

# news flash

hedge fund industry

## Hedge funds achieved respectable returns in 2006 and continue to grow

The HFRI FOF Index was up 10.4% for the 2006 calendar year according to Hedge Fund Research Inc, with the best performance coming from the underlying Emerging Markets sub-index up 24.3%.

The hedge fund industry has grown past the \$1.4 trillion mark with more than 10 000 single hedge fund managers and more 2300 funds of hedge funds to select from. Hedge fund selection remains a daunting task!

## New trend - hedge funds going public

A new trend is developing in the hedge fund industry with hedge funds listing on the major stock exchanges. The "new fashion" is mainly in the UK where the Man Group, the world's largest public listed hedge fund manager is listed. This month, Fortress Investment Group LLC became the first ever US-based hedge fund to list on the New York Stock Exchange.

## First hedge fund to issue bonds

The Citadel Group, with \$9.5bn in assets under management, is planning to issue \$2bn in medium term notes. They will be the first ever hedge fund to obtain funding by issuing 5-year medium term bonds.

## Hedge fund trends for 2007 – Forbes.com

Forbes.com recently listed some of the main trends for 2007:

- Changing investor profile from individual to institutional will drive hedge funds to have more formal procedures and controls;
- More hedge fund mergers and acquisitions and;
- Continued confusion concerning the level of hedge fund oversight.

## Watson Wyatt warning - hedge fund consolidation may be detrimental to investors (Financial Times: 8 January 2007)

Investment banks went on the buying spree last year to expand their product offerings with the acquisition of hedge fund businesses with more consolidation expected in 2007.

*"From an investment quality perspective it is usually better to stay small and be focused. We think there can be an inverse correlation between asset growth and investment quality"*  
– Chris Mansi (senior investment consultant at Watson Wyatt).

Octane's business model overcomes this size issue in that we only include and combine niche and boutique offshore funds of hedge funds.

