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As Finding Capital Gets Tough, New Approaches Beckon

By Chidem Kurdas, New York Bureau Chief

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NEW YORK (HedgeWorld.com)—It was never easy, but there are indications that raising money for a new fund is getting even harder.

Large fund launches in the United States have slowed down, according to a survey by Hedge Fund Intelligence, which found that in 2006 the 86 largest hedge fund launches raised \$31 billion, down from \$34 billion raised by 82 funds in 2005 and \$40 billion by 81 funds in 2004.

More money than ever is coming into the hedge fund industry, but much of it is going to well-known, established managers and the largest funds of funds [Previous HedgeWorld Story](#).

For smaller firms, the going is tough. Prime brokers are finding themselves inundated by calls from fund clients who want to be introduced to investors. Yet some prime brokers have cut down on capital introduction services and others don't have the capability.

Managers who hope to raise funds at big conferences often are disappointed—they complain that there were no investors to be met at the conference, only service providers. Many are willing to try novel approaches.

Hedge Connection, a sort of Match.com for hedge funds and investors, is one possibility. For a fee, this online service offers a searchable investor database to hedge funds. It was started last year by Lisa Vioni, a former director of marketing at Ellington Management Group, the big hedge fund firm in mortgage-backed securities.

Hedge Connection gets people together at a fraction of the cost of conventional cap intro and includes hard-to-reach investors like a family office in Singapore, said Ms. Vioni.

The database now contains profiles for 640 approved investors from some 35 countries. Investors are screened before being admitted to make sure they are serious, and the database is updated continually.

Investors specify their preferences not only with respect to investment strategies but also issues like leverage. Why are they willing to provide information about themselves? Ms. Vioni said these investors talk to many hedge funds anyway, and by describing their interests and constraints they get fewer inappropriate cold calls.

Funds of funds account for about one-third of the database and family offices for another one-third. The rest includes pensions, foundations, insurance companies, consultants and high-net-worth individuals. Around 300 hedge funds use the service and 12 new customers signed up in the early weeks of 2007.

Another trend is for prime brokers to outsource cap intro events to independent organizers. Outsourcing is not new; for instance, Jane Halsey's Roundtable Forum LLC started offering this option to prime brokers and other hedge fund service providers a couple of years ago.

Ms. Halsey, who has been organizing independent cap intro events since 1999, has new meetings coming up in New York and London.

A number of prime brokers, especially smaller ones, are unwilling to spend money on internal staff for cap intro organizing and are more inclined to offer their clients access to independently organized gatherings.

While not a new idea, brokerage-sponsored third-party events may be becoming more common. Ms. Vioni recently ran one for Jeffries.

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