Hedge Fund Alert

THE WEEKLY UPDATE ON FUND MANAGEMENT INTELLIGENCE

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Tax Rulings, IRS Stance Spawn Uncertainty Over Established Practices in Hedge Fund Industry

A **U.S. Tax Court** decision to reexamine how **Soroban Capital** used a long-standing practice to limit self-employment taxes will bolster the **Internal Revenue Service's** new assertive approach to collecting revenues from hedge funds, industry lawyers say.

The Nov. 28 decision in Soroban Capital Partners L.P. v. [IRS] Commissioner sparked a flurry of alerts, phone calls and meetings between tax lawyers and hedge fund clients scrambling to understand the ruling's broader implications.

The tax court agreed with the IRS' request in the case for a so-called "functional analysis," or a reexamination, of how Soroban employed what has been a widely accepted industry practice for decades; namely

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Well Short of Fundraising Goal, Multi-Strategy Firm Trims Investment Staff Amid CIO Exit

Seventeen-month-old **West Tower Group** is scaling back investment teams and making other changes after falling far short of its goal to raise $500 million for a new multi-strategy fund at a time when industry participants are seeing signs of weakness in the sector.

The Richmond, Va., firm attracted just $75 million for a multi-strategy vehicle dubbed West Tower Partners that launched in June. The fund, which deploys capital to internal and third-party portfolio managers, had commitments that didn't come through as expected.

"They thought they had real money, but it never came," one industry rival said. "You hear this all the time."

West Tower ultimately decided it could not

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Associate Counsel in Trump White House Debuts 'Social Impact' Litigation-Finance Fund

A former official in President **Donald Trump's** White House and the **Department of Justice** has launched a litigation-finance fund that will pursue what the firm calls "mission-driven investing" to ensure that "righteous lawsuits never falter for lack of financial resources."

James Burnham, the president and founder of **Vallecito Capital** in Alexandria, Va., raised $50 million in the last month or so from one or two outside investors for a debut fund to finance lawsuits in pursuit of both monetary damages and "measurable social impact," according to a regulatory filing and Vallecito's website.

"We believe investors can earn substantial risk-adjusted returns while supporting important cases – benefiting plaintiffs, law

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THE GRAPEVINE

Balyasny Asset Management equity unit **Corbets Capital** has hired a portfolio manager with a background investing in consumer and retail businesses. **Zach Warren** joined last month from **Point72 Asset Management.** He'd been a senior analyst there for nearly two years on a team acquired from **MIK Capital,** where he was director of research. The New York-based Warren also was a consumer-focused sector head on a **Castle Hook Partners** team that spun out from **Soros Fund Management,** where he was an equity researcher. Corbets had 17 portfolio teams and 96 employees as of its one-year anniversary in September. Balyasny had about $20 billion under management in July. **Dmitry Balyasny's** multi-strategy firm is headquartered in Chicago.

BlueCrest Capital has picked up a pair of New York-based portfolio manag-

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Small and Micro-Cap Fund Up 63% in ’23

A micro-cap stock specialist that had delivered solid if unspectacular returns over nearly two decades is having a monster year.

Nantahala Capital, which invests in small and micro-cap companies with a market-neutral approach, had its best month since inception in August 2004 with a 41.3% gain in September, on its way to a 63.6% year-to-date increase as of Oct. 31. The September showing of the Nantahala Capital Partners fund easily topped its next-best return, a jump of 12.8% in August 2018.

This year’s performance has boosted the New Canaan, Conn., firm’s annualized gain to 11.3%.

The Russell 2000 Index, which measures U.S. small-cap equities, was down 5.6% this year through October. It subsequently rallied, climbing to a year-to-date gain of 5.4% through Dec. 5. The index rose 8% on an annualized basis during the period from January 2005 to October 2023.

Nantahala’s best full year was in 2009, when it surged 27.2%, capping off a streak in which the fund gained double digits in each of its first six years. After another stretch of double-digit increases from 2016 to 2018, the firm gained 9.5% in 2019 and 7% in 2020 before losing 13.8% in 2021 and 7.1% last year.

While the well-hedged strategy’s annualized volatility since inception was 14.9%, it jumped to 43.3% for the 12 months ended Oct. 31, with a Sharpe ratio of 1.6 during that period.

The firm invests across a range of sectors that include healthcare, consumer discretionary, financials, industrials, communication services, real estate, information technology, energy, consumer staples, materials and utilities.

