THE WALL STREET JOURNAL.

Private Money: The New Financial Order; The Atlas Of New Money; Awash in cash, hedge-fund moguls from Greenwich to Hong Kong reshape the world of wealth; A penchant for polo

Ianthe Jeanne Dugan and Anita Raghavan. **Wall Street Journal**. (Eastern edition). New York, N.Y.: Dec 16, 2006. pg. A.1

LAST WEEKEND, the biggest holiday attraction in wealthy Greenwich, Conn., kicked off: the spectacular light show at the waterfront home of Paul Tudor Jones.

Every year, Mr. Jones, the well-known manager of a $15 billion hedge fund, decorates the house and surrounding trees with tens of thousands of lights. The mansion resembles Tara from "Gone with the Wind." Drivers passing by can tune their radio to a station that plays synchronized Christmas music. Off-duty police officers hired by Mr. Jones direct traffic.

Mr. Jones is famous for his Christmas parties, too. A few years ago, his party featured the Rockettes. Mr. Jones and his family then typically board his private jet and head off on vacation -- to a property he owns in Zimbabwe one year, a rented estate in Australia another.

But in Greenwich it is possible to keep up with the Joneses. In early July, Ray Dalio, the head of Bridgewater Associates, which manages $150 billion in hedge funds and other investments, held a fund-raiser for a charity formed six years ago by his son, then 16, to help sick children in Chinese orphanages. It featured the Allman Brothers band, singer Bonnie Raitt and saxophonist Branford Marsalis playing for an audience of a few hundred people. Guests then joined in a silent auction for a chance to golf with Bill Murray, vacation on a yacht in Majorca and stay in a Manhattan townhouse. The event raised $1.2 million -- more than a quarter of which came from managers of hedge funds.

Greenwich is just one place that is being transformed by a global explosion of extravagance from the newest masters of the financial universe: hedge-fund moguls.

In London, the hedge-fund boom has transformed the posh Mayfair section, historically known as a reservoir for old money and home to the British establishment. At Morton's, a private club on Berkeley Square, newly-minted hedge fund traders routinely order bottles of wine costing as much as $8,000 a piece. In Hong Kong, big U.S. hedge funds have parachuted in, driving up office rents, spurring the opening of restaurants and bidding up the market for Chinese contemporary art. In Sydney, Australia, Mr. Jones recently paid roughly $5.5 million for a hillside home in a beach-side suburb.

Just as the hedge-fund industry is remaking the global economy, so too is it remaking the world of wealth. A surge of money is reshaping these wealthy communities as drastically as did the dot-com boom of nearly a decade ago or the wealth of such industrial icons as Rockefeller and Carnegie did a century ago. In less than a decade, hedge funds have created a class of centimillionaires. Lightly regulated, with a propensity for high risk, hedge funds have drawn wealthy investors and institutions looking for bigger paydays than they can get from stocks and bonds.

The roughly $1.2 trillion controlled by the world's 8,000-plus hedge funds is dwarfed by the $10 trillion in U.S. mutual funds, which are regulated and make their investments public. While mutual funds generally charge fees of 1% or 2% of assets, hedge-fund managers typically add on an additional 20% or more of any profit. Last year, according to Hedge Fund Research, hedge funds returned 9.3% on average. The top 26 hedge-fund managers last year received pay averaging $363 million -- up 45% from 2004, according to Institutional Investor's Alpha magazine.

The competitiveness of the trading-room floor has turbo-charged this new-money culture, triggering a global spending spree on three continents. Hedge-fund managers are one-upping -- and in some cases infuriating -- wealthy neighbors with over-the-top parties, massive homes, fast cars and museum-quality art collections. And in the borderless world of global finance, hedge-fund tycoons' spending is creating a global culture of wealth that looks alike wherever they spring up. London hedge-fund managers give the same type of glitzy charity galas featuring rock musicians as do their counterparts in Greenwich. They flock to hip clubs and the trendy restaurant Nobu in New York and hip clubs and Nobu in London. And everywhere, it seems, there is a rush to play polo.

With the advent of computerized trading, hedge funds can now operate anywhere and such places as Singapore and the Channel Islands of Jersey and Guernsey are vying to become hedge-fund centers. Greenwich, London's Mayfair, Hong Kong and Sydney have taken the lead, drawing defectors from the big financial firms nearby and offering wealthy enclaves with good restaurants and clubs.

