Pop

Mass media is starting its hedge fund fixation led by Tom Wolfe

BY CHRISTOPHER GLYNN | Talk about crude but effective. The intro to the Tom Wolfe article on the Big Apple hedge fund scene is like a pie in the face gag.

"What is it that makes these people so angry and nasty?" goes the setup. "These people," are the nouveau hedge fund rich—and they're primed for reductive treatment, Wolfe-style. They are, according to Wolfe, charm-less, hand-over-ham-fisted and "possessed by a previously unheard of status fixation." For the rest of the 7,400-word piece, we're treated to one anecdotal character study after another. Yet few of "these people" are named in the article. As a result, the write up is a seemingly fictive, vague hodgepodge of people we might or might not recognize but who nonetheless, according to Wolfe, deserve to be frowned upon.

The article, published last month, wouldn't have hurt so much if, in considering the source, the writer wasn't the modern-day commentator-of-choice on moneyed life. But Wolfe wrote *Bonfire of the Vanities* and *The Electric Kool-Aid Test*, so a lot of people probably took his cheap shot as gospel. And, let's face it, the likelihood that pop culture in general was already lining up with Wolfe in this perception of the industry and the people who work in the industry was high to begin with. Except now, it's getting articulated.

"It's ridiculous," Timothy Sykes says.

Sykes is the twenty-something behind Cilantro Fund Management. Since launching with the money made off his bar mitzvah, Sykes has become a talking head for the industry, with a recurring spot on CNBC and a featured role on the *Wall Street Warriors* reality series. He's now working on a book tackling what he called a popular media-generated bad rap put on the asset class.

"The overarching theme of it is how the industry is portrayed as being," Sykes says, "which is utterly absurd, but the media doesn't know any better."

The pop culture portrayal of the industry, he says, is geared toward the snippet and sound-bite.

"You hear [a lot of coverage dedicated to] someone who poked a whole through a painting," Sykes says, referring to the coverage devoted to the accident where billionaire Steve Wynn put his elbow through a Picasso painting that hedge fund titan Steve Cohen wanted to buy. "The media jumped on that."

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But that's just the sort of stuff of pop culture legend.

From film to footwear, from *For Dummies* to HBO—the hedge fund as pop act took root in 2006.

As the industry swelled well beyond the trillion-dollar point, a *New York Times* story that December proclaimed 2006 as the year the hedge fund had become a mass culture phenomenon and not just the "lightly regulated, secretive investment pools" described by the newspaper in every story it did on the asset class.

The villain in the 2006 installment of the James Bond franchise ran a hedge fund. The "Love isn't like a hedge fund" episode of *All My Children* aired on daytime T.V. For prime time, a *Crossing Jordan* character pointed out that, "Honey, shady is kind of the definition of hedge fund." Then came the Hedge Fund, a Kenneth Cole shoe that sold for $119.98—clearance price. The plebe set got its own hedge fund how-to book in October with *Hedge Funds for Dummies*. HBO revealed the creator of its hit show *Entourage* was working on a series based on a manager.

Then in March, the industry got awarded that pop culture staple that proved once and for all it had arrived: its own offensive slogan novelty T-shirt. You can buy the "F!@# Me, I'm a Hedge Fund Manager" shirt in indigo blue for $36 online. (I am thinking of doing an investigative story to test the effectiveness of the shirt when worn while bar-hoping in New York on a Friday night—on the company dollar, of course.)

The hedge fund has become the new pop culture cliché for "fast money." In the 1980s, it was corporate raider in the movie *Wall Street* and bond-trading "Master of the Universe" Sherman McCoy, the protagonist in the Wolfe classic *Bonfire*. The 1990s gave us the dotcom boom, as well as the legend of the day trader.

"It's got all this mystique built on the idea that people in the industry earn a ton of money by

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Hedge Fund Performance by Strategy

Last 12 Months Through March 2007 by Percent Return

This chart displays the last 12 months of the aggregate performance of hedge funds through March 2007, according to HedgeFund.net-PerTrac Universes, a feature of PerTrac Online. The data below presents select strategies. HedgeFund.net-PerTrac Universes charts the aggregate performance of a total of 33 different hedge fund strategies.

