

# *Serbest Yatırım Fonları*

## *Hedge Funds*



*Dr. C. Coşkun KÜÇÜKÖZMEN*

# Krizin baş aktörlerinden biri: Serbest Yatırım Fonları

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## HEDGE FUNDS

Genellikle kamuya bilgi açıklamak zorunda olmayan, müşterileri arasında sayıca az ancak oldukça varlıklı bireysel ya da kurumsal yatırımcılar bulunan, yüksek kaldıraçla çalışan, saldırgan bir yönetim tarzına sahip, yatırım fonlarıdır.

Bu fonlar kısa dönemli piyasa hareketlerinden faydalanarak getirilerini (karlarını) için büyük miktarda paralarla piyasaya girerler.

### Bu fonların en büyük özellikleri

- Finansal türev araçları maharetle kullanabilmeleri ve
- Piyasalara çok hızlı giriş çıkış yapabilmeleridir

# Serbest Yatırım Fonları: Orijin



(1901-1989)



Alfred Winslow Jones

- İlk SYF *Albert Wislow Jones* tarafından 1949 yılında kurulmuştur. New Yorkta yaşayan bir Avustralyalıdır.
- 1923 yılında Harvard Üniversite'sinden mezun olmuştur (Sosyoloji Bölümü). *Fortune Magazine*'de muhabirlik yapmıştır.
- Yük gemilerinin muhasebeciliğini yapan AWJ bu vesileyle neredeyse tüm dünyayı dolaşmıştır. Ardınan Dışişleri hizmetinde bulunmuştur.
- 1949 yılında ilk Mutlak Getiri **Absolute Return** ya da kendi deyiimiyle “**Hedge Fund**” kurmuştur.
- Yatırım araştırması sürecinde Alternatif Yatırım Yaklaşımını (**alternative investment approach**) geliştirmiştir
- İşe \$40,000 kendine ait olmak üzere \$100,000'lık bir portföy oluşturarak başlamıştır.



# Serbest Yatırım Fonları: Orijin

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- AWJ'nin yatırım tekniği uzun (long position) hisse senedi pozisyonlarını açığa sattığı diğer hisse senetleriyle olası finansal risklere karşı koruma altına alarak (hedging) “genel piyasa riskini” elimine etmeye yöneliktir.
- Portföy getirisini arttırmak için kaldıraç imkanından da yararlanana AWJ daha sonra tüm aktiflerini kendi fonunda toplamıştır.
- 1966 yılında Fortune Magazine’de tüm fonların neredeyse iki katı kadar (87%) getiri sağladığına dair makale yayınlanana kadar kimse HF nedir bilmiyordu.
- Makalenin yayınlanmasından sonraki 2 yılda Warren Buffett’ın HF’si dahil olmak üzere 140 HF kurulmuştur.



# Serbest Yatırım Fonları: Yasal Çerçeve

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SEC

Amerikan SPK'sı

CFTC

Futures Piyasası Gözetim Otoritesi

FED, OCC, OTS

Amerikan Merkez Bankası, Hazine (bankacılıktan sorumlu) ve Küçük Bankalar Denetim Otoritesi

FSF, Ulusal Denetim Otoriteleri, Merkez Bankaları, Avrupa Birliği ve **BASIN!**

Ancak bu kuruluşlar kamu/küçük yatırımcı korunmasına ve piyasanın adil rekabet esaslarına göre çalışmasına ilişkin düzenleme ve denetim felsefesine göre çalışmaktadır.

Fakat HF'ların müşterileri ne kamu ne de küçük yatırımcıdır (sigorta şirketleri, emeklilik fonları gibi istisnaları vardır).

HF'lerin etkili bir şekilde çalışabilmeleri için önemli olan iki faktör Mahsusiyet ve düzenleme ve denetimden muaf bir faaliyet alanıdır.

# Serbest Yatırım Fonlarına ve Ürünlerine İlişkin Bilgiler Niçin Kamuya Açık Değildir?

Her birinin bir \*kazanma\* stratejisi vardır. Kısmi açıklama bile stratejilerinin önünü kesebilir ve daha hızlı davrananlar önceden kârları toplayabilirler (**danger of front-running**).

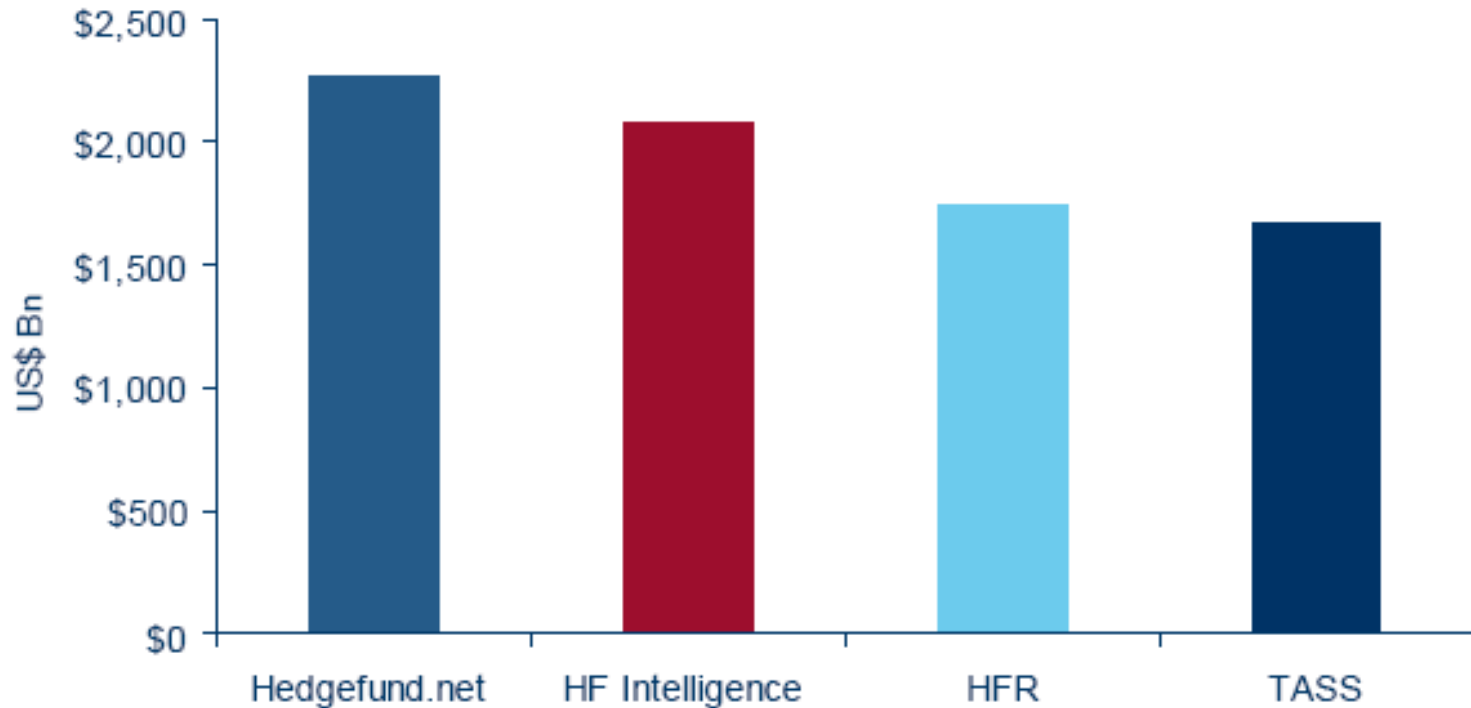
\*Vergilendirme\* yatırımcılar için önemli bir tercih kistası olup HF'lerin kayıt/tescil edildikleri yerler buna göre belirlenir (Almanya bu konuda sert ve önleyici tedbirler geliştirmiştir).



