

BILLION DOLLAR CLUB (/NEWS/BILLION-DOLLAR-CLUB)

Billion dollar club

by **01 Mar 2006**

Goldman Sachs jumps to first place, as assets run by top 207 U.S. funds close in on \$1 trillion despite a year of redemptions

Despite a rocky year in which many hedge funds faced redemptions, the heavyweights continue to rake it in, pushing the total assets under management of the top U.S. hedge funds close to a trillion dollars. In the Absolute Return biannual survey of U.S. hedge fund firms managing more than \$1 billion in assets, 207 hedge fund firms are managing approximately \$850 billion in assets. That's \$250 billion more than the top 176 U.S. funds were managing at the start of 2005.

And the biggest are getting bigger. Goldman Sachs Asset Management has managed to garner the coveted top spot for the first time with a total of \$22 billion in assets, a 96.4% growth over the \$11.2 billion it had at the beginning of last year. That figure also does not include any "active alpha" or "portable alpha" overlay products the firm has, whereas runner-up Bridgewater Associates, which took the top slot in the midyear survey last year, has reached \$20.5 billion in assets, a 65.3% growth over the \$12.4 billion in assets it had at the beginning of 2005. However, Bridgewater's figure does include assets from its overlay products.

Continuing its strong showing was D. E. Shaw, although it slid to third from the second place it nabbed in July with \$18.8 billion. That's a 65.0% increase from its \$11.4 billion at the start of 2005. D. E. Shaw's rise followed stellar performance, as the fund won the Absolute Return award for best multistrategy fund for the 12 months ending September 30.

Farallon Capital Management dropped from first place at the beginning of 2005 to fourth with \$16.5 billion, followed by Och-Ziff Capital Management with \$15 billion.

The year's biggest gainers were activists Pershing Square and Pirate Capital, along with macro player Clarium Capital Management

Caxton Associates found itself boxed out of the top five, and Perry Corp. dropped out of the top 10. Caxton fell to seventh place, and still managed to grow its assets by 8.4%. Perry, now in 12th place, went from \$11.5 billion in July to \$11.4 billion in January, a slight drop that was likely due to the fund's sluggish performance for the year. (See "The perils of Perry") Year over year, Perry didn't lose assets, as it started off with \$10.3 billion, but the increase was much slower than its peers, at 10.7%.

On the winning side, Barclays Global Investors and Campbell & Co. both had good years, enabling them to enter the top 10. BGI grew 50.5% for a total of \$14.3 billion, while Campbell & Co. grew 26.3%, coming into 2006 with \$12 billion. Much of BGI's growth can be attributed to its new credit and multistrategy funds, as well as good performance in its global macro fund.

But the real underdog in the survey is activist hedge fund Pershing Square, which grew a whopping 406.3%, from \$237 million at the beginning of 2005 to \$1.2 billion at the beginning of 2006. Nipping at its heels was San Francisco-based Clarium Capital Management, which grew 344.0%, from \$315 million at the start of 2005 to \$1.4 billion at the start of 2006. Much of the growth came from an influx of assets as the firm's outsized returns helped convince investors to sink money into the global macro fund. Clarium had an annualized net return since its inception in October 2002 of 48.00% through the end of 2005, and also took home the Absolute Return award for best global macro fund for the 12 months to the end of September. And rounding out the groups with the most growth was another activist, Norwalk, Conn.-based hedge fund Pirate Capital, which grew 334.8%, from \$245 million to \$1.5 billion over the course of 2005.

Pirate was followed by other big winners in terms of growth. Assets at Soros Fund Management spinout Dune Capital Management grew 220.0% from \$500 million at the beginning of 2005 to \$1.6 billion this year. Other notable gains were made by Trafelet & Co., Wexford Capital Management and Taconic Capital due to high performance. Strong performance allowed Trafelet to more than double its assets to \$4.5 billion from \$1.6 billion at the start of last year. Taconic's event-driven strategy pushed it to \$2.2 billion, from the \$1.3 billion it started the year with. And Wexford Capital's assets grew 167.6%, hitting \$2.4 billion on the strength of performance that won the firm two nominations in the Absolute Return awards - for best global macro and best new fund. It had less than \$1 billion at 2005's start. Multistrategy player Atticus Capital also grew to \$8.7 billion from \$3.5 billion over the course of 2005, due to the strong performance of its European and global multistrategy funds.

