

Greenwich Time

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Hedge funds are considered one of the hottest industries in Fairfield County's financial sector, but the number of new funds has been on the decline the past two years, according to one industry expert.

"There's some very good talent out there . . . but it's also very hard to raise capital in this time," said Sandy Gross, whose Pinetum Partners in Greenwich is an executive recruitment firm specializing in high-end financial services. Instead, people with capital to invest are looking more toward "large funds with a long history" rather than unknown startups, especially when the economy is slowing, Gross added.

But other groups believe there's no better time to launch than a slowdown.

Hedge Fund Capital Partners LLC, a Manhattan-based broker-dealer recently held a conference at the Princeton Club in New York geared toward hedge fund launches.

Demand was strong, as more than 100 financial advisers, traders, portfolio managers and analysts registered for the event, including an unspecified number from Fairfield County, said William Hanson, senior vice president of institutional sales and trading for the group.

"When's the best time to get involved?" Hanson asked. "When it gets bad. The smart money is now, and we've been getting good feedback, to be honest."

It's the first-time the group has held a conference on startups, so Hanson couldn't gauge whether a similar event would have been more popular a year or two ago.

Other lower Fairfield County hedge fund observers believe there is still room for startups, even as the subprime mortgage crisis batters credit markets and large investment banks continue to post profit losses.

"We're still getting some calls from startups focusing in Stamford and in Greenwich," said Steven Greenbush, first vice president at the Stamford office of Los Angeles-based CB Richard Ellis commercial real estate.

There was a definite slowdown in startups looking for real estate space between October and December, but since the new year, interest has been heating up, Greenbush added.

Many funds are launched by established players in institutional investing, so they are able to raise capital for a startup, Greenbush said.

The timing for a startup is contingent on the strategy of the fund a manager is looking to launch, said Jeffrey Cobb, a partner who specializes in hedge funds at the Stamford office of Edwards, Angell Palmer & Dodge LLP.

"Almost any market can be good for launching a hedge fund, given you have the right strategy," Cobb said. "It's not dependent on capital markets or the general (economic) malaise."

Some fund strategies ideal for launching in the current economy include short-only, market-neutral and activist funds, Cobb said.

Others are looking for securities to be undervalued before investing, he added.

"It's not like the heyday of the early '90s when everyone and their brother was doing a hedge fund," Cobb said. "But we still have a number of firms that are launching."