

They include at least one sovereign wealth fund, plus first-loss investors, family offices, pension systems, private banks and the asset-management arms of investment banks.

Along with steering capital toward commingled funds, HedgeSync is matching operators and investors in the separate-account field. That reflects a feeling by Sutton that such arrangements, with their flexible withdrawal and fee structures, have been simpler to sell during the pandemic — especially when the commitments are arriving sight-unseen.

Case in point: **Cazadores Investments** of London landed its first major investment thanks to an introduction from Sutton. The backer in that case was **Finance Michigan,** whose **Trowbridge Trading** affiliate wrote a $20 million seed-capital check for a systematic commodities program.

The arrangement marked the first time Finance Michigan head **Will Dickson** had backed a manager without a face-to-face meeting. Though the introduction occurred before HedgeSync officially opened for business, Cazadores since has become a client as it seeks additional funds.

"Our capital-raising experience during Covid has been positive, and with more business interaction happening at arm's length, Cazadores Investments believes this modern and physical-location-free platform is the way forward," Cazadores head **James Dedman** said.

Fund-of-funds operator **Ferguson Hyams Investment** also is making its information available via HedgeSync. The Brisbane, Australia, shop sees the service as helping to automate its business-development efforts and thus free up time to identify promising investments elsewhere, chief investment officer **Gideon Hyams** said.

Sutton additionally plans to highlight managers who deploy capital under environmental, social and governance principals, and may offer them discounts. To go along with that, HedgeSync plants a tree for each manager that signs up and another for each month those firms continue to subscribe.

HedgeSync adds to an increasingly crowded market for virtual capital-raising services. Former **Context Summits** chief executive **Ron Biscardi** started a firm called **iConnections** in April. **SALT** conference co-founder **Victor Park** has also launched **InvestorSpeedDating.com. Lisa Vioni's Hedge Connection** platform also has seen sharply increased demand.

Sutton evidently still sees opportunity in the space, in part because of his non-U.S. focus. His outlook also takes into account the difficulties hedge fund managers' internal marketing teams have encountered during the pandemic.

Sutton also runs **Argyll & Buchanan,** which he started in May 2019 with a specialization in getting pre-launch and emerging managers in front of blue-chip service providers who otherwise might ignore those firms because of their scant assets. He maintains contact with several prime brokers through that business.

Sutton's background also includes a stop in **Morgan Stanley's** U.K. prime-brokerage unit from 2015 to 2018. He counts **BNY Mellon** as a former employer as well. ❖

Correction

An Oct. 14 article, "Manager Aiming to Double Assets," misstated the year that **Calixto Global Investors** was founded and understated its day-one assets. The Coral Gables, Fla., firm launched in 2014 with $25 million, not $24.5 million. ❖

Planning Your Travel Schedule?

Check out the most comprehensive listing of upcoming hedge fund conferences around the world. Go to GreenStreet.com and click on "Events & Conference Calendar" under Insights.

Wheelings and Dealings

Real Estate Alert, the weekly newsletter that delivers the latest word on major transactions, market gossip and secret strategies.

[Yes] **Click here to start my 3-issue FREE trial subscription to Real Estate Alert.**
There's no obligation. I won't receive an invoice unless I choose to subscribe.

Name	Company		
Street	City	State	Zip
Telephone	Email		

You can start your free trial by visiting the REA website. To order by phone, call 201-659-1700.
Or mail to: Real Estate Alert, 5 Marine View Plaza #400, Hoboken, NJ 07030.

Systematic Shop Seeking Investors

Della Parola Capital has begun broadly marketing a systematic equity fund that joins long positions with a short-selling overlay.

The offering, Grizzly Bear Investment Fund, launched on Aug. 1 with $15 million. It's designed to outperform the S&P 500 Index through the use of a stock-selection program developed by founder **David Mascio.**

The program tracks the firm's Rhithm.ai Index, which produces a selection of 25 evenly weighted stocks that are rebalanced quarterly. In addition, the fund will hedge those positions at times of low risk through VIX Index futures that would pay out should volatility increase. At times of higher risk, it will cover the VIX trades and take short positions via S&P 500 Index futures.

