Robbins, seated, third from right, and **members of his team** at Glenview's Manhattan offices.
His analysts dig deep into industries such as health care, which outperformed this year.

THE HEDGE FUND ISSUE

Larry Robbins

OFF to the RACES

PHOTOGRAPHS BY Miller Mobley

HIS GLENVIEW CAPITAL OPPORTUNITY TOPPED OUR RANKING WITH AN 84.2 PERCENT RETURN—ONE OF JUST 16 FUNDS TO BEAT THE S&P 500 IN THE FIRST 10 MONTHS OF 2013. AMONG HIS WINNING BETS: HOSPITAL STOCKS.

BY Katherine Burton, Anthony Effinger AND Kelly Bit

THE HEDGE FUND ISSUE

WHEN LARRY ROBBINS WAS A BOY IN THE CHICAGO SUBURBS, HIS FATHER, SHELDON, WORKED TWO JOBS AND WASN'T AROUND MUCH.

If the young Robbins wanted to see him on weekends, he had to travel to Arlington Park, a nearby horse-racing track that his dad ran. During those Saturday visits, his father taught him how to handicap horses. One lesson: Know the horse and the race. Was the track dry or muddy? Did the horse win because he was fast or because the competition was lousy?

The lesson stuck with him. His corporate handicapping helped his $1.8 billion Glenview Capital Opportunity Fund to an 84.2 percent gain through Oct. 31, which made it No. 1 in the annual BLOOMBERG MARKETS ranking of the best-performing large hedge funds. Robbins, 44, trounced his rivals by betting on U.S. stocks as they rose to record levels. He's predicting at least another year of gains, while other managers fret and hold cash. "The current environment is opportunity heavy, and it's return heavy," Robbins says in an interview at his offices in the General Motors Building on New York's Fifth Avenue. "We've been taking advantage of it rather than having our bats on our shoulders while they're throwing underhanded softballs."

Robbins, who has played ice hockey since he was 5 and has a weakness for sports metaphors, swung hardest at health-care companies—hospitals in particular. One of his biggest holdings, Tenet Healthcare Corp., which runs medical facilities in 14 states, jumped 45 percent in the first 10 months of the year. Robbins has been heavily invested in health-care stocks since 2004. He loaded up on hospital shares in 2012 after the Supreme Court let stand President Barack Obama's Patient Protection and Affordable Care Act, eventually pushing the hospital portion of his entire portfolio—which also includes his less-concentrated Glenview Capital fund—to 33 percent. Obamacare means there will be more insured people showing up at hospitals, and, unlike the uninsured, hospitals can make money on them, Robbins says.

Many of the managers who did well in 2013 shared Robbins's all-in swagger. That's what it took to beat the Standard & Poor's 500 Index, which had soared 25.3 percent, with dividends reinvested, as of Oct. 31. Only 16 large funds—those with more than $1 billion of assets—surpassed the index.

Unfortunately for the industry, this underperformance is becoming routine. The last time hedge funds as a group bested U.S. stocks was in calendar 2008—when they lost 19 percent while the S&P 500 declined 37 percent, according to data compiled by Bloomberg. Through October, hedge funds returned only 6.9 percent on average.

"It's kind of a tragedy," Stan

Jeffrey Altman, center, with Owl Creek co-managers **Daniel Krueger**, left, and **Jeffrey Lee**

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TOP-PERFORMING

LARGE HEDGE FUNDS

	Fund, *Manager(s)*	Management Firm, Location	Strategy	ASSETS, IN BILLIONS	YTD TOTAL RETURN*	2012 RETURN
1	**Glenview Capital Opportunity,** *Larry Robbins*	Glenview Capital Management, U.S.	Long/short	$1.8	84.2%	54.3%
2	**Matrix Capital Management,** *David Goel*	Matrix Capital Management, U.S.	Long/short	1.6	56.0	20.0
3	**Paulson Recovery,** *John Paulson*	Paulson & Co., U.S.	Long equity	2.4	45.0	4.9
4	**Lansdowne Developed Markets SIF** *Stuart Roden, Peter Davies,Jonathon Regis*	Lansdowne Partners, U.K.	Long biased	1.5	44.5	34.5
5	**The Children's Investment,** *Christopher Hohn*	The Children's Investment Fund Mgmt., U.K.	Activist	7.3	39.7	30.0
6	**Owl Creek Overseas,** *Jeffrey Altman, Daniel Krueger, Jeffrey Lee*	Owl Creek Asset Management, U.S.	Event driven/multistrategy	3.2	38.1	11.1
7	**Glenview Capital Partners,** *Larry Robbins*	Glenview Capital Management, U.S.	Long/short	3.2	37.4	24.2
8	**Trian Partners,** *Nelson Peltz, Peter May, Ed Garden*	Trian Fund Management, U.S.	Activist	7.8	34.9	0.9
9	**Palomino,** *David Tepper*	Appaloosa Management, U.S.	Opportunistic	7.3	31.5	29.3
10	**Pelham Long/Short,** *Ross Turner*	Pelham Capital Management, U.K.	Long/short	3.2	30.3	18.4
11	**Two Sigma Compass Enhanced U.S.,** *Team managed*	Two Sigma Investments, U.S.	Managed futures	4.0	29.2	8.2
12	**Third Point Ultra,** *Daniel Loeb*	Third Point, U.S.	Event driven	2.3	28.8	33.5
13	**VR Global Offshore,** *Richard Deitz*	VR Advisory Services, U.K.	Distressed	2.0	27.4	20.6
14	**Alden Global Distressed Opportunities,** *Team managed*	Alden Global Capital, Jersey	Distressed	1.1	26.7	12.1
15	**Lansdowne Developed Markets,** *Peter Davies, Stuart Roden, Jonathon Regis*	Lansdowne Partners, U.K.	Long/short	8.9	26.6	18.0
16	**Joho A,** *Robert Karr*	Joho Capital, U.S.	Long/short	4.3	25.9	8.8
17	**JAT Capital Offshore,** *John A. Thaler*	JAT Capital Management, U.S.	Long/short	1.9	25.3	−19.6
18	**Paulson Partners Enhanced,** *John Paulson*	Paulson & Co., U.S.	Merger arbitrage	6.4	25.0	18.2
19	**Jana Nirvana Master,** *Barry Rosenstein, David DiDomenico*	Jana Partners, U.S.	Event driven	2.5	23.5	33.4
20	**Kayne Anderson MLP,** *J.C. Frey*	Kayne Anderson Capital Advisors, U.S.	Long/short	1.6	22.4	5.5
–	**Omega Overseas Partners A,** *Leon Cooperman*	Omega Advisors, U.S.	Long/short	2.3	22.4	28.0
22	**AQR Style Premia Strategy,** *Team managed*	AQR Capital Management, U.S.	Multistrategy	1.2	21.5	NA
23	**Egerton Long-Short Master,** *John Armitage*	Egerton Capital, U.K.	Long/short	3.8	21.0	13.7
–	**Paulson Advantage Plus,** *John Paulson*	Paulson & Co., U.S.	Event driven	4.3**	21.0	−19.0
25	**Litespeed Partners,** *Jamie Zimmerman*	Litespeed Management, U.S.	Event driven	2.2	20.9	21.8
–	**Senator Global Opportunity,** *Alexander Klabin, Douglas Silverman*	Senator Investment Group, U.S.	Event driven	6.0	20.9	14.4
27	**Marcato International,** *Richard McGuire*	Marcato Capital Management, U.S.	Activist	2.0	20.7	28.8
28	**Serengeti Opportunities Strategy,** *Joseph LaNasa, Vivian Lau*	Serengeti Asset Management, U.S.	Event driven	1.0	20.3	13.4

