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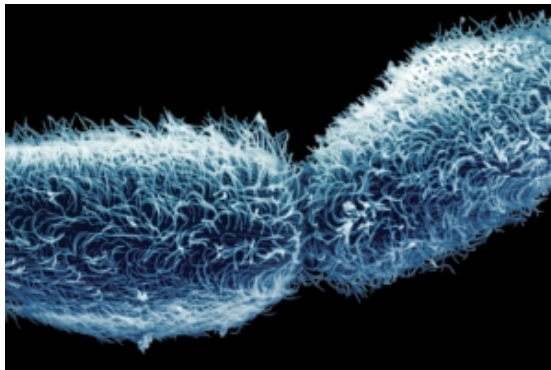
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## Hedge fund break-up spawns new generation

[Harriet Agnew](#)

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**The rise and fall of Stark Investments reads like a cautionary tale about the dangers of over-expansion, but its implosion breathed new life into itself and other businesses around the world.**



Hedge fund break-up spawns new generation

Just over a year ago Financial News reported that a third of [Stark Investments'](#) 15 principals were leaving Stark, one of the world's oldest hedge funds, due to disagreements among the management as to the culture of the firm.

At its peak, the Wisconsin-based manager managed over \$14bn and employed 470 people in offices spread across the world. However, a series of esoteric investments that strayed from its core competencies led to large losses in the liquidity crisis of 2008. The firm's headcount halved and it lost two thirds of its assets. Founders [Brian Stark](#) and [Mike Roth](#) decided to return to the firm's roots in convertible arbitrage and event-driven investing in an attempt to regain the good performance that had once characterised the firm.

One year on, a brighter picture emerges. Led by Stark and Roth, and the seven other principals who have each been at the firm for at least a decade, Stark appears to be turning its fortunes around. And from the Stark alumni who have left over the past few years have sprung several new businesses, while other individuals have taken senior jobs across the financial services industry.

According to investors, assets have stabilised at \$3bn and the firm's flagship multistrategy fund gained 16% in the 12 months to the end of June. According to [Hedge Fund Research](#), the average hedge fund has gained 11.5% in the same period. Most investors are back at high-water marks, the level at which Stark can start charging performance fees again, and 95% of locked-up money has been returned to investors.

Stark launched a fund investing in asset-backed securities in May. The Stark ABS Opportunities fund closed to new money at \$160m in early July, boosted by a \$30m ticket from the [Arizona Public Safety Personnel Retirement System](#), and is up about 2% since inception.

The firm is confident that its worst days are behind it. Roth told Financial News: "The firm's decision to return to our core investment strategies has been validated by strong performance in the second half of 2010 and continuing into 2011. We are focused on capitalising on this momentum for the benefit of our investors by leveraging the experience of our long-standing principals and the multistrategy approach that has been critical to Stark's historical success."

#### Connections across the globe – Stark Investments alumni

Stark Investments alumni are scattered across the financial sector – some have stayed in Wisconsin, while others have gone further afield.

A former partner at Stark, who asked not to be named, said: "Stark employed some great people, and the number of new businesses which have sprung up from the wreckage, and the number of Stark alumni in senior roles at other firms, are testament to this. Often the contraction of a business spawns a new generation of activity."

Roth said: "As Stark has adjusted headcount over the past three years, we have been successful at retaining the talent that we felt we needed to maintain the quality and integrity of the firm. We are pleased and not surprised that many of our former colleagues have found success and are proud to have played a part in their professional development."

#### Principals

The five principals who left Stark in last year's exodus were European co-heads Marc Wyatt and [Anshul Rustagi](#), who were based in London; in Milwaukee, Stark lost Colin Lancaster, president and chief operating officer, Robert Dishner, co-head of distressed investors, and Ashok Bhatia, co-head of global macro.

