

Sky's the Limit For Skybridge After Citi Deal

By Deirdre Brennan

Five weeks ago **SkyBridge Capital** surprised the financial community with its purchase of three of **Citigroup's** alternative investments businesses. Overnight, the New York-based firm's assets under management and advisory quadrupled to \$5.6 billion, making SkyBridge the 34th largest fund of funds business in the world.

Until last month, the five-year-old firm, founded and run by **Goldman Sachs** alumnus **Anthony Scaramucci**, had been well known in hedge fund circles as a seeding firm—buying stakes in small and emerging managers—but it was hardly considered a major player in the world of asset management. The acquisition of \$4.2 billion of **Citi Alternative Investments'** assets changed all that.

But how did Scaramucci take his firm from a small hedge fund seeding shop, successfully steer it through the recession and come out on the other side strong enough to snap up assets from a bulge bracket bank? I recently sat down with the Long Island native to discuss just that, and in the process found that while running SkyBridge may be consuming the majority of Scaramucci's time, he can add the titles of author, technical adviser

on a Hollywood film, and television personality to his resume, and that's just the beginning.

Scaramucci's office is cozy and comfortable. Bookshelves line one wall housing a few framed photographs, literature and trinkets. A small, round four-person conference table sits in the middle of the room, and a painting of boxing great **Muhammad Ali** hangs next to his desk.



Scaramucci

scaramucci, sitting at the round table and peering out at a dozen or so employees in the bullpen of SkyBridge's Madison Avenue digs. "The doctrine of infallibility will sink you. In 1998, Lehman survived the Russian ruble crisis, so they thought they could survive anything."

But while Scaramucci admits to waking up every morning worrying about his firm, instead of sapping his strength, he feeds on this fear, constantly analyzing why some firms—and some

people—succeed while others fail.

"When you have a star system, you always have a falling star," he says. "You need to build a system that creates purpose. It is very difficult to infuse a purpose in a for-profit business...but some firms, like Goldman Sachs, have this right."

And Scaramucci knows a thing or two about Goldman's culture. In his soon-to-be released book, *Good-bye Gordon Gekko: How to Find Your Fortune Without Losing Your Soul*, he writes frankly about his time at Goldman Sachs—which began in 1989 when he worked as an associate in the investment banking division, a stint which ended 17 months later with him getting canned. Two months later, with the help of the boss who fired him, he landed a job in the firm's equities division, later moving to the bank's private wealth management unit, both areas much better suited to his sociable, outgoing personality than investment banking.

While a job at Goldman may be considered the brass ring for many Wall Street folks, Scaramucci found himself getting restless. He had always wanted to run his own firm, and something in his gut told him it was time to take the leap. He and his colleague—**Andrew Boszhardt**—left Goldman in November of 1996

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to found **Oscar Capital Management**, a hedge fund firm which at its height boasted \$800 million in assets under management.

“I think that part of what has made Goldman great is the ability of its best people to form a collective consciousness...The firm has thrived on its ability to create a one firm, one organization ethos,” he writes in his book. “I will confess that when I started my own firm I immediately started implementing many of the Goldman ideas as it relates to culture.”

In 2001, Oscar Capital Management was sold to **Neuberger Berman**. Scaramucci stayed with the firm through the transaction, happily working alongside his new colleagues at Neuberger Berman. But, in 2003, that firm was acquired by **Lehman Brothers** and everything changed.

“Lehman...was a place run by a small cohort that was loyal to a fault, dead-set in their beliefs about what made the company tick, and reluctant to let others in the circle,” he writes. “...when I saw the Lehman management style in action, I began thinking about my next entrepreneurial venture.” That venture turned out to be SkyBridge Capital.

Growing A Seeding Firm

Scaramucci founded SkyBridge Capital on March 7, 2005—a date he rattles off as quickly as if it was his child’s birthday. And in a sense, it is. While Oscar Capital may have been his first venture, it is evident by the way Scaramucci talks about SkyBridge that he is intent on building a lasting firm founded on solid corporate culture.

