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Hedge funds “back on track” – but remain cautious (*Hedgeweek.com*)

A recent study performed by the *Hennessee Group* shows a slowdown in redemptions, which is definitely restoring stability to the industry and allowing hedge funds to once again focus on alpha generation for investors. However, the study also focused on the rising concern among investors that the financial markets are due for a near term correction in light of the widespread gains experienced in recent months – what are the expectations for hedge funds in a market correction? Consistent with longer-term results. For example, hedge funds managed to protect capital during the market sell-off earlier this year (Jan & Feb) but due to the nature of hedge funds only partially participated in the market rally since March 2009.

“We would expect to see similar results going forward, particularly given the cautious stance of most hedge funds today as uncertainty and nervousness continues to overhang the financial markets and economy” – Charles Gradante, co – founder of the Hennessee Group.

AIMA supports registration of hedge fund managers in the US (*Hedge Fund Journal – Nov 2009*)

The Alternative Investment Management Association (AIMA) has reiterated its support for the registration of hedge fund managers in the US. Until now, US hedge fund managers who registered with the SEC have done so voluntarily. AIMR’s support comes, as the *Private Fund Investment Advisers Registration Act 2009*, which the Senate is expected to approve in December 2009, will make the registration of hedge fund managers in the US compulsory for the first time.

Todd Groome, AIMA chairman, said: *“We have supported the registration of managers in the US and elsewhere as well as the reporting of systemically relevant information to national authorities in the interest of financial stability. Our industry recognizes the need to constructively support efforts to improve financial stability analysis and has worked with US authorities voluntarily in this regard for many years”*

Large pension plans “returning” to hedge funds (*HFMWeek - October 2009*)

The New York state pension fund, as with many other large pension funds of late, has decided to make a large allocation towards hedge funds. The Fund plans to invest more than \$1bn by year-end. Diversification remains the key as pension plans are re looking at their allocation towards hedge funds as part of their overall investment strategy.

Pension funds in the OECD countries – continue to further diversify

The October 2009 issue of the Organisation of Economic Cooperation and Development (OECD) focused on pension fund assets and the recovering of funding levels in 2009. Apart from the fact that equity allocations have fallen substantially – as a result of the crisis, the paper talks about a number of developments common to both DB and DC pension funds that have intensified as a result of the financial crisis: -

- Increased international diversification of equity portfolios;
- Increased use of derivatives to hedge both asset and liability risks, and
- Continuing exposure to alternative asset classes - including hedge funds.