Nantahala, led by portfolio managers **Wil Harkey** and **Dan Mack,** takes a long-term investment view as it applies what it calls a private equity-style approach.

Investing in companies with market capitalization of less than $2.5 billion is a $1.5 trillion-plus market opportunity that the firm notes is “rich in mis-pricings.”

The firm notes on its website that the strategy offers “highly differentiated investment exposure due to its niche investable universe in small and micro-cap companies and low correlation to U.S. equity markets in a minimally trafficked area of the market.”

Nantahala sees the early stages of credit and real estate distress, higher interest rates and declining earnings. Among the distressed sectors that the firm knows well are biotech, non-biotech healthcare and technology, media and telecommunications equities.

The firm had $907 million under management at yearend 2022.

In a year when some small-cap shops are struggling, Nantahala’s performance stands out.

For example, in October small-cap technology-stock investor **Cobia Capital Management** had the worst month in its nearly 16-year history, plummeting 11.4% to drop its 2023 loss to 26.1% through 10 months. Also, **Connacht Asset Management** is shuttering its four-year-old small- and mid-cap firm as its founder and chief investment officer, **Sean Gallagher,** becomes global head of **Lazard Asset Management’s** small-cap equity platform.

Before founding Nantahala, Harkey was a senior research analyst at **Sagamore Hill Capital,** was a researcher at convertible-arbitrage operation **SAM Investments** and worked at venture capital firm **Village Ventures.**

His former Sagamore Hill colleague, Mack, joined him at Nantahala in 2007.

Rounding out the senior leadership team is senior analyst **Jonathan Buba,** who arrived in 2011 after working as an analyst at **Och-Ziff Capital,** where he focused on special situations in emerging markets.

Reuters last week quoted a **BofA Securities** note that revealed hedge funds were slashing exposure to healthcare and other stocks while adding small-cap equities to their portfolios.

BofA Securities pointed out nearly $800 million in outflows from mid- and large-cap stocks by hedge funds during the week of Nov. 20-24, while small caps were added, Reuters wrote. ■

Big Japanese Manager Opens to US LPs

An Asia-focused fund-management giant with a decades-long track record is offering its long-only Japanese equity strategies to U.S. investors for the first time.

Tokio Marine Asset Management, through New York-based placement agent **Monitor Capital,** has begun reaching out to U.S. institutional investors about its flagship growth strategy, which emphasizes investments in large-cap companies, as well as three other growth strategies.

“As Japanese-led companies continue to improve their corporate structures, margins, and [return on equity], shareholder returns have also increased,” Monitor wrote to prospective investors last week.

The flagship strategy, known as GARP – for growth at a reasonable price – had $5.7 billion under management in September. It was up 17.7% year-to-date through October and had gained 5% on an annualized basis since inception in 1995.

Another strategy, focused mainly on small- and mid-cap growth companies, had $933 million under management on Sept. 30. It was up 9.8% this year through October and had produced a 7% annualized return since inception in 2004.

Tokio Marine Japanese Equity Owners Strategy, which invests in Japanese-owned businesses, had $505 million under management. It was up 6.4% year-to-date, with an annualized gain of 16.4% since its 2013 inception.

The newest of the four strategies See TOKIO on Page 3

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is the small-cap-focused growth offering known as JES. It was up 2.8% year-to-date and 4.8% on an annualized basis since inception in 2018.

Tokio Marine Asset Management, with $65.4 billion under management through the third quarter, is a unit of Tokio Marine Holdings, one of Japan's biggest non-life insurers.

The asset manager is headquartered in Tokyo and has offices in New York, London and Singapore.

In its update, Monitor noted that the Nikkei Stock Average in November reached its near post-bubble high from early July, driven by inflows from investors outside of Japan.

"In the first half of 2023, when Japanese stocks were on the rise, overseas investors were optimistic about Japanese companies with their relatively good balance sheets and potential to improve capital efficiency," the placement agent wrote. "However, as the Japanese Yen depreciated rapidly, Japan's equity performance deteriorated on a non-JPY basis and overseas investors became less bullish."

The **Federal Reserve's** pause on interest-rate hikes in the U.S. is expected to have a positive effect on both the Yen and Japanese equities, Monitor wrote.

"Investors can take a positive view of Japanese stocks based on both intrinsic stock price prospects and foreign exchange perspectives," the placement agent wrote. "In this environment, the current trend of Japanese stocks is different from that in the first half of 2023. Growth stocks outperformed value stocks in November, after an extended value rally until October 2023. This has also buoyed the performance of Tokio Marine Asset Management's Japanese equity growth products." ■

New Compliance Firm: Intervene Early

A longtime sell-side compliance executive has formed an operation called **VEGA Compliance Consulting** that's focused on helping banks and hedge funds mitigate their exposure once they fear they may be in regulators' crosshairs.