Like other booms, this one could bust. Hedge funds have returned about 11% this year -- down from more than 31% in 1999, according to Hedge Fund Research, a Chicago firm. In Greenwich, Amaranth Capital collapsed recently, laying off more than 300 and an additional 26 in its London office. A recent CB Richard Ellis report on London's real- estate market warned that hedge funds were willing to pay top rents but were risky tenants, given the numbers of funds that go out of business and looming new regulation that could shake up the industry.

THE STREETS OF MAYFAIR, to the east of London's Hyde Park, are lined with elegant town houses that centuries ago housed nobility like Lord Sandwich. Today, hedge funds have moved in. And Mayfair's fine restaurants, venerable art dealers and storied social clubs like Annabelle's, once the exclusive stomping ground of young royals and their glamorous friends, are frequented by young traders, casually clad in cashmere sweaters, jeans and Italian cotton shirts.

A particularly popular office address: One Curzon Street, a six- story glass-front building that once housed MI5, Britain's domestic intelligence service. The building is dubbed "Hedge Fund Hotel," for the tenants, who collectively control more than $25 billion in assets. Another building largely occupied by hedge funds -- 25 Hanover Square -- recently fetched GBP 100 a square foot in rent, or about $200, among the highest office rents in the world.

Many funds set up shop in Mayfair because their managers were leaving investment banks such as Goldman, Sachs & Co. and Credit Suisse that were based in the City, London's main financial district, or in the newer financial center Canary Wharf. Mayfair was close to their homes in ritzy West London. The neighborhood's period buildings also projected an image of stability important to hedge fund start- ups.

Just four years ago, the U.S. had 86% of total hedge fund assets. Now, it has only about 60%. London today is the second-largest hedge- fund center, with 90% of all of Europe's hedge-fund assets. Australia is home to a quarter of Asia-Pacific hedge-fund assets.

As in Greenwich, charity is a prime showcase for hedge-fund wealth. In early May, 1,000 hedge-fund traders and their coterie of bankers, accountants and lawyers gathered at London's stately Marlborough House for a bash benefitting disadvantaged children. As guests dressed in black tie and evening gowns strolled down a boulevard-like path, they were joined by a 42-ton mechanical elephant, the creation of some French theatrical magicians. Inside, acrobats did somersaults, diving into fish tanks as Elton John performed. A total of GBP 18.4 million, or roughly $36 million, was raised that night as traders bid on a Damien Hirst painting, yoga with the singer Sting and a guitar lesson with Chris Martin of the rock band Coldplay.

The trappings of hedge-fund wealth also were on full display at a party manager Noam Gottesman held this summer. Several guests arrived at his home in the English countryside in helicopters. There was an old-fashioned ferris wheel, a hot-air balloon and an electronic arcade with more than two dozen games.

John Saumarez Smith, who runs a bookstore on Curzon Street, says that as the holidays approach, traders venture into his shop, stacked from floor to ceiling with new and old books. For those looking to spend $600, Mr. Saumarez Smith will suggest a set of books. He says he often is rebuffed because the traders complain the books don't look "nice" or aren't leather. "They are just looking for something flash- looking and that costs a lot," he says.

Hedge-fund managers also are flocking to polo, long the preserve of England's upper crust. "Without hedge-fund managers, polo would be a much quieter sport," says Jack Kidd, a well-known English polo player who sold his polo farm to Moore Capital's Louis Bacon. "They are the ones pumping money into it right now."

Exhibit A is the Fifield Polo Club. In the pantheon of polo, Fifield is many leagues below Guards Polo Club, where Prince Charles and other royals play professional "high-goal" polo.

Still, John Wentzell, a trading manager at hedge-fund firm Man Financial, has vaulted Fifield's fortunes, giving the club nearly $20,000 for a digital scoreboard emblazoned with a big blue "Man" and a 50-seat grandstand carrying the Man logo. Playing polo "is a total adrenaline rush," Mr. Wentzell says. It also is a "cheap way of advertising to a select group of people."