The risk analysis uses machine learning and a variety of inputs including investor sentiment, credit spreads and economic data.

The index's strategy would have produced an annualized return of 19.4% from April 2003 through August of this year, compared with a 10.7% return for the S&P index during the same period, according to the firm's analysis. During its first two months of trading, Grizzly Bear Investment Fund gained 3.8%. The S&P increased 3.6% in the same period.

Della Parola, which relocated to Winter Park, Fla., from Fort Collins, Colo., in August, is marketing a founders share class that takes 20% of profits and carries no management fee. The firm will institute a management fee of 1% for subsequent investors once the vehicle's assets reach $100 million.

Mascio formed Della Parola in 2005. Before that, he was chief investment officer at **First Western Trust Bank.** Assisting him on an advisory basis are **Stefano Dova,** the head of capital markets at Milan investment bank **Mediobanca,** and **Kenton Zumwalt,** previously a partner at Della Parola. Zumwalt is now retired.

The firm has run hedged equity strategies for investors since its launch, though it previously did so only through separate accounts and a mutual fund. It manages about $40 million overall, with the balance of its assets in separate accounts it runs for two family offices.

Beau Olson heads investor relations at Della Parola. ❖

Market ... From Page 1

risk-management head **Jacob Cantrell,** from Armadillo.

Meanwhile, Armadillo founding partner **Nick Johnson** has started a separate business called **Armadillo Litigation Funding.**

Like its predecessors, the new EJF fund would write low-interest-rate private loans to law firms pursuing mass tort cases and other civil litigation, generally $10 million or more. The borrowers typically use the financing for claims arising from injuries caused by asbestos, pharmaceuticals or medical devices.

The lawyers' fee collections serve as collateral and repay the debt.

The management group has written more than $800 million of such loans. "As loans have repaid, approximately 83.6% of drawn capital has been returned to investors with the remaining loan portfolio valued at approximately $315 million," EJF told prospective investors in a letter last week.

The firm also is pitching the idea that Fund 4 could generate attractive returns with little correlation to the equity and debt markets. It is offering U.S. and offshore versions of the vehicle, which employs a drawdown structure.

The fund would be EJF's third, each in a different strategy, since the coronavirus crisis began. In April, the firm launched its EJF Tactical Opportunities Fund with an eye toward taking advantage of debt-market dislocations stemming from the pandemic. It also is reviving a dormant subsidiary with the formation of a fund that invests in mortgage-servicing rights. Both entities hit the market with equity targets of $500 million.

During the March selloff, EJF temporarily suspended redemptions from its EJF Debt Opportunities Fund amid a monthly loss of around 15%.

EJF is led by **Emanuel Friedman** and **Neal Wilson.** It was managing $13.5 billion of gross assets at yearend 2019. ❖

Spinoff ... From Page 1

in private companies.

The assets he brought along to New York-based Bedford Ridge are split between a vehicle called Paulson Investment Co. 1 with about $170 million and a second entity with some $110 million. The assets include capital from John Paulson and external investors.

Klaber's new capital-raising efforts, meanwhile, are focused on a vehicle called Bedford Ridge Investment Co. 1 that appears to be intended for a single investment. Over time, Klaber is expected to assemble funds that would invest in multiple deals as well.

At Paulson, Klaber pursued liquid and illiquid positions in public and private companies in sectors such as technology, media, telecommunications, consumer and retail. While Bedford Ridge places more emphasis on private businesses, it is zeroing in on a holding period of one to three years for its positions — shorter than a typical private equity bet.

Klaber, who is highly active on the New York charity scene, joined Paulson in 2009.

Also moving to Bedford Ridge from Paulson & Co. is **Tina Constantinides.** She had been at Paulson since 2004, most recently as head of investor relations. At Bedford Ridge, she oversees marketing and is chief operating officer.

Bedford Ridge has one other staffer on board and is expected to hire another soon.

