

# Alpha

Institutional Investor's

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FOR HEDGE FUND INVESTORS AND MANAGERS

## EYE FOR TALENT

Owen Thomas  
on change at  
Morgan Stanley

## ON THE CONTRARY

David Dreman  
ups the ante on  
hedge funds

## PAAMCO UNIVERSITY

Jane Buchan  
tries to educate  
investors

# Top Dog

JPMorgan leads our list of the world's 100 biggest hedge funds, which manage an altogether staggering \$1 trillion

Jes Staley, CEO,  
JPMorgan Asset Management

# Capital Gains

By Britt Erica Tunick

The firms in our sixth annual ranking of the world's 100 biggest hedge funds manage an altogether staggering \$1 trillion.

In the summer of 2001, Barton Biggs captured the attention of hedge fund managers when he announced to the world that their industry was in the midst of a bubble. Morgan Stanley's chief market strategist at the time, Biggs likened investments flowing into hedge funds, which then managed a collective \$500 billion, to a gold rush and warned that sizable blowups were imminent.

A few years later, when Jes Staley, CEO of JPMorgan Asset Management, persuaded his bosses at JPMorgan Chase & Co. to buy a majority stake in hedge fund firm Highbridge Capital Management, it looked like Biggs might have been right. When the deal was announced in September 2004, assets under management in Highbridge's multistrategy hedge funds totaled just \$7 billion, which many market participants thought hardly justified the \$1.3 billion that JPMorgan reportedly was paying for the New York-based firm. The biggest beneficiaries of the deal, they said, would be Highbridge co-founders Glenn Dubin and Henry Swieca. When analysts' predictions of a flurry of copycat acquisitions didn't immediately materialize, there was even speculation that

Dubin and Swieca would end up buying back their firm.

That was then.

Now, JPMorgan is perched atop the hedge fund mountain with \$33 billion in hedge fund assets, \$15.7 billion of it managed by Highbridge, and there is little doubt about the merits of the deal. Last year JPMorgan saw its single-manager assets soar 70 percent, up from \$19.5 billion at the end of 2005, growth Staley largely credits to the maturation of the relationship between JPMorgan's private banking business and Highbridge. Biggs's warning hasn't been completely forgotten, but it hasn't had any impact on investor demand for hedge funds, which controlled an estimated \$1.46 trillion in assets as of year-end 2006, according to

Chicago-based Hedge Fund Research.

"The growth in the hedge fund market is for real," says Staley, explaining that institutionalization is driving the top firms to get even bigger. "This is not a bubble."

The firms that make up *Alpha's* 2007 Hedge Fund 100, our sixth annual ranking of the world's biggest hedge fund managers, would certainly agree. Together they managed a cool \$1 trillion in hedge fund assets as of December 31, 2006

Alpha's Hedge Fund Top 5		
Rank	Firm	Total capital (\$ millions)
1	JPMorgan Asset Mgmt	\$33,087
2	Goldman Sachs Asset Mgmt	32,531
3	Bridgewater Associates	30,210
4	D.E. Shaw Group	27,300
5	Farallon Capital Mgmt	26,200



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*"The major firms are going to be much more active internationally."*  
Jes Staley, CEO, JPMorgan Asset Management. New York, May 4, 2007.

*Photo by Mackenzie Stroh for Alpha*

— up from the \$720 billion managed by the 100 firms on our list a year ago. The 39 percent rise in assets marks the biggest annual increase since we began tracking single-manager funds. And the firms in the Hedge Fund 100 have never been so dominant. They control 69 percent of the hedge fund industry's assets, up from 65 percent a year ago.

The amount of money managed by the individual firms on the list is also staggering. The top three — JPMorgan,

Goldman Sachs Asset Management and Bridgewater Associates — each have at least \$30 billion under management. By comparison, a year ago Goldman and Bridgewater were the only firms to break the \$20 billion barrier. But the wealth this year isn't just going to the very top; 38 firms manage at least \$10 billion, up from 19 in the previous ranking.

The success of New York-based Goldman is especially telling. Unlike JPMorgan, whose asset growth got a boost from a 24.7 percent net return in its flagship Highbridge Capital Corp. fund, Goldman's hedge fund products generally turned in less than stellar performances. The

firm's \$12.5 billion Global Alpha fund, which was up 39.9 percent net in 2005, fell 6 percent last year. Nonetheless, Goldman's single-manager hedge fund assets grew \$11.5 billion, to \$32.5 billion, demonstrating the impact of the marketing reach and brand power of a top securities firm.

