

A forum for investment

FOR a hedge fund to survive it needs assets, at least \$20 million, for fees to cover typical operating expenses. Raising money for onshore limited partnerships or offshore, unregulated funds is a good deal more complex than for mutual funds, where marketing is unfettered by rules on accreditation and sophistication of investors. Old style star managers with accumulated wealth from successful Wall Street careers often had their own network of contacts from which to draw money. Managers these days have less money of their own to play with and with the proliferation of new funds there is keen competition for capital. The conundrum for embryonic funds is how to identify and access potential investors in a high quality and cost-effective way.

By the end of the 1990s Jane Halsey, a hedge fund professional of eight years standing and third party marketer since 1996, was finding that the major hedge fund conferences, traditionally a forum for investors to meet and learn about new managers, were losing their utility. Unless a big name was presenting, or the topic was controversial, sessions were poorly attended. As the hedge fund business had grown in importance, more conferences were being organised and the schedule had become crowded. The ratio of managers to investors had risen dramatically, and investor delegates were becoming disenchanted with the over-zealous attentions of marketers. Managers were equally disillusioned with the contest for airtime and chance nature of many encounters.

Halsey determined there was a need for a forum to bring managers and investors together, in a format that removed the element of "high pressure" sales whilst permitting managers to talk in more detail about their fund. Initially Halsey organised "closed-door" sessions for investors and managers within IMN events, which immediately became a staple on the calendar. The first event, still under the auspices of IMN, aimed wholly at capital introduction, took place in New York in May 1999 and was a huge success, as Halsey recalls, "the whole set-up was tailor-made

for managers. We provided a supply of qualified investors in an elegant and non-competitive environment." After a further event in November 1999, which took place with the support of a select number of vendors, Halsey felt confident enough in the concept to split from IMN. "The invitation-only character of the Roundtable Forum and my established relationships with individual investors was incompatible with the "mass marketing" typical of conferences," reflects Halsey. The Roundtable Forum first came to London in October 2000 and the fifth London event has just taken place at the palatial former Liberal Club in Whitehall Place. Halsey's eighth in New York is planned for the 19 November.

Discussing her business model in relation to other forms of capital introduction, Halsey explains, "we have a particular niche which makes the Forum different from what others are doing. For a start we are independent in our manager selection, as we are not affiliated with any one vendor. Prior to each Forum an investor panel exercises its judgement on the list of managers and so we end up with managers that expert investors feel are the most interesting and appropriate in the current environment. All of the managers will be open to investment, but not all are start-ups; we have had managers presenting from pre-launch to as much as \$1 billion under management."

The typical event brings together between 15 and 20 managers and 90 to 120 investors, the New York events generally being larger than London. The day is split into three or four 90 minute slots, during each of which no more than five managers are presenting, each at an eponymous round table. Managers are excluded from sessions where they are not presenting. Investors rotate at 30 minute intervals from one table to the next, so that in each session they will encounter three managers. By the end of the day, investors will have received an overview of the approach of as many as 12 managers, in a 20 manager event. Says Halsey, "the

informality of the event means that investors get to ask the question they really want to ask, and to hear what other investors feel are important questions. This differs markedly from the impersonal and anonymous experience of the typical podium presentation. And managers know that everyone at the table is in a position to invest or influence investment in some way." At the London event, investors were seen discussing with each other the relative merits of each manager, so forming a consensus on which were the most likely to succeed.

All good ideas attract attention and Halsey is flattered but mildly irritated to find others within the capital introduction business copying her invention, in particular the prime brokers. Halsey differentiates her events by holding them in exclusive surroundings, selecting the finest quality accoutrements to create a sense of occasion, with an attention to detail that ensures that events run smoothly. "Investor guests should have a calm and positive experience, without feeling that they are being hounded," says Halsey. There is no charge for investors and to stop managers front-running the event, the invitee list is withheld until the day of the event. Equally, investors must take on trust that the quality of managers is high, as the schedule is not released until ten days before. During a time of budget cutbacks and in the face of stiff competition from better-funded corporations, Halsey's three-person company is thriving, to her evident surprised delight.

