

news flash

hedge fund industry

August was a “tough” month for hedge funds

August was a disappointing month for hedge funds. The impact of the credit crunch and induced market volatility led the HFRI FoF Index to drop by 2.1% according to data released by Hedge Fund Research Inc. The losses weren't dramatic, but they came as overall markets managed to finish the month in the black. The MSCI World Index was flat at -0.08% whereas the Lehman Bond Index ended the month up 2%. For the year to date, hedge funds are comfortably in positive territory.

US fund investors and asset managers to develop voluntary guidelines

The President's Working Group on Financial Markets is creating two advisory groups to develop “best practices” for investors who place their money in hedge funds and the managers who run the investment vehicles. One group, comprising hedge fund managers, will develop guidelines for items such as valuations and what information should be disclosed to investors. A second group, comprised of investors, will develop guidelines for the type of “due diligence” those investing in hedge funds should undertake, as well as the kind of information investors should receive. Recommendations are expected by year end.

Institutional investors hold the ace for the growth of fund of hedge funds over the next five years

Institutional investors will continue to be the biggest determinant of the future of fund of hedge fund managers over the next five years - so said a group of observers who shared their predictions with Pensions & Investments. According to HFRI Q2 report, fund of hedge funds accounted for approximately 44% of the \$1.7 trillion of hedge fund assets. This is up from 36% in 2005, 17% in 2000 and just 5% in 1990.

Hedge funds responsible for about 30% of all US bond trading

A recent study by consulting firm Greenwich Associates, shows that hedge funds have quickly become dominant players in the world of debt. Hedge funds are responsible for nearly 30% of all US fixed income trading over a 12-month period through April 2007 – almost double the amount of trading that hedge funds accounted for the previous year.

Larger hedge funds in the US are growing at a record pace

Absolute Return magazine recently published the list of the largest hedge funds in the US. The July 2007 survey shows there are now nine US hedge fund managers overseeing more than \$20 billion each, compared to only four a year ago. The select group, also called the “super league”, controlled a total of \$290 billion – approximately 20% of the entire hedge fund universe. Common sense indicates that hedge funds would struggle to deploy their assets in profitable strategies once they reach a certain size – time will tell, but in the meantime, the cash keeps rolling in.

