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Yachting

# Riding The Waves

Daniel J.T. Schuker 07.20.06, 12:00 PM ET



Courtesy of NY Harbor Sailing Foundation

As if riding the ups and downs of the markets lately hasn't been exciting enough for New York's hedge funds, now they've taken their act onto the high seas.

Sailors from 17 of the city's top firms gathered July 13 in New York Harbor to match nautical skills at the third annual Hedge Fund Regatta.

The contest's outcome seems to confirm that, at least when it comes to sailing, size doesn't matter. Goldman Sachs Asset Management, the largest hedge fund manager in the world, placed third at the regatta. Meanwhile, this year's champion, Lucas Capital Management, didn't make *Institutional Investor* magazine's 2006 Hedge Fund 100 rankings.

But what Lucas lacked in size, it made up for in performance--on Wall Street and on the water. In the 12 months ending June 30, Lucas Energy, a New York-based hedge fund under Lucas Capital, outperformed the Dow Jones industrial average more than fourfold--posting a return of 39.1%, versus the Dow's 8.5%, according to investment research tracker Morningstar.

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The firms that hit the waves last week did more than just quench their competitive edge. Each company that participated in the regatta gave \$1,000 to the New York Harbor Sailing Foundation, which plans to use the proceeds to help establish a facility for a free sailing program for teenagers.

The moonlighting mariners didn't take the regatta quite as seriously as their day jobs--each crew, for example, gave a gag prize to the team that finished directly behind it.

The racers for EBS, who came in a close second to Lucas, gave two rubber chickens, two voodoo kits and a bullwhip to Goldman's sailors. The Connecticut Hedge Fund Association's team, which placed outside the top ten, took a simpler approach, offering a jar filled with the wake from behind its sailboat.

And while most of the participants had some previous sailing experience, a racing history was hardly a requirement.

"This is all new to me--I was ballast, basically," said Nicholas Underwood, who crewed Lime Capital Management's boat. The event was his first sailing race, he added.

The traffic on the racecourse at times pushed the race toward "mayhem," according to Fortress's Abe Paul. Even so, added Michael Fortenbaugh, the New York Harbor Sailing Foundation's executive director, "it was about as smooth as it could have gone." After all, these sailors were as competitive a group as it's possible to assemble for any race. They battle every day for fractions of a point, let alone a boat length.

At least some of the firms, including Lucas--which also won in 2004 and placed second last year, after Lime--went into the regatta with victory squarely on their minds.

"The key to winning was having a game plan," says Bobby Koar, who raced on Lucas' boat. "You had to know what you wanted to do and stick to it."

But that's not Lucas Energy's typical strategy on Wall Street. Morningstar categorizes Lucas Energy as a multi-strategy fund--one that rarely sticks to a single game plan.

Russell J. Lucas, co-founder of Lucas Capital and skipper on his firm's boat, says he thinks experience in hedge fund analysis actually complements his team's efforts.

"Racing sailing is all about calculating the odds and making the best of your calculations," says Lucas, an avid sailor. "It goes back into what we do all day, which is to manage risk."

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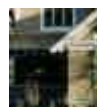
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