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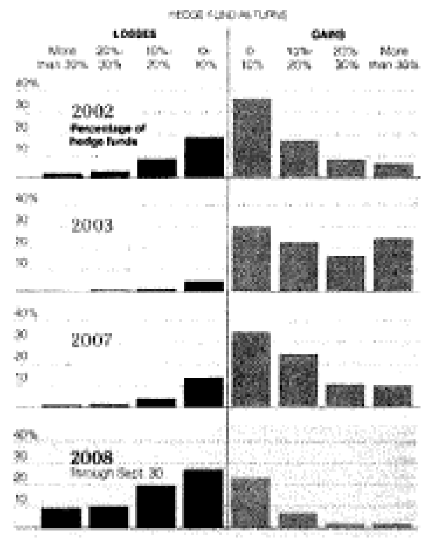
Marck Fludzinski, above, of Thales Fund Management created a fund in May that has grown to $350 million. Marc H. Malek, right, of Conquest Capital, oversees a macro fund that is up 44 percent.

more insulated from losses. But this year nearly 70 percent have lost money — a worse performance than in 2002, the previous low, and much worse than in a good year like 2003, or last year.



Source: Channel Capital Group, a unit of HedgeFund.net

THE NEW YORK TIMES

What Crisis? Some Hedge Funds Are Doing Quite Well

From First Business Page

for new places to park their money. Hedge-fund traders who make a killing are often lionized within the industry. One good year can vault a small player to the big leagues.

But with so many funds down — only one in three has made any money this year — the price of admission to the winner's circle has fallen. A showing that would have been considered dismal only a year ago is now viewed as a standout success. Traders even joke that down 10 percent is the new break-even. Actually making money is all the more rare.

"This year, anything north of 10 percent is spectacular," said Pierre Villeneuve, managing director of the Mapleridge Capital Corporation, a $750 million hedge fund in Canada that is up 18 percent.

Other funds with big winnings include R.G. Niederhoffer Capital Management; Conquest Capital Group; MKP Capital Management; the Tulip Trend Fund, run by Progressive Capital; and funds run by John W. Henry & finished down, according to estimates from HedgeFund.net, a unit of Channel Capital Group. This year, some 70 percent of hedge funds had lost money from Jan. 1 through the end of September.

To a degree, hedge funds are hostage to their stated investment strategies, and investors judge them accordingly. Funds that specialize in convertible bonds and stocks, for example, are among the worst performers this year because those markets have been hard hit in the financial crisis.

Losers include well-known traders like Kenneth C. Griffin, who runs the Citadel Investment Group, Lee S. Ainslie, head of Maverick Capital; and David Einhorn, the head of Greenlight Capital, who called attention to the troubles at Lehman Brothers before many others.

Still, funds that specialize in investment strategies that have suffered could come out looking good if they manage to post even modest gains. For instance, Exis Capital, a $150 million fund that trades stocks, is up 8 percent this year, even after the fund's management...

Sterradji Capital Management is up 11 percent even as its competitor, Ospraie Management, was forced to liquidate a large fund.

At some hedge fund companies, this year's performance is mixed. Trafalgar, a hedge fund in London, manages 10 funds. Three are down, but two — a volatility fund, and "special situations" fund — are up more than 20 percent, according to an investor.

Trafalgar declined to say what

Some managers are thriving, but they're keeping their heads down anyway.

special situations it had pounced on. Volatility funds, a category that is broadly doing well, focus on trading options and try to profit when the markets swing wildly as they have lately.

Lee Robinson, co-founder of Trafalgar Asset Managers, said ...cently, you're going to have trouble raising money," Mr. Robinson said. "The most important question is not, 'How much money am I getting back?' it's 'Do I get my money back?'"

Several managers who are doing well did not want to brag at a time when so many of their industry colleagues were struggling.

"You don't do victory laps," said Adam Stern, a partner at AM Investment Partners, whose volatility fund is up 6.75 percent this year. "It's a very sad time for a lot of people. People worked very hard, and they're losing a lot of money and net worth."

Marck Fludzinski, one of this year's winners, remembers what it was like to be a loser. Mr. Fludzinski, the chief executive of Thales Fund Management, was among the computer-loving quantitative fund managers who suffered in 2007, when his fund lost 8 percent. Investors immediately began asking for their money back, so Mr. Fludzinski shut the $2.6 billion fund and started anew.

Now his computer-driven fund, created in May, has grown to

"Don't do something that will kill you," said Mr. Fludzinski, who uses a database with 18 years of prices on thousands of stocks to try to spot patterns like the forced selling of stocks.

Marc H. Malek, a former UBS trader who manages $811 million, is up 44 percent in his macro fund. But even as new investors approach his company, Conquest Capital, the firm is also receiving redemption requests from investors who want their money back, Mr. Malek said. Investors are pulling cash from wherever they can.

A growing number of troubled hedge funds are temporarily refusing to give investors their money back by freezing their

agement, whose more famous brother, Victor, made and then lost a fortune trading, is up more than 30 percent. To predict how investors will behave, Roy Niederhoffer, who majored in neuroscience at Harvard, delves into psychological research.

But Mr. Niederhoffer does not need much research to tell him that some investors chase winners. With his fund soaring, investors are piling on. His assets under management have climbed to $2 billion, from $900 million earlier this year.

Still, Mr. Niederhoffer is not planning any celebrations.

"The greatest danger at a time like this is hubris," he said. He