But Halsey cannot be immune to general trends in supply and demand within the hedge fund market, and the quality of managers at her events will necessarily reflect the talent available in the market and the subset of managers who seek to use her services. Managers pay \$10,000 upfront, or \$12,000 deferred, for a pass for two people, for which they present for 90 minutes in total, attend refreshment breaks, lunch and cocktails and obtain a list of attendees. At the recent London event, managers were seen eagerly soliciting business cards from individual guests at

each of their presentations. Managers can apply directly, via the Roundtable Forum website, but sometimes their names are put forward by members of the investment committee for the specific forum, permanent advisory board members, or investor guests. Investors may have an interest in putting forward a manager to reduce their risk as a seed investor. If there is no capacity issue, they share the manager's interest in accessing other sources of capital. Managers may use the Forum at different stages of their development, at pre-launch to gauge likely sources of capital, returning to the Forum once they have a track record to gain more capital, launch different fund classes or new products. Even the largest and most successful managers have made use of the Forum, as a means of providing an update to investors in a cost-effective way. Halsey gives the example of, "Issy Englander of the \$3 billion Millennium Partners fund who attended the Forum in both New York and London."

The vetting by the investment committee takes the form of questionnaires on each manager, with committee members rating the attractiveness of the strategy and the credibility of the manager as an exponent of the strategy. A matrix is drawn up of these scores and managers selected on their cumulative total. Roughly one third to a half of managers do not make it through this stage. Managers then confirm their participation, and Halsey will make up the numbers through her own network of managers and third party marketers if any drop out, affirming that

15 managers is the minimum to run a viable event. At the recent London event, 15 managers presented, with a bias towards Asian and global macro strategies, whittled down from a total of 24 applications. Two European equity long/short managers were presented and one European event-driven manager. The remainder were a volatility trader, a US mutual fund market timer, an US equity long/short fund and a short seller. According to Halsey, Europe is a better working environment than the US for Asian and emerging markets managers, because of time zones and cultural differences.

In the past the offerings have been more mixed, across strategies and approaches within each style, and stages of fund maturity, with Halsey taking care to ensure that there is as little duplication as possible at each session. In this difficult environment Halsey sees the scope of the Forums tilting towards more established managers, as opposed to start-ups, reflecting a, "flight to quality" among investors. Comments Halsey, "in the end this will be a good thing, as the hedge fund market has experienced phenomenal growth in good to fabulous markets for most strategies, and there is some mediocrity that needs to be flushed out."

Halsey maintains as the core of the investment committee established and experienced hedge fund investors. However, the demand for invitations is growing daily, with Halsey considering enforcing a one person per organisation rule in New York and new applicants, who arrive generally via referrals, waitlisted for places. In London recently, the invitee list

contained banks, endowments, funds of funds, family offices, structured product providers and consultants. Halsey does not track the amount of money that managers receive as a result of participation in the Forum, but hears anecdotally about inflows into funds. As Halsey avers, "investors do not normally write a cheque to a manager directly after a Forum. Generally investment occurs between three and six months afterwards, but there are exceptions when it takes longer". Indeed one former manager participant commented that a guest had come back a full two years later with a subscription.

In Halsey's opinion, the benefits of the Forum are confirmed by the fact that both managers and investors return year after year. Remarks Halsey, "the annual management fee on a single \$1 million subscription is enough to recoup the costs of participating," inferring that a manager who cannot raise \$1 million from such an event should not be in the business. Demand from managers allowed Halsey to increase the manager fee from \$5,000 to \$10,000 in the second year of operation. Halsey feels this still offers good value for money against the cost of a third party marketer, who will charge 20% of annual management and performance fees on all funds raised plus travel and expenses. Although prime brokers offer capital introduction services, Halsey asserts that the Forum is unique in being independent of any one vendor, screening managers for investor interest and quality and guaranteeing access to established hedge fund investors.

Upcoming conferences

Conference table				
Company	Conference/location	Date	Website	Telephone
IBC	IMA Annual Conference	4/5 November	www.abc-financial.com	+ 44 1932 893 854
SPS	Current Issues for Pension Funds	7/8 November	www.spsconferences.com	+ 44 1438 712 345
IBC	French Fund Management Congress	7/8 November	www.abc-financial.com	+44 1932 893 854
Terrapin	Hedge Funds World	11/13 November	www.hedgefundsworld.com	+ 44 207 827 59 97
IBC	Italian Fund Management Congress	19/20 November	www.abc-financial.com	+ 44 1932 893 854
IBC	Multi-Pensions	3/4 December	www.abc-financial.com	+ 44 1932 893 854
Spanish based conferences				
IBC	Spanish Taxation Reform	6 February	www.abc-financial.com	+ 44 1932 893 854
IBC	Implementation of UCITS III in Spain	7 February	www.abc-financial.com	+ 44 1932 893 854
<i>An organisation wishing to list their conference(s) in this section should contact S Szagata/Maura Fay on +44 (0) 207 017 40 12</i>				