The experience of these top money-raisers could be seen in the broader universe of billion-dollar funds. Although 2005 proved to be a tough fundraising environment and many hedge funds had massive redemptions from the funds of funds community, most of the brand names still managed to increase the volume of assets from \$645 billion at the beginning of the year to \$743 billion midyear, ending the year with \$850 billion - a 32% growth rate, albeit down

from 2004's growth rate of 39%. Many hedge fund industry experts have long maintained that globally, hedge funds account for more than \$1 trillion in assets. These statistics suggest that the global hedge fund community has moved well past the trillion-dollar mark.

New hedge fund launches have also contributed to the overall gain in assets by the billion-dollar-plus club. Last year, über launches from such superstars as Goldman Sachs' Dinakar Singh and Credit Suisse First Boston's Bennett Goodman kept investors busy. Singh's first half of the year launch of TPG-Axon Capital raised a whopping \$5.7 billion, while Goodman's second half of the year launch of GSO Capital Partners raised \$2.3 billion. Other über launches included Alec Litowitz's Magnetar Capital, which raised \$1.8 billion; Mark Fishman's Sailfish Capital, which raked in \$1.3 billion; John Moon's Moon Capital, which garnered \$1.2 billion and Bain Capital's Absolute Return Capital Partners, which ended the year with \$1 billion.

Assets of smaller firms, such as Orbis Investment Management, also jumped significantly. Orbis started 2005 with \$2.9 billion and ended the year with \$6.1 billion in assets. Tremblant Partners grew its assets from \$1.8 billion to \$4 billion at year end. Several firms also pushed past the billion-dollar mark last year. Among them were Gramercy Advisors, Owl Creek Asset Management, Para Advisors, P. Schoenfeld Asset Management and Reach Capital Management.

Even more out of the ordinary, 21 firms fell out of the billion-dollar club last year, compared with only two the year earlier. Most notable were the liquidations of West Coast convertible mavens Marin Capital Advisors and Creedon, Keller Capital Partners. Sagamore Hill Capital Group also dropped off the survey, ending the year with \$260 million, from its \$2.6 billion at the start of 2005, after the firm took a hit in the first part of the year with mediocre performance and large redemptions from funds of funds. However, the arbitrageur still managed to end the year up 2.85% in its Sagamore Hill Ltd. fund. American Express Alternative Investments shut down three of its four hedge funds, leaving a mere \$100 million in assets from its \$1 billion in January of last year.

New fund launches, from superstars like Goldman Sachs' Dinakar Singh and Credit Suisse First Boston's Bennett Goodman, raised more than \$1 billion, and most brand names increased their assets. But even more out of the ordinary, 21 firms fell out of the billion-dollar club

Other firms whose assets were reduced include Carlson Capital, whose assets halved. Argent Financial Group, DKR Capital and Paloma Partners also suffered big reductions, in large part due to the collapse of arbitrage strategies, most significantly in the convertibles arena. Argent Financial Group dropped to \$2.4 billion from \$3.9 billion at the beginning of last year, while Paloma Partners lost 30.0% of its assets, ending the year with \$1.6 billion. DKR had a 15.0%

drop, ending the year at \$3.4 billion. Oaktree Capital Management also suffered a drop in assets, although part of that may be attributed to the loss of John Moon, who left the firm to start his own fund Moon Capital. Oaktree went from \$2.5 billion to \$1.3 billion.

The United States continues to dominate the global hedge fund industry, but Europe and Asia are growing fast. According to our sister publication EuroHedge, the biggest European hedge funds are managing approximately \$300 billion. Asian hedge funds are the fastest growing, as our sister publication AsiaHedge reports that Asia-Pacific hedge fund firms are now running close to \$115 billion.

