## Hedge fund managers really miss Mayfair: 'Money is money, but it's not the same'

Being cooped up at home has an extra sting for the slice of the finance industry that relies heavily on networking



By Tom Teodorczuk

## April 7, 2020 1:01 am GMT

Mayfair has long been the key setting for managers of hedge funds. The West End district matches the profile of many of its inhabitants: wealthy, shadowy, exclusive and discreet.

"The super-rich — the global serious money people — come from absolutely everywhere to live, work and trade in twenty-first century Mayfair," noted cultural author Peter York in his 2013 book *The Blue Riband*.

For many serious money hedgies, therefore, having to leave the West End and work from home during the coronavirus outbreak has come as a blow both to their status and how they do business. And being cooped up at home has an extra sting for the slice of the finance industry that relies heavily on networking.

"It's a nightmare," said one millionaire manager at a distressed-asset hedge fund, speaking on condition of anonymity. "I'm experiencing daily disconnection to the extent that when I got out of bed this morning, I forced myself to believe that I have always wanted to be staying in the house all day."

"Money is money, but the daily ebb and flow isn't the same," he said. "I miss catching up in [Mayfair private members club] 5 Hertford Street and at pubs in Shepherd Market."

More than 300 hedge funds are estimated to be located in Mayfair. Central to the attraction of the area is that firms can entertain clients at hotels and restaurants in the district such as The Connaught, The Beaumont, 34 Mayfair, Bellamy's and Brown's Hotel. Shepherd Market, a 400-feet enclave which runs between Curzon Street and Piccadilly dubbed "Hedge Fund Alley", plays host to four pubs alone.

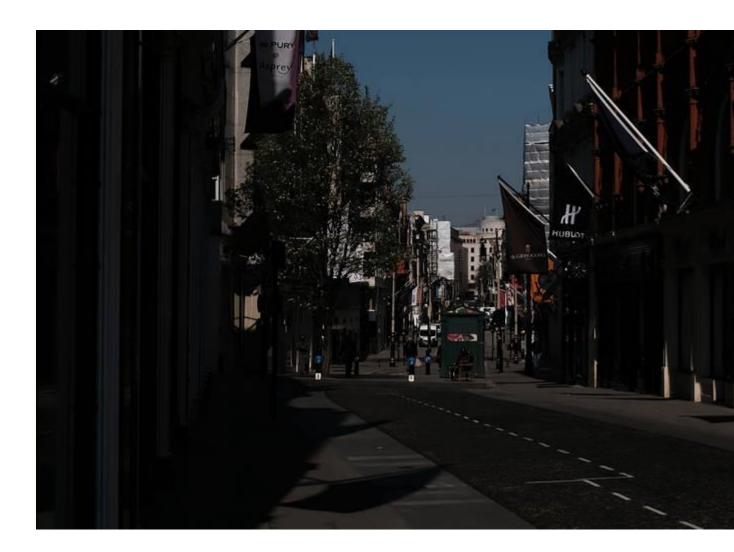
The 5 Hertford Street member said the club sent him a list of the venue's favourite food suppliers after its doors shut, but it just wasn't the same.

Others are also struggling. "It's taken all of this for me to realise how much of my business was done in the coffee bar inside the Ralph Lauren store on Regent Street," said one global macro manager.

A prime brokerage analyst said: "I can still do my job — it's just not as fun without meeting people and discussing how everyone is doing."

H2O Asset Management and Marshall Wace are among those firms which have not completely shut down their London headquarters, while all Lansdowne Partners employees are working from home.

"There are hedge funds who feel they still have to maintain a physical presence for security reasons," said another source, speaking in general and not about any specific firm. "The thought of a break-in and someone stealing precious algorithms fills firms with dread."



Long the second-biggest hedge fund centre in the world behind Manhattan, Mayfair has consistently confounded repeated rumours of its demise. Just last year, Steadview Capital Management reportedly broke the record for having the UK's highest office rent — £250 per square foot for its premises in 30 Berkeley Square. Fiera Capital and Point72 Asset Management have also recently set up offices in the area.

Chris Reeve, director of investment solutions at Aspect Capital, one of the UK's largest computer-driven hedge funds, is usually found at his office in Portman Square. His new setup is at home in a village in Hampshire, more than 80 miles away.

"Aspect is very well set-up in terms of its remote operations but it's the mobile phone reception that is the difficulty while I've been working from home," Reeve told *Financial News*. "There's no broadband in the village where I live, and the phone lines aren't great so we get our internet via microwave beamed across the fields. So far, it seems to be able to work."

While discretionary managers are missing the hustle and bustle of the hedge fund world, the social trappings seem to matter less to artificial intelligence and machine-learning asset managers.

Stock pickers at hedge funds may also be eager to get back to Mayfair at a time they hope will begin a new era for active managers, after years of dominance from passive funds and ETFs, which tracked the decade long bull market to records.

Since the coronavirus outbreak, there has been "more of a willingness to co-operate online," said Stefan Tittel, CEO of German-based AI-trading systems company RISE Wealth Technologies whose flagship AI-driven strategy is up 19% in 2020 at a time when many quant funds are suffering performance downturns. "It's been a big change happening for the better."

"Before, I was travelling every second week to New York seeing family offices," he said. Now, "you can have 20 15-minute meetings a day and online it's even more direct. It's very efficient. Additionally, there is now a higher urgency among people to explore something different around machine learning and AI. It's unbelievable."

"What is missing is unstructured communication between artist-like experts over coffee or lunch," Tittel said, using his term for financial professionals. "This has suffered a bit."

Oliver Fochler, chief executive of alternative investment adviser Stone Mountain Capital, said people were swiftly adapting to the new change. "Being physically away from Mayfair and the City turns out not to be the end of days for the hedge fund industry," Fochler said.

The pandemic will permanently change how the industry operates, said Fochler. The transformation from personal interaction, so long a critical component of how hedge funds do business, to digital interface and videoconferencing will be complete.

"Firms that used to do their interactions with clients and service providers before the crisis with in-person meetings and analogue procedures will switch towards digital and cloud-based technology," he said. "More interactions will be performed via video and online platforms."

Maybe so. But one suspects 5 Hertford Street will still revert back to being a home-away-from-home for more than a few hedge fund workers, when it re-opens its doors.

To contact the author of this story with feedback or news, email **Tom Teodorczuk**