

Hedge Fund ALERT

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Merlin Forges Link With Gerson Lehrman

Prime broker **Merlin Securities** has inked a deal with **Gerson Lehrman Group** to provide smaller hedge fund operators with access to Gerson's network of industry insiders and specialists — a resource usually available only to major players.

For a hefty fee, New York-based Gerson connects big hedge fund managers and other clients with experts in a broad range of fields. The firm's network of 200,000 specialists includes physicians, tax lawyers and computer engineers who can assist money managers as they research particular technologies, companies or industries.

Gerson's clients generally include only large firms capable of paying annual retainers that can reach six figures or more. But in a deal to be announced today, Merlin will begin providing smaller hedge fund managers with discounted access to Gerson's network of experts.

Merlin managing partner **Stephan Vermut** said no other prime broker provides hedge fund managers with such a valuable resource for investment research. In striking the deal with Gerson, Merlin seeks to level the playing field for its fund clients as they compete with much larger firms.

It's unclear how much Gerson will charge Merlin for the service, or how Merlin can offer its clients a discount. But the deal gives Gerson access to potentially hundreds of new customers. San Francisco-based Merlin has about 400 hedge fund clients.

"It was an obvious combination of two strong players who have an overlap in need," Vermut said of the deal, which was

hammered out over the past three months.

Founded in 1998, Gerson maintains what is by far the largest network of experts available to advise money managers on a range of research issues. The service can be especially valuable for investors that target pharmaceuticals, software and other industries that deal with increasingly complicated technologies. In addition to its network of specialists, Gerson provides market research and news analysis.

Merlin was founded in 2004 by Vermut, who previously co-headed **Bank of America's** prime-brokerage business. The firm is one of a number of so-called mini primes that have benefited from the turmoil in the hedge fund industry. During the past 18 months, three major prime brokers — **Bear Stearns, Lehman Brothers** and **Merrill Lynch** — have either collapsed or merged with other firms. Some of the survivors, meanwhile, have dropped their smaller hedge fund clients in order to focus on larger, more profitable firms.

Vermut cites the deal with Gerson as evidence that Merlin is in a bigger league than most of the other "mini primes," providing a range of prime-brokerage services that includes trading, reporting, technology and marketing.

Merlin offers hedge funds two products: Merlin Prime, which encompasses the full range of services, and Merlin Sharp, which provides aggregate reporting for large funds that deal with multiple prime brokers. ❖

