

Greenwich Roundtable

Alternative investors emerging from the hedge



contributed photos

The Greenwich roundtable, which includes some of the world's top hedge fund investors, has launched a best practices series to help investors and regulators better understand the industry. From left, roundtable members Francois De Visscher, founder of Greenwich Investment firm De Visscher & Co; Spencer Boggess, senior vice president at U.S. Trust Co. in Stamford; and Daniel Kochav, managing director of Putnam Lovell NBF Securities, attend a meeting of the 10-year-old group at the Bruce Museum.

STANDARD & POOR'S

Greenwich Roundtable Quarterly

By Julie Fishman-Lapin

Staff Writer, The Advocate

It's unusual, if not unprecedented, when players in the secretive world of hedge funds lift the curtain that shrouds their knowledge of alternative investing.

But that is exactly what The Greenwich Roundtable, which includes some of the world's most sophisticated alternative investors, is doing. The Greenwich-based group has published the first in a series of in-depth guides aimed at helping others navigate the uncharted waters of hedge fund investing.

"We have essentially unlocked wisdom that has never been made public," said Stephen McMenamin, chairman of the group.

By nature, hedge fund investors often keep their strategies close to the vest. The reason being that hedge fund investing is not meant for most people.

Stringent regulatory rules reserve what some consider an asset class all its own for people who are financially well off.

The Securities and Exchange Commission requires that individual investors have at least \$1 million of net worth plus \$200,000 of annual income in order to invest in a hedge fund. Institutions must have at least \$5 million to invest.

But many hedge funds are now organizing under a higher-level SEC rule, requiring

individual investors to have at least \$5 million and institutional investors to have \$25 million.

Also, those who have the means and the know-how to tackle this type of investing haven't been too keen on revealing their proprietary insights.

But the industry is changing, prompting members of the roundtable, a high-powered group that has quietly operated for a decade, to take a more active role.

What was a cottage industry just a decade ago is burgeoning. Hedge funds have more than doubled in the last five years to about 8,000, and there's more than \$1 trillion invested in hedge funds today.

Pension funds, endowments and other institutions have been pouring money into hedge funds, looking to increase returns and diversify investments.

Hedge-fund heaven

Times have certainly changed, said McMenamin. When he launched the education and research organization 10 years ago, he did so with the hope of drumming up investor interest.

At the time, capital for hedge funds was scarce. The thought was that the group could bring investors together for thoughtful, high-level symposiums about this new style of investing to help attract more capital, he said.

"We really started out with a lot of caché. We maintained it and we increased it," McMenamin said.

These days, qualified investors clamor to become a roundtable member. It's an elite club, reserved for the most

sophisticated investors. The group is made up of 120 regular institutional and private members, representing some of the smartest minds on the buy-side of the hedge fund world. Membership is selective and coveted.

The group meets monthly at The Bruce Museum in Greenwich, arguably the hedge fund capital of the world.

Observers have estimated that lower Fairfield County could be home to 35 to 40 percent of the country's hedge funds. And with the group's members controlling more than \$1 trillion in invested assets, it hasn't been hard attracting speakers.

"Everyone wants to come speak to us," McMenamin said.

The roundtable's first speaker was Jim Simons of Renaissance Technologies Corp., considered the best hedge fund manager in history, whose fund has returned a compounded 37 percent per year.

Over the years, the Roundtable has attracted everyone from Ernesto Zedillo, former president of Mexico, to Nobel Laureate Robert Mundell.

Oral tradition

So why now, after a decade of relative anonymity, does The Greenwich Roundtable want to break its silence?

The need for hedge fund research and education has never been greater, said McMenamin.

While the industry is changing, certain aspects remain the same, he said. The industry is still a largely secretive one. And unless qualified investors are lucky enough to have an experienced

mentor or are invited to be part of a group such as the roundtable, most don't have access to high-quality information on how to invest in hedge funds.

McMenamin describes hedge fund education as being similar to a layman learning a trade, where one tradesman teaches his student an age-old art.

"Investing in hedge funds is an oral business, passed from investor to investor," he said.

Not all group members wanted to construct a document for the masses, McMenamin said. And their concerns were legitimate.

About half the board felt there was no reason to go public. After all, why would they want to tip their hand?

Their feeling was, "Why should I tell a pension fund how to do this? They will come in with all their big money and swamp me," McMenamin said.

The other half felt that putting together an education series about best practices was a no-risk proposition.

They looked at it as a professional courtesy, such as a group of doctors who might write an article for a medical journal about a new technique or scientific breakthrough, he said.

The overall consensus was that a series of best practices was for the common good, McMenamin said.

Behind the hedge

But what largely prompted roundtable members to reach outside their privileged walls was the negative perception swirling around hedge funds.

"So much written about the hedge



Stephen McMenamin, chairman of the Greenwich Roundtable, said while the group was divided on divulging trade secrets, ultimately it decided to publish a series of in-depth guides aimed at helping others navigate the uncharted waters of hedge fund investing.

