

news flash

hedge fund industry

Global markets continue to fall raising fears of a bear market and US recession

During June 2008 world markets once again came under severe pressure with the MSCI World Equity Index down 8% and Lehman Global Bond Index flat at 0.1%. This is on the back of increased inflationary fears as the oil price continues to rise, concerns that banks will report additional write-downs and the dimmed outlook for corporate profits in the US.

Hedge funds managed to show their worth again with the investable hedge fund index, HFRX down only 0.8% and once again, demonstrating the importance of hedge funds in portfolios.

FSA reviewing current moratorium on marketing of hedge funds and funds of hedge funds

The UK is at a turning point with regards regulation of hedge funds. The Financial Services Authority (FSA) recognizes the inevitability of a wider range of investment products as demand for hedge funds increases, due to the diversification benefits that hedge funds bring to investor's portfolios. For this reason, the FSA is considering changes to the UK's regulatory framework in order to allow the establishment of authorized onshore hedge funds.

The progress towards a well-functioning retail market for hedge funds will require enhanced product knowledge. Education therefore remains key.

FSA implements regulation for short sellers

The FSA in the UK last month announced that all investors will be required to disclose any short positions greater than 0.25% in companies that are preparing for rights issues. The FSA said "*in current market conditions, there is increased potential for market abuse through short-selling during rights issues*".

European Central Bank – "hedge funds use markedly less leverage than is often assumed in the media"

Every six months, the European Central Bank (ECB) issues a State of the Union report on the financial system called the "*Financial Stability Review*". One of the issues addressed in the latest report is the use of leverage by hedge funds and the potential impact on financial markets. An extract from the report states -

"The use of leverage makes hedge funds substantially similar to banks. However, the leverage of a hedge fund is rarely comparable to or as high as that of a bank".

Donations from hedge funds surge – "shared wealth with diverse and worthy causes"

According to *Absolute Return Magazine*, not only hedge funds soared last year, but also the size of the hedge fund managers' own foundations. The 25 largest hedge fund foundations surged by 61% i.e. \$459 million aimed at children, education and health care services. George Soros's *Open Society Institution* is listed as the largest foundation with assets of \$1.3 billion.

