

news flash

hedge fund industry

AIMA to publish new guidelines for FOHF's

According to *Andrew Baker, deputy CEO of Alternative Investment Management Association*, AIMA will publish a "global guide to sound practices" for fund of hedge funds. Previously, authoritative documentation focusing on fund of hedge funds was non-existent. AIMA guidelines intend to focus on areas critical to the operations of a hedge fund, such as:

- * Valuations
- * Administration
- * Governance
- * Business continuity
- * Due diligence for managers
- * Service providers
- * Anti-money laundering
- * Industry certification

Shorts get the "short end" of the stick

The *Securities and Exchange Commission (SEC)* has come to the aid of several embattled financial companies that have seen their equity vaporize almost overnight. On 21 July 2008, the SEC implemented an emergency ruling prohibiting the naked short selling of 19 financial stocks; including *Fannie Mae*, and *Freddie Mac*, two mortgage companies that together, according to Bloomberg, hold approximately 50% of all U.S. mortgages. The SEC, which believes that the decline in the share price of Fannie and Freddie has been exacerbated by naked short sales, requires investors to borrow shares prior to executing a short sale order – previously, investors could execute an order by locating shares that they had reason to believe were available for borrowing. – *Edgar Ortega (www.bloomberg.com)*.

Hedge fund inflows weather the storm

According to *Hedge Fund Research*, hedge funds attracted \$29 billion of new capital during the first half of the year. Despite turbulent capital markets in the second quarter, hedge funds continued to provide a home for new capital albeit at a slower pace. In the first quarter, hedge funds attracted \$16.5 billion worth of new capital. This brings total hedge fund industry assets under management to \$1.9 trillion, according to HFR, of which \$826 billion is controlled by funds of hedge funds.

Hedge fund investors are satisfied

A survey conducted by Bank of America shows that 57% of Americans are satisfied with hedge funds since their initial investment, compared to 5% who are dissatisfied. The survey comprised 400 respondents with more than \$3 million worth of assets to invest. In the same survey, nearly two thirds of all wealthy investors surveyed noted that they are more likely to invest in a hedge fund that is registered with the SEC.

Registered hedge funds do not make use of *safe harbour rules* and therefore have to provide their investors with a prospectus. They are subjected to full scrutiny by the SEC and are permitted to sell their securities to retail clients. On the other hand, hedge funds which make use of *safe harbour rules*, are precluded from selling their securities to retail clients.

