

Emerging Managers Plot Course In Recovering Market

By Niamh Ring

Investors stung by the financial crisis may be tempted to turn to larger and more recognizable asset managers when they're ready to brave the market again. But investment managers running small emerging firms say their size has benefits for investors looking for the kind of transparency and customized strategy not always available at larger firms. In today's session, "New Kids on the Block: Emerging Asset Managers Discuss Strategies and How They Might Differ from Established Market Players," four managers will discuss the opportunity and challenges facing

emerging managers.

Larger firms have "greater resources and clearly deeper pockets," but they don't offer the same kind of flexibility available at smaller managers, said **Robert Flowers**, a co-founder and partner at **TTM Capital**, an alternative investment manager that taps both the public and private debt markets to provide solutions for family offices and other investors. "Many larger firms offer potential investors the option of investing in firms' existing funds or strategies, or not at all" said Flowers. "What we can offer is transparency, good flexibility and customized

investment programs."

New York-based TTM, which will mark its first full year of operation on March 31, is currently exploring investment opportunities in the aviation sector and in smaller finance companies, such as leasing operations, which have run into funding issues because of the crisis in the banking sector, Flowers said. While he declined to say how much the company currently manages, Flowers said that he and **Ray Chan**, one of TTM's co-founders, previously managed about \$650 million of equity capital supporting \$1 billion in assets at DB

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SP	28MR3	5.9570	Sec	Principal	Interest	22,068,292.16
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	01/12/2007	0.00		0.00	76,170.17	76,170.17
	02/25/2007	0.00		0.00	76,170.17	76,170.17
	03/25/2007	0.00		0.00	76,170.17	76,170.17
	04/25/2007	0.00		0.00	76,170.17	76,170.17
	05/25/2007	0.00		0.00	76,170.17	76,170.17

Current	Trigger	Result	Test
1.180%	2.250%	Pass	Trigger Subtrigger: Delinquency Trigger



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Stefania Perrucci founded New Sky Capital last year and is the Philadelphia-based firm's CEO. Perrucci, responding to questions by email, noted that many institutional investors raw from the recent credit cycle and the debacle in structured securities have returned to what she describes as "ABC investing." Despite a lack of empirical data proving large firms can provide good returns in the current market, "the lure of large managers' brand name and size has often provided market players and/or decision makers — even the government when it comes to PPIP, with a psychological comfort," she noted. The sell for small firms such as New Sky is a "capacity to produce compelling risk-adjusted returns; that is our deliverable, pure and simple," she wrote.

New Sky's size brings "invaluable cultural advantages of result-driven accountability, alignment of interests, responsiveness, innovation, as well as client-focus," she added. In contrast, larger managers often take a more traditional approach to investing in order to generate enough volume to

**Stefania Perrucci**

justify their low-fee revenue model, she wrote.

Perrucci, who has more than 12 years investing experience, including eight years at **Morgan Stanley**, wrote that New Sky is currently focused on distressed mortgage assets and nominal and real rates, cash and

derivatives for high net-worth individuals, and institutional clients. Citing the nature of New Sky's client base, she declined to disclose a dollar value for assets under management.

James Finkel's firm, **Dynamic Credit Partners**, is somewhat more established than both TTM and New Sky. Finkel, who is Dynamic's ceo, helped start the New York-based firm in 2003 and began investing in 2004 with roughly \$30 million in capital. Finkel, who has more than 22 years of structured-finance experience,

previously headed the European CDO team at **Deutsche Bank**. Dynamic Credit manages roughly \$5 billion and focuses on the advisory business and distressed investing.

Finkel said Dynamic Credit would continue to focus on distressed debt for its asset management business, but as the advisory side of that sector wanes he would look at other areas

outside the "asset-backed world," such as exotic derivatives involving interest rates, foreign exchange and credit-linked notes. He noted that the current crisis has given rise to more start-up advisory firms because people lack the capital to start asset management firms. "You can have the best ideas, but if you can't you raise the money you're going nowhere," Finkel said.

But he said that emerging asset managers can find success by reinforcing and building "solid

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—Robert Flowers, a co-founder and partner at TTM Capital

**James Finkel**

relationships with a core group of supporting investors," which will allow managers to "establish a track record and build it out from there."

However, he warned that continued fallout from the financial crisis is likely to fuel more consolidation in the asset management sector. "We're going through a monumental period of transition," Finkel said. "I think what a lot of people don't realize is it's kind of like the tremors after an earthquake. The tremors are still reverberating through the asset management sector now, and will do so for some time."