Of the five, three of them joined long/short equities firm [Balyasny Asset Management](#) early this year to build the firm's global macro strategy. Lancaster is senior managing director, while Bhatia leads the investment team, which includes Dishner, and former Stark portfolio managers Owen Walsh and Jim Gonnella.

The team is managing a \$425m internal allocation from Balyasny and in the third quarter will launch a stand-alone fund, the BAM Ravellum Global Macro fund, which it plans to grow to \$750m. Of the other two partners who left last year, Marc Wyatt has joined Chesapeake Partners in Baltimore, where he works in research.

In December Wyatt's former co-head of Europe, Rustagi, joined Zan Partners in London. He left four months later and his current location could not be determined.

Wyatt and Rustagi became co-heads of Europe at Stark, following the departure of Mohsin Ansari in early 2009. He subsequently moved to Chicago where he set up hedge fund firm 3 Twelve Capital. Ansari is chief investment officer of the new venture, and Chris Petherick, who used to be a portfolio manager at Stark, is director of trading. Last month, 3 Twelve launched an event-driven hedge fund.

#### Investment

Oliver Haslam, a portfolio manager who worked on Ansari's event-driven team in London, left Stark in February last year and joined Pierre-Henri Flamand's start-up, Edoma Partners, which went on to be the largest European hedge fund launch of last year.

Elsewhere on the investment side, Hong Kong-based fund managers [Teall Edds](#) and Stuart Wilson left

Stark in October 2009 to create [Orchard Capital Partners](#). The firm's assets have grown to almost \$600m. Martin Guyot, the former co-head of emerging markets for Stark, started Noctua Partners in Miami and launched a global macro fund with a focus on emerging markets in October 2009. The fund now manages \$240m.

John DeCaro and Tony Rettino, who were co-heads of reinsurance and risk-linked investments at Stark, started Chicago-based Elementum Advisors in December 2009, which focuses on catastrophe bond and reinsurance investments. The firm's chief operating officer Mike France is also a Stark alumnus.

Louis Conforti, who was head of global real estate securities at Stark, joined [UBS](#) O'Connor in Chicago in November 2008 as global head of real estate. Ben Pratt, a portfolio manager in commodities at Stark, joined [Louis Dreyfus Highbridge Energy](#) in January as head of European gas and power.

## Management

From Stark's management, Joe Lucas, a principal and chief financial officer, moved to New York and joined [Capstone Holdings](#) as president and chief operating officer in January.

Devi Koya, a partner at Stark who was responsible for the finance, operations, structured products and accounting departments, is now a partner at law firm Baker & McKenzie in Chicago.

Connie Wick, senior corporate counsel at Stark, is now chief compliance officer and legal counsel at Castle Creek Arbitrage, a Chicago-based hedge fund. She was joined at Castle Creek earlier this year by Neerav Desai, a former risk manager at Stark, who has come on board in a similar role.

Lisa [Ambrosia](#) was the managing director in charge of global operations before she left Stark in 2007. She is now a professional in asset management at [Perella Weinberg Partners](#). Her role at Stark was taken on by Brian Eskoff, who left in September 2009.

From the risk side, Hong Sheng, who was commodity risk manager at Stark, has joined New York-based commodities hedge fund firm Jamison Capital Partners as chief risk officer.

## Marketing

From the marketing team, Matt Todd, head of sales for Europe, Asia and the Middle East at Stark, joined the London office of [Och-Ziff Capital Management](#) in May last year. At Stark he worked closely with [David Henderson](#), director of business development, Europe and Asia, who went to activist hedge fund firm [Cevian Capital](#) in March as director of marketing and client service.

[Tim Anderson](#), another marketer, has joined [Triam Fund Management](#) in New York, while in June this year Man Group announced that it had hired Tim Gullickson, formerly head of business development at Stark, as managing director in the client advisory group in Chicago.

In Asia, Charlotte Stopford Sackville, a managing director in marketing, initially at Stark in London and then in Hong Kong, now works in hedge fund consulting at TG Strategies.

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