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DEALS & DEAL MAKERS

Former Goldman Star Links to Texas Pacific

Dinakar Teams With Firm In Blend of Private Equity And Hedge-Fund Business

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Dinakar Singh, who ran **Goldman Sachs Group** Inc.'s $10 billion in-house trading desk until July, is establishing an investment company with private-equity firm Texas Pacific Group as his partner.

The arrangement is another milestone in the evolution of private-equity firms as they move beyond their roots as small, narrowly focused entrepreneurial firms -- which traditionally make money by taking large positions in corporate buyouts -- to focus on an array of investing strategies.

The company, to be known as TPG-Axon Capital, establishes a new template, in which the two partners intend to raise as much as $3 billion in coming months, according to people familiar with the situation. The alliance gives Texas Pacific, whose investors include wealthy families, endowments and pension funds, a vehicle to trade the stocks of public companies.

At the same time, the arrangement will give the 35-year-old Mr. Singh an edge in a business that has become crowded. Mr. Singh will have access to the infrastructure of Texas Pacific, including its stable of executives in the dozens of companies it controls and the 70 professionals helping the firm, known as TPG, conduct due diligence on potential investments.

That edge is important at a time when new rules on corporate disclosure have put a premium on good ideas and spotting important trends early. Recently, many hedge-fund strategies have produced disappointing returns because so many managers use the same models to identify the same technical price discrepancies across a range of stocks and bonds at the same time the stock market itself has been weak.

Citing Securities and Exchange Commission rules on private placements, both sides declined to comment.

"TPG has become a valuable brand in financial services," said Mario Giannini, the chief executive officer of Hamilton Lane, a Philadelphiabased firm that consults for and invests on behalf of major institutional investors. "They will extend that brand in related areas more and more." Blackstone Group is perhaps the furthest along in this evolution with a $9 billion fund-of-funds business, a hedge fund of its own, major real-estate operations and an advisory business.

"The two businesses are converging," says Tony James, vice chairman of Blackstone. "We all have information and are seeking opportunities to use it to advantage in the public markets."

Private-equity firms have enjoyed a good run in recent months. Low interest rates have enabled many to refinance their investments at more attractive levels, and some have taken advantage of the low rates to issue bonds and pay themselves generous dividends. At the same time, private-equity funds were able to take many of their companies public, thanks to a generous stock market earlier this year and last year. Hedge funds, meanwhile have had a difficult time since the end of the first quarter. In July, the CSFB/Tremont Hedge Fund Index was down 0.3%.

The tie-up will have appeal to investors willing to pay for performance at a time when the stock market is expected to produce only single-digit returns and interest rates remain at historical lows. The ability to shift between taking controlling stakes and trading in and out of stocks holds obvious attractions to a firm such as TPG, analysts such as Mr. Giannini said.

Mr. Singh developed his reputation as a trader while at Goldman Sachs by spotting global trends ahead of competitors. He was among the first traders to spot the recovery in Japan and timed his exit from Internet stocks before the crash in 2000, according to associates.

The name of the firm reflects Mr. Singh's interest in supporting medical research into spinal muscular atrophy, a motor-neuron disease his daughter has. The axon is a nerve fiber.

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