**Returns are for the 10 months ended on Oct. 31. **Total for both Advantage funds. Includes funds with more than $1 billion in assets.*

100 TOP-PERFORMING LARGE HEDGE FUNDS

THE HEDGE FUND ISSUE

	Fund, *Manager(s)*	Management Firm, Location	Strategy	ASSETS, IN BILLIONS	YTD TOTAL RETURN*	2012 RETURN
29	**Odey European,** *Crispin Odey*	Odey Asset Management, U.K.	Macro	$2.1	20.0%	30.7%
30	**Blue Harbour Strategic Value Partners,** *Clifton Robbins*	Blue Harbour Group, U.S.	Activist	1.3	19.8	16.2
31	**Seminole Offshore,** *Michael Messner, Paul Shiverick*	Seminole Management, U.S.	Long/short	1.1	19.5	5.1
32	**Third Point Offshore,** *Daniel Loeb*	Third Point, U.S.	Event driven	6.8	19.4	21.2
33	**Tilden Park Investment Master,** *Josh Birnbaum*	Tilden Park Capital Management, U.S.	Credit	1.4	18.9	41.4
34	**Bay II Resource Partners,** *Tom Claugus*	GMT Capital, U.S.	Long/short	1.3	18.4	20.8
–	**Citadel Global Fixed Income,** *Team managed*	Citadel Advisors, U.S.	Fixed income	1.6	18.4	NA
36	**M. Kingdon Offshore,** *Mark Kingdon, Richard Rieger, Michael Mackey*	Kingdon Capital Management, U.S.	Long/short	2.4	18.0	11.8
37	**Criterion Horizons,** *Christopher Lord*	Criterion Capital Management, U.S.	Long/short	1.2	17.8	–2.0
–	**Perry Partners International,** *Richard Perry*	Perry Capital, U.S.	Event driven	9.6	17.8	15.3
39	**Tremblant Partners,** *Brett Barakett*	Tremblant Capital, U.S.	Long/short	1.3	17.7	16.0
40	**Discovery Global Macro,** *Robert K. Citrone*	Discovery Capital Management, U.S.	Macro	2.2	17.4	18.9
41	**Canyon Balanced,** *Joshua Friedman, Mitchell Julis*	Canyon Capital Advisors, U.S.	Distressed	2.3	17.2	20.6
42	**Columbus Hill,** *Kevin Eng*	Columbus Hill Capital Management, U.S.	Multistrategy	1.5	17.1	15.4
43	**Citadel Wellington,** *Team managed*	Citadel Advisors, U.S.	Multistrategy	8.8	17.0	25.8
–	**Paulson Credit Opportunities,** *John Paulson*	Paulson & Co., U.S.	Distressed	5.5	17.0	9.5
45	**Discovery Global Opportunity,** *Robert K. Citrone*	Discovery Capital Management, U.S.	Macro	5.3	16.7	15.1
46	**Renaissance Institutional Equities,** *Peter Brown, Robert Mercer*	Renaissance Technologies, U.S.	Quantitative	8.7	16.5	9.3
47	**Anchorage Capital Partners,** *Kevin Ulrich, Tony Davis, Dan Allen*	Anchorage Capital Group, U.S.	Distressed	10.0	16.4	16.4
–	**Conatus Capital Overseas,** *David Stemerman*	Conatus Capital Management, U.S.	Long/short	2.8	16.4	11.0
–	**Silver Point Capital,** *Edward Mule*	Silver Point Capital, U.S.	Credit	3.2	16.4	25.1
50	**SAC Capital International,** *Steve Cohen*	SAC Capital Advisors, U.S.	Long/short	14.0	16.0	12.0
51	**Caxton Global Investments,** *Andrew Law*	Caxton Associates, U.S.	Macro	7.5	15.8	2.0
52	**AlphaGen Octanis,** *Ben Wallace, Luke Newman*	Henderson Alt. Investment Advisor, U.K.	Long/short	1.3	15.5	3.9
–	**Eton Park,** *Eric Mindich*	Eton Park Capital Management, U.S.	Multistrategy	10.0	15.5	12.8
54	**GSO Special Situations,** *Jason New, Darren Richman*	GSO Capital Partners, U.S.	Event driven	1.9	15.4	12.2
–	**Jana Master,** *Barry Rosenstein, David DiDomenico*	Jana Partners, U.S.	Event driven	2.4	15.4	23.1
–	**Whitebox Multi-Strategy,** *Andrew Redleaf*	Whitebox Advisors, U.S.	Multistrategy	1.1	15.4	11.6
57	**New Mountain Vantage Advisers,** *Daniel Riley, David Frost*	New Mountain Capital, U.S.	Long/short	2.1	15.3	11.1
–	**Passport Global Strategy,** *John Burbank*	Passport Capital, U.S.	Global equity	1.3	15.3	11.2
59	**Cevian Capital II,** *Lars Forberg, Christer Gardell*	Cevian Capital, Jersey	Operational activist	11.1	15.2	22.4
–	**Coatue,** *Philippe Laffont*	Coatue Management , U.S.	Long/short	7.4	15.2	17.6
–	**Marshall Wace–MW Eureka,** *Paul Marshall*	Marshall Wace Asset Management, U.K.	Long/short	5.1	15.2	6.8
62	**Drawbridge Special Opportunities,** *Peter Briger, Constantine Dakolias*	Fortress Investment Group, U.S.	Credit	5.0	15.1	17.9
–	**ECF Value II,** *Jeff Gates, Dax Vlassis*	Gates Capital Management, U.S.	Event driven	1.5	15.1	27.2
–	**Lansdowne Global Financials,** *William de Winton*	Lansdowne Partners, U.K.	Long/short	1.3	15.1	17.8

