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Hedge funds off to a good start in 2009

After a disappointing 2008 from a performance perspective, hedge funds “lived up to expectations” for the first two months of 2009. Hedge funds were essentially flat whilst stock markets have fallen about 20% (as represented by the MSCI Global Equity Index) and global bonds were down 5%. In contrast hedge funds were doing what they are designed to do - offer greater protection during market declines.

“Hedge fund managers remain conservatively positioned with historically low gross exposure and are generally maintaining very tight net exposures”
- Hennessee Group.

AIMA - majority of hedge fund AuM now comes from institutional investors

The majority of all assets under management by hedge funds and funds of hedge funds globally belong to institutional investors according to the Alternative Investment Management Association (AIMA), the international trade body for the hedge fund industry.

The new research from AIMA defines institutional investors as pension funds, university endowments, foundations and governmental authorities. The figures were produced by AIMA's research department, and are based on extensive consultation with the association's members. AIMA has more than 1,200 corporate members in 43 countries globally, including the leading industry hedge fund managers, fund of hedge funds managers, advisers and service providers.

Andrew Baker, Chief Executive of AIMA, said, *“These figures demonstrate that the hedge fund industry plays an extremely important role globally for the institutions that look after everyone's pensions and savings. Hedge funds and funds of*

funds are skilled at managing risk and delivering stable returns, which institutions need at this time more than ever. They offer an extension of investment capabilities to institutional investors through their skills and expertise.”

Fund of hedge funds model sound - Standard & Poor's Fund Services

Against a background of industry debate on whether the funds of hedge funds model is flawed, Standard & Poor's Fund Services notes in its latest update that the sector succeeded in outperforming traditional equity investment substantially in 2008. This trend continued into the new year.

“We feel that the basic investment idea behind the fund of hedge funds model is sound” says S&P Fund Services lead analyst Randal Goldsmith. *“If anything, 2008 demonstrated very clearly the risk associated with long-only, index-driven investing.”*

Second largest UK pension fund to make first allocation towards hedge funds

The Universities Superannuation Scheme (USS) has strengthened its absolute return strategies programme with the appointment of a senior investment professional as part of the Fund's planned move into hedge funds.

“...the hedge fund industry represents a compelling investment opportunity for investors like USS who are able to take the long-term view. The Absolute Return Strategies programme will form a core part of our strategy for alternatives assets” – says Mike Powell Head of Alternative Assets.