Michael Evans, who formed his own compliance shop, Mike Evans Consulting, in Avon by the Sea, N.J., in January, last month rebranded the operation with the VEGA name. He's assembled something of a SWAT team of deeply experienced compliance veterans to help firms reduce exposure to large public disciplinary sanctions and fines by the likes of the **SEC** and the **Commodity Futures Trading Commission.**

VEGA's goal is to allow financial-services firms to hedge their exposure and reduce potential regulator "volatility" as a result of their missteps by showing they have acted in comprehensive and affirmative ways to address the improper activity.

"VEGA Compliance helps … build the goodwill necessary to negotiate reduced fines by millions or even tens of millions of dollars – but it has to happen early," Evans said. "Just like market hedges, regulatory hedges have to be in place before the risk event comes to fruition. A late hedge is no hedge at all."

Evans ran his own hedge fund firm, **QKR Capital,** with friends-and-family money from 2020 to late 2022. He previously worked as a senior compliance executive at **BNP Paribas** and held compliance positions at **Lehman Brothers, Goldman Sachs** and the **New York Stock Exchange.**

Evans' last role at BNP, from 2015 to 2019, was to oversee market integrity and financial markets compliance teams within the Paris bank's global corporate and institutional-banking division. There, he interacted directly with regulators in the U.S., European Union and U.K. and managed compliance teams in Paris and London.

Evans has made arrangements with a dozen other experts who will work as subcontractors for VEGA. They include, for instance, **Greg Ochojski,** whose past roles include that of chief financial officer of U.S. cash markets, options and listings at **NYSE Euronext; Eric Jacobs,** former director of risk management at **King Street Capital;** and **Chris Kapsaroff,** See VEGA on Page 4

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the former chief operating officer for U.S. capital markets at **Scotiabank.**

As an example of Evans' goal to help firms hedge the risk they face from regulator actions, he notes the disparate sizes of the more than $2 billion in fines imposed by the SEC and the CFTC since 2021 against more than two dozen financial services firms where traders and executives used non-sanctioned channels, such as **WhatsApp,** to communicate. Part of that disparity, Evans said, is how firms responded internally once they were aware that their staffers had violated compliance rules.

Advisors and brokers, Evans said, need not only to see their regulatory risk but also to "quantify its dollar-risk," particularly if firms have been referred to enforcement bureaus or have received a formal notice from a regulator that the agency is planning to take enforcement actions.

VEGA is also highlighting that it intends to act as an independent consultant to offer "pre-settlement remediation validation" in an effort to build goodwill with regulators. "The SEC doesn't trust internal compliance and audit teams, or outside counsel advocating for clients," Evans said. ■

S Squared Strategies on Offer Via Typhon

In keeping with a goal to expand beyond commodity investments, **Typhon Capital** has added three strategies from equity manager **S Squared Advisors** to its menu of offerings.

Investors can now access the customized strategies – dubbed Large Cap Dynamic Hedged, Long-only 1.5 X and Macro – via separate accounts or as part of Typhon's multi-strategy fund, Argos Tactical Trading.

Austin-based S Squared was co-founded in 2016 by **Michael Heffernan** and **Christopher Angelo,** who previously worked together at **Kappa Asset Management,** a hedge fund operation they jointly led for about four years. Before that, Heffernan worked as a quantitative analyst at **Whitebox Advisors** and as a portfolio manager and head trader at **Flint Rock Global Investors.** Angelo was a strategist at **Cogent Partners** and taught finance courses at both **Southern Methodist University** and the **University of Texas.**

Typhon describes the two founders in marketing materials as creating "an innovative approach of blending volatility and value factors to master the art of optimizing risk and returns." S Squared's hedge fund, Large Cap Dynamic Hedged Strategy, gained 13% in 2022, a year when the S&P 500 Total Return Index lost more than 18%. The vehicle's 2023 return couldn't be learned.

S Squared, which managed $45 million in March, will continue to run an independent fund operation in addition to its work managing portfolios on behalf of Typhon.

Not including the S Squared strategies, Typhon deploys $150 million to 13 quantitative and discretionary investment programs that focus on commodities and, to a smaller extent, on cryptocurrencies. As part of its expansion beyond commodities, the firm is crafting a private equity vehicle that targets distressed and underperforming assets. That offering, Cerus Activist Fund, is slated to launch in January.

