Hedge Fund With Big Loss Says It Will Close

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Amaranth Advisors, the $9.2 billion hedge fund that lost $6.5 billion in less than a month, is preparing to shut down.

Nicholas Maounis, the founder of the hedge fund, sent a letter to investors last night informing them that the fund was suspending all redemptions for Sept. 30 and Oct. 31, to “enable the Amaranth funds to generate liquidity for investors in an orderly fashion, with the goal of maximizing the proceeds of asset dispositions.”

Investors have met with Amaranth throughout the week, many demanding the return of their money. “As you know, the multistrategy funds have recently received substantial redemption requests,” Mr. Maounis said in the letter.

The letter represents a turnabout for Mr. Maounis, who just a week ago expressed hope at the end of a conference call that he would be able to continue the fund’s operations. “We have every intention of continuing in business, generating for our investors the same consistently high risk-adjusted returns which have been our hallmark,” he said on Sept. 22.

When investors are allowed to take money out of the fund, redemption fees and charges will be waived, the letter said. Cash distributions will be divvied up proportionately.

The fund has lost $6.4 billion, according to the letter, which said assets were down 65 to 70 percent for the month and 55 to 60 percent for the year. Amaranth started the year with $7.5 billion and then soared to $9.2 billion before stumbling to less than $3 billion today.

Amaranth’s energy desk, run by a young trader, Brian Hunter, bet aggressively on natural gas. When certain prices fell this month, the fund found itself in positions too big to liquidate. Ultimately, it was forced to sell its energy holdings when some of its counterparties threatened to cut off its credit.

J. P. Morgan Chase and Citadel Investments, another hedge fund, bought the book of energy trades for an undisclosed price, although Amaranth said the sale was done at a loss.

At different points, the fund was in discussions with buyers, including Citigroup, to possibly acquire some of the remaining assets. But with investors clamoring to get their money back, such a sale would be difficult. Amaranth said it continued to “pursue negotiations but have no announcement at this time,” a signal many investors took to mean any potential sale was off.

The letter said Amaranth planned to remain in business but was not certain what it would do. A spokesman for the fund, which is based in Greenwich, Conn., declined to comment beyond the letter.
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