The new money also is washing over the art world. A section at London's Tate Modern art museum -- showcasing a collection of surrealist works by, among others, Salvador Dali -- now bears Mr. Gottesman's name. British hedge-fund owner Michael Hintze and his wife Dorothy gave $3 million to the Victoria and Albert museum to display sculptures made by British artists or acquired by British patrons.

Mr. Hintze, a former Goldman executive, says the giving by successful hedge-fund managers is no different from the philanthropy of previous eras. "If you look at the 19th century, you have the Carnegies and Lord Shaftesbury," he says. "People always give."

OVERLOOKING HONG KONG'S harbor, in the center of the city's bustling business district, sits a towering office building largely occupied by hedge funds and the financial firms that cater to them.

Hong Kong's hedge-fund industry is still young. As interest in China has exploded, hedge funds have stampeded in. "All the big boys have come in over the last year," says Jennifer Carver, chief executive of Oria Capital Ltd., which invests money in hedge funds on behalf of clients. When Oria recently signed its new office lease, the rent jumped 60%. Most rents have doubled, partly the result of U.S. hedge funds such as Citadel Investment Group and Och-Ziff Capital Management Group taking up significant space, Ms. Carver says.

Their arrival is drawing a wave of new restaurants and clubs. Nobu is set to open its doors in Hong Kong this month. Last month, French chef Joel Robuchon opened one of his L'atelier restaurants in Hong Kong.

Then there is the posh M1NT Club. Last month, about 150 members of Hong Kong's hedge-fund elite gathered for an auction at the club, where members can order an Aston Martin off the regular cocktail menu for 2.3 million Hong Kong dollars, or about $300,000.

Against the club's back wall was a huge water tank replete with swimming reef sharks. In front of the tank were arrayed the auction items. They raised $90,000 for a charity focused on children and education.

Hedge funds are a factor in the feverish market for Chinese contemporary art. "A lot of that is driven by the offshore financial community, recently enriched, who are interested in putting distinctive trophy art on their walls," says Michael Nock, who runs Doric Capital, of Hong Kong, with assets of about $400 million.

Activity in Asia is stirring action in Australia, where assets controlled by hedge funds have tripled in three years to about $26 billion. Mr. Jones recently opened an Australian outpost. Private- money managers "are buying vineyards, they rent islands, they hang out at art auctions," says Les Fallick, managing director of Principle Advisory Services, an Australian investment consultant. "They're at the Ferrari dealers with their billfolds out while the rest of us are outside with our noses pressed up against the window."

Still, Australian hedge-fund managers say they are dazzled by their counterparts in the U.S. Kim Ivey, managing director of Vertex Capital Management, says it took him nearly six years to raise

$200 million. He says: "We are astounded to hear that people in New York are raising $200 million right out of the box."

When he visited investors in Greenwich recently, he was amazed to see the giant houses of hedge-fund managers springing up along the roads. "It has not hit Australia like this yet," says Gary Johnston, the head of Axiss, an economic-development agency. "Here, many hedge- fund managers are still on the beach with laptops."

The wave is coming. Several private-fund managers, including a handful younger than 40, have managed enough money to have catapulted onto the "rich list" tallied each year by Australian business magazine BRW.

Among those on the list are brothers Richard and Angus Grinham, both in their mid-30s, who run a fund that invests in hedge funds. BRW estimates their net worth leapt to about $187 million in a year from $31 million. The Grinham brothers declined comment.

Also on the rich list is 39-year-old Paul Evans, a British partner at Ironbridge, a private-equity firm. Coming from a long line of coal miners, Mr. Evans acknowledges he is richer than he ever imagined. "Sometimes, you just have to pinch yourself," he says.

GREENWICH LONG HAS BEEN a wealthy community of country clubs, rich private schools and old estates of robber barons and industrial pioneers. This is where George H.W. Bush grew up and the chiefs of Colgate-Palmolive Co. and PepsiCo Inc. live. Thirty miles from Manhattan, it is home to numerous Wall Street titans.

Increasingly, however, Greenwich is defined by its private-money crowd, distinctive in their hedge-fund uniform -- a blue open-collar shirt and khaki pants. About 6% of the world's $1.2 trillion in hedge- fund assets is managed out of Greenwich. Several hundred top private- fund managers live here, including Steven Cohen of SAC Capital Management, Phil Duff of Frontpoint Partners, Barton Biggs and Mario Gabelli. When former Securities and Exchange Commission Chairman Richard Breeden recently opened a hedge fund, he chose Greenwich.