# HF Endüstrisi Büyüklüğü: Halâ Net Bir Rakam Yok!

Although estimates vary, there is now c. \$2 trillion in total hedge fund assets under management

AuM through 2007 H1



Source: Hedge Fund Research, Hedge Fund Intelligence, Hedgefund.net, Lipper/TASS hedge fund database. All data was obtained from publicly available information, internally developed data and other third party sources believed to be reliable. Credit Suisse has not sought to independently verify information obtained from public and third party sources and makes no representations or warranties as to accuracy, completeness or reliability of such information.

# HF Büyüme Oranı ve Tahmini HF Sayısı

## Hedge funds: growth

Estimated assets  
\$'000bn

■

1.6

1.4

1.2

1.0

0.8

0.6

0.4

0.2

0

1990 91 92 93 94 95 96 97 98 99 2000 01 02 03 04 05 06

### Study Finds More Than 200 Hedge Funds in Energy Markets

By Peter C. Fusaro,  
Chairman and Founder, Global Change Associates and  
Gary M. Vasey, Ph.D.  
Vice President, Trading & Risk Management Services

Estimated number of funds

— '000

10

8

6

4

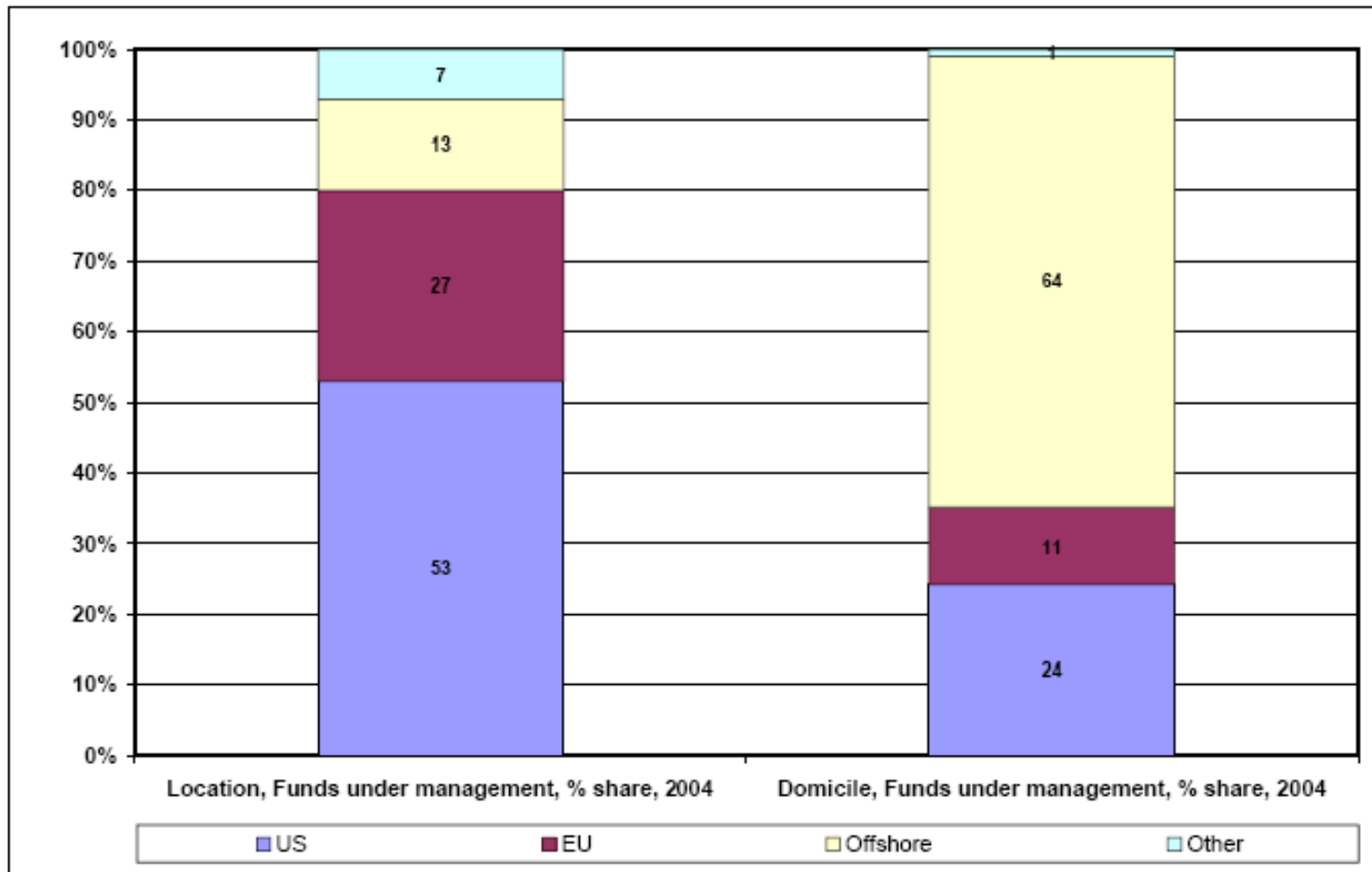
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Source: HFRI

# Serbest Yatırım Fonlarının Kayıtlı Olduğu ve Faaliyet Gösterdiği Bölgeler

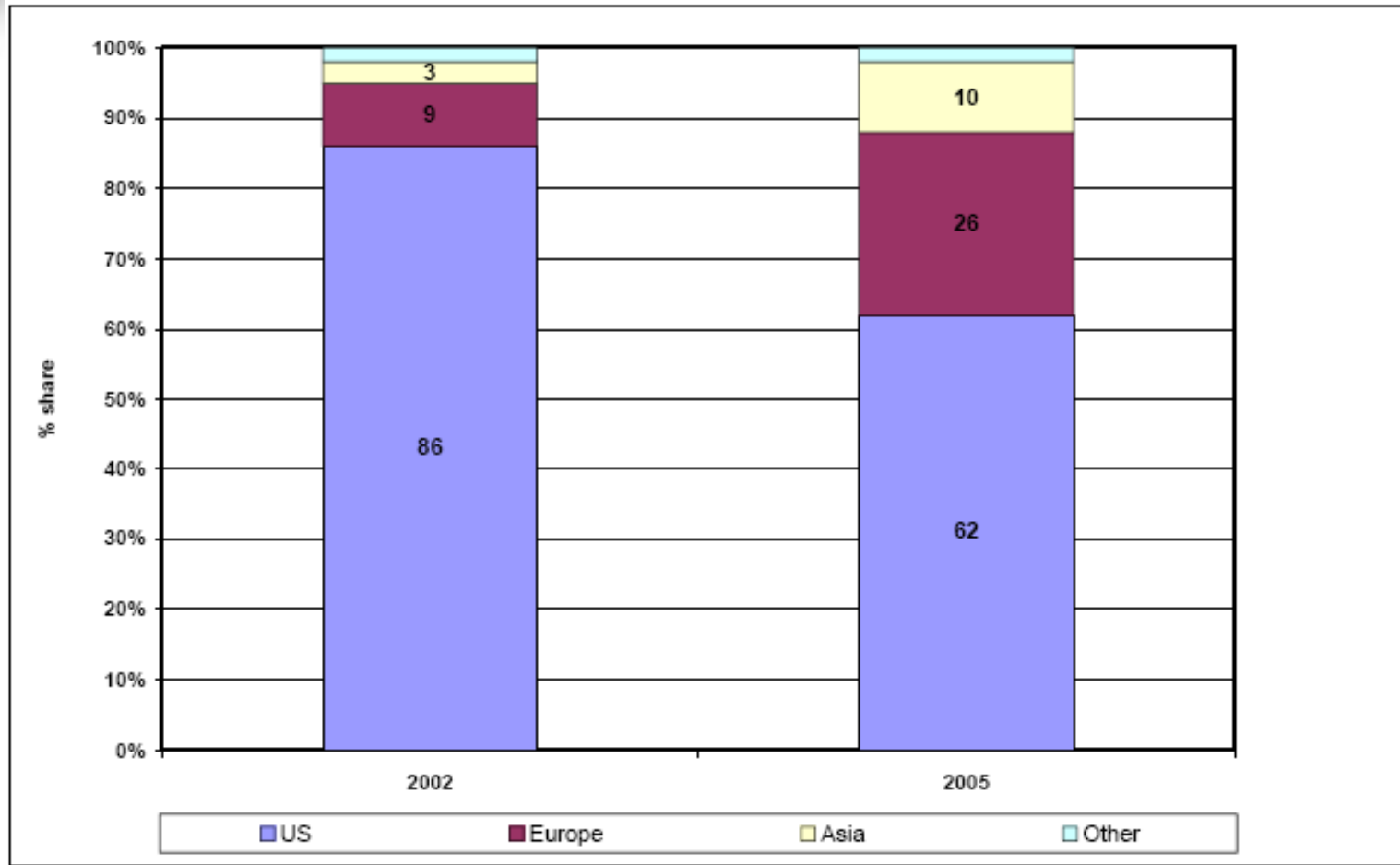
Figure 2. Domiciliation-management discrepancy to circumvent regulation



Source: TASS.

