



Hedge Connection Reports Summer Allocations

By Jacob Bunge, Financial Correspondent
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NEW YORK (HedgeWorld.com)-As capital introduction platform Hedge Connection Inc. gathers investors and managers for its October "Meet the Manager" event, the company reported a 90% membership renewal rate among funds that pay for its online matchmaking service for hedge fund investors and managers.

Hedge Connection on Thursday [Oct. 18] will host a series of roundtable meetings at the Princeton Club in New York, where between 60 and 80 potential investors are expected to attend presentations from eight fund managers, including Thomas Lott of Potomac Portfolios LLC and Dan Ascani of Gemini Futures LLC. The company held a larger-scale event in June, which drew approximately 120 attendees Previous HedgeWorld Story.

Since then, at least six managers received allocations from investors contacted through the platform. The allocations, which ranged in size from \$1 million to \$10 million, were made to funds active in global macro, credit strategies and private investments in public equity (PIPEs). As of September, approximately \$75 million had been allocated to funds from investors contacted through Hedge Connection, according to Andrew Saunders, vice president of the company.

Hedge Connection functions as a sort of Match.com for hedge funds and investors. Managers register and browse profiles of various types of investors, paying to access investors' contact information. Hedge Connection itself serves only as a database of contacts, rather than facilitating face-to-face meetings between investors and managers, and positions itself as a cheaper alternative to traditional cap intro avenues.

The company has about 75 funds that have paid for membership, and an additional 400 funds have listed their firm's information in the database, which is free. There are around 750 registered investors, who do not have to pay for membership. Mr. Saunders said that the investors mostly are funds of hedge funds or family offices, with slightly fewer than 10% being high-net-worth individuals. The majority of funds on the site are single-manager operations, and strategies tend to reflect the broader industry-mostly long/short equity, with an assortment of more specialized funds focused on weather futures, gold and asset-backed lending.

"Managers that are finding the most success on the site are the niche and esoteric strategies, the ones people have developed a view on-CTAs, PIPEs and



asset-backed lending," Mr. Saunders said. "If you talk to investors, generally they have a view on those strategies ... either they will [invest in them] or they won't, but there's not a lot of convincing either way. So if you have a PIPE fund and want to find investors that have indicated an interest in those, then Hedge Connection can provide a tremendous amount of value."

Hedge Connection also is looking to serve as an outsourcing tool for prime brokers and their capital introduction services. Prime brokers may emphasize cap intro when pitching their services to potential hedge fund clients, but after the fund has launched there can be a big gap between what the manager expects and what the prime broker actually delivers, Mr. Saunders said. Cap intro costs prime brokers money and doesn't directly generate revenue, so it may not be a priority for them. But Mr. Saunders noted that it's not always the prime brokers' fault that the allocation floodgates don't open to new funds-performance, volatility and the fund's own marketing materials play roles as well.

This is where Hedge Connection would come in. The company is in talks with several prime brokers to include membership on the Hedge Connection platform as part of fund's contract with the prime broker, allowing managers to contact potential investors themselves. Prime brokers could then complement this with periodic cap intro events.

Mr. Saunders said that the company expected to make an announcement in the near future regarding the first of such partnerships.

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