**Returns are for the 10 months ended on Oct. 31. Includes funds with more than $1 billion in assets.*

100 TOP-PERFORMING LARGE HEDGE FUNDS

THE HEDGE FUND ISSUE

	Fund, *Manager(s)*	Management Firm, Location	Strategy	ASSETS, IN BILLIONS	YTD TOTAL RETURN*	2012 RETURN
–	**Strategic Value Restructuring,** *Victor Khosla*	Strategic Value Partners, U.S.	Distressed	$1.6	15.1%	13.3%
66	**PSAM WorldArb Partners,** *Peter Schoenfeld*	P. Schoenfeld Asset Management, U.S.	Event driven	1.1	14.8	10.8
67	**Monarch Debt Recovery,** *Michael Weinstock, Andrew Herenstein*	Monarch Alternative Capital, U.S.	Distressed	1.4	14.7	12.1
–	**Paulson Advantage,** *John Paulson*	Paulson & Co., U.S.	Event driven	4.3**	14.7	–14.2
69	**Credit Suisse Securitized Products,** *Albert Sohn*	Credit Suisse Asset Management, U.S.	Asset backed	1.4	14.6	NA
–	**Element Capital,** *Jeffrey Talpins*	Element Capital Management, U.S.	Macro	4.3	14.6	2.7
–	**Marathon Special Opportunity,** *Bruce Richards, Louis Hanover*	Marathon Asset Management, U.S.	Multistrategy	1.0	14.6	16.9
72	**Danske Invest Hedge Fixed Income Strategies,** *Michael Petry*	Danske Bank, Denmark	Fixed-income arbitrage	1.4	14.4	33.1
–	**MTP Energy,** *Team managed*	Magnetar Financial, U.S.	Energy	1.2	14.4	8.9
–	**Visium Balanced,** *Jacob Gottlieb*	Visium Asset Management, U.S.	Long/short	3.2	14.4	10.4
75	**Redwood Master,** *Jonathan Kolatch*	Redwood Capital Management, U.S.	Distressed	4.5	13.9	21.9
76	**Pharo Macro,** *Guillaume Fonkenell, Michael Skarbinski*	Pharo Global Advisors, U.K.	Macro	2.4	13.8	12.5
77	**Aristeia Partners,** *Anthony Frascella, William Techar*	Aristeia Capital, U.S.	Credit	1.8	13.7	11.3
78	**Canyon Value Realization,** *Joshua Friedman, Mitchell Julis*	Canyon Capital Advisors, U.S.	Multistrategy	8.9	13.6	18.0
–	**EJF Debt Opportunities,** *Emanuel J. Friedman, Jeffrey Hinkle*	EJF Capital, U.S.	Event driven	2.0	13.6	28.7
–	**Ivory Flagship Master,** *Curtis Macnguyen*	Ivory Investment Management, U.S.	Long/short	1.0	13.6	10.5
81	**Contrarian Capital I,** *Jon Bauer*	Contrarian Capital Management, U.S.	Distressed	2.7	13.5	24.5
82	**Hutchin Hill,** *Neil Chriss*	Hutchin Hill Capital, U.S.	Multistrategy	1.0	13.4	11.3
–	**Taconic Opportunity,** *Chris DeLong*	Taconic Capital Advisors, U.S.	Multistrategy	7.1	13.4	13.0
84	**HG Vora Special Opportunities,** *Parag Vora*	HG Vora Capital Management, U.S.	Event driven	1.0	13.3	39.9
85	**York Credit Opportunities,** *William Vrattos, James Dinan, Daniel Schwartz*	York Capital Management, U.S.	Distressed	5.4	13.1	19.0
86	**Greenlight Capital,** *David Einhorn*	Greenlight Capital, U.S.	Long/short	8.8	12.8	7.7
87	**Zweig-Dimenna International,** *Joseph DiMenna, Thomas Keyes*	Zweig Dimenna Associates, U.S.	Long/short	1.3	12.6	–1.3
88	**Nevsky,** *Nick Barnes*	Nevsky Capital, U.K.	Long/short	1.1	12.3	14.6
89	**CQS Directional Opportunities,** *Michael Hintze*	CQS, U.K.	Multistrategy	2.3	12.2	35.9
–	**Fortress Asia Macro,** *Adam Levinson*	Fortress Investment Group, Singapore	Macro	1.4	12.2	21.2
–	**Visium Global,** *Jacob Gottlieb*	Visium Asset Management, U.S.	Multistrategy	1.1	12.2	19.5
92	**AG Super,** *Michael Gordon, David Kamin*	Angelo, Gordon & Co., U.S.	Multistrategy	3.5	12.1	13.6
–	**York Capital Management,** *James Dinan, Daniel Schwartz*	York Capital Management, U.S.	Event driven	6.2	12.1	13.5
94	**Fir Tree Value,** *Team managed*	Fir Tree Partners, U.S.	Opportunistic value	7.4	11.9	17.4
–	**Impala,** *Bob Bishop*	Impala Asset Management, U.S.	Long/short	2.0	11.9	17.0
96	**AHL Evolution Programme,** *Timothy Wong, Matthew Sargaison*	Man Investments, U.K.	Managed futures	2.3	11.8	23.5
97	**Paloma Partners,** *Donald Sussman*	Paloma Partners, U.S.	Multistrategy	2.1	11.7	9.4
–	**York Total Return,** *Marc Helwani, Jeffrey Weber*	York Capital Management, U.S.	Event driven	1.7	11.7	14.7
99	**Farallon Capital Partners,** *Andrew Spokes*	Farallon Capital Management, U.S.	Multistrategy	15.1	11.6	11.5
–	**NZC Guggenheim Master,** *Michael Damaso*	Guggenheim Partners Investment Management, U.S.	Fixed income	1.5	11.6	20.5

