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FrontPoint To Spin Off Largest Remaining Hedge Fund

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FrontPoint Partners will spin-off the largest of its three remaining hedge funds, leaving the once-US\$7 billion firm managing a relatively trifling amount of money.

Greenwich, Conn.-based FrontPoint is in final negotiations over the departure of the FrontPoint-SJC Direct Lending Fund's management team and that fund's transfer to a new firm founded by manager Stephen Czech, *Pensions & Investments* reports. The \$1.1 billion fund, which accounts for the lion's share of FrontPoint's remaining assets, has already dropped the firm's name from its own, Czech told clients on Friday.

The Direct Lending Fund debuted in January with a six-year lockup, and was one of just four hedge funds that FrontPoint kept open after deciding to liquidate most of its offerings in May. Last month, it agreed to sell one of those funds, its \$180 million Strategic Credit Fund, to MatlinPatterson.

The spin-off of the Direct Lending Fund will leave FrontPoint with only its Quant Macro and Rockbay funds.

FrontPoint had been inundated with redemption requests following the revelation that its lead healthcare hedge fund manager, Joseph Skowron, had been implicated in an insider-trading scandal. But Skowron's quick firing did little to assuage investors, and appears to have doomed a firm only recently spun-off itself from Morgan Stanley.

Skowron pleaded guilty to fraud charges last month.

The Direct Lending Fund will move to Czech Holdings. The fund's entire team plans to leave FrontPoint's headquarters for new digs in Greenwich.