

news flash

hedge fund industry

November tough for offshore fund of hedge funds, but outlook still good for the year

August and November 2007 were poor months for hedge funds on the back of the housing market and credit crisis. Nevertheless, the average FoHF is up approximately 9% to the end of November and is still on course to achieve double digit returns for 2007, with record new inflows expected for the year.

Institutional investors "to pump" €100bn into alternative assets in next 2 to 4 years

JP Morgan Asset Management's 2007 survey on alternative assets conducted amongst 280 institutions that represents approx €1.9 trillion under management, shows that institutional investors across Europe plan to allocate more than €100bn into alternative assets over the next couple of years – driven by the desire for diversification rather than an expectation of lucrative returns.

The survey also pointed out that most of the institutions that had "dipped their toes in the water" as of the previous survey in 2003 are now keen to increase their allocation. While 63% of existing hedge fund investors plan to increase their exposure. (*Financial Times: 27 November 2007*).

Hedge fund launches "thin" as investors look to track records

The number of new funds launching is slowing and is expected to drop by some 20% this year compared with 2006 according to *Hedge Fund Research Inc (HFR)*. Investors are now demanding longer track records before providing capital. (*Hedgeweek: 9 November 2007*).

Institutional investors, CalPERS, cynical about "cloning"

Hedge fund replication strategies or "cloning", have currently approximately \$50bn under management. Those marketing this type of strategy are of the view that they are able to access much of the hedge fund returns in a more transparent and liquid manner, with lower fees. However, institutional investors are much more skeptical.

At a recent Terrapin international conference on hedge fund replication, Mr. Ho – quantitative portfolio manager at CalPERS (the largest public pension fund in the U.S.) said "I haven't found replication very exciting. The replication models remain too complex and for that reason hard to pitch to a board or an investment committee".

Asian focused hedge funds "getting friskier"

According to research firm *Oliver Wyman*, hedge funds are increasingly looking for opportunities in Asia, which are currently dominated by long/short equity strategies. Hedge funds are increasing their exposure to credit markets and special situations. The study found that almost 80% of the Asian hedge funds surveyed, invest in credit markets of China and India followed by Japan (71%), Taiwan (59%) and Korea (45%).

"Despite the region's heavy reliance on developing economies, a growing amount of capital is focused on credit markets in Asia" – Brad Ziff (head of Oliver Wyman's hedge fund advisory practice)". (*Institutional Investor.com: 9 November 2007*).