But the U.S. hedge fund community shows no signs of slowing down - despite some pretty adverse conditions. Last year proved to be one of the worst performing years for hedge funds, and one of the most unfavorable capital raising environments. Funds-of-funds redemptions dampened asset growth at many of the big name firms, yet brand name funds and superstar portfolio managers continued to attract assets as investors followed the rush with open pocketbooks. Some firms grew by 50%, suggesting that capital raising remains the privilege of the elite.

In addition to those already mentioned, Renaissance Technologies Corp., York Capital, Glenview Capital Management, JANA Partners, Black River Asset Management, D.B. Zwirn, GoldenTree Asset Management, Ospraie Management, Optima Fund Management, Atlantic Investment Management, Third Point Management, Icahn Partners, Arnold and S. Bleichroeder Advisers and HighSide Capital Management all experienced a more than 50% growth in assets, making them firms to watch this coming year.

U.S. groups with more than \$1bn AUM in 2005

<i>Managers in size order</i>	<i>Jan 06 (AUM \$bn)</i>	<i>Growth in 2005</i>	<i>Registered</i>
Goldman Sachs Asset Management	22.0	96.4%	yes
Bridgewater Associates	20.5	65.3%	yes
D. E. Shaw & Co.	18.8	64.9%	yes
Farallon Capital Management	16.5	32.0%	yes
Och-Ziff Capital Management	15.0	30.4%	yes
Barclays Global Investors	14.3	50.5%	yes
Tudor Investment Corp	12.9	20.6%	no

Caxton Associates	12.9	8.4%	yes
Campbell & Co.	12.0	26.3%	yes
Citadel Investment Group	12.0	9.1%	no
Maverick Capital	11.5	21.1%	yes
Perry Corp	11.4	10.7%	yes
Cerberus Capital Management	10.8	16.1%	no
Numeric Investors	10.5	16.7%	yes
Moore Capital Management	10.2	20.0%	no
Angelo, Gordon & Co.	10.0	17.6%	yes
Soros Fund Management	9.6	20.0%	no
ESL Investments*	9.5	n/a	yes
Avenue Capital Group	9.0	38.5%	yes
HBK Investments	8.8	57.1%	yes
Atticus Capital	8.7	148.6%	no
Renaissance Technologies Corp.	8.7	64.2%	yes
SAC Capital Advisors	8.5	41.7%	no
Wellington Management Co.*	8.4	5.0%	yes
Cantillon Capital Management	8.1	39.7%	yes
Canyon Capital Advisors	8.1	19.1%	yes
Highbridge Capital Management	8.1	9.5%	yes
FX Concepts	7.9	54.9%	yes
AQR Capital Management	7.8	20.0%	yes
Adage Capital*	7.7	92.5%	yes
Highfields Capital Management	7.7	18.5%	no
York Capital	7.6	55.1%	yes
Stark Investments	7.6	31.0%	yes

Amaranth Advisors	7.5	11.9%	no
Lone Pine Capital	7.5	7.1%	yes
Duquesne Capital Management*	7.5	0.0%	no
Fairfield Greenwich Advisors	7.3	-7.6%	yes
Pequot Capital Management	7.1	6.0%	yes
J&W Seligman	7.0	-7.9%	yes
Fortress Investment Group	6.8	36.0%	yes
Millennium Mgt/Millennium International Mgt	6.5	51.2%	no
Glenview Capital Management	6.4	88.2%	no
FrontPoint Partners	6.3	46.5%	yes
Davidson Kempner Partners	6.2	6.9%	yes
Orbis Investment Management	6.1	110.3%	no
King Street Capital Management	6.1	24.5%	no
Baupost Group	5.8	13.3%	yes
TPG-Axon Capital	5.7	n/a	no
Elliott Associates	5.6	30.2%	no
Satellite Asset Management	5.5	-6.8%	yes
Kingdon Capital Management	5.3	43.2%	no
Marathon Asset Management	5.2	40.5%	yes
Lotsoff Capital	5.2	26.8%	yes
Bain Capital/Brookside Capital Partners	5.2	20.9%	no
Viking Global Investors	5.0	42.9%	no
Graham Capital Management	4.9	-27.9%	yes
Silver Point Capital	4.8	29.7%	no
Alliance Bernstein	4.7	30.6%	yes
Grantham, May, Van Otterloo (GMO)	4.6	17.9%	yes