Westport, Connecticut-based Bridgewater, which drops from No. 2 to No. 3 this year, also shows the benefits that a broader business approach can have for hedge funds. The firm, which manages \$130 billion in traditional assets, grew its hedge funds by more than \$9 billion in 2006, to \$30.2 billion, as many of its existing clients moved money from long-only accounts into its Pure Alpha Strategy. Although Pure Alpha was up less than 4 percent each of the past two years, the low-risk fund is popular among more conservative institutions for its noncorrelated returns.

The industry's biggest players are bulking up for a reason: They are after more permanent capital and the security it can provide. Having a steadier capital base makes it easier for firms to keep top-notch fund managers and to avoid the potential problem of liquidating positions to meet ill-timed investor redemptions.

"Permanency of capital is the Holy Grail for hedge funds," says Stuart Davies, global head of investments for Jericho, New York-based Ivy Asset Management Corp., which manages \$16.6 billion in funds of hedge funds. "It enables managers not only to withstand a storm but, more importantly, to take advantage of the huge opportunities that become available when one hits."

The quest for permanent capital has spurred deal ac-

tivity, with hedge fund firms like London's Lansdowne Partners and New York-based Avenue Capital Group and D.E. Shaw Group selling minority stakes to major investment banks. In March, Lehman Brothers purchased 20 percent of D.E. Shaw, No. 4 on our list, with \$27.3 billion in assets. Last October, Morgan Stanley paid roughly \$300 million each to Lansdowne (No. 14) and Avenue Capital (No. 32) for 19 percent stakes.

Teaming up is proving beneficial for hedge funds and Wall Street. For securities firms and banks, hedge funds are attractive because of the hefty fees they can generate. Hedge funds are drawn to Wall Street by its deep pockets, brand recognition and marketing strength.

"You've got someone else who is saying, 'We believe this is someone who is best in class,'" explains Avenue Capital co-founder Marc Lasry, whose firm had \$10.6 billion in assets at the end of 2006. Lasry is using the money he received from Morgan Stanley to grow his business, investing it alongside the assets of institutional investors as he launches new hedge fund products.

Hedge fund firms are also turning to the public markets to raise capital. In February, Fortress Investment Group (No. 33) became the first U.S. hedge fund to go public, raising \$634 million in its initial public offering. As of year-end 2006, Fortress had \$10.5 billion under management, up from \$7.6 billion a year earlier. Because the market so readily embraced Fortress's IPO — the stock closed its first day of trading at \$31 a share, 68 percent above its \$18.50 offering price — investors are waiting for other firms to follow suit. One U.S. firm said to be readying itself for an IPO is Greenwich, Connecticut-based AQR Capital Management (No. 45). AQR had \$8.9 billion at the end of 2006, up from \$7.9 billion last year, when it ranked No. 32.

U.S. hedge fund firms are late to the IPO game. London-based Man Investments, No. 9 in this year's ranking, has been public since 1994. With \$18.8 billion under management, Man is the world's biggest listed hedge fund firm. Nonetheless, it falls a notch from last year, when it was No. 8, with \$12.7 billion. Another London firm, RAB Capital, went public in 2004 and is a new addition to this year's ranking — though it barely makes the list with \$4.9 billion.

In 2006, Citadel Investment Group was rumored to be considering an IPO, but the Chicago-based firm ended up taking a different approach to tapping the public market. In December, Citadel — No. 18 this year, with \$13.4 billion — became the first U.S. hedge fund to issue investment-grade debt when it sold \$500 million in five-year bonds.

Large capital pools and ties to securities firms don't guarantee success. Early this month Swiss banking giant UBS announced it would pull the plug on its U.S.-based Dillon Read Capital Management hedge fund business after the group lost \$124 million on investments in the

*"Permanent capital enables managers to take advantage of the huge opportunities that become available when a storm hits."*

— STUART DAVIES,  
GLOBAL HEAD OF INVESTMENTS,  
IVY ASSET MANAGEMENT

#### ON THE WEB

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## The Hedge Fund 100

U.S. subprime mortgage market. The bank's Chicago-based Alternative and Quantitative Investments group ranks No. 71 this year, with \$6.2 billion, down from No. 68 a year ago, when it had \$4.7 billion in assets.