**Returns are for the 10 months ended on Oct. 31. **Total for both Advantage funds. Includes funds with more than $1 billion in assets.*

Druckenmiller, the former chief strategist at Soros Fund Management LLC, said in a November interview with Bloomberg Television. "We were expected to make 20 percent a year in any market." Druckenmiller, 60, achieved an annualized return of 30 percent before retiring to manage only his own money in 2010.

Bill Berg, founder of Sigma Investment Management Co., a firm in Portland, Oregon, that picks managers for $600 million held by individuals and institutions, says 2013, like all bull markets, was a bad year for alternative asset managers who hedge their bets on stocks. "Why do you need an alternative?" he asks. "You need one if normal isn't working. Normal is working just fine."

Some of the biggest managers were the biggest disappointments in 2013. Ray Dalio, who runs Bridgewater Associates LP, returned just 6 percent through October in his $63 billion Pure Alpha II fund, according to data compiled by Bloomberg. That meant it didn't make it into the BLOOMBERG MARKETS 100. Alan Howard, who invests $40 billion at Jersey, Channel Islands–based Brevan Howard Capital Management LP, saw his Master Fund rise less than 1 percent. Both Dalio and Howard are macro managers who try to profit from broad trends in bonds, stocks, commodities and currencies.

Dalio's sheer size made Pure Alpha II the most profitable fund this year, generating incentive fees of $897.4 million even though returns were subpar. His Pure Alpha I earned the firm another $294.4 million. Dalio charges investors a management fee of 2 to 3 percent of assets in his Pure Alpha funds plus 20 percent of any returns. The performance fees were enough to help Dalio—who had a net worth of $13.8 billion as of mid-December, according to the Bloomberg Billionaires Index—get even richer.

The most-profitable fund in 2012 was Steve Cohen's SAC Capital International, which paid $789.5 million to Cohen and his managers, according to Bloomberg data. Cohen isn't on the most-profitable list this year because he is

No. 3 **John Paulson** invested in financial and hotel companies that have thrived in the recovery.

returning investors' money as his firm settles criminal charges from the U.S. government. (See "SAC's Final Days," page 42.)

One big name made a comeback in 2013. John Paulson, 58, earned a record $15 billion betting on mortgage Armageddon in 2007 before stumbling for two

SOME OF THE BIGGEST MANAGERS DISAPPOINTED. RAY DALIO'S $63 BILLION PURE ALPHA II RETURNED JUST 6 PERCENT.

years. In 2013, his Recovery Fund placed third in the BLOOMBERG MARKETS ranking by buying companies that are prospering in a healing U.S. economy. He bought financial firms like Leon Black's Apollo Global Management LLC and Stephen Schwarzman's Blackstone Group LP. He also invested in hotel companies that suffered chronic vacancies during the recession, including MGM Resorts International and Extended Stay America Inc. He also purchased a stake in the 139-room St. Regis Bahia Beach Resort in Puerto Rico. "We wanted something that would do very well on the long side in the recovery," Paulson says in an interview in the library at his firm on 50th Street in Midtown Manhattan.