Traders tend to grab lunch at their desks, but on summer nights, many converge for drinks on the waterside deck at L'Escale, a restaurant in the swank Delamar hotel -- years ago, under different owners, a hot-sheets hangout where rooms rented by the hour. Once a month, a club of hedge-fund investors called the Greenwich Roundtable meets at the Bruce Museum to brainstorm about investment ideas and economic trends.

Students vie for slots at the town's private schools, including Greenwich Academy, but some financiers send their children to public schools. When Greenwich High School, a public school that houses many children of hedge-fund managers, recently built a new athletic field, a third of the money was raised privately.

Greenwich is a melting pot of veterans of major New York banks, along with some from academia and smaller brokerage houses. The town of 61,000 became a hot spot because many managers leaving Wall Street for the hedge-fund world already lived there -- and Connecticut's tax structure is viewed as more favorable to hedge funds than that of New York.

By paying top dollar for what they want, hedge-fund managers have taken over much of the commercial space in Greenwich and have driven up housing prices. Even as the number of houses sold in Greenwich fell 10% this year overall, super-luxury home sales have increased. Already this year, 69 homes have sold for more than $5 million -- topping last year's number, according to David Ogilvy & Associates, a Greenwich real-estate firm. About 50 homes in Greenwich currently are on the market for more than $10 million.

The influx of new money is creating tension with some old-timers. "They have come in, made huge amounts of money, built McMansions," says Stephen Wells, a retired consultant who says his family arrived in the Greenwich area before the Revolutionary War. "They feel they are entitled. Everybody in Greenwich has made a lot of money. But they are making more."

Mr. Dalio, who threw the bash for his son's charity, admits he likes a good party, but he says he shuns flashy cars and mansions. He says he dislikes the 30,000-square-foot homes springing up where historic Greenwich homes used to be. "Yuck," he says. "Why not flash diamonds, too?"

Polo is big here, too. Laurence Austin, who moved his Endeavour Capital to Greenwich after the Sept. 11, 2001, terrorist attacks, joined the Greenwich Polo Club, where he is among an exclusive group of patrons that fund teams and play polo. A patron's stable consists of anywhere from a dozen to 60 of the world's finest horses and costs tens of thousands of dollars to maintain. In the past three years, investment managers have bought three of the club's seven teams.

Hedge-fund managers also have driven a bull market in art. They spent nearly $4 million on average on fine art in the 12 months ended in the first quarter, according to a new book, Fortune's Fortress, which surveyed 294 hedge-fund managers with an average net worth of $197.4 million.

SAC's Mr. Cohen recently paid $137.5 million for de Kooning's "Woman III" oil painting purchased from entertainment titan David Geffen. Last month, he had bought another de Kooning from Mr. Geffen for $63.5 million. Mr. Cohen's collection is regarded as one of the most valuable in the world, with paintings ranging from Jackson Pollock to Manet. He also owns a controversial work by Damien Hirst of a shark suspended in formaldehyde. The boom now is spilling out of Greenwich. A little further up the New England Thruway lies a neighborhood of Norwalk known as Rowayton. Sitting on Long Island Sound, it has a population of about 4,000. Artists once dominated; now hedge funds have crowded in. One is based in a massive estate called Rockledge. Its granite Tudor-revival mansion was built at the turn of the 20th century for James Augustus Farrell, a steamship magnate and later head of U.S. Steel. In the 1940s, it was sold to Remington Rand, which developed the first commercial computer at the site. The mansion recently was sold for $17.3 million to hedge fund Graham Capital Management, with $5 billion in assets and 150 employees. Graham's founder, Kenneth Tropin, sank an additional $10 million into a renovation. The complex has a gym, a cafeteria and a big trading floor. Upstairs in the mansion is a game room and bar, where the firm has "happy hours" for employees. Mr. Tropin lives nearby in a mansion once owned by Thomas J. Watson, former chairman of International Business Machines Corp.

The hedge fund's chief financial officer, Savvas Savvinidis, commutes to work daily -- arriving by boat from his house across Long Island Sound.