Typhon, based in Miami Beach, was founded in 2008 by securities lawyer **James Koutoulas.** ■

Europe-Centric Equity Managers Surging

On the strength of a near record-setting month, European-focused fundamental long/short equity managers tracked by **Goldman Sachs** are topping their U.S.- and Asia-focused counterparts this year.

The investment bank told clients in an update last week that European-focused managers it follows gained, on average, 6.3% in November through the 28th, notching the category's second-best month on record.

Goldman Sachs' records start from 2016. The best month was in October 2020.

The update on regional-focused strategies was sent to institutional and other investors. It was prepared by the FICC (Fixed Income, Currency and Commodity) and Equities unit, a Goldman Sachs prime-brokerage division that tracks returns of equity-focused hedge funds for which the bank provides services.

The solid performance of the Europe-focused managers was driven by short and long bets, including gains from selecting the stocks of consumer-discretionary businesses.

November alone accounted for two-thirds of the 9.6% year-to-date performance of the Europe-focused managers, according to the update.

They lead the pack of regional-focused strategies year-to-date, with U.S.-focused managers gaining 7.6% and Asia-focused managers up 3.4%.

By comparison, the benchmark MSCI EAFE (Europe, Australia, Far East) index was up 2.7% through October. ■

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claiming a limited partnership exemption to making contributions to self-employment taxes.

The court's determination provides a glimpse into how it might rule in two similar pending cases, one involving **Point72 Asset Management, Steve Cohen's** well-known multi-strategy operation, and the other focusing on **Denham Capital,** a private equity shop. Industry lawyers are closely monitoring both cases. The ruling also potentially foreshadows how the IRS will handle countless other firms currently under audit or that might get audited in the future.

Industry participants have been further set on edge by a separate U.S. Tax Court ruling in November in another widely watched case: YA Global Investments v. Commissioner. In that proceeding, the court ruled that a hedge fund managed by **Yorkville Advisors** was liable for U.S. federal withholding taxes with respect to its non-U.S. limited partners in a Cayman Islands-domiciled fund (see story on Page 6).

"The IRS is trying to create a chilling effect" in both the Soroban and YA Global cases, said **Jay Freedman,** a tax lawyer who heads **KPMG's** hedge fund tax practice.

At issue in each of the Soroban, Point72 and Denham cases is an exemption that allows typical limited partners to avoid paying employment taxes under provision 1402 (A) (13) of the Self-Employment Contributions Act. Industry practice has been for general partners to also take the exemption. SECA requires the self-employed to contribute the equivalent to both employer and employee portions of the Federal Insurance Contributions Act tax that funds Social Security and Medicare.

The total Social Security Tax is 12.4% of employees' first $168,600 of earnings in 2023, while Medicare is 3.8% of earnings with no upper limit. Those who work for themselves pay all of those amounts.

Most hedge fund partners who receive profit cuts from their funds' limited partnerships are paid a salary in excess of the Social Security limit by their firm's general partnership. As a result, the amount in dispute in these IRS cases is generally the Medicare tax that the firms haven't been applying to profits they receive via their limited partnerships.

Since initiating a SECA "compliance campaign" in 2018, the IRS has been aggressively pursuing self-employment tax audits for limited partnerships, and the Soroban case follows successful challenges the agency has made against similar legal structures including limited liability companies and limited liability limited partnerships. The IRS initiates such "campaigns" to educate itself on evolving tax-avoidance practices that become commonplace.

An estimated 300 asset managers, including hedge funds firms, have been subject to SECA-focused IRS examinations, leading many targets to pay taxes owed rather than endure the pain of fighting the agency, lawyers say.

Soroban, however, filed a motion for summary judgment in February 2023 aiming for the tax court to put the issue to rest by agreeing with the hedge fund manager's interpretation of the tax code. But the court denied the motion and favored the IRS' position that a "functional analysis" was necessary to determine if Soroban really should benefit from the exemption.

The court also indicated the "exception does not apply to a partner 'who is limited in name only' and who is not actually functioning as a passive investor," according to a client alert issued Nov. 30 by law firm **Foley & Lardner.**

The tax court must now determine if a general partner in a hedge fund can also be a limited partner for SECA tax purposes. Hedge fund lawyers argue that the distributive shares of a partnership's net income via their limited partnership stakes is passive income that is exempted from the SECA taxes.

