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FINANCIAL NEWS

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Meet the hedge fund hoping to split RHJ International

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A new activist hedge fund appeared on the scene this week, as Bermuda-based Equilibria Capital Management was reported to be behind a shareholder call to spin off private baking business Kleinwort Benson from RHJ International, its private equity owner.

Equilibria, which is headquartered in Hamilton, Bermuda but has offices in Geneva, launched its first fund in 2009 and is led by a group of former Morgan Stanley private bankers.

The hedge fund controls 1.5% of the shares of RHJ, and is pushing for a break-up of the group including a spin-off of Kleinwort Benson, the British private banking business. According to the Financial Times, Equilibria is coordinating a revolt of a 3% block of RHJ shareholders. They have called for a one-off, special dividend which, according to the FT, would scupper plans to build Kleinwort into a bigger franchise.

It is a high-profile activist role for the firm, which stresses its competitive nature on the company website: "Markets are inefficient and have a propensity to go to excess, producing anomalies, extreme outcomes and attractive investment opportunities," the website says, adding that the firm is committed to exploiting all factors that affect markets, including "greed, ambition, hope, fear and financial stress".

Chief investment officer Daniel Tafur, a veteran of private banking at Morgan Stanley, has publicly backed the break-up of RHJ. The John Hopkins and LSE graduate rose through the ranks at the US bank in a career spanning nearly 14 years, starting out in corporate finance at the firm's investment banking division in 1997 before joining the private wealth management division in 2001. After managing assets for family offices and institutions in Europe, he was later appointed to the bank's private wealth management asset allocation committee for Europe, the Middle East and Africa. He has been involved with Equilibria since 2011.

He was joined at the firm in the same year by former colleague Fabio López Cerón, now director of Equilibria Capital in Europe. Cerón also joined Morgan Stanley's investment banking division back in 1997, before managing portfolios in the private wealth management division for Southern European clients. He left for a rival private investment company in 2004 before heading to Equilibria last year.

The trio of key former Morgan Stanley personalities is completed by Arturo Benito, a senior investment analyst for Equilibria. Benito researched and devised investment strategies in the private wealth management division at Morgan Stanley, as well as managing the quantitative modelling and risk

analysis of portfolios.

On its website, the firm says that it concentrates on a portfolio of "30–50 high-conviction investments," and argues that the key to achieving attractive rates of return "is successfully preserving capital through market downturns".

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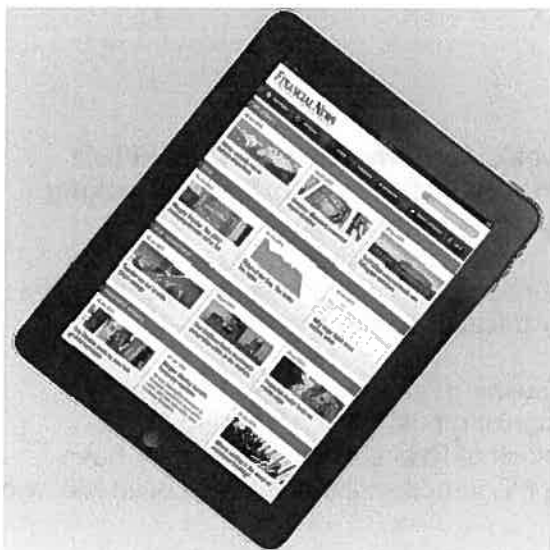
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