

news flash

hedge fund industry

Fund of hedge funds achieved 'flat' returns for December 2007 as equities 'stumble'!

The HFRI FoF Index was up marginally at 0.5% for the month of December, benefiting mainly from short positions and amid high volatility across equities, with the MSCI World Equity Index finishing the month down 1.3%.

Alternatives become mainstream –Russell Investments

The *Russell Investments Survey on Alternative Investing* released last month shows that pension funds, endowments and foundations across the world are forecast to increase their allocation to alternative assets over the next two years. The biggest jump is expected in North America, where allocations to hedge funds are forecast to rise from 7.5% to 8.9% until 2009.

"Worldwide, hedge funds have matured as an investment tool for diversifying portfolios and reducing risk. As more and more players enter the hedge fund marketplace, institutional investors are turning to consultants to help them select hedge fund providers and better understand the esoteric strategies they often employ" – Victor Leverett: Director Hedge Funds at Russell Investments.

Larger US pension funds produce greater returns due to their higher allocation to alternatives

According to new research conducted by *Wilshire Trust Universe Comparison Service* - a widely accepted benchmark for the performance of institutional assets - shows that larger US pension plans outperformed smaller funds for the past 10 years as a result of their higher allocation to alternatives (*Financial News*: 7 December 2007).

"The largest plans have a greater allocation to non-traditional asset classes which have outperformed the traditional asset classes recently" – Hilarie Green (Head: Wilshire Analytics performance reporting).

Outlook for hedge funds in 2008 looks bright

The year 2008 is expected to be another promising year for hedge funds according to *Man Investments*. In its annual review report, it highlights some of the challenges and opportunities for 2008. Included are the ability of hedge fund managers to adapt to the different macroeconomic scenarios that may materialize; volatility to be a major factor in performance numbers, opportunities arising from uncertainty caused by central bank actions together with the opportunities in merger & acquisitions despite the recent slowdown.

The report concludes, *"The alpha generating skills of hedge fund managers will be essential to meet investor expectations – those managers who will be unable to achieve set target returns and who lack the necessary risk management processes will find it hard to survive"* - Institutional Investor.com.