# Serbest Yatırım Fonlarının Bölgesel Fon Kaynakları

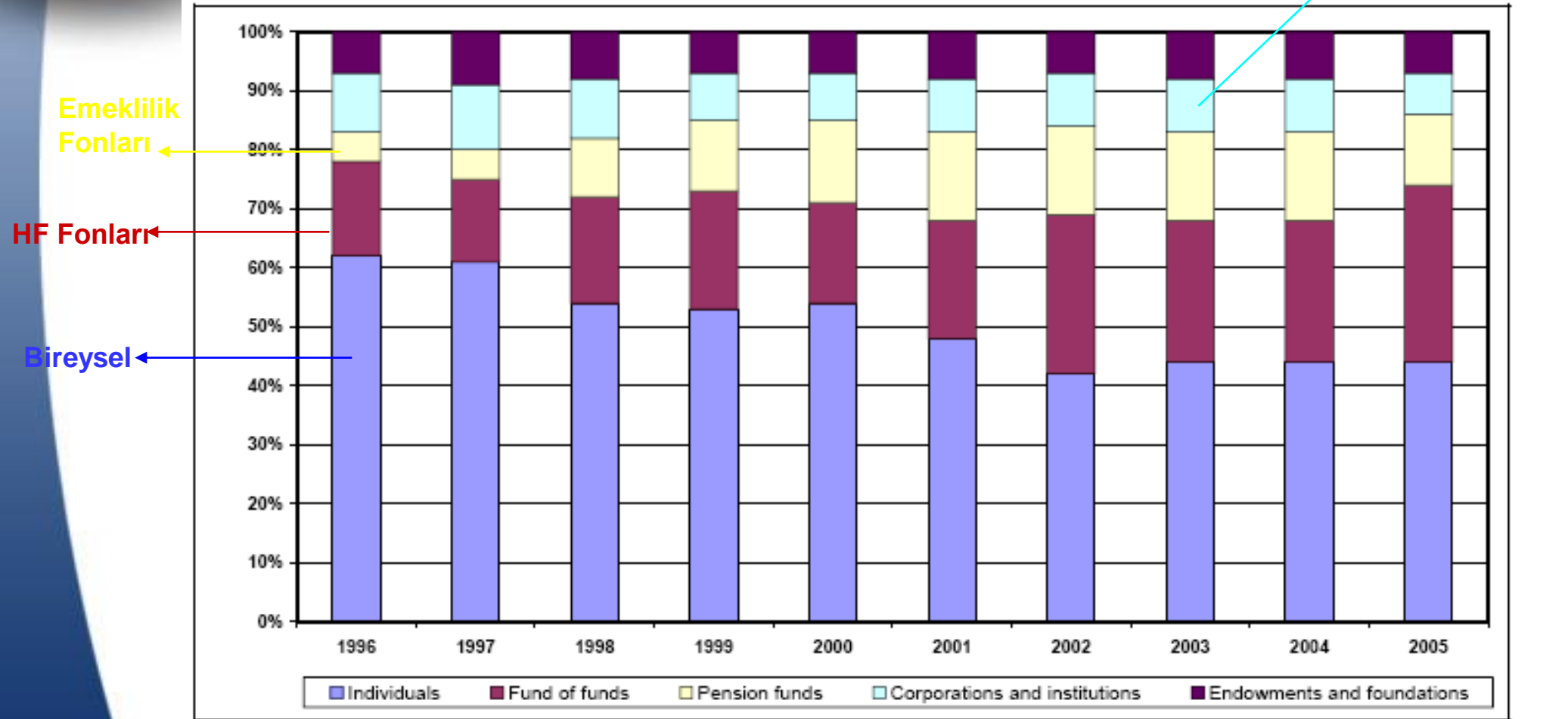
Figure 3. Source of investments in hedge funds, 2002 and 2005



Source: IFSL estimates based on EuroHedge. June 2005 data.

# Serbest Yatırım Fonlarının Fon Kaynakları

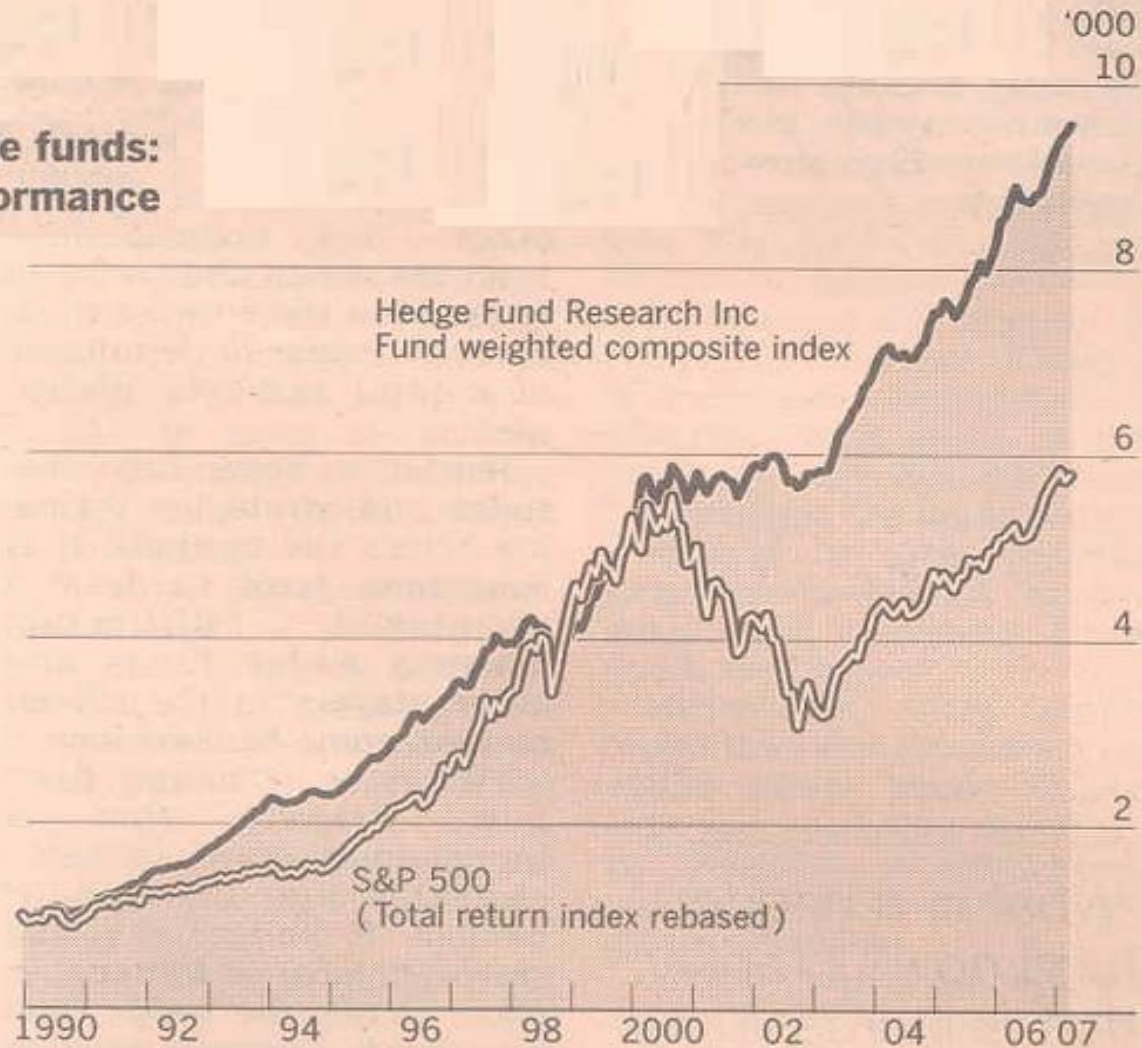
Figure 4. Sources of capital of the hedge fund industry



Source: IFSL estimates based on EuroHedge and Hennessee Group data.