Many of the big winners, like Robbins, loaded up on a few high-flying stocks. They included David Goel's Matrix Capital Management Co., at No. 2; Jeffrey Altman's Owl Creek Overseas Fund Ltd., at No. 6; and the top large European funds, Lansdowne Developed Market Strategic Investment Fund, at No. 4; and The Children's Investment Fund, run by Christopher Hohn, at No. 5. (For more on London-based Lansdowne and TCI, see "Big Bets, Big Returns," page 44.)

Goel's $1.6 billion Matrix fund returned 56 percent, with big bets on technology, long and short, according to documents obtained by BLOOMBERG MARKETS. He declined to comment for this article.

Toronto-born Goel, 42, who graduated from Phillips Exeter Academy and Harvard University, worked as a technology analyst with famed stock picker Julian Robertson at Tiger Management LLC for almost four years before starting Matrix in Waltham, Massachusetts, in 1999. In 2013, Goel picked cloud computing as a winner and got it right. Xero Ltd., a New Zealand–based provider of online accounting software, rocketed 268 percent in the first 10 months of the year. Workday Inc. another cloud-computing firm and Matrix holding, jumped 37 percent.

Goel also bought shares of Netflix Inc. at about the same time in 2012 that activist investor Carl Icahn did, according to regulatory filings. It traded at around $60 then. It closed at $356 on Dec. 9.

Many of the top-performing funds follow an event-driven strategy. They make money betting on takeovers, spinoffs and restructurings. The time for those was right, Robbins says, because corporate boards had finally crawled out of the bunkers they had hidden in since the 2008 financial crisis. Starting late in 2012, many saw that the world wasn't going to end

MIKE MCGREGOR/CONTOUR BY GETTY IMAGES

and started behaving like companies again. "Cash holdings were near all-time highs," Robbins says, working his way into another sports metaphor. "That's like having LeBron James on your team and benching him," he says, referring to the four-time winner of the National Basketball Association's Most Valuable Player award.

Companies that continued to hold cash or underperform in 2013 got prodded by activist managers, who take a big stake in companies and harangue their directors to make changes that will improve profits.

Daniel Loeb at Third Point LLC, whose Third Point Ultra fund was No. 12 in the ranking, bought a 9 percent stake in Sotheby's and then, in a public letter, compared the auction house to "an old master painting in desperate need of restoration." He called on the CEO to resign, saying the company had fallen behind in sales of modern and contemporary art. In October, Tobias Meyer, the auction house's longtime head of contemporary art, did step down. The company's shares climbed 13.5 percent from August, when Loeb first disclosed his holding, to Oct. 31. Third Point Ultra returned 28.8 percent through October.

Glenview's Robbins calls his own brand of investing "suggestivism"—a kinder, gentler version of activism. He's led only one proxy fight in his career, against Naples, Florida–based hospital chain Health Management Associates Inc., which he won in 2013 when shareholders voted in his slate of directors. He owned 14 percent of the company as of mid-December.

Oftentimes, companies need only a nudge, Robbins says. Take Tenet, in which Glenview owned a 12 percent stake as of mid-December. For a hospital company with steady revenue, it had modest debt, Robbins says. Robbins suggested to Chief Executive Officer Trevor Fetter that he borrow money to repurchase stock and consider making acquisitions. In June Fetter announced the purchase of fellow hospital operator Vanguard Health Systems Inc. for $1.8 billion in cash. "Tenet did the logical thing," Robbins says. Tenet shares rose after the June 24 announcement and were up 13 percent from that date through Oct. 31.

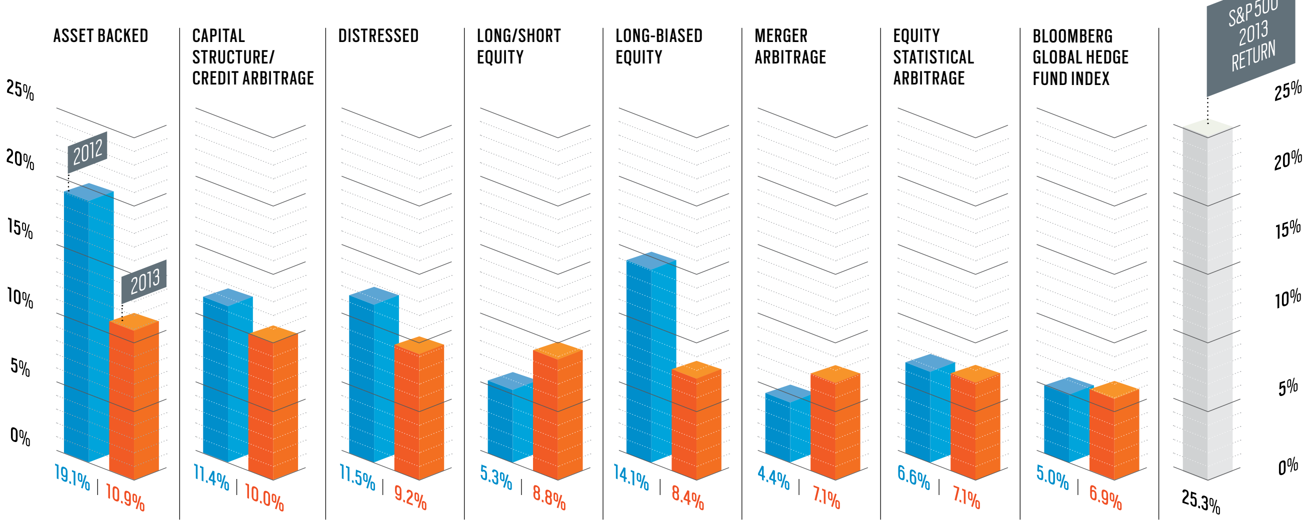
Owl Creek's Altman made money with a sunny thesis on aviation. His funds bought shares of Boeing Co. and its suppliers, betting that the world's airlines, which buy in cycles, would need new jets. Boeing shares soared 76 percent in 2013 as of Oct. 31, as customers stumped up billions for its new 787, despite production delays and a suspension of flights after the plane's lithium-ion batteries overheated. Spirit

