



WELLS FARGO BUYS FUND OF HEDGE FUNDS, IN MOVE FROM TRADITIONAL BANKING

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Wells Fargo & Company (NYSE:WFC) has made a few moves which signals that the bank is bent on shaking off its conservative business model.

In early November, Mike Niedermeyer, head of WFC's asset management business expressed his interest in buying a fund of hedge funds (FoF) with \$5-\$12 billion in AUM. It looks like he has acted on his wish, WFC acquired a 35 percent controlling stake in Rock Creek, a FoF with \$7 billion in assets under management. Rock Creek is a ten year old business that provides investors with indirect exposure to hedge funds and emerging markets.

Wells Fargo's own asset management unit oversees is worth \$450 billion, a number that Niedermeyer is looking to double in the next seven years. In a statement, Niedermeyer said that the deal has been made in the fastest growing segment of the investment business and it caters to both large clients as well as small individual investments.

Despite WFC's glowing take on the fund of funds industry, the segment has actually been under a lot of stress in the past year. The last quarter marked the sixth consecutive quarter in which clients pulled their money from such funds that invested in other hedge funds. Asset outflows amounted to \$4.4 billion in Q3 2012.

The stake in Rock Creek was bought through Wells Fargo & Company (NYSE:WFC)'s asset management unit, run by Tom Hoops, which allows companies run almost independently. Afsaneh Mashayekhi Beschloss is the founder and CEO of Rock Creek

“We will continue seeing consolidation among fund of funds, especially buyouts by larger asset managers that have large distribution platforms and can run these funds for less overhead due to synergies. Nearly every FoF out there is looking for a deal right now,” said Bob Olman, President of executive search firm Alpha Search Advisory Partners.

In April, Wells Fargo & Company (NYSE:WFC) bought Merlin Securities, a firm with 500 clients, most of whom are hedge funds. Merlin Securities provides services like, lending securities, cash management and trading facilities to the clients.

URL: <http://www.valuewalk.com/2012/12/wells-fargo-buys-fund-of-hedge-funds-in-move-from-traditional-banking/>

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