Why Success Is Much Harder Now for Hedge Fund Managers

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To many hedge-fund managers, news that Stanley Druckenmiller was quitting the business symbolized the difficulty of chasing returns in such a volatile market environment.

After a wildly successful three-decade tenure running the $12 billion hedge fund Duquesne Capital Management, Druckenmiller announced his retirement on Wednesday.

In an emotionally charged letter to his investors, Druckenmiller, 57, said that while "there can hardly have been a luckier person in the world" than he, "the stress of performing in a way that I consider to be disappointing" and amid such choppy market conditions has taken a "high emotional toll."

As a result, he added, "this change is necessary."

Druckenmiller plans to shutter the fund in February, said a person familiar with the matter, and the name Duquesne will not live on under new management.

Druckenmiller, who was known for his bold bets, famously bet in 1992 that the British pound would be devalued, making about $1 billion for his boss at the time, fund manager George Soros, in the process.

The Duquesne founder's exit is "a loss for the hedge fund industry," wrote Marc Malek, who runs the New York-based Conquest Capital, which manages about $750 million, in an e-mail.

"The great ones are going one after the other," he added, "and we are left with a majority of levered beta players pretending to be hedge funds."

Since its founding in 1980, Duquesne never had a down year, according to the investor letter, a track record Druckenmiller hopes "will continue" in 2010.

But with a seesawing US stock market, a volatile currency market in which the euro has lurched down more than 10% against the dollar, and a continuing risk aversion among many investors that has led to light volumes, that may be a difficult goal to meet.

Still, some of Duquesne's investors appeared to be a bit more sanguine.

Saying there was "no animosity" toward Druckenmiller for his decision, one investor in the fund company's roughly 100-client base pointed out that "he's made everyone in the club a [ton] of money."

After so many years in the business, the investor added, Druckenmiller's desire to step down should not have come as a surprise.

"His investor base should have nothing to say to him," added the investor, "but thank you and good luck."