WORLD'S LARGEST HEDGE-FUND FIRMS

FIRMS	HEDGE-FUND ASSETS UNDER MANAGEMENT, IN BILLIONS
1 **Bridgewater Associates** (Westport, Connecticut)	$88.6
2 **JPMorgan Asset Management** (New York)	50.6
3 **Brevan Howard Asset Management** (Jersey)	40.0
4 **Man Group** (London)	38.7
5 **BlueCrest Capital Management** (London)	34.2
6 **Och-Ziff Capital Management** (New York)	33.9
7 **D.E. Shaw & Co.** (New York)	32.0
8 **BlackRock Advisors** (New York)	31.4
9 **Baupost Group** (Boston)	29.0
10 **Angelo, Gordon & Co.** (New York)	25.0

Figures are the latest available.
Sources: Bloomberg, hedge-fund databases, investors

BEST-PERFORMING STRATEGIES*



*As of Oct. 31. Source: Bloomberg

THE HEDGE FUND ISSUE

TOP 25 MIDSIZE HEDGE FUNDS

FOR THE TOP 50 MIDSIZE FUNDS, DOWNLOAD OUR IPAD APP AT MKTS <Go> OR BIT.LY/BBGMKTS.

	Fund, *Manager(s)*	Management Firm, Location	Strategy	ASSETS, IN MILLIONS	YTD TOTAL RETURN*	2012 RETURN
1	**Senvest Partners,** *Richard Mashaal*	Rima Senvest Management, U.S.	Long/short	$489	58.8%	34.9%
2	**Marlin,** *Michael Masters*	Masters Capital Management, U.S.	Long/short	400	57.8	31.5
3	**SFP Value Realization,** *Team managed*	Symphony Financial Partners, Japan	Event driven	290	56.5	44.5
4	**Perceptive Life Sciences,** *Joseph Edelman*	Perceptive Advisors, U.S.	Long/short	977	54.6	28.4
5	**Pegasus,** *David Yarrow, Angus Donaldson*	Clareville Capital Partners, U.K.	Long/short	291	54.1	1.1
6	**Jabcap Multi-Strategy,** *Philippe Jabre*	Jabre Capital Partners, Switzerland	Multistrategy	520	37.8	11.8
7	**Jabcap Global Balanced,** *Philippe Jabre*	Jabre Capital Partners, Switzerland	Long biased	507	37.5	15.5
8	**Cambrian,** *Alexander Roepers*	Atlantic Investment Management, U.S.	Long biased	985	36.5	8.3
9	**Broadfin Healthcare,** *Kevin Kotler*	Broadfin Capital, U.S.	Long/short	647	36.4	16.2
10	**Cheyne Total Return Credit I,** *David Peacock, John Weiss*	Cheyne Capital Management, U.K.	Fixed income	636	36.1	NA
11	**Braddock Partners,** *Charles Akre*	Akre Capital Management, U.S.	Long/short	254	32.7	15.0
12	**Passport Special Opportunities,** *John Burbank*	Passport Capital, U.S.	Long/short	384	32.0	–5.7
13	**Red Mountain Partners,** *Willem Mesdag*	Red Mountain Capital Partners, U.S.	Activist	367	31.5	18.8
14	**Ping Exceptional Value Offshore,** *Ping Jiang*	Ping Capital Management, U.S.	Emerging-market debt	275	30.9	8.9
15	**Peconic Grenadier,** *William Harnisch*	Peconic Partners, U.S.	Long/short	411	30.8	–6.8
16	**ZP Utility,** *Stuart Zimmer*	Zimmer Partners, U.S.	Long/short	450	30.5	6.9
17	**Red Kite Metals,** *Michael Farmer, David Lilley*	Red Kite Group, U.K.	Commodities	280	30.0	12.2
18	**Polunin Capital Partners Emerging Markets Active,** *Douglas Polunin*	Polunin Capital Partners, U.K.	Emerging market	282	29.6	14.0
19	**Andurand Commodities,** *Pierre Andurand*	Andurand Capital Management, U.K.	Commodities	300	26.9	NA
–	**Napier Park European Credit Opportunities,** *Michael Micko*	Napier Park Global Capital, U.S.	Fixed income	321	26.9	55.5
21	**Horseman European Select,** *Stephen Roberts*	Horseman Capital Management, Jersey	Long/short	476	26.7	27.8
22	**Chenavari Toro Capital I,** *Benoit Pellegrini, Frederic Couderc*	Chenavari Investment Managers, U.K.	Fixed income	463	26.5	32.4
23	**Alden Global Value Recovery,** *Team managed*	Alden Global Capital, Jersey	Distressed	331	26.4	20.9
24	**Sola,** *Christopher Pucillo, Scott Martin, C.J. Lanktree*	Solus Alternative Asset Management, U.S.	Distressed	964	26.1	11.6
–	**Sphera Global Healthcare,** *Ori Hershkovitz, Doron Breen*	Sphera Global Healthcare Management, Israel	Long/short	305	26.1	14.8

**Returns are for the 10 months ended on Oct. 31. Includes funds with $250 million to $1 billion in assets. Sources: Bloomberg, hedge-fund databases, hedge-fund firms, investors*

Aerosystems Holdings Inc. a maker of cockpits and wings, returned 57 percent, while Precision Castparts Corp., which manufactures turbine blades for jet engines, jumped 34 percent.