Size wasn't enough to save Amaranth Advisors. Highly concentrated bets on natural gas led to more than \$6 billion in losses and the Greenwich-based firm's ultimate demise. Amaranth ranked No. 39 last year, with \$7.3 billion.

The growth of the hedge fund industry is an increasingly global affair. Of the firms in the 2007 Hedge Fund 100, 23

are based outside the U.S., up from 20 in last year's ranking. JPMorgan Asset Management's Staley believes that globalization is still in its infancy. "The major firms are going to be much more active internationally," he says. JPMorgan is making a hedge fund push into China through its locally branded business arm, Hong Kong-based JF Asset Management.

In an industry where the actions of the biggest firms are closely watched and mimicked, those of Barton Biggs are promising. In January 2003, Biggs gave up his post as chief market strategist at Morgan Stanley to launch Traxis

Rank 2007	Rank 2006	Firm/Fund name(s)	Firm/Fund capital (\$ millions)	Return net of fees (%)	Rank 2007	Rank 2006	Firm/Fund name(s)	Firm/Fund capital (\$ millions)	Return net of fees (%)
1	24 <sup>1</sup>	<b>JPMorgan Asset Mgmt</b> (New York, NY) JPMorgan Asset Mgmt (New York, NY) Highbridge Capital Mgmt (New York, NY)	\$33,087 17,300 15,700		18	11	<b>Citadel Investment Group</b> (Chicago, IL) Citadel Kensington Global Strategies Fund Citadel Wellington	\$13,400 10,100 3,300	29.63% 33.66
2	1	<b>Goldman Sachs Asset Mgmt</b> (New York, NY)	32,531		19	15	<b>Cerberus Capital Mgmt</b> (New York, NY) Cerberus International Styx International Cerberus Partners Black Acre	12,800 <sup>5</sup> 5,300 3,600 2,100 200	20.2 7.6 18.9
3	2	<b>Bridgewater Associates</b> (Westport, CT) Pure Alpha Strategy	30,210 30,210	3.4% <sup>*</sup>	20	18	<b>Moore Capital Mgmt</b> (New York, NY) Moore Global Investments Moore Fixed Income Moore Emerging Markets Moore Credit	12,500 <sup>2</sup> 6,000 4,100 900 400	11.4 4.95 12.70 18.46
4	3	<b>D.E. Shaw Group</b> (New York, NY) Macro strategies Equity & equity-linked strategies Futures & currency-related strategies	27,300 9,400 6,100 1,300	18.0 17.4 7.0	21	13	<b>Perry Capital</b> (New York, NY) Perry Partners International Perry Partners	12,342 8,026 3,627	12.08 11.90
5	4	<b>Farallon Capital Mgmt</b> (San Francisco, CA)	26,200		22	22	<b>Brevan Howard Asset Mgmt</b> (London, U.K.) Brevan Howard Master Fund	12,079 11,272	11.1 <sup>*</sup>
6	26	<b>Renaissance Technologies Corp.</b> (East Setauket, NY) Renaissance Equity Institutional Fund Medallion	26,000 20,000 6,000	21 44	23	19	<b>Angelo, Gordon &amp; Co.</b> (New York, NY)	12,000	
7	7	<b>Och-Ziff Capital Mgmt Group</b> (New York, NY) Och-Ziff Master Och-Ziff Europe Och-Ziff Asia	21,000 15,000 3,500 2,500	15.8 22 14.5	24	25	<b>HBK Capital Mgmt</b> (Dallas, TX) HBK Master Fund	11,880 11,880	14.3
8	6	<b>Barclays Global Investors</b> (London, U.K.) Equity long-short Global macro and currency Fixed-income long-short	18,953 10,914 6,618 1,421		25	20	<b>Soros Fund Mgmt</b> (New York, NY) Quantum Endowment Fund	11,600 11,600	11.5
9	8	<b>Man Investments</b> (London, U.K.) Man AHL Diversified Man AHL Alpha Athena Guaranteed Futures	18,800 2,530 397 28	6.4 7.2 6.0	26	42	<b>BlueCrest Capital Mgmt</b> (London, U.K.)	11,200	
10	5	<b>ESL Investments</b> (Greenwich, CT)	17,500 <sup>*</sup>	24.5 <sup>*</sup>	27	34	<b>Sloane Robinson</b> (London, U.K.) SR Global Fund – Emerging SR Global Fund – Asia SR Global Fund – International SR Phoenicia (Class B – Carthaginian) SR Phoenicia (Class A – Phoenicia)	11,100 2,003 1,872 1,300 1,059 997	26.6 17.9 20.8 25.5 38
11	14	<b>GLG Partners</b> (London, U.K.)	15,833	20 <sup>*</sup>	28	27	<b>SAC Capital Advisors</b> (Stamford, CT)	11,000	34
12	9	<b>Tudor Investment Corp.</b> (Greenwich, CT) Raptor Global Portfolio Tudor BVI Global Portfolio Tudor Tensor Portfolio Witches Rock Portfolio Tudor Futures Fund	14,850 7,309 5,953 694 503 324	15.46 11.84 8.32 15.26 16.84	29	23	<b>HSBC</b> (London, U.K.) Sinopia Asset Mgmt (Paris, France) Halbis Capital Mgmt (London, U.K.) HSBC European Alpha Fund HSBC GEM Opportunities Fund HSBC Global Technology Alpha Fund HSBC Distressed Opportunities Fund Halbis Commodities Alpha Fund	10,946 10,196 750 395 128 118 55 54	3.80 7.73 1.20 6.30 0.72
13	45	<b>Citigroup Alternative Investments</b> (New York, NY)	14,081		30	48	<b>Marshall Wace</b> (London, U.K.)	10,900 <sup>6</sup>	
14	33	<b>Lansdowne Partners</b> (London, U.K.)	14,000 <sup>2</sup>		31	37	<b>Stark Investments</b> (St. Francis, WI)	10,827	
15	12	<b>Campbell &amp; Co.</b> (Towson, MD) Campbell Composite Financial, Metal & Energy Large Portfolio Global Diversified Large Portfolio	13,600 5.57 5.48 6.30		32	82	<b>Avenue Capital Group</b> (New York, NY) Avenue Asia International Avenue Europe International Avenue International Ltd.	10,600 <sup>7</sup> -5.75 <sup>*</sup> 15.78 <sup>*</sup> 15.53 <sup>*</sup>	
16	21	<b>Atticus Capital</b> (New York, NY) Atticus European Atticus Global	13,500 44.5 36.5						
16	10	<b>Caxton Associates</b> (New York, NY) Caxton Global Investments Caxton Alpha Equity	13,500 11,000 1,100	13.3 <sup>3</sup> 20.14 <sup>4</sup>					

