

## Top Hedge Fund Managers Do Well in a Down Year



The financial crisis may have turned much of Wall Street's wealth into dross, but a select group of hedge fund managers has managed to maintain a golden touch that might make King Midas blush.

As major markets and economies careened downward last year, 25 top managers reaped a total of \$11.6 billion in pay by trading above the pain in the markets, according to an annual ranking of top hedge fund earners by Institutional [Investor's Alpha magazine](#), which comes out Wednesday.

James H. Simons, a former math professor who has made billions year after year for the hedge fund Renaissance Technologies, earned \$2.5 billion running computer-driven trading strategies. John A. Paulson, who rode to riches by betting against the housing market, came in second with reported gains of \$2 billion. And George Soros, also a perennial name on the rich list of secretive moneymakers, pulled in \$1.1 billion.

Of course, their earnings were not unscathed by the extensive shakeout in the markets. In a year when losses were recorded at two of every three hedge funds, pay for many of these managers was down by several million, and the overall pool of earnings was about half the \$22.5 billion the top 25 earned in 2007.

The managers' compensation, which was breathtaking in the best of times, is eye-popping after a year when hedge funds lost 18 percent on average, and investors withdrew money en masse.

Government scrutiny, over Wall Street pay and the role all kinds of institutions play in the financial markets, is also mounting. Hedge funds are facing proposals for new taxes on their gains, and on Tuesday, Treasury Secretary Timothy F. Geithner said he would seek greater power to regulate hedge funds.

Some people on the list disputed Alpha's calculations, which are estimates that include the increase in value of personal investments the managers made in their funds. But none offered different values for their bonuses or the soaring wealth in their funds.

To make the cut this year, a hedge fund hotshot needed to earn \$75 million, down sharply from the \$360 million cutoff for 2007's top 25. Still, amid the financial shakeout, the combined pay of the top 25 hedge fund managers beat every year before 2006.

"The golden age for hedge funds is gone, but it's still three times more lucrative than working at a mutual fund and most other places on Wall Street," said Robert Sloan, managing partner of S3 Partners, a hedge fund risk management firm. "But this shouldn't pop up on the greed meter. They made money. That's what they're supposed to."

In an interview, Mr. Paulson -- whose lofty 2008 earnings were down from the \$3.7 billion that Alpha estimated he earned in 2007 -- said his pay was high in large part because he is the biggest investor in his fund. In fact, he said he receives no bonus. The pensions, endowments and other institutions that invest in his fund do not mind the hefty cut of profits he and his team take, he said.

"In a year when all their other investments lost money, we're like an oasis," Mr. Paulson said.

"We have investors who were invested with Madoff, and they can't thank me enough," he added, referring to the disgraced financier Bernard L. Madoff.

Even as the spotlight intensifies, these hedge fund managers and others who made it through last year with cash on hand are the sort of investors the federal government hopes will step in and buy troubled assets from banks. The richest managers are also in the best position to take advantage of the distressed environment to build their wealth.

"The guys who own the future are the guys like John Paulson and the others on the Alpha list," said Keith R. McCullough, the chief executive of Research Edge, a firm in New Haven that provides trading analysis for hedge funds. "Ironically enough, we're going to go beg for capital from the very people we've been trying to vilify." Mr. Paulson, though, said he did not plan to participate in the new public-private investment program.

One hedge fund manager on the list, Paul Touradji, said he understood the public outcry against people who are paid regardless of whether they earned money for their clients. "Wall Street should get paid only when they reward their clients," he said. "For every dollar we made, our clients earned multiples."

Mr. Touradji, \$140 million richer than in 2007, according to Alpha, said he gave his investors advice by sharing strategies -- something rare in the black-box hedge fund world. Last year, for instance, he spotted the commodities bubble early and warned his investors, which include pension funds and endowments, to reshuffle their other holdings, saving them from losses.

Some hedge funds made so much that they had two people on the list. While Mr. Simons of Renaissance Technologies landed the No. 1 spot, one of his partners, Henry B. Laufer, is also on the list with earnings of \$125 million.

A spokesman for Mr. Simons declined to comment.

John D. Arnold, an energy trader in his early 30s who was third on the list, with \$1.5 billion, did not respond to a request for comment. A spokesman for George Soros, Michael Vachon, said his boss gave away more than half his earnings in 2008. A spokesman for Raymond T. Dalio, who is said to have earned \$780 million, said his boss had made so much money because he anticipated the crisis.

Two of the three managers who tied for ninth, at \$250 million, are based in Britain: David Harding of Winton Capital and Alan Howard of Brevan Howard Asset Management. A second employee of Brevan Howard, Christopher Rokos, also made the list.

Mr. Harding, who runs Winton, said his success last year was part luck, part knowledge from 25 years of hard work in which he often struck a solitary path in a type of trading that had many naysayers. "It is nice to have a golden life and a purpose to engage in, a reason to go to work," said Mr. Harding, who doubted that many people would be willing or able to do his job. "Obviously I wouldn't have set out to be a futures trader if I hadn't wanted to make a lot of money."

John R. Taylor, the third hedge fund manager who tied as ninth on the list, said even winning hedge funds should acknowledge that they had benefited from the government's bailout of the banking system. "Thank God for the government, because if they hadn't intervened, we wouldn't have had anybody to trade with," said Mr. Taylor, who has run his currency fund, FX Concepts, since the 1980s.

But he said he was not grateful to be on Alpha's list, which he said overestimated his pay by a multiple of five. The last time he received lots of publicity, Mr. Taylor said, was in 1993, and that preceded his worst year ever.

"This is bad luck with the trading gods," Mr. Taylor said. "We're doomed next year if you write about us."