

FrontPoint's Czech to spin out remaining hedge fund in January

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Stephen Czech, who runs FrontPoint Partners LLC's remaining hedge fund, is leaving the firm with his team to start Czech Asset Management LP next month.

Czech, 48, will be managing partner and chief investment officer of the new firm, based in Old Greenwich, effective Jan. 1, he said in an email. He will take his 12-member team and the \$1.1 billion in assets they manage after investors requested that he move the fund from FrontPoint, said a person familiar with the matter who asked not to be named.

Czech was hired by Greenwich-based FrontPoint in January. The firm has lost managers and assets after Greenwich resident Chip Skowron, one of its fund managers, was accused of insider trading last year. Steve Eisman, best known for betting against subprime mortgages and for-profit schools, said he plans to launch Emrys Partners in January with three partners. Ajay Bhalla, another former FrontPoint portfolio manager, started Senzar Asset Management LLC, a health-care hedge fund, in June.

Dan Waters and Michael Kelly, FrontPoint's co-chief executive officers, didn't immediately return phone calls. Czech's departure was reported earlier Thursday by the New York Post.

Czech's SJC Onshore Direct Lending Fund I provides senior secured loans to middle-market U.S. companies with annual revenues of up to \$750 million.

SJC has secured \$750 million in commitments for a second fund, the Onshore Direct Lending Fund II, which it plans to open in May, according to the person. An undisclosed investor is putting up \$250 million of that amount, with the balance coming from an unnamed asset manager, according to the person.

Investors pulled money from FrontPoint after allegations last year that Skowron, a co-portfolio manager, traded on insider information.

Firm-wide assets fell to \$4.5 billion in January from \$7 billion in November 2010. Skowron was sentenced to five years in prison last month.