

Headline	Rajaratnam became billionaire driving analysts, demanding edge	Language	English
Date	21 Oct 2009	Page No	10
MediaTitle	The Star	Article Size	320 cm²
Section	StarBiz	Color	Black/white
Journalist	N/A	ADValue	5,809
Frequency	Daily	PRValue	17,428
Circ / Read	293,375 / 1,026,812		



Rajaratnam became billionaire driving analysts, demanding edge

NEW YORK: Every weekday at 8:35 am, Galleon Group's 70 analysts, portfolio managers and traders pack into a conference room on the 34th floor of the IBM Building, a gray-green polished granite skyscraper on New York's Madison Avenue. Tardy arrivals are fined US\$25.

At the head of the table, CEO Raj Rajaratnam fires off questions to the staff of his US\$3.7bil hedge fund firm: Which companies' margins are peaking? What would change your mind about this stock? What's the risk of that company failing to win an expected contract? The 52-year-old billionaire expects his analysts to have an edge: better information than anyone else, say people who have attended the meetings.

US prosecutors allege that Rajaratnam's own edge was illegal. He was arrested on Oct 16 at his home on Manhattan's Sutton Place, charged with using inside information to trade shares including Google Inc, Polycom Inc, Hilton Hotels Corp and Advanced Micro Devices Inc, according to complaints. Five other defendants also were arrested in New York and California in a US\$20mil scheme that prosecutors say is the largest-ever insider trading case involving hedge funds.

"Every trader wants an edge, and there are many gray areas when it comes to aggressive research," said Ron Geffner, a lawyer at New York-based Sadis & Goldberg LLP, whose clients include hedge funds. "But if you trade on material, non-public information that comes from a company insider who is breaching his fiduciary duty, odds are that it is illegal."

Rajaratnam's net worth of US\$1.3bil makes him the 559th richest person in the world, according to *Forbes Magazine*, on par with the likes of hedge fund manager Julian Robertson and investor Wilbur Ross. Rajaratnam has invested in at least one New York City restaurant, Opia, in midtown Manhattan, according to people who know him.

In the early years of this decade,

Galleon was among the 10 largest hedge funds in the world, and it managed US\$7bil at its peak in 2008. It also was one of the three largest technology hedge funds along with Lawrence Bowman's technology fund, which closed in 2001, and Daniel Benton's Andor Capital Management LLC, which shut down last year.

Galleon's US\$1.2bil Diversified fund has climbed 21.5% a year, on average, since 1992, according to a September Galleon marketing document, compared with 7.6% for the Standard & Poor's 500 Index of the largest US companies. The fund has returned 22.3% this year, according to an investor letter.

As Rajaratnam's wealth grew, he and his wife Asha Pabla, who have three children, created a family foundation and have given money to fight AIDS in India. They donated US\$5mil to help the 2004 tsunami victims in his home country of Sri Lanka, where Rajaratnam was on vacation with his family when the disaster struck.

Charity assets frozen

In 2005, the foundation also donated US\$400,000 to the Tamils Rehabilitation Organisation in Cumberland, Maryland, according to tax forms filed by the foundation with the Internal Revenue Service. Two years later, the US Treasury Department froze the assets of the charity, charging that it was a front for the Liberation Tigers of Tamil Eelam, or LTTE, which the State Department had designated as a terrorist group 10 years earlier.

"His donation was responsible for rebuilding thousands of homes for Tamils, Sinhalese, and Muslims without discrimination," Dan Gagnier, a spokesman for Galleon, said in an e-mailed statement.

Born in Sri Lanka's capital, Colombo, Rajaratnam was educated there at St Thomas' Preparatory School before leaving for England, where he studied engineering at the University of Sussex. He came to the US to get his Master's of Business

Administration, and graduated from the University of Pennsylvania's Wharton School in 1983.

His first job after graduation was at Chase Manhattan Bank, where he was a lending officer in the group that made loans to high-tech companies. In 1985, he joined Needham & Co, a New York-based investment bank that specialised in technology and health-care companies.

He started as an analyst covering the electronics industry and rose through the ranks, becoming head of research in 1987, chief operating officer in 1989 and president in 1991. A year later, at 34, Rajaratnam started a fund, Needham Emerging Growth Partners LP, according to Galleon's marketing documents.

In January 1997, Rajaratnam and Needham colleagues Krishen Sud, Gary Rosenbach and Ari Arjavalingham

formed Galleon Group. By the end of that year, they were managing US\$830mil, much of it from technology company executives. Rajaratnam had gotten to know throughout his career, according to "The New Investment Superstars: 13 Great Investors and Their Strategies for Superior Returns," written by Lois Peltz (John Wiley & Sons Inc, 2001).

As the Internet bubble burst in 2000, the Galleon Diversified Fund climbed 43.7% in the three-year period ending 2002, while the Standard & Poor's 500 Index dropped 37.6%.

Galleon's assets jumped to US\$5bil by 2001, making it one of the 10 biggest hedge funds in the world. That year Sud, who was co-head of the firm's healthcare fund and who had been friends with Rajaratnam since the two were classmates at Wharton two decades before, left to start his own firm, taking six employees with him.

Rajaratnam faces 13 fraud and conspiracy counts, many of which carry 20-year maximum sentences. Under federal sentencing guidelines, he faces 10 years in prison if convicted at trial, assistant US attorney Josh Klein said in court on Oct. 16.

— Bloomberg