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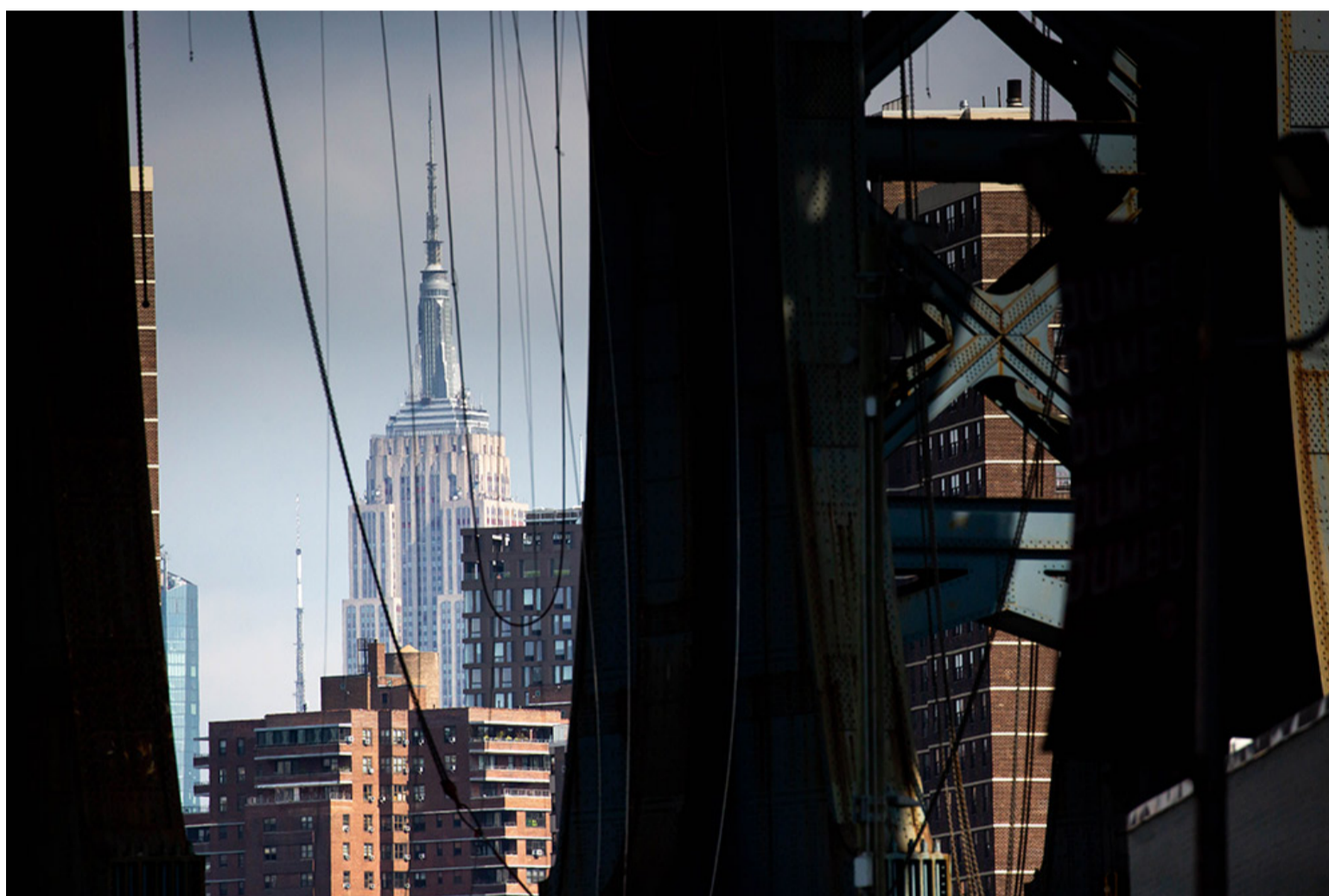


Julie Segal

How to Launch a Hedge Fund in a Pandemic

An anchor investment from new joint venture Investcorp-Tages enabled Joshua Pearl's Hickory Lane to launch its new equity long-short fund.

September 17, 2020



Michael Nagle/Bloomberg

New manager Hickory Lane Capital Management has launched a \$100 million equity long-short fund with seed money from Investcorp-Tages, a joint venture formed in May, as well as capital from outside investors, including family offices and peer hedge fund managers.

Investcorp and European asset manager Tages earlier this year consolidated their absolute return businesses to form a new venture that includes customized portfolios, a hedge fund seeding business, and multi-manager portfolios in private debt and other alternative investments. Prior to forming the joint venture, the two firms had deployed \$2 billion in assets between them and seeded 42 emerging managers, mostly hedge funds.

Hickory Lane founder and chief investment officer Joshua Pearl, who spent nine years investing in stocks as a partner at Brahman Capital, never expected that he'd build his first hedge fund firm in a pandemic. But shortly after leaving Brahman, the spread of Covid-19 shut down economies around the globe.

In an interview with *Institutional Investor*, Pearl said he takes a balance sheet approach to equity investing, something he learned during the eight years he spent in leveraged finance, doing high yield, leveraged loans, leveraged buy-outs, and restructurings at UBS, Moelis & Co., and Deutsche Bank. “That’s where a lot of investors got hurt in the global financial crisis,” he said. “They didn’t understand the risk inherent in the balance sheet.” Hickory Lane also uses short positions to hedge idiosyncratic risks in the fund’s long positions.

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Pearl said his “common sense approach” to investing is an outgrowth of his childhood in the rust belt in Ohio. Pearl named the firm Hickory Lane for the street he grew up on in Cleveland.

As for the deal with Investcorp-Tages, Pearl said, “It’s challenging enough to get a fund off the ground. That has been exacerbated by Covid. Even signing up a technology provider and buying a computer has been difficult during this process. Having a strong advisor was really beneficial, and we really couldn’t have done it without them.”

[*II* Deep Dive: [Almost No One’s Starting New Hedge Funds Anymore](#)]

Pearl said there are significant opportunities for the fund in areas such as cable businesses and payments, whose businesses have gotten a shot in the arm because of Covid. “The opportunity set is a lot more bifurcated,” he said. “For example, right now most of the professional world is operating at home. People are buying higher speed broadband. That’s been one benefit for cable. I thought they were strong going into Covid and they’re even stronger now.”

Before Brahman Capital, Pearl oversaw high yield financings, leveraged buyouts, and restructurings as a director at UBS Investment Bank. Earlier in his career, he worked as an investment banker at Moelis and Deutsche Bank. Pearl is the co-author of “Investment Banking: Valuation, LBOs, M&A, and IPOs” and “The Little Book of Investing Like the Pros.”

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