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FrontPoint Vet Rebounds with New Hedge Fund

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Stephen Czech, formerly a hedge fund manager at **FrontPoint Partners**, has opened his own firm, **Czech Asset Management**, reports the *Wall Street Journal*.

This is his fund's fourth iteration in five years. Some clients in Czech's last fund, the $1.1 billion SJC Direct Lending Fund at FrontPoint, are sticking with him. Those include Michigan's state pension fund, which has committed $250 million to Czech's newest endeavor.

Czech's track record has been strong, despite difficult career circumstances outside of his control. He began his hedge fund career in 2003 at **Contrarian Capital Management** and by early 2008 was managing about $320 million in assets. He had to quit to care for his 11-year-old son, who ultimately died of brain cancer.

After the child's death, Czech re-launched in late 2008 as **SJC Capital**, agreeing in May 2009 to sell majority ownership of the company to European investment firm **Gottex Fund Management** in exchange for access to Gottex's global client network, says the *Journal*. The fund failed to raise assets, so Gottex and Czech parted ways. In January 2010, Czech arrived at FrontPoint, owned at that time by **Morgan Stanley**.

In November 2010, regulators discovered that a healthcare portfolio manager in a FrontPoint strategy separate from Czech's had received insider information about a drug trial. That revelation triggered billions of dollars in client withdrawals company-wide. The exodus crushed FrontPoint.

Despite the drama, Czech and his team did 10 deals last year, according to the Journal, and the FrontPoint-SJC fund returned about 11% in 2011 after fees, without any leverage to amplify returns. On average, hedge funds lost 5% last year.

The new fund will lend to industrial and service companies, such as road and bridge builders, metal and chemical companies, and manufacturers of pipelines and drilling equipment, says the *Journal*. He will consider clothing and food manufacturers but will steer away from alcohol, tobacco and gambling -- for philosophical reasons -- and technology, because he says it is too volatile. Czech plans to start investing by the summer with $1.2 billion to $1.5 billion in assets. Investors tell the Journal that he has raised about $750 million so far.

By Maureen Brody