Standard Pacific Capital	4.6	-6.1%	yes
Trafelet & Co.	4.5	181.3%	no
Tremblant Capital Group	4.5	150.0%	yes
JANA Partners	4.5	80.0%	no
Eton Park Capital	4.5	28.6%	no
Black River Asset Management	4.4	83.3%	yes
Paulson & Co.	4.4	25.7%	yes
UBS O'Connor Ltd.	4.4	-21.4%	yes
Omega Advisors	4.2	23.5%	yes
Kingate/Madoff*	4.2	0.0%	no
Sandell Asset Management	4.2	-4.5%	no
Grossman Asset Management	4.1	-14.6%	yes
D.B. Zwirn	4.0	73.9%	yes
QVT Financial	4.0	33.3%	no
Ellington Management	4.0	17.6%	yes
Appaloosa Management	3.9	18.2%	no
III Offshore Advisors	3.9	0.0%	yes
GoldenTree Asset Management	3.8	72.7%	yes
BlackRock Inc.	3.8	58.3%	yes
Contrarian Capital Management*	3.7	60.9%	yes
Atlantic Investment Management	3.7	54.2%	yes
Zazove Associates	3.6	24.1%	yes
Greenlight Capital Management	3.6	16.1%	no
Ospraie Management	3.5	84.2%	yes
Chilton Investment Co.	3.5	16.7%	yes
JP Morgan*	3.5	0.0%	yes

John A. Levin & Co.	3.5	-10.3%	no
Third Point Management Company	3.4	61.9%	yes
Blue Ridge Capital	3.4	36.0%	no
DKR Capital	3.4	-15.0%	yes
Bear Stearns Asset Management	3.3	26.9%	yes
Mariner Investment Group	3.2	n/a	yes
Halcyon Management Co.	3.2	23.1%	yes
Ramius Capital Group	3.2	-17.9%	yes
Regiment Capital	3.1	3.3%	no
Gabriel Capital Group*	3.0	n/a	no
Eminence Capital	3.0	50.0%	no
Andor Capital Management*	3.0	20.0%	yes
Steel Partners*	3.0	0.0%	no
Tewksbury Capital Management	3.0	-3.2%	no
Deephaven Capital Management	3.0	-14.3%	yes
Galleon Group	3.0	-25.0%	yes
North Sound Capital*	2.9	20.8%	yes
Optima Fund Management	2.8	86.7%	yes
DB Advisors Capital Management	2.8	33.3%	yes
Icahn Partners	2.7	68.8%	no
Camden Asset Management	2.7	-15.6%	yes
Carlson Capital	2.7	-42.6%	yes
John W. Henry & Co.	2.6	-21.2%	no
Ritchie Capital Management	2.5	19.0%	yes
Fir Tree Partners	2.5	8.7%	no
Crabel Capital Management	2.5	4.2%	no

BlueMountain Capital Management	2.5	4.2%	yes
Two Sigma*	2.5	0.0%	no
Drake Management	2.5	-7.4%	yes
Wexford Capital Management	2.4	167.6%	yes
Argent Financial Group	2.4	-38.5%	yes
GSO Capital Partners	2.3	n/a	yes
Magnetar Capital Management	2.3	n/a	yes
Strategic Value Partners	2.3	64.3%	yes
Alpine Associates*	2.2	83.3%	no
Taconic Capital (TCA)	2.2	69.2%	yes
Stanfield Capital Partners	2.2	4.8%	yes
Concordia Advisors	2.1	5.0%	yes
Kynikos Associates	2.1	5.0%	yes
WG Trading Co.	2.1	5.0%	no
Shumway Capital Management	2.1	-4.5%	no
Symphony Asset Management	2.1	-8.7%	yes
Perot	2.0	n/a	no
Arnhold and S. Bleichroeder Advisers	2.0	53.8%	yes
Parkcentral Capital Management	2.0	42.9%	yes
Intrepid Capital Management	2.0	25.0%	yes
Sowood Capital*	2.0	0.0%	no
Sunrise Capital Partners	2.0	-23.1%	no
Kinetics Advisors	2.0	65.0%	yes
Caspian Capital Management	1.9	5.7%	yes
Quadrangle	1.9	26.7%	no
JWM Partners	1.9	0.0%	yes