# HF Performansı

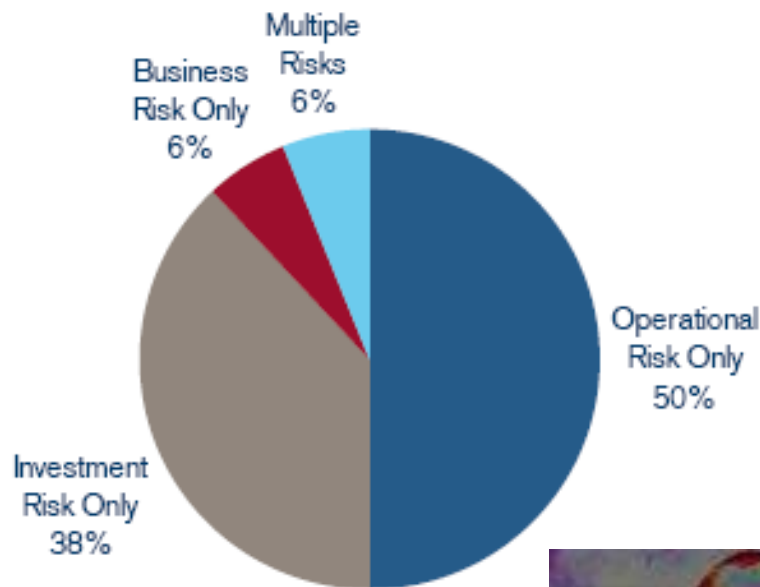
## Hedge funds: performance



# Serbest Yatırım Fonları Niçin Batıyor?

## Fund of Hedge Funds: Margin pressure?

### Distribution of Fund Failures



Note: Credit Suisse estimates, 1997 through Q3 2007.

### Types of Due Diligence

#### Operational

Infrastructure overview with onsite mid/back office review; Focus on internal processes and procedures; Review of the fund's IT capability; Regulatory review of fund/media search; Service provider reference checks; Review of the financials of the hedge fund; Commercial review of contract terms; Review of the fund's financial viability

#### Quantitative

- Peer group analysis
- Identification of primary systematic return drivers through regression analysis
- Quantification of sizes and consistency of exposure over time
- Analysis of residual risk and return (alpha) over time

#### Qualitative

On-site meetings with hedge fund managers – interview portfolio managers, analysts and risk managers on:

- Management company structure
- Investment methodology and decision making process
- Alpha generation
- Sample trades
- Portfolio construction
- Portfolio manager / team
- Risk process and transparency
- Performance analysis
- Capacity and size management





# SYF'lerin Yatırım Stratejileri

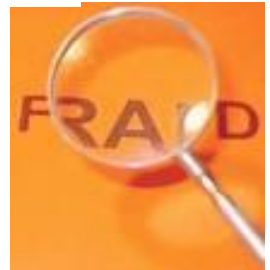
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- Küresel bazda faaliyet gösterirler
- Yeni piyasalar ararlar
- Beklenmeyen (ekstrem) olay ve gelişmelere yatırım yaparlar
- Aşırı risk alırlar
- Türü aynı olsa bile davranışları çok büyük farklılıklar gösterir
- Yeni \*yapı\*lar ve \*finansal araçlar\* geliştirebilme yetenekleri vardır
- Piyasa hareketinin her türünden kar elde edebilirler
- Makro/mikro her tür değişikliğe karşı yerel, bölgesel ya da küresel bazda spekülatif pozisyonlar alırlar

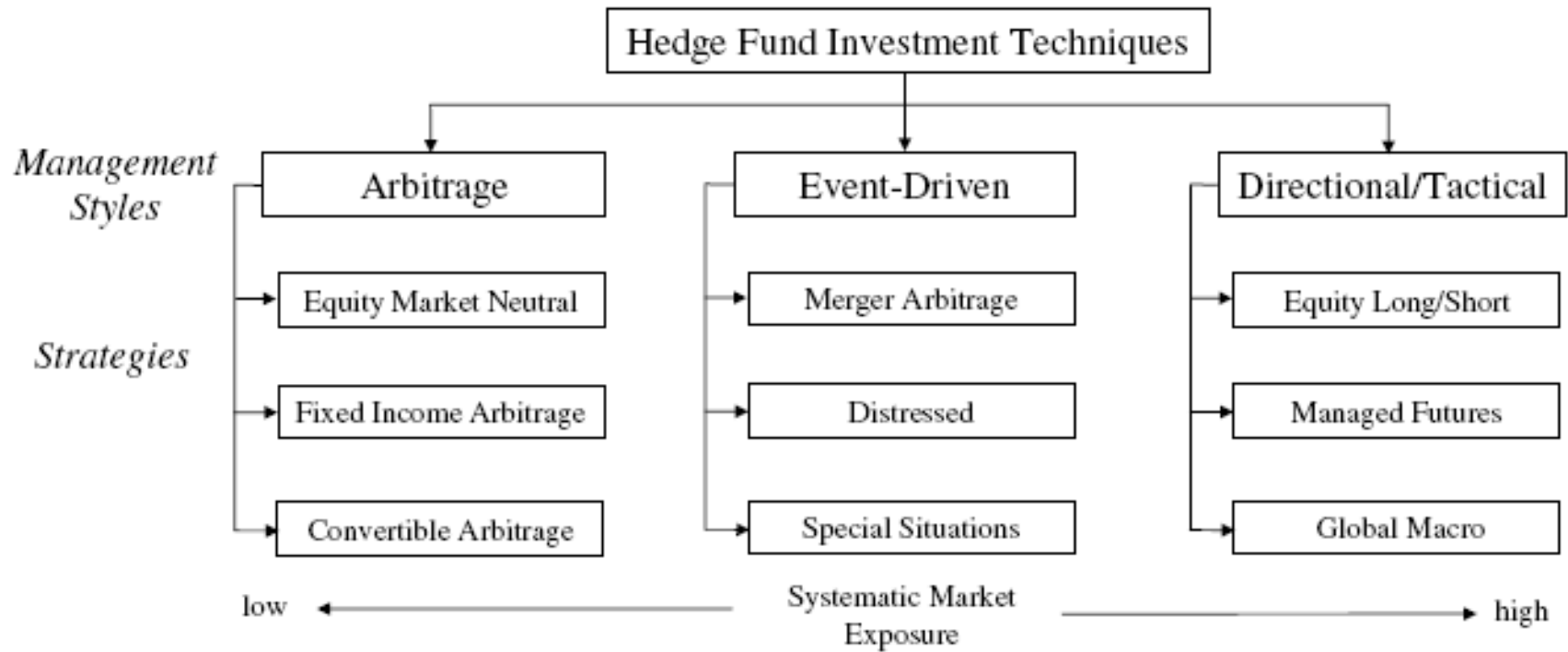
# Türleri

- Makro
- Küresel
- Piyasa Nötral
- Olay çeşikli (darbe, ayaklanma, savaş dahil)
- Sadece uzun ya da sadece kısa pozisyon
- Sektör ağırlıklı
- HF Fonları

- Convertible Arbitrage
- Distressed Securities
- Emerging Markets - Asia
- Emerging Markets - Eastern Europe
- Emerging Markets - Global
- Equity Long/Short
- Equity Long Biased
- Equity Long Only
- Equity Market Neutral
- Event Driven
- Fixed Income
- Fixed Income Arbitrage
- Fixed Income High Yield
- Fund of Funds with funds under management greater than \$250M
- Fund of Funds with funds under management less than \$250M
- Macro
- Merger Arbitrage
- Multi-Strategy
- Sector – Energy
- Sector – Health Care/Biotech
- Sector – Technology



# HF Yatırım Teknikleri



Kaynak: Füss, R., Kaiser, D.G and Adams, Z., (2007), “Value at risk, GARCH modelling and the forecasting of hedge fund return volatility”, *Journal of Derivatives & Hedge Funds* Volume 13 Number 1, p.2-25.