All of those stocks beat the S&P 500, and Owl Creek had bought them in bulk. The firm, named for the back road from Aspen, Colorado, to Snowmass, where Altman, 47, skis, was the fourth-largest holder of Spirit, with 4.9 percent as of Sept. 30. Altman bought it during dark days. In 2008, the Wichita, Kansas–based company contracted to build wings for General Dynamics Corp.'s Gulfstream business jets and had been struggling to make money because of rising costs for the wings' components. In 2012, Spirit took a $590 million charge, mostly for the Gulfstream problems. The stock dropped as low as $14 a share.

Owl Creek had followed Spirit for years, and Altman's team knew that the company, which was sold by Boeing in 2005, had contracts that guaranteed no-bid work on Boeing aircraft. Spirit is now making the forward fuselage—including the cockpit—and parts of the wing on the new 787. Boeing has orders for more than 1,000 of the planes. "We loved the Boeing side," says Altman in an interview, sporting a half-zip sweater, which is popular in the hedge-fund industry. "The market was looking backward at Gulfstream's business."

Altman's biggest killing may have been on Fannie Mae and Freddie Mac, the government-controlled mortgage finance firms. The Treasury Department took over Fannie and Freddie during the 2008 financial crisis as their stocks hurtled toward zero and placed them in conservatorship. Altman bought preferred shares in both for 2 cents on the dollar, reasoning that the mortgage market would recover and that the companies would someday return as bulwarks in U.S. housing. "We talked about it to the entire world for about four years, and no one listened," Altman says. As of Oct. 31, the preferred shares in both companies traded at about 35 cents on the dollar.

The low-risk nature of the trade—asymmetric risk, as the pros call it—mimicked Paulson's mortgage bet from 2007. Paulson & Co. bought cheap credit-default swaps on subprime-mortgage assets. The swaps soar in value as the probability of default increases. The capital risk was relatively small; the potential payout, huge. Paulson's bets brought an almost sevenfold gain in his credit fund in 2007, and he personally made more than $3 billion, according to people familiar with the firm.

Then Paulson turned bullish—too early. In 2011, his Advantage Plus Fund—identical to his Advantage Fund except that it uses borrowed money to enhance returns (or magnify losses)—dropped 51 percent after he bet on a rebound in the U.S. economy.

In 2012, he turned too bearish on Europe, speculating that the debt crisis there would deepen. European Union governments and the European Central Bank stepped in with aid, and Advantage Plus fell another 19 percent. Paulson & Co.'s assets tumbled to $17 billion in mid-2013, from a peak of $38 billion in 2011, as investors lost faith.

In 2013, Paulson proved he wasn't a one-hit wonder. In addition to gains in Paulson Recovery, his Advantage and Advantage Plus funds, which now account for $4.3 billion of his assets, returned 14.7 percent and 21 percent, respectively. "The biggest lesson I learned was that it is very difficult to predict future market trends," he says, so he uses less leverage when making his bets. Sitting in the library of his firm, he's surrounded by signs of his good fortune. An Alexander Calder watercolor hangs behind him. And there's a photograph of him on the tennis court with George Soros in Southampton, New York, where he owns an estate that he purchased for $41 million in 2008.

Paulson still has exposure to a declining asset: gold. He bet big on the metal, speculating that the U.S. Federal Reserve would debase the dollar and trigger soaring inflation by pumping cash into the economy with bond purchases that totaled $85 billion a month through December.

Paulson's six largest funds each have a share class denominated in gold, meaning the value of the fund rises and falls with the price of the metal. Paulson also started a fund devoted to gold alone. Now called the PFR Gold Fund, it

WORLD'S MOST-PROFITABLE HEDGE FUNDS

	Fund, *Manager(s)*	Management Firm, Location	PROFIT, IN MILLIONS*
1	**Bridgewater Pure Alpha II,** *Ray Dalio*	Bridgewater Associates, U.S.	$897.4
2	**OZ Master,** *Daniel Och*	Och-Ziff Capital Management Group, U.S.	574.9
3	**The Children's Investment,** *Christopher Hohn*	The Children's Investment Fund Management, U.K.	492.5
4	**Trian Partners,** *Nelson Peltz, Peter May, Ed Garden*	Trian Fund Management, U.S.	482.2
5	**Millennium International,** *Israel Englander*	Millennium Management, U.S.	454.8
6	**Lansdowne Developed Markets,** *Peter Davies, Stuart Roden*	Lansdowne Partners, U.K.	413.0
7	**Farallon Capital Partners,** *Andrew Spokes*	Farallon Capital Management, U.S.	390.4
8	**Cevian Capital II,** *Lars Forberg, Christer Gardell*	Cevian Capital, Jersey	362.1
9	**Palomino,** *David Tepper*	Appaloosa Management, U.S.	350.4
10	**Anchorage Capital Partners,** *Kevin Ulrich, Tony Davis, Dan Allen*	Anchorage Capital Group, U.S.	348.2
11	**Eton Park,** *Eric Mindich*	Eton Park Capital Management, U.S.	331.6
12	**Citadel Wellington,** *Team managed*	Citadel Advisors, U.S.	314.9
13	**Paulson Partners Enhanced,** *John Paulson*	Paulson & Co., U.S.	310.7
14	**Third Point Offshore,** *Daniel Loeb*	Third Point, U.S.	270.9
15	**Canyon Value Realization,** *Joshua Friedman, Mitchell Julis*	Canyon Capital Advisors, U.S.	264.3
16	**Senator Global Opportunity,** *Alexander Klabin, Douglas Silverman*	Senator Investment Group, U.S.	253.1
17	**Bridgewater Pure Alpha I,** *Ray Dalio*	Bridgewater Associates, U.S.	249.4
18	**Greenlight Capital,** *David Einhorn*	Greenlight Capital, U.S.	245.4
19	**King Street,** *Francis Biondi, Brian Higgins*	King Street Capital Management, U.S.	242.4
20	**Coatue,** *Philippe Laffont*	Coatue Management, U.S.	241.1