Basswood Capital Management	1.9	-5.0%	yes
Cavalry Asset Management*	1.9	-5.0%	yes
HighSide Capital Management	1.8	80.0%	yes
Amber Capital Investment Management	1.8	63.6%	yes
Tribeca Global Management	1.8	63.6%	yes
Alson Capital	1.8	38.5%	yes
Everest Capital	1.8	28.6%	yes
Redwood Capital Management	1.8	12.5%	yes
Zweig-DiMenna Associates	1.8	-5.3%	no
Archeus Capital	1.8	-21.7%	yes
Whitebox Advisors	1.7	21.4%	yes
Oak Hill Platinum Partners	1.7	6.2%	yes
Chesapeake Capital Management	1.7	-5.6%	yes
Karsch Capital*	1.7	-19.0%	yes
MKP Capital	1.7	-22.7%	yes
Sailfish Capital Partners	1.7	n/a	yes
Dune Capital Management	1.6	220.0%	no
Ore Hill Partners	1.6	63.6%	yes
Tiedemann Investment Group	1.6	14.3%	yes
BBT Asset Management	1.6	14.3%	no
INVESCO	1.6	6.7%	yes
Thales Fund Management	1.6	-5.9%	yes
Paloma Partners	1.6	-30.4%	no
Pirate Capital	1.5	334.8%	yes
GMT Capital Corp.	1.5	50.0%	yes
Empyrean Capital Partners	1.5	36.4%	yes

Elm Ridge Capital	1.5	0.0%	yes
Cumberland Associates	1.5	-16.7%	yes
Lydian Asset Management	1.5	-25.0%	yes
Traxis Partners	1.5	-25.0%	yes
K Capital Partners	1.5	-50.0%	yes
Clarium Capital Management	1.4	344.4%	yes
Epsilon Investment Management	1.4	40.0%	no
SAB Capital	1.4	-12.5%	yes
Longacre Fund Management	1.3	21.4%	yes
ReachCapital Management	1.3	52.0%	yes
DiMaio AhMad Capital (Lespinaud)	1.3	30.0%	yes
Hunter Capital Advisors	1.3	30.0%	yes
Stonebrook Fund Management	1.3	18.2%	yes
Partner Fund Management	1.3	18.2%	yes
Fore Research & Management	1.3	-18.8%	yes
Alexandra Investment Management	1.3	-27.8%	yes
Neuberger Berman/Liberty View	1.3	-31.6%	yes
Oaktree Capital Management	1.3	-48.0%	yes
Moon Capital	1.2	n/a	yes
Stone Tower Capital	1.2	n/a	yes
Touradji Capital Management	1.2	n/a	no
Pershing Square	1.2	406.3%	yes
Gramercy Advisors	1.2	41.2%	yes
Knott Partners (Shoshone)*	1.2	0.0%	no
Milburn Ridgefield Corporation	1.2	-7.7%	no
Gruss & Co.	1.2	-14.3%	yes

Advent Capital	1.2	-20.0%	yes
Plainfield Asset Management	1.1	n/a	yes
Owl Creek Asset Management	1.1	48.2%	yes
Ascend Capital	1.1	10.0%	yes
Clinton Group	1.1	-8.3%	yes
Salus Capital Management	1.1	-8.3%	yes
Bain Capital/Absolute Return Capital Partners	1.0	n/a	yes
Prentice Capital	1.0	n/a	no
Deerfield Capital Management	1.0	n/a	yes
Courage Capital*	1.0	n/a	yes
Mason Capital	1.0	n/a	yes
Para Advisors	1.0	9.2%	yes
P. Schoenfeld Asset Management	1.0	8.1%	yes
Copper Arch Capital	1.0	0.0%	yes
Joho Capital	1.0	-9.1%	yes
Total	850.839		
<i>*Estimate</i>			
<i>n/a - not available</i>			