While John Paulson does not have an overall revenue-sharing agreement with Bedford Ridge, he presumably remains entitled to some fees from the accounts Klaber took to Bedford Ridge. Other firms that have spun off from Paulson & Co. include **Cross Lake Partners,** a real estate investor that launched in 2018 with some $1 billion.

In cutting out external investors, John Paulson joins the ranks of **Moore Capital's Louis Bacon, Omega Advisors' Leon Cooperman** and **Soros Fund Management's George Soros** in running only family money. ❖

LATEST LAUNCHES

Fund	Portfolio managers, Management company	Strategy	Service providers	Launch	Equity at launch (Mil.)
European Credit Dislocation Fund 3 Domicile: U.S. & Cayman Islands ☛See Page 4	Keith Magliana Taconic Capital, New York 212-209-3100	Debt: distressed bank loans	Law firms: Sidley Austin and Maples and Calder (Cayman Islands) Auditor: Ernst & Young Administrator: SS&C Technologies	Dec.	$800
(Unidentified) Domicile: U.S. ☛See Page 2	Jonathan Goldberg Hallstatt Advisors, New York	Equity: long/short (industrials and metals/mining)		1Q-21	
Magnetic Capital Fund 1 Domicile: Cayman Islands ☛See Page 5	William Quigley Magnetic Management, Cayman Islands info@magnetic.capital	Digital assets		4Q-20	
Grizzly Bear Investment Fund Domicile: U.S. ☛See Page 10	David Mascio Della Parola Capital, Winter Park, Fla. 407-559-9747 bolson@dellaparola.com	Equity: long/short	Prime broker: StoneX Group Law firm: Crow & Cushing Auditor: Elliott Davis Administrator: Opus Fund Services	Aug. 1	15

Tomorrow's Opportunities

Commercial Mortgage Alert, the weekly newsletter that guarantees your edge in real estate finance and securitization.

Click here to start your free trial or call **201-659-1700**

THE GRAPEVINE

... From Page 1

Context employee to join Biscardi's Gladwyne, Pa., operation since its April launch. Bratton started this month as head of business development, overseeing event sponsorships and partnerships. He worked at Context from 2016 to June 2019, with a stop afterward in a business-development role at technology-infrastructure company **Align.** Bratton also has worked at the **American Conference Institute,** the **Conference Board, The Wall Street Journal, IQPC** and **IIR.** Biscardi, who was chief executive at Context Summits, left in March.

Tilden Park Capital has landed **Goldman Sachs'** head of asset- and mortgage-backed bond trading. **Eric Siegel** left his post last week after 14 years at the investment bank. While Siegel's responsibilities at his new firm couldn't be learned, they will presumably be similar to his duties at Goldman. Tilden Park, a hedge fund operator led by former Goldman trader **Josh Birnbaum,** invests in a mix of fixed-income instruments, including structured products and corporate debt, along with related equities. The New York firm was running $4.9 billion at yearend 2019.

It turns out that **Wexford Capital** is doing more than providing anchor capital for **John Thaler's** spinoff of a fund that invests in technology, media and telecommunications stocks. Wexford also has assigned its head of business development, **Augie Sciulla,** to assist in marketing the vehicle on behalf of Thaler's **Hampton Road Capital,** based in Greenwich, Conn. While Sciulla remains a Wexford partner and retains responsibility for that firm's funds, Wexford has assigned vice president **Susan Suh** to take over Sciulla's day-to-day investor-relations duties for an unspecified period. Suh arrived at Wexford last year from **Cider Mill Investments.** Sciulla previously worked for Thaler at his **JAT Capital** from 2014 to 2015, the year Thaler converted JAT to a family office.

Karya Capital operations head **Brandon LaBanca** is leaving the New York global-macro shop at yearend. His plans are unknown. LaBanca had been with the firm since 2012. Before that, he helped oversee liquidity-related functions at **C-12 Capital,** which formed in 2009 to manage **Barclays'** devalued credit-product holdings. Karya is led by former **Nomura** fixed-income trader **Rajiv Sobti,** who disclosed in an **SEC** filing late last year that he was paying some of the firm's expenses out of his own pocket.