**Based on returns for the 10 months ended on Oct. 31. Sources: Bloomberg, hedge-fund firms and databases, investors* invests in mining stocks and bullion. It fell 63 percent for the year through Oct. 31. Almost all of the $370 million in the fund is Paulson's own money. He told clients in November that he wouldn't invest more money in his gold fund because it's not clear when inflation will accelerate.

Robbins says he doesn't get involved with gold. He sticks to companies that are growing regardless of economic cycles—so he owns no energy or mining stocks.

Robbins says he never expected to become a hedge-fund manager. He grew up middle class in Arlington Heights, Illinois. He played hockey one town over, in Glenview, and loved it so much that he named his firm after the team.

Robbins went east for school, getting simultaneous bachelor's degrees from the University of Pennsylvania in systems engineering and, from Penn's Wharton School, in marketing, finance and accounting . "I didn't want anyone to be able to talk over my head," he says.

Robbins always figured he'd return to Chicago. Instead, he went to work in New York for investment bank Gleacher & Co. After 2½ years there, he interviewed with hedge-fund firm Omega Advisors Inc., founded by Leon Cooperman. He didn't really know what a hedge fund was, he says, but he knew he'd get to learn a lot about companies and industries. He also liked the meritocracy of the markets. "You don't need a Rolodex, and you don't have to belong to the right country club," he says.

Robbins stayed at Omega for five years, learning at the right hand of Cooperman, a top stock picker. In August of 2000, he left Omega, took the weekend off, then began building Glenview. On Jan. 1, 2001, he started trading. Since then, the firm has grown to 72 people. Robbins is the only portfolio manager, but he works closely with his 32 analysts. All of them stay in close contact with their portfolio companies, suggesting to them ways to spur growth.

'WE TRY TO THINK AND ACT LIKE OWNERS,' ROBBINS SAYS. HIS ANALYSTS KEEP IN CLOSE CONTACT WITH COMPANIES IN WHICH GLENVIEW HAS A STAKE.

"We try to think and act like owners," Robbins says.

Robbins enjoys his success. When he wanted a place to play hockey with his four sons, ages 10 to 14, he built a 13,000-square-foot (1,200-square-meter) covered ice rink, just beyond the pool, at his sprawling estate in Alpine, New Jersey. "It's our family's field of dreams—my wife's the architect, and my kids skate circles around me," he says.

In June 2012, he flew 80 people to France for his wedding to Sarahmay Wesemael, his second wife. Wesemael wanted to get married in Saint-Jean-Cap-Ferrat in the south of France, near where she grew up.

Robbins does have one wish that will never be fulfilled. He's 5 feet 10 inches (1.8 meters) tall and weighs well over 200 pounds (90 kilograms). In his 10-year anniversary letter to investors, he said he had always wanted to be 6 feet tall. "There's nothing wrong with 5'10"; it is just human nature to wish for a little bit more," he wrote.

Competitors say Robbins's optimism for the year ahead is about to be tested. Hyperactivist investor Carl Icahn, for one, says shares have risen too much, and aren't supported by earnings. Veteran short seller Bill Fleckenstein is reopening his fund and is scouting for overvalued technology companies. (See "Bearish on Tech," page 16.)

Though bullish, Robbins is hardly overconfident. "The road from market genius to village idiot is exceedingly short," he says. Other hedge-fund managers—the ones who couldn't beat the surging S&P 500 despite their high fees—know just how short it is.

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HOW WE CRUNCHED THE NUMBERS

OUR RANKINGS OF hedge-fund managers are based on data compiled by Bloomberg specialist Anibal Arrascue and information supplied by hedge-fund research firms, hedge funds and investors. We have three lists of top performers: 100 funds with assets greater than $1 billion; 25 funds with assets of $250 million to $1 billion; and the 20 most-profitable large funds. Assets and returns were for the 10 months ended on Oct. 31.

The first step in calculating profits was dividing a fund's net return by 100 percent minus the sum of the management-fee and incentive-fee percentages. If a fund didn't report its fees, we used the average of funds in our universe: a 2 percent management fee and a 20 percent incentive fee.

Using gross returns, we were able to reconstruct approximately what the assets were at the start of the year. (Because we didn't have inflows or outflows, the asset numbers didn't take asset flows into account.) We subtracted original assets from current assets and multiplied the result by each fund's performance fee to derive the profit figures. Management fees aren't included; we assumed they were used for the day-to-day operations of the fund.

Several funds appearing in the most-profitable ranking don't show up in our lists of top performers. That's because the size of a fund can trump returns when calculating profits.

We couldn't obtain return figures from several of the biggest hedge-fund firms by assets. For a handful of other firms, we had returns for only one or two funds. Onshore and offshore assets and returns were combined for a number of funds, while figures for other funds were for only the larger or better-performing class.

Some of the numbers were difficult to verify. Unless the information came from Bloomberg or the hedge-fund firm itself, we tried to verify it with other sources, including investors and other fund databases.

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