

## Two major hedge fund firms to merge

In a somewhat unusual deal involving two of the handful of global hedge fund firms that are publicly-traded, London's Man Group plc is buying London-based GLG Partners for about \$1.6 billion, resulting in a money management firm with about \$63 billion under management.

Under the terms of the deal, GLG's shareholders will receive \$4.50 per share in cash.

Interestingly, however, GLG's principals--Noam Gottesman, Pierre Lagrange and Emmanuel Roman--will receive 1.0856 new Man shares for each of their shares of GLG common stock, valuing each share of GLG stock at just \$3.50. However, they can receive as much as \$4.25 per share in new Man shares, still leaving them with less than the other shareholders.

Man is most associated with its Man AHL Diversified Plc, the computer-driven strategy which accounts for about half of its assets. It lost money in 2009.

GLG went public in 2007, and its stock peaked later in the year.

It currently has \$33.7 billion in assets; \$12.3 billion are from hedge funds while the rest is from long-only funds. In fact, the long-only funds have heavily driven GLG's growth of late.

In general, however, the deal reflects the current trend among hedge fund firms to launch long-only funds, which could be perceived by corporate boards as more stable investors since they generally stick with stocks for longer periods and don't sell them short.

The deal also reflects the hedge fund industry trend toward larger firms, which are favored by the big institutions--pension funds, endowments, and foundations--which are driving the growth in alternative investments. In fact, despite the market implosion in 2008, hedge fund assets in general have been roaring back. According to Hedge Fund Research, total industry capital topped \$1.67 trillion in the first quarter, just shy of the peak of \$1.93 trillion in the second quarter of 2008.

"The fit between the two businesses is excellent; across investment strategies, geography and investor base," said Man chief executive Peter Clarke. "Man's quantitative and multi-manager expertise complements GLG's long track record in discretionary investment strategies, and both firms focus on liquid, transparent and dynamic trading."