

news flash

hedge fund industry

Tough first quarter for hedge funds, but in-flows remain positive

The first quarter of 2008 was a difficult period for hedge funds with the HFRI FoF Index down almost 4%. Regardless of the disappointing short-term performance numbers and volatile markets, net inflows remained positive with approximately \$16.5 billion of assets coming into the industry according to *Hedge Fund Research Inc.*

Offshore hedge fund managers expect strong inflows in 2008, despite difficult market conditions

The latest survey conducted by accounting firm *Rothstein Kass*, did not expect the credit turmoil to have much impact on the hedge fund industry raising new assets in 2008. More than 90% of more than 300 senior hedge fund managers surveyed, said they expect the industry to attract "significant" new money this year. Other key findings from the survey include:

- Identification of brand image - marketing will become more important;
- Nearly 75% of participants in the survey believed that it will become more difficult to attract & retain talented staff;
- More than two thirds of hedge fund managers are of the view that it will become a more difficult environment to operate in due to increased competition in securing investors.

The Hedge Funds Working Group (HFWG) – improving the image of the hedge fund industry

In 2007, 14 of the UK's largest hedge fund managers formed the HFWG with the aim of establishing a benchmark of best practice in the industry and to promote self-regulation. In February 2008, the HFWG published a report outlining 28 principles for best practice, with the Hedge Fund Standards Board (HFSB) established as custodian of the standards. The standards covered five key areas i.e. disclosure, risk management, valuation, shareholder conduct and governance.

In response to the report, *KPMG* commissioned an independent survey to explore the attitude of the UK investor community. Some of the key findings from the survey are:

- 90% of investors said managers should be required to meet the HF standards;
- 80% of pension funds would favour managers who had complied with the HF standards;
- Valuation is viewed as the most important area by investors.

"Given that pension funds are expecting to double their allocations to hedge funds, from an average of 4% to 8% over the next three years, the incentive for hedge funds managers to sign up to the HF Standards is compelling – It is important to have a voluntary code rather than prescription"
– **KPMG.**

Japanese life insurers embrace hedge funds for returns

Low government bond yields and volatile currency markets are pushing Japan's traditionally conservative life insurers into alternative investments. Hedge funds and private equity are set to obtain more of the "huge cash pile" - Japanese insurers collectively manage about \$1.6 trillion in assets.
- www.reuters.com