Only the five biggest funds managed by each firm are shown in the table. Italics indicate that a composite is shown or that multiple funds have been combined. Assets are as of December 31, 2006, and returns are for the 12 months ended December 31, 2006, unless otherwise indicated.  
<sup>\*</sup>Alpha estimate.

<sup>1</sup> Rank in 2006 did not reflect JPMorgan Chase & Co.'s total assets; single-manager multistrategy funds were excluded.

<sup>2</sup> As of January 1, 2007.

<sup>3</sup> Return is for Caxton Global Investments Ltd.

<sup>4</sup> Return is for Caxton Alpha Equity (BVI) Ltd.

<sup>5</sup> Excludes \$10.8 billion invested in private equity format funds; does not include \$650 million in equity capital at Ableco, a corporation doing loan originations.

<sup>6</sup> Converted from euros at December 31, 2006, rate.

<sup>7</sup> Excludes \$2 billion in collateralized loan obligations.

## The Hedge Fund 100

Partners, a New York–based firm that manages \$1.4 billion for Morgan Stanley Investment Management, No. 53, with \$7.7 billion in hedge fund assets.

*This ranking was compiled by Associate Editor Michele Bickford under the guidance of Director of Research Oper-*

*ations Group Sathya Rajavelu and Senior Editor Jane B. Kenney, with assistance from Research Specialist Timothy Roberts, Researcher Katie Gilbert and Contributing Editor Stephen Taub. To request a questionnaire for next year's Hedge Fund 100 ranking, e-mail your contact details to HF100@iimagazine.com.*