# Yıllara Göre SYF Türleri

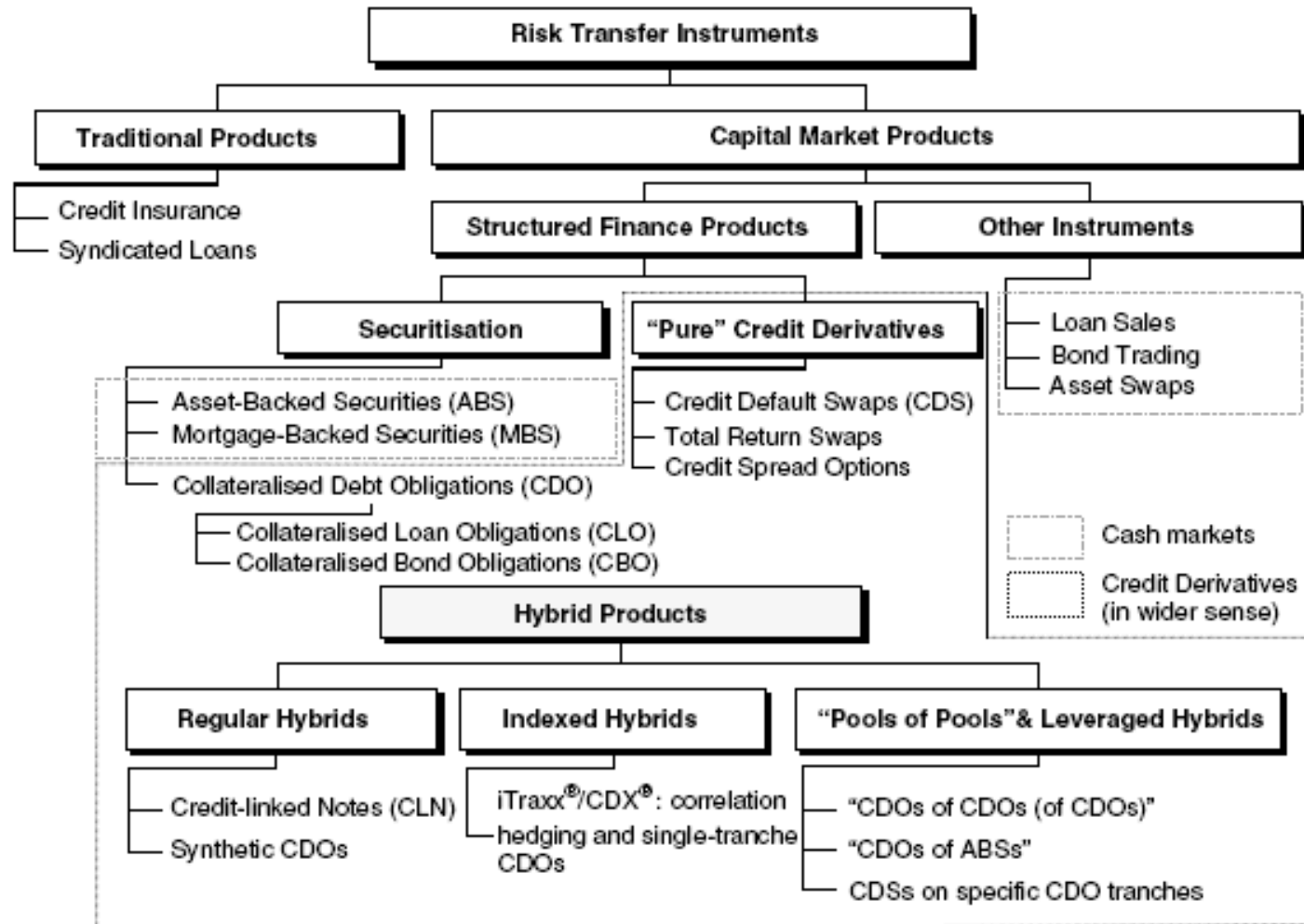
## Fund of Hedge Funds: Margin pressure?

Sector performances of the Credit Suisse/Tremont Hedge Fund Index\* are highly variable

| Ranking | 1994                            | 1995                            | 1996                            | 1997                            | 1998                             | 1999                             | 2000                            | 2001                            | 2002                            | 2003                            | 2004                            | 2005                            | 2006                            | 2007 YTD                        |
|---------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|----------------------------------|----------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| 1       | Dedicated Short<br>8%           | Global Macro<br>3%              | Emerging<br>Markets<br>34%      | Global Macro<br>37%             | Managed<br>Futures<br>2%         | Long/Short<br>Equity<br>47%      | Convertible<br>Arbitrage<br>26% | Global Macro<br>18%             | Managed<br>Futures<br>18%       | Emerging<br>Markets<br>29%      | Event Driven<br>14%             | Emerging<br>Markets<br>17%      | Emerging<br>Markets<br>20%      | Emerging<br>Markets<br>2%       |
| 2       | Emerging<br>Markets<br>8%       | Long/Short<br>Equity<br>25%     | Global Macro<br>26%             | Emerging<br>Markets<br>27%      | Long/Short<br>Equity<br>9%       | Emerging<br>Markets<br>49%       | Dedicated Short<br>18%          | Convertible<br>Arbitrage<br>19% | Dedicated Short<br>8%           | Event Driven<br>20%             | Emerging<br>Markets<br>12%      | Dedicated Short<br>17%          | Event Driven<br>8%              | Global Macro<br>16%             |
| 3       | Managed<br>Futures<br>1%        | Event Driven<br>8%              | Event Driven<br>23%             | Long/Short<br>Equity<br>2%      | Equity Market<br>Neutral<br>15%  | Event Driven<br>22%              | Equity Market<br>Neutral<br>6%  | Event Driven<br>18%             | Global Macro<br>19%             | Global Macro<br>8%              | Long/Short<br>Equity<br>12%     | Long/Short<br>Equity<br>10%     | Multi-Strategy<br>15%           | Long/Short<br>Equity<br>15%     |
| 4       | Event Driven<br>7%              | Convertible<br>Arbitrage<br>17% | Convertible<br>Arbitrage<br>18% | Event Driven<br>20%             | Multi-Strategy<br>8%             | Convertible<br>Arbitrage<br>15%  | Global Macro<br>12%             | Equity Market<br>Neutral<br>9%  | Equity Market<br>Neutral<br>7%  | Long/Short<br>Equity<br>9%      | Global Macro<br>8%              | Global Macro<br>9%              | Long/Short<br>Equity<br>11%     | Event Driven<br>15%             |
| 5       | Fixed Income<br>Arbitrage<br>0% | Fixed Income<br>Arbitrage<br>1% | Long/Short<br>Equity<br>17%     | Multi-Strategy<br>16%           | Global Macro<br>-4%              | Equity Market<br>Neutral<br>16%  | Multi-Strategy<br>18%           | Fixed Income<br>Arbitrage<br>8% | Emerging<br>Markets<br>7%       | Multi-Strategy<br>16%           | Multi-Strategy<br>8%            | Event Driven<br>9%              | Convertible<br>Arbitrage<br>11% | Multi-Strategy<br>12%           |
| 6       | Equity Market<br>Neutral<br>-2% | Multi-Strategy<br>12%           | Equity Market<br>Neutral<br>17% | Equity Market<br>Neutral<br>19% | Convertible<br>Arbitrage<br>-4%  | Fixed Income<br>Arbitrage<br>12% | Event Driven<br>7%              | Emerging<br>Markets<br>6%       | Multi-Strategy<br>6%            | Managed<br>Futures<br>14%       | Fixed Income<br>Arbitrage<br>7% | Multi-Strategy<br>8%            | Global Macro<br>11%             | Equity Market<br>Neutral<br>8%  |
| 7       | Multi-Strategy<br>-3%           | Equity Market<br>Neutral<br>11% | Fixed Income<br>Arbitrage<br>8% | Convertible<br>Arbitrage<br>14% | Event Driven<br>-5%              | Multi-Strategy<br>9%             | Fixed Income<br>Arbitrage<br>6% | Multi-Strategy<br>6%            | Fixed Income<br>Arbitrage<br>6% | Convertible<br>Arbitrage<br>9%  | Equity Market<br>Neutral<br>7%  | Equity Market<br>Neutral<br>6%  | Equity Market<br>Neutral<br>11% | Convertible<br>Arbitrage<br>7%  |
| 8       | Global Macro<br>-6%             | Managed<br>Futures<br>-7%       | Multi-Strategy<br>11%           | Fixed Income<br>Arbitrage<br>9% | Dedicated Short<br>-8%           | Global Macro<br>6%               | Managed<br>Futures<br>4%        | Managed<br>Futures<br>2%        | Convertible<br>Arbitrage<br>4%  | Fixed Income<br>Arbitrage<br>8% | Managed<br>Futures<br>6%        | Fixed Income<br>Arbitrage<br>5% | Fixed Income<br>Arbitrage<br>9% | Managed<br>Futures<br>7%        |
| 9       | Convertible<br>Arbitrage<br>-8% | Dedicated Short<br>-7%          | Managed<br>Futures<br>12%       | Managed<br>Futures<br>3%        | Fixed Income<br>Arbitrage<br>-6% | Managed<br>Futures<br>-5%        | Long/Short<br>Equity<br>2%      | Dedicated Short<br>-4%          | Event Driven<br>0%              | Equity Market<br>Neutral<br>7%  | Convertible<br>Arbitrage<br>2%  | Managed<br>Futures<br>0%        | Managed<br>Futures<br>6%        | Fixed Income<br>Arbitrage<br>4% |
| 10      | Long/Short<br>Equity<br>-9%     | Emerging<br>Markets<br>-17%     | Dedicated Short<br>-9%          | Dedicated Short<br>0%           | Emerging<br>Markets<br>-35%      | Dedicated Short<br>-11%          | Emerging<br>Markets<br>-8%      | Long/Short<br>Equity<br>-4%     | Long/Short<br>Equity<br>-2%     | Dedicated Short<br>-33%         | Dedicated Short<br>-8%          | Convertible<br>Arbitrage<br>-3% | Dedicated Short<br>-7%          | Dedicated Short<br>-4%          |

