



New Twists in Hedge Fund Recruiting

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By **Jon Jacobs**

As the hedge fund sector broadens its reach, funds' recruiting efforts are plowing new ground in a number of non-traditional areas.

Recruiter Sandy Gross points to three recent trends of note: hedge funds are looking for private equity dealmakers, bankers who can help them raise capital for their own operations, and people to staff offices outside the fund's home country or region.

For the better part of a year, convergence between hedge funds and private equity has drawn widespread attention. While news coverage has focused on strategic issues and the details of particular deals, convergence also has a human element. The push into private equity has a number of hedge funds on the prowl for deal-sourcing and execution talent, says Gross, managing partner and founder of retained search firm Pinetum Partners LLC, in Greenwich, Conn.

In February, SAC Capital hired former Ripplewood Holdings Managing Director Peter Berger to launch a buyout business. More recently, Reuters reported that Highbridge Capital Management had hired former Goldman Sachs investment banking co-head Scott Kapnick to launch a buyout financing fund and a private equity fund.

Hedge funds reportedly accounted for at least 50 private equity deals in 2006. This year, they're stepping up the pace. For instance, SAC Capital is participating in the \$3.82 billion management-led buyout of Laureate Education alongside Kohlberg Kravis Roberts and Citigroup's private equity unit.

Deals of Their Own

A second trend is hedge funds tapping public and private capital markets for their own purposes. "They are looking for people that can issue stocks and bonds for them," says Gross. Unlike hedge fund investors who might withdraw capital after a bad month or quarter, capital raised through share or debt offerings cannot flee.

Hedge funds also may go public for the same reason other businesses do - to help their owners cash out. Gross says this may become more common as the industry matures. Fortress Investment Group kicked off the trend last February when it raised \$634 million in an initial public stock offering. More recently, AQR Capital Management was reported to be considering an IPO.

In a related development, fund companies are using public offerings to raise funds for specific investment vehicles. For example, Man Group last week announced plans for a NYSE-listed closed-end fund, and Lehman says it's considering an IPO for a private equity fund-of-funds.

Funds also are raising cash in private deals. In March, D.E. Shaw, the \$30 billion quant hedge fund, sold a 20 percent stake to Lehman Brothers.

Branching Out

The third trend Gross sees is hedge fund operators branching out geographically. While many fund managers always had a global investor base and portfolio, they haven't necessarily had a physical presence outside their home base. Now, Gross says, U.S. fund companies are opening offices abroad, while foreign-based managers are looking to open U.S. offices. Why? Having people on the ground offers opportunities to be closer to the markets, and may be particularly useful if a fund enters the private equity arena.

Before launching Pinetum Partners, Gross headed HR and recruiting at Amaranth Group, the multi-strategy hedge fund that was liquidated last October.