"Many hedge fund managers have been trying to claim, 'I'm an LP and a GP,' or participate in the activities indirectly through the general GP," Freedman said. "The government has said 'this LP exception is for limited partners [not general partners]. If you are doing something in the partnership that is not just passive investing, the taxpayer will need to determine whether they are really functioning as an LP.'"

What happens next isn't totally clear, including when the court will conduct that analysis or when it will issue its conclusions. It's also possible Soroban will appeal the decision, a move that could delay any conclusive determination by the court, lawyers said.

While the court's decision in the Soroban case is an incremental step in the IRS' tax-collection efforts, it has nevertheless set off a flurry of concern among lawyers and their clients.

The Soroban decision "had the possibility of ending a lot of controversy," said **Jennifer Breen,** a tax attorney with law firm **Morgan Lewis.** "However, it's not the end of the story. We live to fight another day. All the decision tells us is that we have to do a functional analysis to determine whether a partner is actually a limited partner for SECA purposes. As someone who practices in this area, I believe many firms operating in this industry have facts that demonstrate that their partners are in fact limited partners."

What's more, the decision and the related pending cases coincide with a new aggressive approach the IRS is taking toward the kind of limited partnerships seen at hedge funds. In September, the IRS released a statement announcing plans to hire 3,700 new revenue agents nationwide as part of a "sweeping, historic effort to restore fairness in tax compliance by shifting more attention onto high-income earners, partnerships, large corporations and promoters abusing the nation's tax laws."

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The IRS said in the statement it planned to open examinations on 75 of the largest limited partnerships in the U.S. That group includes hedge funds, real estate investment partnerships, publicly traded partnerships, large law firms and corporations.

Founded in 2010 by **Eric Mandelblatt,** Soroban is an equity hedge fund shop in New York. It managed $10 billion of gross assets at yearend. ■

Direct-Lending Firms Wary of Tax Ruling

Industry tax lawyers are alerting clients to a **U.S. Tax Court** ruling that could draw greater government scrutiny of hedge funds that specialize in direct lending, an investment strategy that serves as a pillar of the booming private credit market.

At issue is the Nov. 15 opinion in the case of YA Global Investments v. [IRS] Commissioner. The court ruled against a Cayman Islands-domiciled vehicle run by Mountainside, N.J., hedge fund operator **Yorkville Advisors,** which finances small- and micro-cap companies via a rare structure that involves convertible bonds and similar instruments.

The court ruled that the Caymans fund – YA Global, which serves non-U.S. investors – is liable for U.S. federal withholding taxes. The decision came down to an unusual investment structure in which the fund generated revenue in part from substantial fees it charged the companies in its portfolio.

Because the facts of the case are particular to Yorkville, it might not have the broad industry impact expected from another big Tax Court decision last month (see story on Page 1).

Still, "The real question is does the government agree or do they feel empowered and use the [ruling] as a scare tactic to get funds to move away from what they have traditionally done," said **Jay Freedman,** who heads the hedge fund tax practice at accounting firm **KPMG.**

Yorkville filed federal tax returns for the years in question, 2006 to 2008. It took the position it was an investment shop that traded convertible bonds, and thus its non-U.S. partnership was exempt from withholding tax under a safe-harbor provision of the U.S. tax code that allows foreigners to avoid taxes on investment gains from stocks and bonds.

Foreigners, though, are required to pay taxes on income from conventional business activities. Whereas most convertible bonds are issued by companies and are traded on an open market and fall under the safe-harbor clause, the IRS argued that YA Global's activities were not traditional trading.

The firm earned fees from companies for which it customized these bond structures for the purpose of financing their businesses. The court held that the fund was not a trader for the purposes of the safe harbor because some of the income it earned came from fees for its services as opposed to a cut of investment gains.

Since its founding in 2001 by **Mark Angelo,** Yorkville has completed financial transactions worth about $4.5 billion for 700 companies. At yearend 2022, Yorkville had gross assets under management of more than $323 million. ■

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support a sizable number of investment teams with such a small capital base and reduced its headcount in November by cutting the number of investment teams from 16 to 12. Additionally, the firm and chief investment officer **Rick Doucette** parted ways last month, leaving deputy chief investment officer **Charles Honey** and chief operating officer **Gerry Polizzi** to oversee the future of the operation.

Meanwhile, the firm is likely to carve out a quantitative investment program from the multi-strategy fund as a stand-alone vehicle that would be run by a recently hired team that has outperformed in the past few months.