\* Please refer to the End Notes for important disclosures regarding the various Credit Suisse/Tremont Indices described herein. Past performance is not indicative of future performance.  
Source: Credit Suisse Tremont Index LLC. Year to date figure is through October 31, 2007.

# HF'ler Riski Nasıl Transfer Ediyorlar?



Kaynak: Jobst, A.A., (2007), "A primer on structured finance", Journal of Derivatives & Hedge Funds Volume 13 Number 1, p.199-213.

Serbest Yatırım Fonları-Hedge Funds, 18 Mart 2009

# Greenwich: Yeni Wall Street'in adı artık Hedgistan

GREENWICH

## Hedgistan is the new Wall Street

Anuj Gangahar explains why the enclaves have prospered

Greater Hedgistan, as it is now being called, is a land inhabited by the prosperous few. It is made up of lower and upper Hedgistan, connected by the Hutchinson River Parkway and the I-95 freeway.

Lower Hedgistan comprises the swathe of midtown Manhattan bordered to the

based recently as much on their average 2 per cent management fee as on their 20 per cent or higher performance fees: wealth.

They can afford to live and work in the most desirable areas. But the fact that Greenwich in particular has established itself as one of the leading global hedge fund centres cannot be attributed solely to its picture postcard good looks, good restaurants, decent parking space for cars and yachts and a plethora of designer stores. One prime brokerage executive admits that part of the reason for



Easy berth: enough space for wealth-displaying yachts is just one reason Greenwich is attractive

Corbis

include the advantageous Connecticut personal income

So Greenwich is a magnet for hedge funds and their

tion's Warren Buffet. He has

# Artık akademisyenler de sahada....

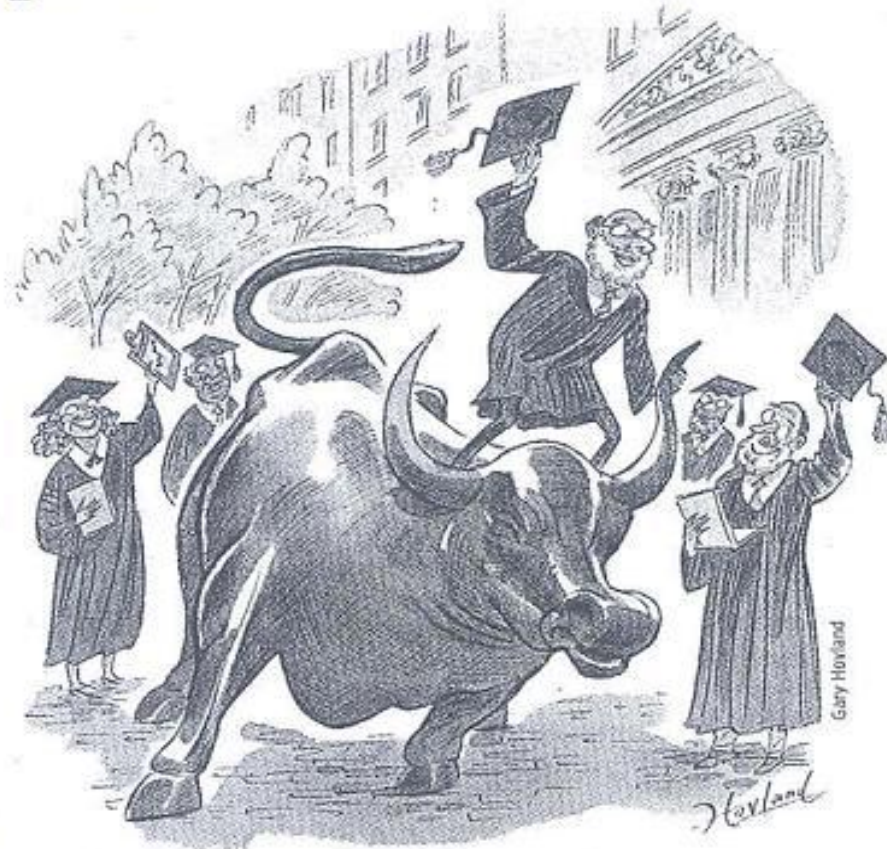
## More funds lure professors from ivory tower

By PETER A. MCKAY

Investors' soaring appetite for alternative investments and exchange-traded funds is giving college professors a chance to break out of their ivory tower and test their academic theories—in your portfolio.

Princeton University's Burton Malkiel—guru of the “efficient-market” theory, which holds that all stocks have an equal chance for gain—has developed strategies for investors interested in China and is also designing an index to track China's development. The work of Yale University's Robert Shiller, author of the 1990s best seller “Irrational Exuberance,” was the basis last year for innovative futures contracts on housing prices at the Chicago Mercantile Exchange, and new oil-trading tools known as “macros,” listed on the American Stock Exchange.

