

**INVESTMENT EUROPE**

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**BLACKSTONE FUND TO TARGET SECONDARY HEDGE FUND MARKET**

*James Norris*

Blackstone Group is preparing to launch a multibillion-dollar fund that will buy stakes in hedge fund managers in the secondary market, says Reuters.

The Blackstone fund will enable traditional buyers such as banks, insurers and other financial institutions to exit their investments in hedge funds. Increasingly, these buyers are under pressure to sell, whether through the funds' disappointing performance or shedding assets thanks to regulatory pressure.

Reuters says the fund could attract assets of between \$2bn and \$3bn, targeting returns of more than 20%. In September, hedge funds grew an average 5%, while the S&P 500 Index rose 16.4% over the same period. Blackstone's hedge-fund solutions business has \$46.2bn in assets under management.



Tony James, president of Blackstone, said:

“We have a fund that seeds new hedge fund managers, and by doing that owns a piece of the GP, and we have a new product that we are working on, which we will be announcing shortly but haven't announced yet.”

London-based alternatives placement agent Gamma Finance notes an increasing demand for the universe of \$200bn hedge funds left illiquid as a result of the financial crisis, both at the level of the fund share, as well as the assets held on the balance sheet of the fund.

In the past year, Gamma Finance has helped clients close transactions totalling \$500m in the hedge fund secondary market, and been awarded a further \$500m of advisory mandates by hedge fund manager clients seeking advice on exits from low-liquidity assets, including real estate and private equity positions.

This month, Gamma Finance launched a real assets advisory business to create a ‘bridge’ between hedge fund managers, and buyers with appetite for such longer-term assets, often private equity and real asset specialists. This follows the launch of a hedge fund secondary market business in 2009.

Founder Florian de Sigy (pictured) said that since the launch of Gamma Finance’s Real Assets Advisory business in 2011 he had seen ‘steady growth’ of interest both from hedge funds managing lower liquidity investments and specialist investors with appetite for the real assets held in such investment vehicles. “Private equity funds in particular recognise this as a new source of assets that are not available through their usual channels,” he said.