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Caxton, Maverick Capital Plan Stock Funds Without Hedging

Oct. 29 (Bloomberg) -- Bruce Kovner's Caxton Associates LLC and Lee Ainslie's Maverick Capital are two of the hedge fund groups opening funds to bet only on rising stocks.

Stephen Mandel's Lone Pine Capital LLC, Lawrence Robbins's Glenview Capital Management LLC and Paul Ruddock's Lansdowne Partners are doing the same, said people familiar with the firms' plans, who declined to be identified. The new offerings, unlike regular hedge funds, won't seek to profit from falling as well as advancing equity prices. The goal is to increase assets and fee revenue at a time when some investors say too much money is pouring into hedge funds.

"There will be a flood of these funds and only a certain percentage will be attractive," said Tim Jackson, head of hedge fund research at Rocaton Investment Advisors LLC in Norwalk, Connecticut, a consulting firm for institutional investors.

Hedge funds, loosely regulated partnerships that charge the highest fees in the money-management industry, almost doubled their assets to \$890 billion since the end of 2000, according to Hedge Fund Research Inc. in Chicago.

The average equity hedge fund rose 3.9 percent in the first nine months of this year, according to the Credit Suisse First Boston/Tremont Hedge Fund Index. With the exception of last year, when funds climbed 17.3 percent on average, stock hedge funds haven't surpassed this year's gain since 1999.

Fee Structure

"Any time an asset class attracts lots of capital, the returns go down," said Michael Hennessy, who runs investments for the \$1.1 billion endowment of the University of North Carolina at Chapel Hill. Hennessy, who has 55 percent of the assets in hedge funds, said he may invest in the long-only funds.

Peter D'Angelo, 57, president of New York-based Caxton, Greenwich, Connecticut-based Lone Pine's Mandel, 48, and Ruddock, 46, of London-base Lansdowne didn't return calls seeking comment. Ainslie, 40, and Robbins, 35, said their firms had no comment.

Caxton, Lone Pine, Maverick and Glenview Capital run some of the best-performing stock hedge funds, with average annual returns of about 20 percent. The Standard & Poor's 500 Index rose at an average rate of 11 percent a year in the past decade.

Hedge funds generally take 20 percent of any investment gains they make, plus a fee equal of up to 2 percent of assets under management. The long-only funds will assess fees that are lower than the companies' hedge-fund fees and higher than traditional institutional money managers, the people said.

Investors such as Mark Yusko, president of Morgan Creek Capital Management in Chapel Hill, North Carolina, said they expect the long-only funds to outperform traditional stock managers, though he questions the timing of the startups.

Feuerman and Ainslie



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Markets

Hedge funds that concentrate their bets on tumbling stocks are the best performers this year, up 7 percent through September. The Standard & Poor's 500 Index was up 1.4 percent this year as of yesterday.

``The long-short model is better given the environment going forward," Yusko said.

Mandel, who runs the \$6 billion Lone Pine hedge fund group, is slated to open a so-called long-only fund in January, according to hedge fund investors who asked not to be identified.

Kurt Feuerman, 49, who oversees \$2.5 billion of stock investments at Caxton, plans to start a long-only fund on Dec. 1, according to people familiar with the firm's plans. The fund will charge a flat fee of 1.5 percent of assets.

Ainslie, who runs about \$9 billion at Maverick Capital, told investors at his annual meeting in Dallas on Oct. 21 that he's introducing a long-only fund as part of several new offerings. He also will start two ``market neutral" funds to make equal bets on stocks the firm expects to rise and ones expected to fall.

Glenview Capital, with \$2.2 billion under management, plans to offer a long-only fund sometime next year, according to people familiar with the plan. Details of the funds, such as fees, have yet to be decided.

Lansdowne Partners, a \$3.3 billion London-based hedge fund, sent a letter to investors saying it was opening a long-only fund in the beginning of next year to invest in European stocks. The fund will charge a 1 percent management fee and a 10 percent performance fee.

To contact the reporter on this story:  
Katherine Burton in New York at [kburton@bloomberg.net](mailto:kburton@bloomberg.net)

To contact the editor responsible for this story:  
Tim Quinson in London at [tquinson@bloomberg.net](mailto:tquinson@bloomberg.net)

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