Rank 2007	Rank 2006	Firm/Fund name(s)	Firm/Fund capital (\$ millions)	Return net of fees (%)	Rank 2007	Rank 2006	Firm/Fund name(s)	Firm/Fund capital (\$ millions)	Return net of fees (%)
33	36	<b>Fortress Investment Group</b> (New York, NY) Drawbridge Special Opportunities Funds Drawbridge Global Macro Funds	\$10,500 5,000* 4,900*	17.2%*	53	58	<b>Morgan Stanley Investment Mgmt</b> <sup>9</sup> (New York, NY) <b>FrontPoint Partners</b> (Greenwich, CT) FrontPoint Utility and Energy Fund FrontPoint Healthcare Fund FrontPoint Japan Fund FrontPoint Financial Services Fund FrontPoint Asia Pacific Fund <b>Morgan Stanley Absolute Return Strategies</b> (New York, NY) Traxis Fund Brookville Capital Master Fund Morgan Stanley North American Hedged Value Fund Japan Equity Market Neutral Fund RCL Equity Long/Short Fund	\$7,707 5,807 1,067 964 704 649 519 1,900 1,398 243 53 50 44	
34	30	<b>Canyon Capital Advisors</b> (Beverly Hills, CA)	10,220		54	84	<b>Black River Asset Mgmt</b> (Minnetonka, MN)	7,600	
35	61	<b>Bain Capital</b> (Boston, MA) Brookside Capital Partners (Boston, MA) Sankaty Advisors (Boston, MA) Prospect Harbor Absolute Capital Partners (Boston, MA) Absolute Capital Partners Fund	10,100 7,300 1,600 1,600 1,200 1,200		55	—	<b>Winton Capital Mgmt</b> (London, U.K.) Winton Futures Fund Winton Evolution Fund	7,410 2,960 425	17.83% 15.41
36	31	<b>Adage Capital Mgmt</b> (Boston, MA)	10,000*		56	50	<b>King Street Capital Mgmt</b> (New York, NY) King Street Capital Ltd. King Street Capital LP	7,400 5,000 2,400	16.48 17.36
36	35	<b>Highfields Capital Mgmt</b> (Boston, MA)	10,000	24.5*	57	51	<b>Elliott Mgmt Corp.</b> (New York, NY) Elliott International Elliott Associates	7,230 4,160 3,070	17.0 17.1
36	27	<b>Wellington Capital Mgmt Co.</b> (Boston, MA)	10,000*		58	67	<b>AllianceBernstein</b> (New York, NY)	7,200	
39	46	<b>Gartmore Investment</b> (London, U.K.) AlphaGen Capella AlphaGen Tucana AlphaGen Velas AlphaGen Octanis AlphaGen Hokuto	9,700 2,691 891 725 551 493	14 25.4 25.2 18.4 1.4	59	—	<b>ADI Gestion</b> (Paris, France) Kallista CB Arbitrage Fund Kallista Credit Arbitrage Fund	7,197 656 600	13.18 11.33
40	16	<b>Maverick Capital</b> (New York, NY) Maverick Fund Maverick Levered Maverick Long Enhanced	9,600*	12.6* 19.7* 17.1*	60	54	<b>TPG-Axon Capital Mgmt</b> (New York, NY)	7,168	
41	44	<b>Davidson Kempner Capital Mgmt</b> (New York, NY)	9,500*		61	62	<b>Sparx Group Co.</b> (Tokyo, Japan) Japan Long-Short Strategy Japan Value Creation Investment Strategy Japan Strategic Investment Strategy <b>PMA Capital Mgmt</b> (Central Hong Kong) Asia Ex-Japan Multi-Strategy Asia Ex-Japan Equity L/S Strategy Asia Ex-Japan Credit Strategy Europe Credit Strategy <b>Cosmo Investment Mgmt Co.</b> (Seoul, South Korea) Korea Long-Short Strategy Korea Strategic Investment Strategy	7,139 2,581 1,437 541 2,125 826 648 485 166 455 302 153	
41	46	<b>The Children's Investment Fund Mgmt U.K.</b> (London, U.K.)	9,500*		62	100	<b>Numeric Investors</b> (Cambridge, MA)	7,000*	
43	43	<b>Cheyne Capital Mgmt (U.K.)</b> <sup>8</sup> (London, U.K.)	9,203		62	78	<b>Tontine Associates</b> (Greenwich, CT) Tontine Partners Tontine Financial Partners Tontine Capital Partners	7,000 9 25 48	
44	—	<b>BlueBay Asset Mgmt</b> (London, U.K.)	9,000*		64	—	<b>Glenview Capital Mgmt</b> (New York, NY) Glenview Funds <sup>10</sup> GCM Little Arbor Funds <sup>10</sup> Glenview Opportunity Funds <sup>10</sup>	6,760 1.5 5.1 9.97	
45	32	<b>AQR Capital Mgmt</b> (Greenwich, CT)	8,900*						
46	—	<b>Duquesne Capital Mgmt</b> (Pittsburgh, PA)	8,700*						
47	16	<b>Lone Pine Capital</b> (Greenwich, CT)	8,630						
48	40	<b>York Capital Mgmt</b> (New York, NY) York European Opportunities Fund York Select York Capital Mgmt York Credit Opportunities Fund York Global Value Partners	8,600 1,900 800 620 570 480	14.68 18.42 13.79 18.92 11.05					
49	57	<b>Millennium Partners</b> (New York, NY) Millennium International Millennium USA	8,400	16.72 17.01					
50	—	<b>FX Concepts</b> (New York, NY) Concepts GCP Fund Concepts Multi-Strategy Fund Concepts DMC Fund Concepts Global Financial Markets Fund	8,141 810 209 126 35	18.63 9.52 -0.60 10.09					
51	49	<b>GMO</b> (Boston, MA)	8,092						
52	38	<b>Cantillon Capital Mgmt</b> (New York, NY) Cantillon World Cantillon Europe Cantillon Technology Cantillon U.S. Cantillon Pacific	8,043 2,574 2,372 1,058 881 669	5.6 8.3 4.1 8.5 9.3					

