

Family Offices Said to Seed More Hedge Funds

BY KELLY BIT

Family offices are deploying more start-up capital to hedge funds as the amount of seed money available has decreased and the number of new funds has increased due to impending financial regulations.

Available seed capital has fallen to \$2.5 billion for the first half of 2011 from \$7 billion before 2008, according to **Alexis Graham**, co-founder of **Acceleration Capital Group**, a New York-based firm that works with seed investors. The firm's estimate on available seed capital is based on the participation of 40 seeders.



Chris Battifarano

This has created room for family offices to find attractive deals that wouldn't have been accessible pre-crisis. **TRB Advisors LP**, the family office founded by **Tim Barakett**, invested an undisclosed amount of seed capital in a \$150 million fund managed by **Stabilis Capital Management LP**. **Augustus Capital LLC**, the Harrison, New York-based multi-family office, is searching for quantitative funds for seed allocations, according to Managing Partner **Mark Abeshouse** (see stories page 4).

"They're smart enough to know that the market place is providing potentially really good opportunities to be seeding because there's such a lack of capital," Graham said of family offices in a telephone interview. "They're looking at the market and saying, 'I can get a deal here that I couldn't have gotten a few years ago and I probably won't be able to get again.'"

Proprietary trading desk spinoffs from banks have provided additional opportunities, according to **Chris Battifarano**, an investment partner at **GenSpring Family Offices LLC**, where he is responsible for manager diligence. Spinoffs have largely resulted from the Volcker rule and Basel III rules, which in 2010 more than tripled the core capital that banks must hold to guard themselves against insolvency.

"Because of new regulatory rules, particularly affecting European and U.S. banks, a lot of what used to be prop money has to come out," Battifarano said in a telephone interview. "That's creating opportunities."

Family office allocations are "typically smaller" than those from traditional seeding funds, Graham said. He has seen family offices invest as little as \$5 million in a new hedge fund and as much as \$100 million.

GenSpring, the Palm Beach Gardens, Florida-based wealth management firm for high net worth families that has more than \$20 billion in assets under advisement, has invested in fund of funds that give seed capital to hedge funds since 2003, Battifarano said.

Greece to Drop Euro in Two Years, 60% of Managers Say

BY DAVID GOODMAN

Almost two out of three hedge-fund managers predict Greece will drop the euro within two years and four in 10 say Italy and Spain will default or restructure their debts.

About 65 percent said European Union members would issue euro bonds to ease the region's sovereign debt crisis, according to the survey by **Aksia LLC**, which questioned 125 hedge funds managing about \$800 billion of assets, or more than one-third of hedge fund assets worldwide.

Eight in 10 managers said the Federal Reserve's so-called operation twist, a plan to buy \$400 billion in longer-term maturities by the end of June 2012, would fail to affect financial markets and 94 percent backed further monetary easing by European authorities, according to the survey.

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TRB Advisors provided an undisclosed amount of seed capital to Stabilis Capital Management's new distressed commercial real estate fund. page 4

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