	Mar 2007	Feb 2007	Jan 2007	Dec 2006	Nov 2006	Oct 2006	Sept 2006	Aug 2006	Jul 2006	Jun 2006	May 2006	Apr 2006
All Funds	0.81%	0.65%	1.17%	1.62%	1.78%	1.65%	0.01%	0.84%	-0.18%	-0.42%	-1.69%	1.83%
Convert. Arbitrage	1.56%	1.09%	1.34%	1.62%	0.87%	0.60%	0.96%	0.94%	0.77%	0.26%	0.92%	0.65%
CTAs	-1.52%	-0.77%	0.61%	0.21%	2.81%	1.57%	-1.03%	0.27%	-1.77%	-1.40%	-0.74%	4.04%
Distressed	1.79%	1.42%	1.67%	1.61%	1.66%	1.70%	0.42%	0.92%	0.00%	-0.04%	0.66%	1.76%
Emerging Markets	2.16%	1.43%	1.02%	3.56%	3.49%	2.94%	0.27%	2.18%	1.08%	-1.24%	-4.48%	4.39%
Event Driven	2.06%	1.09%	1.99%	1.71%	1.58%	2.29%	0.22%	1.22%	-0.58%	-0.23%	-0.93%	1.39%
Fixed Income	0.58%	0.95%	0.75%	0.99%	1.00%	1.10%	0.44%	0.67%	0.76%	0.13%	-0.07%	0.71%
Fixed Income Arb.	0.54%	0.97%	0.64%	0.98%	0.56%	0.80%	0.41%	0.53%	0.84%	0.29%	0.44%	1.10%
Fund of Funds	0.92%	0.78%	1.23%	1.72%	1.76%	1.53%	-0.19%	0.59%	-0.15%	-0.59%	-1.91%	1.73%
Long/Short Hedged	1.27%	0.62%	1.32%	1.71%	2.00%	2.06%	0.18%	1.11%	-0.48%	-0.58%	-2.69%	1.71%
Macro	0.48%	-0.03%	0.62%	1.49%	1.86%	0.85%	-0.53%	0.42 %	0.09%	0.10%	-1.24%	2.12%
Mark. Neutral Equity	0.65%	0.38%	0.66%	1.19%	0.37%	0.69%	-0.05%	-0.14%	0.40%	0.25%	-0.40%	0.87%
Risk Arbitrage	0.67%	0.59%	1.87%	1.35%	0.93%	1.36%	0.52%	0.58%	0.45%	0.53%	-0.21%	1.15%
Short Bias	0.24%	1.31%	3.47%	0.97%	-1.69%	-3.60%	-1.98%	-2.00%	2.01%	0.52%	3.47%	-0.05%
Technology Sector	0.70%	0.39%	0.49%	1.30%	1.78%	0.88%	1.15%	2.85%	-2.66%	0.36%	-4.52%	0.65%
Value	1.21%	1.03%	1.35%	2.23%	2.01%	3.02%	0.81%	1.68%	-0.91%	-0.36%	-1.85%	1.78%

About HedgeFund.net-PerTrac Universes and PerTrac Online

HedgeFund.net-PerTrac Universes are available through PerTrac Online, an advanced tool for hedge fund analytics available exclusively to registered users of HedgeFund.net. The Universes provide a three-dimensional view of HedgeFund.net's hedge fund performance indices. Detailed percentile rankings are calculated each day for each of 33 investment strategies. The results are presented in easy-to-use tables and graphs. Alternative Universe provides monthly, yearly, and sector-focused views of PerTrac Online aggregate data on a rotating basis.

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playing this dangerous, risky game no one can understand," Sykes says. "Over the long-term, once the hedge fund industry is the new mutual fund industry, the mystique will be gone."

That lack of understanding is fueling Wolfe and pop culture in general in an "attack" on the asset class.

"He's using social gossip, SEC filings and creating caricatures of people," Sykes says. "There is a lack of information, he doesn't understand."

Instead, "these people" are bent on using their money not to buy into the genteel world known to Wolfe, but act out in a way unacceptable to that world. It is interesting to point out that, in his story, Wolfe did not cast any analysis on the impact of the asset class on the financial market or economy.

Then again, why would pop culture be interested in doing something like that?

"The negative perception does bother me, but it's all due to misunderstanding," Sykes says. "The industry will continue to grow."

Or maybe it won't.

Author Daniel Gross did a "coming hedge fund apocalypse" story that detailed his rationale for believing the jig is up. The Fortress Investment Group IPO, the "everybody and their mother is getting into the business" latecomer act and the migration of the early adapter are among the criteria Gross used. But the arrival of pop culture is just as good a sign, he wrote.

"If there's one group of businesspeople that is even slower on the uptake when it comes to hot trends than politicians, it's Hollywood executives," he wrote.

In 2000, Fox rolled out *The $treet*. In 2005, ABC did a real estate sitcom, *Hot Properties*. After public sympathy for equity and real estate tanked, Gross pointed out, so did each show.

"In the late stages, the investment craze crosses over into the broader consumer culture," he wrote.

At any rate, the nature of the industry is making it fodder for Wolfe and the like. In a video attached to his story, Wolfe pointed out he is a fan of "highly realistic fiction." Based on his piece, it would seem the asset class is a reservoir for that.