Alpine Capital Advisors I
March 6, 2014

Paraphrasing the tree falling in the woods question, if a marketer writes a launch letter, will anyone read it?

We know you don't like us

"The salesman knows nothing of what he is selling save that he is charging a great deal too much for it."
- Oscar Wilde

In many early societies merchants were considered the dregs of society, holding a low and often the lowest position within social hierarchies. This was true in Ancient China, Pre-Renaissance Europe and in Feudal Japan. In Japan, its social structure consisted of eight levels, at the top were Royals and in descending order: Warriors (four classes), Peasants, (representing 90% of the population), Artisans and at the bottom, Merchants. Such disdain was reserved for them that they were forced to live in separate areas of cities and not allowed to speak to higher classes unless it involved selling or trading. Referred to also as salesman, merchants did not defend, govern, produce or craft and were viewed as parasitic opportunists, benefitting off the labor and talents of others, careless to what they sold as long as profit was involved.

While the lot of today's merchant/sales class has improved, there remains healthy skepticism and perhaps for good reason. Urban Dictionary defines the word "salesy" as an adjective for someone who is a cheesy, aggressive and a superficial salesperson of whatever product or service they are pitching. In extreme cases sales claims have been frighteningly irresponsible. Not long ago, cigarettes were sold as health aides, cocaine drops as soothing for toothaches and alcohol as nourishment to babies of pregnant mothers. In the world of finance, we are haunted by pitches of AAA rated subprime structured credit and "Madoffian" returns that seemingly defied the laws of market gravity and volatility. With this in mind, we are launching two business: the first of which is a company focused on sales and marketing, the second we discuss later.

Who we are

"I have no special talent. I am only passionately curious."
- Albert Einstein

Alpine Capital Advisors is a firm that raises capital for fund managers and growth companies from global investors. We are driven and inspired by creative, fulfilling and profitable outcomes when marketing is done "right." Defining "right," defines the mission of our firm which is to:

Seek and present unique investment opportunities while sharing dynamic content and intelligence.

The conventional sales ethos is to market products that can be sold easily, quickly and in large quantity. While not mutually exclusive, Alpine's litmus test is to find opportunities with exceptional investor alignment that aims to produce durable and differentiated returns, agnostic to its marketability.

We hold few prejudices (positive or negative) to strategy, region, asset class, size, style, pedigree, educational background, business maturity, vendor list or organization chart. Of the managers we represent, some manage billions of dollars and have been in business for over 20 years, while others are forming as we speak. While pedigree is a powerful facilitator, we will roll up our sleeves to understand opportunities off the beaten path. The reward of such search can be gratifying, as many successful companies started in garages and dorm rooms and as some of the most legendary managers also began with little and/or unconventional experience. They include:

Seth Klarman: analyst at Mutual Shares, started his firm during business school
Ken Griffin: traded out of his college dorm room with $265,000 without formal Wall Street experience reportedly with some capital from his grandmother
Jim Simons: math professor, no prior Wall Street experience
Julian Robertson: stockbroker and author
Paul Tudor Jones: cotton futures trader
Bruce Kovner: PhD dropout, political campaigner, harpsichord player, writer, cab driver
Paul Singer: real estate attorney
Ray Dalio: commodity futures floor trader on NYSE, started his firm out of his apartment
Carl Icahn: Philosophy major, NYU Med School dropout, soldier, stockbroker

To be prejudice free after meeting over 1,500 managers and companies is hard. In the manager space, we are biased toward three types we call: 1) Genius Take All 2) Tailwind and 3) Business Converts. The first type, Genius Take All, managers that traffic in highly competitive strategies with low barriers to entry, are the hardest to differentiate and most capacity constrained. These are managers that everyone is looking for, but are hard to find and/or access. Here we will likely spend the most time and have the lowest chance of success in finding unique managers to work with. The second, tailwind strategies, are managers that have supportive elements whether it is micro or macro drivers, special expertise, unique networks, less competition and higher barriers to entry. To paraphrase a poker analogy from Oaktree's Howard Marks, these are people looking to find the easiest game instead of being the best player. The final, business converts, are managers that transformed or are transforming from an existing operating business to an asset management business.

Starting a new firm allows one to try new things. Raising capital for companies was not part of our original business plan and I've only been involved with a few direct deals in the past. But through personal direct investing experience and our growing network of early stage companies we are excited for this opportunity. Given our inexperience, we will do this on a sparing basis, with keen focus on integrity, quality and viability of the company, its industry and its management.