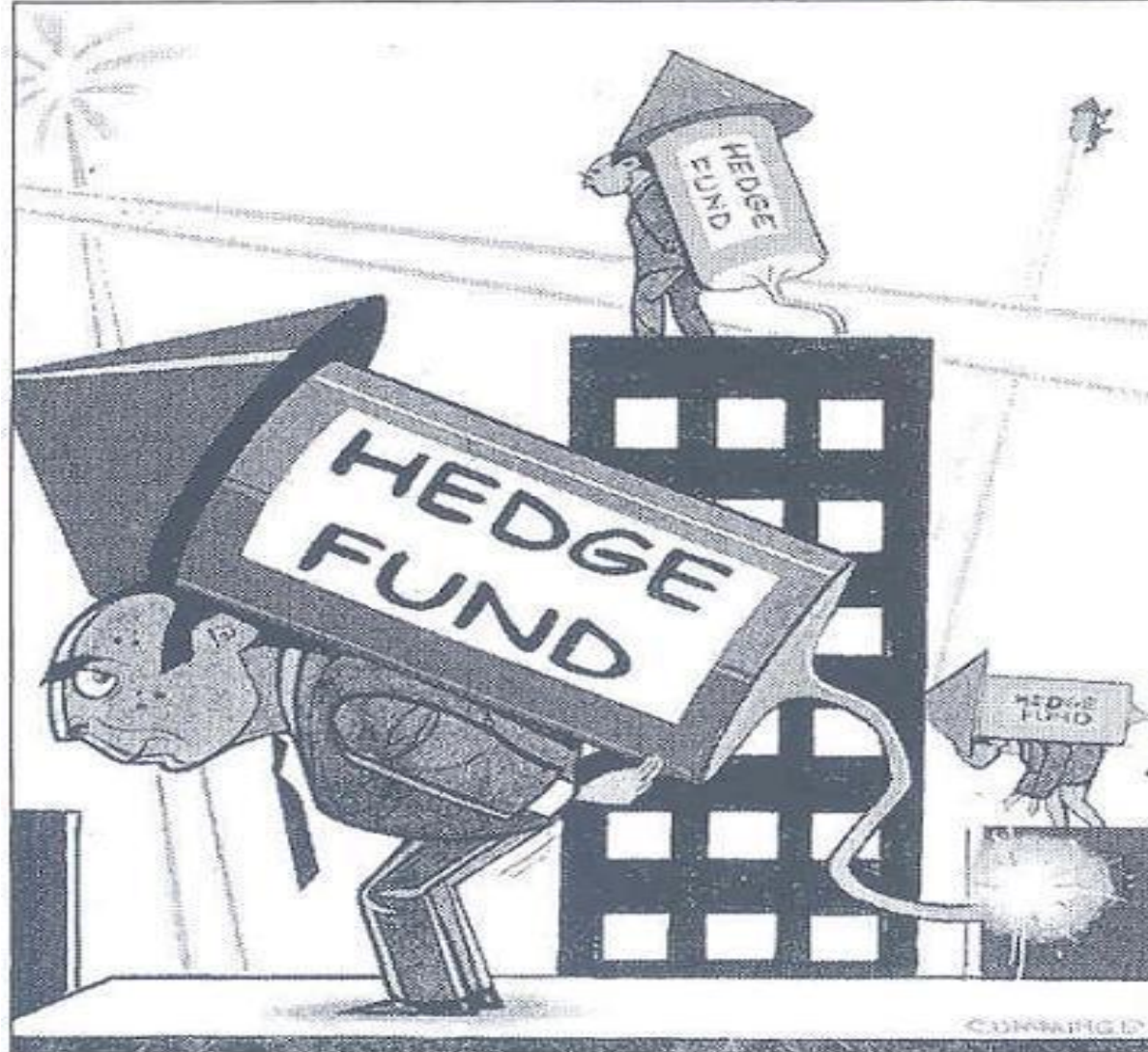
“A lot of academics have left universities for hedge funds the last few years,” says Jeremy Siegel, a fi-



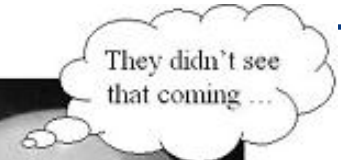
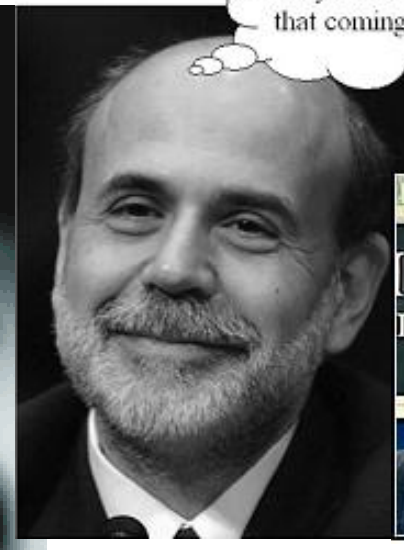
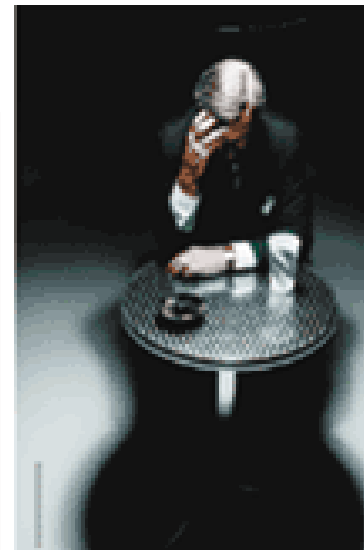
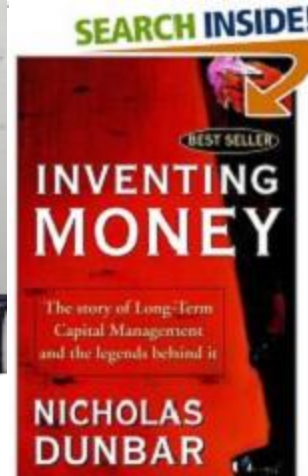
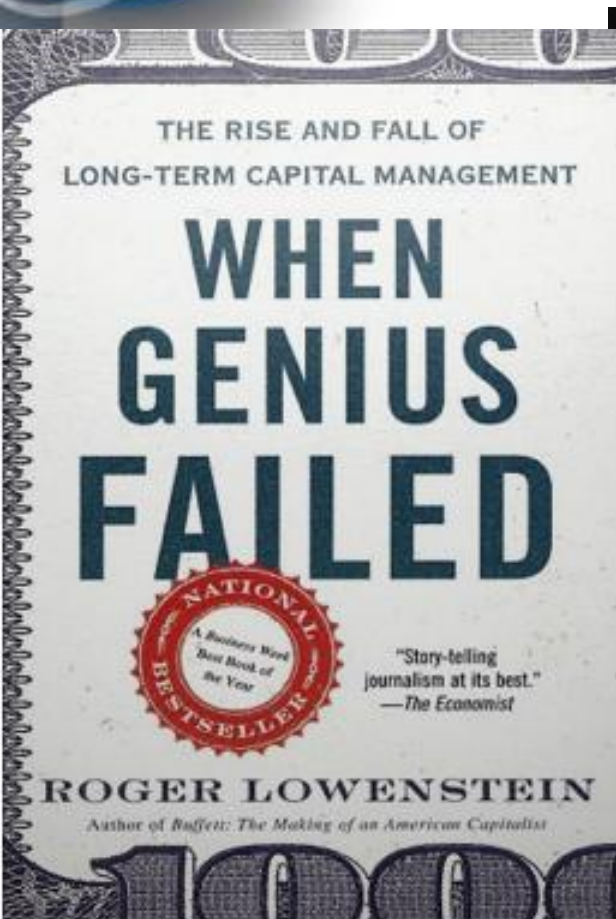
details are hard to come by, but performance in less than 12 months of trading. “The strategy

# Köpekbalığı Fonları da denilen HF Yöneticileri gerçekten Füze Mühendisi mi? Oyleyse vay halimize mi? Füzeye binmeyin o zaman!