West Tower runs $200 million in a fund-of-funds vehicle, as well as $5 million of proprietary capital in a stand-alone equity fund managed by Honey. The firm's multi-strategy fund is down slightly, compared with the 7.6% gain in the first 11 months of this year for the With Intelligence Multi-Strategy Index.

West Tower's steps are indicative of struggles the highly popular multi-strategy sector is beginning to face as performance moderates. West Tower was trying to raise capital in a crowded field that some say has tapped out investor allocations to a large extent. Plus, many investors who are willing to park capital in a new multi-strategy fund could be holding out for **Bobby Jain's** highly anticipated **Jain Global,** which is expected to launch in July with billions of dollars.

Some multi-strategy operations are rejiggering strategies and trimming headcount as they struggle to compete with the sector's two behemoths, **Citadel** and **Millennium Management,** and to differentiate themselves from one another. They include:

- **Schonfeld Strategic Advisors** is the most dramatic example, laying off staff and scrambling to raise capital to offset redemptions, including negotiating a partnership with Millennium. Those talks eventually collapsed.
- **Paloma Partners** also shed staff earlier this year after it brought in a new chief executive.
- Private equity giant **Brookfield Asset Management** began liquidating **BHS Advisors,** a $1.3 billion multi-strategy fund it launched in 2019.

West Tower was founded in July 2022 when Honey combined forces with Doucette, See WEST TOWER on Page 7

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a former **Weiss Multi-Strategy Advisers** president and co-chief investment officer and former **Antecapio Investment** chief executive. Arriving with Doucette was former Antecapio colleague Polizzi.

Honey previously was at **Apogem Capital,** a **New York Life Investments** division that formed in the first half of 2022 from alternative-investment businesses that included **Private Advisors** and **PA Capital.**

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firms, and society at large," the firm said.

Further details about the fund, called Columbia Finance, were unknown, but like most litigation-finance vehicles, it is presumably organized via a private equity structure. And it's just the latest sign that the small litigation-finance industry is continuing to grow as an asset class with no correlation to other markets.

Among Vallecito's policy goals, the firm might pursue litigation that would seek to diminish the theft of U.S. corporate secrets by China or Chinese companies.

Burnham, who has strong conservative credentials, was a senior associate at law firm **Jones Day** when Trump was elected president. Burnham joined fellow Jones Day lawyer **Donald McGahn** in the White House, where McGahn became Trump's first White House counsel and Burnham was senior associate counsel.

There, Burnham was involved in the successful selection and nomination of **Neil Gorsuch** to become an associate justice on the **U.S. Supreme Court.** Burnham also was involved in the nomination of **Amy Coney Barrett** to the **U.S. Court of Appeals,** where she served for three years before she also became an associate justice on the high court.

Although Burnham moved to the Justice Department in October 2017, he returned to the White House part time to work on the successful placement of **Brett Kavanaugh** onto the Supreme Court in 2018 as part of Trump's makeover of the top U.S. court.

Burnham subsequently worked at the Justice Department for two years and nine months, last holding the role of counselor to U.S. Attorney General **William Barr.** Burnham left the Justice Department in August 2020, Trump's last full year in office, to become a law clerk to Gorsuch, a position Burnham held for a year until he returned to Jones Day to work as a litigation partner.

While it's highly unusual for a litigation-finance firm to pursue overt policy goals, it's not unique. In July, a U.K. firm named **Aristata Capital,** which formed in 2018 and which has the backing of **Jeffrey Skoll's Capricorn Investment,** raised £52 million ($68 million) for its first fund. Its goal is to bring about what it calls "positive, systematic social and environmental change" in the areas of human rights, climate change, equality and indigenous rights. The fund is anchored by both Capricorn and an economic-development fund sponsored by **George Soros' Open Society Foundations.**

Burnham is a member of the **Federalist Society** and has spoken at numerous events associated with the conservative legal group, including a Nov. 6 discussion on "why is there not a larger conservative plaintiff's bar?" He also spoke at an Oct. 26 discussion on "Why conservative justices disagree" and at an Oct. 24 discussion on whether conservative lawyers should "keep defending corporate America."

And on Nov. 11, Burnham appeared on a three-member panel at the Federalist Society's annual National Lawyers Convention focused on "The Path to Impact Litigation." A summary of the panelists' backgrounds on the Federalist Society website referred to them as members of the conservative legal movement who had been transitioning to focus on impact litigation.

Upon Burnham's departure from Jones Day, he formed his own law firm called **King Street Legal.** It is unrelated to Vallecito Capital's activities.