We are also launching a technology business. Perhaps the news of a marketer getting into tech is a signal things are getting laughably frothy! But the nice thing is that we accept we may never make a dime on this business. We are putting our finishing touches on it and will soon announce its launch. Stay tuned.

A really short overview and history on placement agents

The very ink with which history is written is merely fluid prejudice."

- Mark Twain

Marketing firms come in different forms. In the hedge fund (HF) world, they are most commonly referred to as third-party marketers, in private equity (PE) and real estate (RE) world, they are known as placement agents and for start-ups and emerging companies they are called boutique investment banks or placement agents. What they all have in common is that their activities are focused on the placement of private securities. Firms that help with marketing are hired for several reasons including:

- To raise capital
- To attract capital from a certain LP segment to diversify a General Partner's (GP)'s capital base
- To attract capital for a new product that the GP is launching
- To streamline the capital raising process to save the manger time and headache
- To raise capital quickly, often to take advantage of a time sensitive opportunity
- To leverage the brand and reputation of a prominent placement agent to enhance the GPs own
- To gain knowledge of the LP community

- To help a GP or LP restructure, price, buy or sell existing funds, portfolios or assets – secondary or strategic advisory assignments
- To help leverage a placement agent's knowledge, network and experience to optimize the positioning, branding, structuring, pricing and reputation of the GP

Not much is written on placement agents and third party marketers, but from the limited amount there is, the business emerged in a fractured and informal way. Early financing of alternative investment managers were primarily originated by high net worth individuals and wealthy families. Those with connections to them helped managers raise capital in a boutique, ad-hoc and informal basis. As hedge funds began to raise capital in during the late 70's and private equity and venture funds in the early 80's, European and Wall Street institutions began performing ad-hoc placement assignments out of their investment or private banking departments. In 1988, Merrill Lynch became the first bulge bracket firm to start a formal placement agent department. Other banks followed Merrill's lead, and in 1994 a group led by Phil Poole, who had run Merrill Lynch's placement group, defected to Donaldson, Lufkin & Jenrette (DLJ), and served as the dominate player during and after Poole's departure following Credit Suisse's purchase of DLJ. Many professionals working at Merrill, DLJ and Credit Suisse went on to become or create the dominant players in the placement agent industry, including my former firm, Park Hill, which was seeded by Blackstone in 2005 and was fully acquired in 2007 prior to the Blackstone IPO. Many managers who used placement agents went on to be some of the largest and most respected private equity, hedge fund and real estate investors today.

Today the structure and focus of placement agents is divided into several categories as the chart below illustrates. Most agents and third party marketers (including my own) are boutiques of less than 10 people, some sub-bulge bracket investment banks have placement teams including (Evercore, Greenhill) as do large boutiques (MVision, Eaton, Monument, Probitas) and other firms like Credit Suisse, Park Hill, UBS and Lazard are known as full scale global platforms. The largest and most well-known placement agents today derive the largest chunk of revenues from PE fundraising. The nature of PE fundraising is most like the underwriting process of corporate issues at investment banks as PE funds are closed end structures with definitive capital closes and limits on how much can be raised. The same is true for RE, however, allocations are historically smaller, there are fewer RE funds and allocators than PE sector, and many LPs are experienced in investing in direct Real Estate transactions. Unlike PE or RE that raises capital for a new fund every few years, hedge funds are open-ended structures that take in capital until they close. In addition to the internal and agent options HFs can use to raise money, prime brokers also offer capital introduction services. Finally agents that focus on Directs are the most fragmented, as they focus on a disperse set of buyers ranging from angels and clubs to PE, corporates and sovereign entitites depending on the size of the asset.