The firm’s core business—at least until its deal with Citi—was seeding new and emerging hedge fund managers. That means, instead of simply placing money in those funds as an investor, SkyBridge took an actual stake in the fund management company. The firm also provided back office support, advice, and yes, seed capital money for managers to invest. And while many alternative investment firms prefer to keep a low profile, shunning the press and never attending conferences or industry events, Scaramucci has placed SkyBridge squarely in the spotlight.

“I want this to be an accessible asset management company. I’m not into the whole, ‘here are the curtains and I’m the great wizard behind the curtain’ thing,” he says. “There is an opaqueness to this industry, and if this industry is going to grow and continue to reinvent itself, it probably has to open up a window to the outside world. We are not China where we are running a closed empire.”

One way SkyBridge is opening up that window is with its annual SALT Conference in Las Vegas. The conference began four years ago as a small industry gathering that took place twice a year and was run by Scaramucci’s friend, **Victor Park**. Last year, Park—a principal at **Alternative Asset Investment Management**—turned the reins of the spring event over to Scaramucci and his firm, which built on Park’s core idea of having a collaborative conference, one that played down the vendors and instead, focused on bringing investors and managers together. While the core focus of the conference is

still asset management, SALT has been expanded to include luminaries from the worlds of politics, economics, media and philanthropy.

“We wanted to have a conference that was atypical to the industry. We wanted it to be an ideological conference, but a non-partisan one,” he explains. “Let’s have a broad policy discussion of what is going on in the world, and let’s bring in some of the stars of Wall Street—the hedge funds—to talk about what is going on. And finally, let’s bring large family offices, wealthy individuals and asset allocators to a place where they are not going to be over-handled.”

This year the SALT Conference, which begins tomorrow, boasts a speakers list that includes Pres. **Bill Clinton**, Gov. **Mitt Romney**, Gen. **Peter Pace**, **Michael Milken**, **Maria Bartiromo**, **Kenneth Griffin**, **Marc Lasry**, **Michael Novogratz**, and **Nouriel Roubini**, just to name a few.

The conference has doubled in size from last year to include 1,200 attendees, who among other things will no doubt be discussing the next trends in the asset management industry. I recently asked **Ron Geffner**, a partner at **Sadis & Goldberg** and an expert on the hedge fund industry, if he viewed SkyBridge’s acquisition of Citi’s fund of funds business as a trend.

“I view him as an early spotter and an early adopter of trends,” said Geffner, who has known Scaramucci for a decade and been his lawyer for a little over a year. “The two firms that have similar models—though are very different in size—are **Blackstone** and SkyBridge. Blackstone has a seeding

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business and a fund of funds business [like SkyBridge]... Other seeders have no choice but to contemplate the model," he says, explaining that firms that have both business lines and a deep pool of capital may be better able to attract top funds.

Lights, Camera, Action

So what does Scaramucci—who as a teenager drove a red Camero and knew every one of **Tony Manero's** disco dance moves—do for fun these days? Well, instead of emulating actors on the big screen, he is working alongside them. Scaramucci recently

served as a technical adviser on **Oliver Stone's** upcoming film *Wall Street: Money Never Sleeps*. He—and SkyBridge—even have a small cameo appearance in the film.

Meanwhile, Scaramucci has become a regular fixture on the small screen, taking a regular contributing gig on **CNBC's** *Fast Money*. And finally, as if there were 28 hours in a day, Scaramucci has been named co-chair of Republican gubernatorial candidate **Rick Lazio's** finance committee.

"I'm supporting Rick because he is a close personal friend, he has high integrity, and I believe he is trying to become the gover-

nor of this state for the right reasons," he says. But don't call Scaramucci a partisan. "I'm more of a Republican than I am a Democrat, but I voted for President Clinton twice, and I voted for **George Bush** twice, so I'm probably hated by both **MSNBC** and **FOX News** at the same time," he laughs.

And would Scaramucci ever consider running for office himself? According to him, that is definitely not in the cards. "I don't want to go into the sausage factory of politics," he says. "I love what I'm doing right now. And I'd love to do it until the day they have to take my boots off."

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