\*Alpha estimate.

<sup>8</sup> Previously Cheyne Capital Management Ltd.

<sup>9</sup> Rank in 2006 is for FrontPoint Partners; Morgan Stanley Investment Management acquired FrontPoint Partners in December 2006.

<sup>10</sup> Onshore and offshore.

## The Hedge Fund 100

Rank 2007	Rank 2006	Firm/Fund name(s)	Firm/Fund capital (\$ millions)	Return net of fees (%)	Rank 2007	Rank 2006	Firm/Fund name(s)	Firm/Fund capital (\$ millions)	Return net of fees (%)
65	56	<b>Marathon Asset Mgmt</b> (New York, NY) Marathon Special Opportunity Fund Marathon Structured Finance Fund Marathon Master Fund Marathon Real Estate Opportunity Fund Marathon Global Convertible Fund	\$6,500 2,500 1,600 1,200 650 495	13.24% 13.08 9.72 15.40 12.19	83	60	<b>Fairfield Greenwich Group</b> (New York, NY) Fairfield Sentry Arlington International Fund	\$5,743 5,600 143	9.38% 9.52
65	41	<b>Pequot Capital Mgmt</b> (Westport, CT)	6,500		84	53	<b>Satellite Asset Mgmt</b> (New York, NY) Satellite Overseas Fund Satellite Credit Opportunities Fund	5,693 4,990 702	18.51 12.15
65	64	<b>Silver Point Capital</b> (Greenwich, CT)	6,500		85	83	<b>Dexia Asset Mgmt</b> (Paris, France) Dexia Index Arbitrage Dexia Bonds Euro High Yield Dexia Dynamix Global Dexia Credit Arbitrage Dexia Convertible Arbitrage	5,664 705 561 507 342 181	4.19 8.13 2.88 10.1 0.92
68	—	<b>Convexity Capital Mgmt</b> (Boston, MA)	6,400		86	69	<b>CQS (U.K.)</b> (London, U.K.) Convertible & Quantitative Strategies Fund CQS Capital Structure Arbitrage Fund CQS Directional Opportunities Fund CQS ABS Fund	5,560 3,578 1,040 169 62	15.47 9.24 31.97 1.77
69	74	<b>Paulson &amp; Co.</b> (New York, NY) Paulson International Paulson Enhanced Paulson Advantage Paulson Advantage Plus Paulson Credit Opportunities	6,379 1,666 1,180 903 592 461	16.45 29.99 12.80 19.08 19.43	87	91	<b>Ospraie Mgmt</b> (New York, NY)	5,500*	
70	72	<b>Eton Park Capital Mgmt</b> (New York, NY)	6,300	14.8	87	84	<b>D.B. Zwirn &amp; Co.</b> (New York, NY)	5,500	17.65 <sup>12</sup>
71	68	<b>Alternative and Quantitative Investments (UBS)</b> (Zurich, Switzerland) O'Connor (Chicago, IL)	6,156 6,156		89	—	<b>Spinnaker Capital</b> (London, U.K.) Spinnaker Global Opportunity Fund Spinnaker Global Emerging Markets Fund Spinnaker Global Strategic Fund	5,432 2,539 1,995 899	20.25 17.91 24.90
72	59	<b>Kingdon Capital Mgmt</b> (New York, NY) M. Kingdon Offshore Kingdon Associates Kingdon Family Partnership	6,139 4,222 1,654 263	13.7 13.5 12.7	90	—	<b>Highland Capital Mgmt</b> (Dallas, TX) <i>Highland Crusader Funds</i> Highland Credit Strategies Master Fund Highland CDO Opportunity Master Fund	5,405 2,258 513 362	40 31.5 35.6
73	64	<b>Steel Partners</b> (New York, NY)	6,100		91	94	<b>Appaloosa Mgmt</b> (Chatham, NJ)	5,400	25.9
74	52	<b>Baupost Group</b> (Boston, MA)	6,000	21	92	—	<b>Bear Stearns Asset Mgmt</b> (New York, NY)	5,373	