Focus of Placement Agents

Geography	Product	Scope	Investor Type
- Global - Regional (North-America, South-America, Europe, Asia, Middle East, Australia)	- Private Equity - Hedge Fund - Real Estate - Real Assets: Timber, Energy, Mining, Farmland Infrastructure, Clean - Directs - Secondaries	- Global Platform - Large Boutique / Mid-sized Platform - Boutique	- Endowments - Family Offices - Foundations - Fund of Funds - Insurance - Pensions - Taft Hartley Plans - Sovereigns

The barriers to enter the placement agent business are fairly low. While there are different business models and attributes in the industry, there are only three things an agent in the US needs to start his or her business: 1) being or becoming a registered representative with FINRA 2) becoming affiliated with a broker dealer and 3) having access to a phone and email account. Given these low barriers the industry has attracted a wide range of people of varied reputation. The most negative perceptions of the industry come from the "pay-to-play" scandals that mostly occurred prior to the financial crisis of 2008/09. Reportedly, scandals involved not only investment staff at public pension funds, but also elected officials including elected Governors, State Treasurers and Controllers. Today, Illinois, Rhode Island, New York, and two of the three New Mexico's public funds have banned placement agents, and in Kentucky and California, agents must register as lobbyists. But even some of the staunchest critics of placement agents acknowledge that many of the "pay-to-play" misdeeds came from agents with political ties, many of whom with scant investment expertise. Another perception is that there is negative selection bias among managers who use placement agents: if an investment manager is good, the belief goes, money will find him/her. However, as previously mentioned many of the most respected managers used and continue to use agents. Finally, some question the misalignment of interests between an agent and potential LPs. As someone once told me, "don't you guys just work with anybody and hope to get lucky?" I would hope that the first part of this letter addresses some of these negative perceptions, if they don't, I look forward to discussing these issues in future letters.

Failure will make us successful

"Be gone, dragon (of failure). Tarry with me and I will cut your head off. For I must find the destination God and life hold in store for me!"

- Paul Tudor Jones on failure

While success is the goal of our business, we expect many bumps on the road. There will be managers and companies that we will disappoint. We will be disappointed by managers and companies that do not execute their strategies in-line with our (and their) expectations. We will be disappointed when deals fall away for reasons both within and beyond our control. There will also be times when we will disappoint ourselves when the quality of our work does not measure up. We will learn from each mistake and failure without excuses, ego or finger-pointing. Constant improvement is how we earn the respect of market participants. Our reputation is paramount as people enjoy doing business with people they like, respect and trust.

We want to thank those who have helped us during these early days. We also thank our first clients for believing in our fundraising capabilities and whom we are eager to present. People who were instrumental to Alpine's formation include Mike Mindlin, Chris Fox, Soo Kim, Elias Neto, KP Sim, Adah Jung, Rahul Moogdal, Bob Swigert, Don Carlson, the folks at Beech Hill, Henry Hwang (my first hire), among others who prefer to remain anonymous. I would also like to thank my former bosses and colleagues I have worked with through my career, especially those from my last job who hired me despite my lack of market experience and contacts seven years ago.

As a new small firm, we cannot afford to have an ego. We will have to work for every bit of success, but we believe that we have the experience, creativity, scrappiness and passion to build something special. We welcome all the help we can get and hope we get a chance to tell you our story in person soon.

Sincerely,

Les Baquiran
Founding Principal
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HOUSEKEEPING

Alpine calendar: Here is some selected travel we are doing March – May 2014

March 14 – 19: Texas at SXSW in Austin as well as Dallas and Houston
April 4: Boston at Harvard Business School Investment Conference, moderating a panel on emerging managers
April 9th: Toronto at the Fairfax Financial Annual Meeting
May 2-4: Omaha at the Berkshire Hathaway Annual Meeting, and planning on a Charity Poker Tournament to benefit the Iraq and Afghanistan Veterans Association

Alpine is hiring!

We are hiring full time analysts/engineers and paid interns (year round). Analysts/Engineers and paid interns need to have knowledge of web design languages such as PHP, CSS and HTML. Secondary back end languages such as Python are also valuable. The candidate also must a passion for investments. Please see the full description and application instructions on our corporate web site: www.alpineca.com.

Best Albums of 2013

During my career I have always sent out my favorite albums of the year. I'm a little late this year so I'm also including some great live performances. As always I would love to hear yours:

Albums of 2013	**Links to great live "small" performances**
Queens of the Stone Age : Like Clockwork Pearljam: Lighting Bolt The Strokes: Comedown Machine James Blake: Overgrown Bastille: Bad Blood Daughter: If You Leave The National: Trouble Will Find Me Drenge: Self Titled Speedy Ortiz: Major Arcana Smallpools: Self Titled EP	Alt-J at NPR PearlJam at Tower Records Radiohead at BBC Joey Santiago (The Pixies) at School of Rock Bon Iver live recording Chris Cornell in SF The Shins on KEXP The Kooks at Abbey Road