Working with Burnham at Vallecito are the firm's general counsel, **Pierce Babirak,** and vice president **Arielle Goldberg.** Babirak previously was a corporate and financial-services-focused lawyer at law firms **Cooley** and **Mitchell Sandler.** Goldberg joined from public-affairs firm **CRC Advisors.** She previously was an assistant to Gorsuch.

The litigation-finance industry is small but growing. In February, litigation-finance deal advisor **Westfleet Advisors** reported that 44 litigation-finance firms running $13.5 billion in 2022 have committed $3.2 billion to 368 new investments. The firm also found that the number of litigation-finance operations in the U.S. had been "essentially stable" over the prior five years but that assets under management had increased by 19.5% since 2020, when such firms ran $11.3 billion. Commitments to new deals increased 28% from $2.5 billion in 2020.

Most litigation financers include dedicated operations such as Vallecito and Aristata, according to Westfleet, which gives advice to law firms and their clients when they need financing to fund lawsuits.

But diversified investment operations, usually hedge funds, also provide capital in the space. In July, for instance, lawsuit-funder **Rocade** held a final close on $220 million for its latest fund. Rocade is a joint venture between debt-fund manager **EJF Capital** and **Barings.** Rocade is led by former EJF executive **Brian Roth.**

And in October, U.K. law firm **Pogust Goodhead** announced it had received a £450 million investment ($553 million) from emerging-markets hedge fund manager **Gramercy** in the largest-ever litigation-finance deal. Pogust Goodhead intends to use the commitment to finance claims against mining companies **BHP** and **Vale** over the collapse of a dam in Brazil in 2015. The law firm also aims to target auto companies, including **Mercedes-Benz,** that are accused of providing misleading emissions claims.

Wealth-Management Vet Maps Debut Fund

A former wealth-management executive is launching his own hedge fund.

Mark Flatow has begun marketing his debut Revise Capital Fund via a similarly named management company, **Revise Capital,** that he formed in June.

Flatow most recently was chief operating officer at **Drake & Associates,** a Waukesha, Wis., wealth manager with $227 million under management. He joined Drake after serving in a similar role for four years at a Houston advisory firm, **Inscription Capital,** that was managing $1.5 billion on Sept. 30. He earlier worked as a financial advisor at **UBS** from 2015 to 2018, as a portfolio-management associate at **Morgan Stanley** from 2012 to 2015 and as a senior financial analyst at **Merrill Lynch** from 2006 to 2012.

The Revise Capital Fund's strategy couldn't be learned. Flatow raised at least $1.5 million from one investor for the offering as of late last month.

A Form ADV brochure for Flatow's Brookfield, Wis., firm, dated Aug. 10, indicates that Revise at the time offered only customized portfolio-management services and limited investment advice to mutual funds, fixed-income securities, real estate funds, equities, exchange-traded funds, Treasury inflation-protected and inflation-linked bonds, non-U.S. securities and private placements.

The brochure says the firm relies on charting and cyclical, fundamental, quantitative and technical analyses. Additionally, it might engage in short-term trading or long-term trading, make use of leverage and invest in options, including covered and uncovered options, as well as options spreads, according to the filing. ■

LATEST LAUNCHES

Fund	Portfolio Managers	Strategy	Service Providers	Launch	Equity at Launch (MIL.)
Columbia Finance Domicile: U.S. (See Page 1)	James Burnham Vallecito Capital, Alexandria, Va 602-501-5469	Litigation-finance fund	Auditor: CohnReznick	Q1-24	$50
Revise Capital Fund Domicile: U.S. (See Above)	Mark Flatow Revise Capital, Brookfield, Wis.				

Hedge Fund Alert

www.hedgefundalert.com

Mark Mueller
Editor
732-939-9801
m.mueller@hedgefundalert.com

Howard Kapiloff
Managing Editor
917-576-0709
h.kapiloff@hedgefundalert.com

James Prado Roberts
Deputy Managing Editor
732-322-8780
j.pradoroberts@hedgefundalert.com

Mike Frassinelli
Senior Writer
973-856-3263
m.frassinelli@hedgefundalert.com

Samantha Marcus
Senior Writer
609-819-2384
s.marcus@hedgefundalert.com

Todd Palmer
Chief Subeditor
+44-20-7832-6500
todd.palmer@withintelligence.com

Paul McMillan
Editor-in-Chief, With Intelligence
646-891-2118
paul.mcmillan@withintelligence.com

