

news flash

hedge fund industry

Hedge fund industry continues to grow – strong flows during Q1 2007

The global hedge fund industry witnessed record inflows of more than \$60bn during the first quarter of 2007, bringing the total assets under management to \$1.5 trillion, according to *Hedge Fund Research Inc* (HFR). Fund of hedge funds attracted \$8bn, the fifth consecutive quarter of positive inflows.

“The trend in asset flows suggest that both individual and institutional investors are allocating to hedge funds, while the performance indicates hedge funds are exceeding these investors’ expectations” – Ken Heinz (President of HFR)

Fed Chairman says don't regulate hedge funds too heavily

The current market-based system is the best way to regulate the hedge fund industry - Federal Reserve Chairman, Ben Bernanke said in a speech last month at the New York University School of Law. He also said that he supported the conclusions reached by the President's Working Group in February, which stated that what the industry needed was increased vigilance on the part of investors rather than new government rules. This is contrary to the views of Germany, which has sought increased scrutiny of hedge funds, including a possible code of conduct.

“The Fed's approach to regulation had turned it into a consultant rather than a cop on the beat” – Tom Schlesinger (President of Financial Markets Center)

FSA ditches 'light' hedge fund regime

The Financial Service Authority (FSA) in the UK plans to “loosen” the main listing rules for hedge funds. This follows from increased pressure by shareholders, politicians and consumer groups that the current listing requirements have too much “red tape” and that the listing requirements need to level the playing field for offshore hedge funds wanting to list in the UK.

Hedge funds will soon make up over 10% of conventional institutional investor's portfolios

The latest Vision report released by *State Street* shows that institutional investors are expected to increase their hedge fund allocation above the 10% level, at a time when investors are looking to further diversify and search for absolute returns.

Consultants in the US to focus more on hedge funds in 2007 than any other strategy

Casey Quirk in conjunction with *eVestment Alliance* last month released their first annual study of consultant search activity. Some of the main findings from the study were: -

- 2007 will see a significant increase and focus by consultants on hedge funds. Over 50% of respondents mentioned hedge funds as one of their top search items for 2007;
- Not one of the consultants responding to the survey expects to conduct less hedge fund searches in 2007, than they did in 2006;
- Consultants prefer fund of hedge funds to single hedge fund investing searches.