Naya Capital has hired an investment professional with experience trading equity derivatives. **Wing Kwong Chan** started in September at the London value manager. Chan previously was a partner at London value shop **ENA Investment** from 2017 to 2018. His resume also includes stops at **BNP Paribas, J.P. Morgan** and **Citigroup.**

Barclays has added a capital-introduction staffer to its prime-brokerage unit. **Noah Drapacz** is expected to start in a few weeks as a vice president. Drapacz had been working in a similar role at **Bank of America** since 2015 and before that served as an infantry officer in the **U.S. Army.** He's at least the third cap-intro or sales specialist to leave BofA's prime-brokerage division since June.

TO SUBSCRIBE

YES! Click here to sign up for a one-year subscription to Hedge Fund Alert at a cost of $4,997.

PAYMENT (check one): ❑ Check enclosed, payable to Hedge Fund Alert.

❑ Bill me. ❑ American Express. ❑ Mastercard. ❑ Visa.

Account #: ______

Exp. date: ______ Signature: ______

Name: ______

Company: ______

Address: ______

City/ST/Zip: ______

Phone: ______

E-mail: ______

MAIL TO: Hedge Fund Alert
5 Marine View Plaza #400
Hoboken NJ 07030-5795

FAX: 201-659-4141
CALL: 201-659-1700

HEDGE FUND ALERT

Visit HFA Website

Telephone: 201-659-1700 **Fax:** 201-659-4141 **Email:** info@greenstreetnews.com

Howard Kapiloff	Managing Editor	201-234-3976	hkapiloff@greenstreetnews.com
Michael Bodley	Senior Writer	201-234-3971	mbodley@greenstreetnews.com
Mike Frassinelli	Senior Writer	201-234-3964	mfrassinelli@greenstreetnews.com
James Prado Roberts	Senior Writer	201-234-3982	jpradoroberts@greenstreetnews.com
Andrew Albert	Publisher	201-234-3960	aalbert@greenstreetnews.com
T.J. Foderaro	Editor-in-Chief	201-234-3979	tfoderaro@greenstreetnews.com
Mark Mueller	Deputy Editor	201-234-3994	mmueller@greenstreetnews.com
Ben Lebowitz	Deputy Editor	201-234-3961	blebowitz@greenstreetnews.com
Dan Murphy	Deputy Editor	201-234-3975	dmurphy@greenstreetnews.com
Jim Miller	Copy Editor	949-674-0295	jmiller@greenstreetnews.com
Michelle Lebowitz	Operations Director	201-234-3977	mlebowitz@greenstreetnews.com
Evan Grauer	Database Director	201-234-3987	egrauer@greenstreetnews.com
Mary E. Romano	Advertising Director	201-234-3968	mromano@greenstreetnews.com
Kait Hardiman	Advertising Manager	201-234-3999	khardiman@greenstreetnews.com
Joy Renee Selnick	Layout Editor	201-234-3962	jselnick@greenstreetnews.com
JoAnn Tassie	Customer Service	201-659-1700	jtassie@greenstreetnews.com

Hedge Fund Alert (ISSN: 1530-7832), Copyright 2020, is published weekly by Green Street Advisors, LLC ("Green Street"), 5 Marine View Plaza, Suite 400, Hoboken, NJ 07030-5795. Hedge Fund Alert is published by an independent news business unit of Green Street and is unaffiliated with Green Street's advisory arm. Green Street maintains information barriers to ensure the independence of the news unit and the research and advisory services provided by the firm. It is a violation of federal copyright law to reproduce any part of this publication or to forward it, or a link to it (either inside or outside your company), without first obtaining permission from Hedge Fund Alert. We routinely monitor usage of the publication with tracking technology. **Subscription rate:** $4,997 per year. To expand your distribution rights, contact us at 201-659-1700 or info@greenstreetnews.com.