Eduardo Llull
Chief Content Officer, With Intelligence
+44 7889 736138
eduardo.llull@withintelligence.com

Kip McDaniel
President (Americas), With Intelligence
646-891-2128
kip.mcdaniel@withintelligence.com

Joel Dudden
Subscription Sales
646-891-2126
j.dudden@hedgefundalert.com

Adam Wood
Subscription Sales
646-891-2126
a.wood@hedgefundalert.com

Marc Ruppenstein
Advertising Sales
646-891-2115
marc.ruppenstein@withintelligence.com

THE GRAPEVINE

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ers. **Nicholas Massaro** joined **Michael Platt's** family office as a PM in November after nearly 14 years at **Elliott Management,** where he initially worked as a fund accountant and then spent nearly a decade trading commodities. Massaro previously was a senior hedge fund accountant at **Citi Hedge Fund Services.** Meanwhile, **Burak Celtik** arrived at BlueCrest in October from **Millennium Management,** where he was a fixed-income portfolio manager for about 15 months following a 17-year stretch at **Citigroup,** most recently as regional head of its North American markets treasury division. London-based BlueCrest, which appears to be in the midst of a prolonged hiring wave, also will be adding energy specialists **David Chou** and **Spencer Schredder** as commodity portfolio managers after they complete gardening leaves, **With Intelligence** reported last month. Chou, due to start in March, was a quantitative researcher at **Balyasny Asset Management.** Schredder, scheduled to arrive in 2025, previously spent a year as a senior analyst at **Citadel.**

Millennium Management added **Ali Biaz** and **Abhi Ananta** to its roster of portfolio managers in October. Biaz, a senior PM stationed in Dubai, runs an equity derivatives portfolio. He filled a similar role for six years at **BTG Pactual** in London. Biaz also worked in Paris for **Descartes Trading, Societe Generale** and **Credit Agricole.** Ananta runs a high-yield credit book for Millennium under the **Catapult Capital** brand in Miami. He previously spent four years at **Global Credit Advisors,** investing across the capital structure in companies in the energy and metals and mining sectors. Before that, he was an analyst at **Balyasny Asset Management.** Millennium manages $60.6 billion.

CPP Investments has hired an internal equity portfolio manager who last worked as a senior analyst at hedge fund operator **Woodson Capital. Charlene Neo** started at CPP in New York in October. She runs a market-neutral book focused on technology stocks. Neo joined Woodson in 2020 following stops at **Rip Road Capital, Pine River Capital** and **Firefly Value Partners.** She's part of CPP's North American active equities group, which makes fundamental investments in public and "soon to be public" companies. Toronto-based CPP is the investment manager for the CA$576 billion ($426 billion) **Canada Pension Plan.**

Turning Rock Partners, which makes long-term investments in debt and equity securities of North American small and midsize businesses, has promoted one employee and hired another. **Saba Ahmad,** a partner who had been chief operating officer, was elevated to president of the firm, Turning Rock told investors in an update last week. She joined the New York operation at its inception in 2016 after nearly eight years at **Fortress Investment.** Separately, Turning Rock during the third quarter brought on **Sophia Lee** as an associate on the investor-relations team. Lee spent two years at **Blackstone,** most recently as an associate, after completing **PNC Bank's** institutional asset-management development program as an analyst. Turning Rock, a majority woman-owned business, was managing about $870 million of gross assets overall at yearend 2022.

Sung Jo joined **Goldman Sachs Asset Management's** Multi-Asset Solutions unit last month as a New York-based vice president and portfolio manager. Jo previously worked in a similar role on **PineBridge Investments'** Global Multi-Asset team. He started at PineBridge in 2011 as an analyst. Goldman Sachs Asset Management oversees $2.7 trillion. Its Multi-Asset Solutions team offers customized portfolios and runs an institutional separate-accounts business and an outsourced chief-investment-officer business.

AllianceBernstein has hired a portfolio manager whose background spans quantitative equity investments and equity index methodologies. **Satish Sanapareddy** started at the big money manager in New York in November. He previously held the position of global head of index intelligence at **S&P Global,** where he created a unit that sought to ensure the company's S&P and Dow Jones index methodologies were properly designed. He also had a hand in S&P's index-rebalancing efforts. Sanapareddy joined S&P in 2021 after a 19-year run at **Prudential Financial's** PGIM Quantitative Solutions business, which ran some $89 billion as of Sept. 30. There, he was lead portfolio manager for the unit's large-, mid- and small-cap strategies. AllianceBernstein managed $652 billion on Oct. 31. ■