

August 2009



AUM increase in Q2, 2009

The latest data from Hedge Fund Research (HFR), indicates hedge fund assets increasing US\$100bn during the second quarter of 2009 – the first quarterly increase since Q2, 2008. Performance gains were the main contributor. According to Reuters, pension funds have said they plan to commit more money to hedge funds in the second half of 2009 but will address issues such as transparency and liquidity terms.

Says Credit Suisse Alternative Capital director, Phillippe Schenk, *“there is very much a sense of investors coming back to hedge funds”*.

– Hedge Week, Reuters, July 2009

Fund of hedge funds – down but not out

Despite the portrayal of an industry that has suffered, results of the Watson Wyatt FTfm Global Alternatives survey show funds of hedge funds remain a resilient investment choice. Global Head of Manager Research at Watson Wyatt, Craig Baker says they still see significant client interest in funds of hedge funds. Business models still have huge value and good funds are being given the opportunity to show their expertise as administrators, structuring experts and service providers. Due diligence is an important part of the offering.

While larger pension funds are able to take on such risk-assessment work, many find monitoring, operational and legal work costly and difficult to perform internally. This is where funds of hedge funds are able to offer superior and valuable expertise. – FT.com, July 2009

Hedge funds offer long-term opportunities

According to State Street, despite being hit by

the financial crisis, hedge funds will adapt to the new environment and continue to offer long-term opportunities for institutional investors. A report released indicates two major trends affecting the industry – a migration to third party administration and custody services, and increased regulatory oversight. – HedgeWeek, July 2009

World’s biggest food group signs fund of hedge funds mandate

Nestlé, the world’s biggest food group, has signed an investment and advisory mandate with a Swiss fund of hedge funds manager. The move is seen to signify returning trust in the hedge fund industry following the events of 2008. – Reuters, July 2009

AIMA warns of global impact of EU alternatives directive

Alternative Investment Management Association (AIMA) has warned of global consequences if the European Commission’s draft directive on alternative investment fund managers is enacted into European law. Non-EU funds / managers would face major obstacles in accessing the EU market and would require special marketing passes in order to do so. In turn, EU investors would be forced to only use EU managers of EU-domiciled funds and face decreased choices, increased costs and potentially diminished returns.

Andrew Baker, Chief Executive of AIMA says *“...the draft directive would hit the industry worldwide and weaken the competitiveness of the EU in investment management, and make the EU a less attractive destination for international investment”*. – HedgeWeek, July 2009