



## BUSINESS

# Hedge fund manager's family office builds stakes in funds managed by women and ethnic minorities



By [James Williams](#) 18th May 2023

Former hedge fund investor Peter Lupoff and his wife Kelly Stevens are using a family office to build a portfolio around early-stage investments in funds managed by people of colour and/or women.

To achieve this, The Lupoff/Stevens family office has been active in public markets, building exposure to impact managers in equities and fixed income. This included a partnership with the United Nations Capital Development Fund to forge investment in the world's 47 poorest countries.

Today, its focus is turning to private markets, as the family seeks out private equity and venture capital managers to further express their impact objectives. Although impact will continue to guide these objectives, the family will consider more traditional hedge fund strategies.

Lupoff says: "Currently, we invest with six fund managers, but two of those are not impact specialists. One is a global macro fund; the other is a multi-strategy fund. If you fall on your sword by only investing in impact funds and you're down -20%...?"

"As a former hedge fund manager, I couldn't abide that."

He adds: "Between the SALT and Grosvenor events in New York this month, we will meet around 22 managers. Our interest is almost exclusively in private market funds. My guess is something like 18 to 20 of them are in the sector."

When setting up the family office in 2017, Lupoff was aware of the fact that the largest inter-generational wealth transfer would be taking place over the next 20 years, with trillions changing hands to a demographic that cares *how* money is made, not just returns in their own right.

His hedge fund career began in the 1990s when he worked on deep-value equity and distressed investing strategies with Marty Whitman of Third Avenue Funds. He also became involved in developing an underground hip-hop record label called Sub Verse.

Lupoff further developed his bottom-up approach at Izzy Englander's multi-strategy firm, Millennium Management, where Lupoff managed money in event-driven strategies for its flagship fund. Happy to mix in academic circles, he now teaches impact investing at Fordham University, where he is a Gabelli Fellow and member of the Impact Investing & Sustainable Finance Faculty Consortium.

In 2009, after leaving Millennium Management, Lupoff set up investment advisor Tiburon Capital Management which he sold to pension consultant Gray & Company in 2012, but remained investment chief until 2017.

It was at this point he began having conversations with pension clients who were interested in Europe's ESG revolution. "This was relatively new to me, having spent 30 years doing distressed and event-driven investing; impact wasn't part of my mandate," he says

In 2017, Lupoff took the decision to develop a family investment office.

"What is interesting about the family office as a structure is the ability to invest and achieve the goals that the family wants, and you're doing it in a way that asserts the interests and purpose of those family members," says Lupoff.

"At the time, my son Max was 11. With my wife Kelly, we wrote an investment policy statement about the things that we valued and what we would like to accomplish. We wanted to achieve social and climate impacts, as part of how we invest and how we give. Our family office has become the vehicle for articulating that in a consistent and coherent way."

Lupoff/Stevens is a signatory to DivestInvest, a global collective of 58,000 individuals and over 1,500 organisations committed to divesting from fossil fuels and investing in climate change. It also signs up for The Belonging Pledge, which addresses racial equality through investment.

His wife is African American, and his son identifies as black. As Lupoff explains: "In terms of writing our investment policy statement, we wanted to seek out market returns from a portfolio with impact mandates including social justice, racial equity, narrowing the racial wealth gap, financial inclusion, climate action and energy transition.

"For the first couple of years, we largely invested in public securities. It has only been in the last year or so that we started to invest in managers directly. I think it's very possible that over time, as my son gets older and his interests expand, we may start investing directly in companies."

Lupoff's investment career has certainly helped shape his task of seeking and backing the right managers. In a way, it is a skill set that derives from years of analysing stocks and capital structures to work out where the value exists.

Lupoff learned how to park his cognitive bias, or at the very least manage it. For years, Lupoff displayed a sign in the trading room: 'Leave your biases on the other side of the door'.

Nesha Mutuku, Vice President at Lupoff/Stevens works with Lupoff on manager sourcing and selection. He met Mutuku when was CEO of Net Impact, which connects students and professionals keen to drive the ESG revolution: "She came with me when I stepped down, and her fellowship ended. We had a good working rapport. She was interested in private markets, and we began making investments in 2022," explains Lupoff.

"Human beings have confirmation bias – we want to justify the work we've done. Nesha and I looked at 26 managers in Q3 last year and got down to three. But I didn't like where their valuations were and took a pause.

"Coming into 2023, we had a short list of VC managers to work from with a new approach for avoiding pitfalls, knowing what we do today about private market valuations."

Lupoff sees plenty of impact investment opportunities going forward and believes those who see ESG/impact as part of a woke initiative are "missing the way the world works".

"Companies care about what their future net asset value is. Like climate change, before we can make future returns in the decades to come, we need to have a planet to harvest those returns."

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