

July 25, 2005

Hedge Funds and Society: “A Glimpse of Active Social Capital”

Active Social Capital is the utilization of time, money and diligence towards fighting poverty and disease. ASC demands more than just a check. ASC measures the effectiveness of programs that are designed to treat the sick and empower the poor. Hedge funds exist to utilize multiple trading strategies (going long or short on currencies, options, futures, and other techniques) in order to produce above average returns for investors. Hedge fund managers like Chris Cooper-Hohn, Stanley Druckenmiller, Paul Tudor Jones II and Glenn Dubin have decided to place their bets on Active Social Capitalism in inner-city communities and developing nations. The hope is that hedge fund profits turned into ASC will yield above average returns against the ills of society.

| Manager | Hedge Fund Name | Assets | Investment Style | Philanthropic Vehicle |
|--|------------------------------|--------------|--------------------------------|-------------------------|
| Chris Cooper-Hohn & Jamie Cooper-Hohn (wife) | Children's Investment Fund | \$3 Billion | Multistrategy | Clinton AIDS Initiative |
| Glenn Dubin & Henry Swieca | Highbridge Capital Mgmt | \$7 Billion | Multistrategy | Robin Hood Foundation |
| Paul Tudor Jones | Tudor Investment Corporation | \$12 Billion | Macro Strategy/ Derivatives | Robin Hood Foundation |
| Stanley Druckenmiller | Duquesne Capital Mgmt | \$8 Billion | Multistrategy | Harlem Children's Zone |

London hedge fund manager Chris Cooper-Hohn who created the **Children's Investment Fund** has contributed nearly \$3.25 million dollars to former president Bill Clinton's AIDS initiative under a multi-year funding agreement. Bill Clinton's foundation is working towards the delivery of anti-retroviral treatment (ART) to 10,000 children in more than ten nations by the end of 2005¹. At present children represent one sixth of AIDS related deaths. Less than 5% of children with the disease are being treated. The CIF is the first hedge fund to tie its' foundation funding to the 1% management fees (funding = 50% of 1%) collected from investors. CIF trustees include Peter McDermott, the head of UNICEF's HIV and AIDS program. Chris and his wife, who is the active manager of the fund, are motivated to donate to Clinton because they feel that the Clinton organization, which is staffed by several former Clinton administration aids, will be effective in delivering treatment.

Famed money manger **Stanley F. Druckenmiller**, who is well known in Wall Street circles for his role as Managing Director of Soros Fund Management, joined forces with social activist **Geoffrey Canada** to create the **Harlem Children's Zone**. Canada is a Harvard educated martial artist who grew up in the Bronx during the 50's and 60's. He penned the memoir "Fist, Stick, Knife, Gun", which chronicled his experiences of growing up as a young man surrounded by violence and drugs. Canada believes that the key to fighting poverty is to address both conservative ideas that look to behavioral causes such as out of wed lock births coupled with bad parenting and liberal ideas that focus on economic disparities in schooling and job opportunities. The HCZ is focused on improving the education level, social skills and health awareness of over 6,000 youth and their families in Harlem, NY. Programs in the HCZ include a Family Support Center for new parents and the Employment and Technology Center for families. Another major initiative of the HCZ has been the opening of the Promise Academy Charter School in September 2004. Marian Wright Edelman, President of the Children's Defense Fund, said that though there are a few other good neighborhood-based programs around the country, "none are as

¹ William J. Clinton Foundation, (<http://www.clintonfoundation.org/cpf-events-features.htm>)

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comprehensive as the Harlem Children's Zone, and none of them hold as much promise."² Canada's clear vision of attacking poverty from multiple angles lead Druckenmiller to assume Chairmanship of the Harlem Children's Zone in order to ensure that funding for Canada's ideas would be managed properly.

In 1988, Wall Street traders **Paul Tudor Jones II**, a legendary commodities trader and environmentalist, **Peter Borish**, formerly Paul Tudor's right hand man at Tudor Investment Corporation and current Chairman of OneChicago, and **Glenn Dubin**, one half of NY based hedge fund Highbridge Capital Management created **The Robin Hood Foundation**. The organization is designed to look for and capitalize innovative ideas for solving poverty in New York City. The board of directors including Steven A. Cohen, CEO of SAC Capital Advisors, Jeffrey R. Immelt, CEO of General Electric, actress Gwyneth Paltrow, Geoffrey Canada, Marian Wright Edelman and others cover the expenses of the organization while 100% of donated funds are used to capitalize grass roots community development programs. One program that has benefited from the uncommon 100% donation basket is the Children's Aid Society National Adolescent Sexuality Training Center which is focused on preventing teenage girls from getting pregnant. Robin Hood also distinguishes itself from other organizations by donating first round start-up money as well as legal, accounting and management advice to kick start new projects. To date Robin Hood had donated over \$42 million to over 150 programs in NYC.

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| Shared traits of Hedge Funds Investors & Active Social Capital Contributors |
| ***The expectation of above average returns for capital investment*** |
| ***Willingness to use unconventional strategies for achieving unconventional returns*** |

Conclusion

Hedge Funds can impact society when capital meets social awareness. The Hedge Fund managers profiled here have been able to look beyond high finance to address social issues. While there is much work to be done medication, education and community rejuvenation efforts are underway. Active Social Capital that does not settle for simple check writing can foster ideas that produce healthy and prosperous contributors to society.

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² Tough, Paul, "The Harlem Project", *The New York Times Magazine*, June 20, 2004

G R E E G O R Y S. D A V I S

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