74	78	<b>Galleon Group</b> (New York, NY) Galleon Diversified Galleon Healthcare Offshore Galleon Technology Offshore	6,000	25.7* 17.02* 27.58*	93	75	<b>Omega Advisors</b> (New York, NY) Omega Capital Partners	5,200 1,500	19.62
74	—	<b>M&amp;G Investments</b> (London, U.K.) Episode	6,000 1,500		94	—	<b>Harbert Mgmt Corp.</b> (Birmingham, AL) Harbinger Capital Partners Fund I	5,180 4,576	
74	84	<b>QVT Financial</b> (New York, NY)	6,000		95	72	<b>Ellington Mgmt Group</b> (Old Greenwich, CT)	5,100 <sup>13</sup>	9.70
74	64	<b>Viking Global Investors</b> (Greenwich, CT) Viking Global Equities	6,000	12.4	96	63	<b>Graham Capital Mgmt</b> (Rowayton, CT)	5,000	
79	—	<b>Polygon Investment Mgmt</b> (London, U.K.) Polygon Global Opportunities Master Fund Tetragon Credit Income Master Fund	5,880 5,272 608	23.30 13.9	96	—	<b>Taconic Capital Advisors</b> (New York, NY)	5,000	
80	77	<b>Jana Partners</b> (New York, NY) Jana Partners Strategy Jana Piranha Strategy	5,852 5,023 829	16.3	96	84	<b>Trafelet &amp; Co.</b> (New York, NY)	5,000*	
81	55	<b>Orbis Investment Mgmt</b> (Hamilton, Bermuda) Orbis Optimal (USD) Fund Orbis Leveraged (USD) Fund Orbis Optimal (Euro) Fund Orbis Leverage (Euro) Fund Orbis Optimal Global Fund	5,826 <sup>11</sup> 4,106 985 692 596 132	4.9 -0.2 0.5 -2.3 4.4	99	—	<b>RAB Capital</b> (London, U.K.) RAB Special Situations Fund RAB Energy Fund RAB U.K. Fund RAB Cross Europe Fund RAB Europe Fund	4,891 1,595 703 356 316 168	43.1 40.0 6.4 14.6 12.8
82	97	<b>GoldenTree Asset Mgmt</b> (New York, NY)	5,786		100	80	<b>Sandell Asset Mgmt</b> (New York, NY) Castlerigg International Castlerigg Global Select Castlerigg Partners	4,874 3,848 626 373	

\*Alpha estimate.

<sup>11</sup> Some Orbis Funds invest in underlying funds and are not included in firm capital, to avoid double-counting.

<sup>12</sup> Return is for onshore fund.

<sup>13</sup> As of December 31, 2006, total collateralized debt obligations under management were \$23.1 billion and traditionally managed accounts (long-only) were \$1.2 billion.

## How the Ranking Was Compiled

In *Alpha's* 2007 Hedge Fund 100, we provide each manager's total assets under management as of December 31, 2006, unless otherwise indicated. Where possible we also show assets at the individual fund level, with 2006 net returns through year-end, for the five biggest funds run by a firm. Asset totals reflect internally run, single-manager hedge funds and separate accounts; they exclude funds of funds, overlay accounts, funds managed by third parties, mutual funds and traditional long-only money, dynamic money market funds, assets in collateralized debt and bond obligations, private equity and venture capital, and assets in private-equity-style vehicles that issue capital calls. We gathered the data through questionnaires completed by hedge fund managers and supplemented by extensive staff research.

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