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# Vak'a Analizi: Oyunu yeni adı **LTCM**



Box 2. Summary Statistics for Hedge Fund Index Returns (January 1994 to September 2006)

| STRATEGY               | MEAN  | STANDARD DEV. | MINIMUM | MAXIMUM | MONTHS |
|------------------------|-------|---------------|---------|---------|--------|
| Hedge Fund Index       | 0.87  | 2.23          | -7.55   | 8.53    | 153    |
| Convertible Arbitrage  | 0.73  | 1.35          | -4.68   | 3.57    | 153    |
| Dedicated Short Bias   | -0.03 | 4.92          | -8.69   | 22.71   | 153    |
| Emerging Markets       | 0.81  | 4.65          | -23.03  | 16.42   | 153    |
| Equity Market Neutral  | 0.80  | 0.84          | -1.15   | 3.26    | 153    |
| Event Driven           | 0.92  | 1.61          | -11.77  | 3.68    | 153    |
| Fixed Income Arbitrage | 0.52  | 1.07          | -6.96   | 2.05    | 153    |
| Global Macro           | 1.11  | 3.13          | -11.55  | 10.60   | 153    |
| Long/Short Equity      | 0.97  | 2.92          | -11.44  | 13.01   | 153    |
| Managed Futures        | 0.54  | 3.44          | -9.35   | 9.95    | 153    |
| Multi-Strategy         | 0.77  | 1.24          | -4.76   | 3.61    | 150    |

Source: Author's calculations, based on data from Credit Suisse/Tremont.

Notes: The table reports summary statistics for returns on Credit Suisse/Tremont hedge fund strategies. The Multi-Strategy data begin in April 1994.



# LTCM İstatistikleri

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- LTCM *Long Term Capital Management*
- Kuruluş Yılı *1994*
- Tür *market neutral*
- Şirket Yapısı *sınırlı ortaklık (limited partnership)*
- Faaliyet Yeri *Greenwich, Connecticut, US*
- Kurucusur *John Meriwether*
- Önemli Sahip ve Uzmanlar *Myron Scholes and Robert Merton, Mullins*
- Getiri Profili *1995 ve 1996'da yıllık 40%'tan daha fazla reel getiri*
- Hedef/Misyon *İstatistiksel ve matematiksel modelleri kullanarak özellikle sabit getirili varlık piyasalarında "fiyatlama anomalilerini" tespit ederek bu keşiflerinden \*finansal türevler\* ve kaldıraçlı yatırım menkul kıymetleri yoluyla getiri elde etmek*

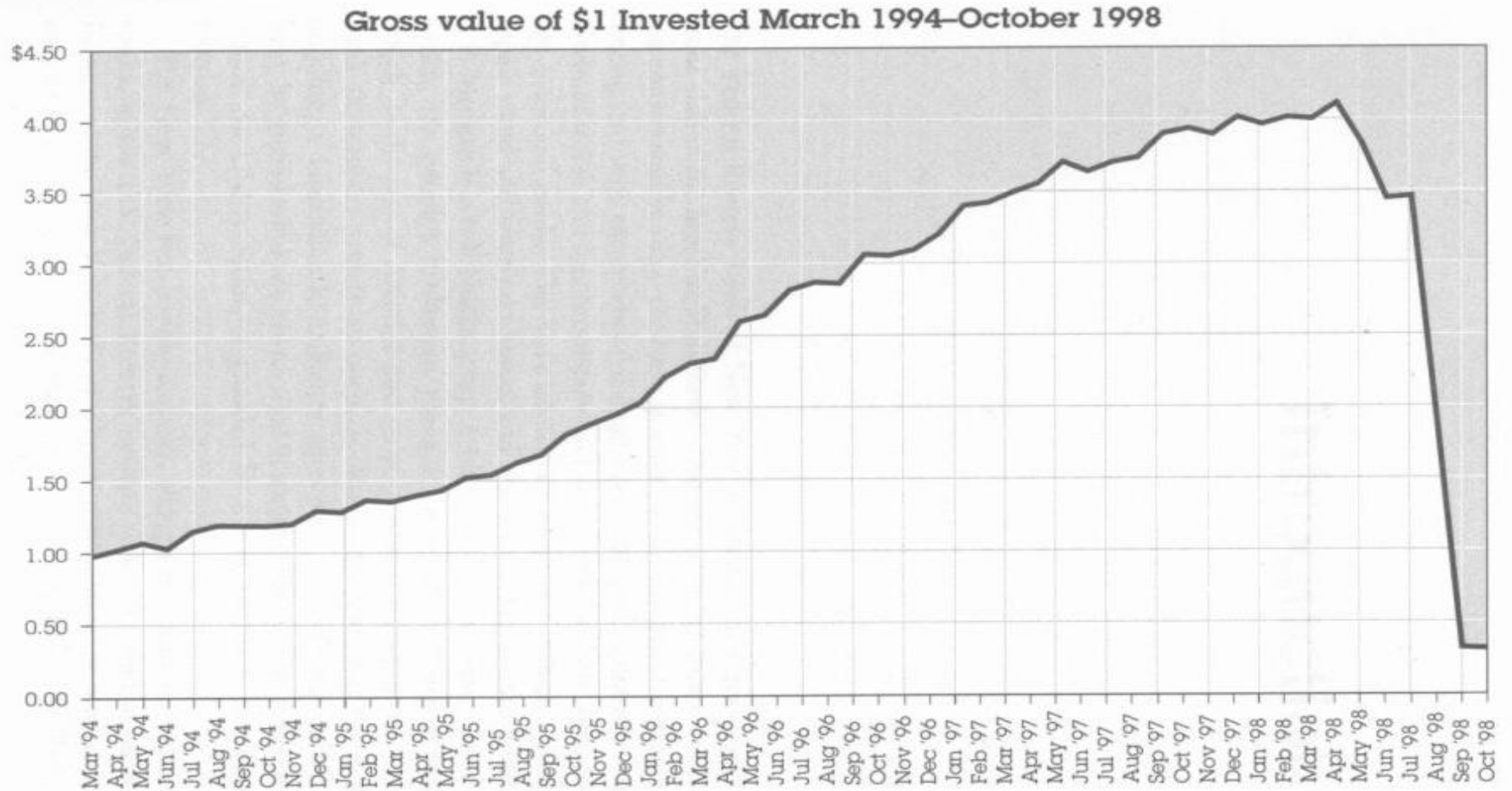


## LTCM İstatistikleri (devam)

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- **Ödenmiş Sermaye** \$1.3 milyar (\$100 milyonluk lısmı yöneticilerden) 2/1994
- Minimum yatırım (mevduat!) miktarı \$10 milyon
- 3 yıl boyunca **ana para çekme yasağı**
- 2% **ayönetim gideri**, **yeni karlar üzerinden** 25% **kesinti** (1% + 20%)
- **16 ortağı var** Meriwether, Mullins, Scholes and Merton
- ÖDenmiş sermaye 1997 yılında \$7.5 milyara çıktı
- FED Zorunlu tasfiye (16 en büyük alacaklısının koordinasyonunda) 22 Eylül 1998
- 23 Eylül 1998 16 alacaklı LTCM'nin hesapta görünen kayıtlı sermayesinin %90'ını karşıladılar (\$3.625)

# LTCM'nin Getiri Performansı





# LTCM niin battı?

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## Dersler

1. Model riski
2. Yetersiz risk ynetimi (inanması g!)
3. LTCM’le iř yapanların yetersiz risk ynetimi (daha inandırıcı)
4. İstatistiksel varsayımların geerliliğini yitirmesi (korelasyon yapısının bozulması)
5. Yetersiz ya da yapılmayan “stress-testleri”
6. řEffaflık ve az da olsa bilgi vermekten kaınma
7. Yıldız kaliteye yatırım yapmanın maliyetiř (zararları)
8. Moral hazard – İstismar Riski (FED yardımı ve kroni kapitalizmi)
9. Sistemik risk

# Şimdi Neredeler? High IQ Morons- The Economist Calls them!

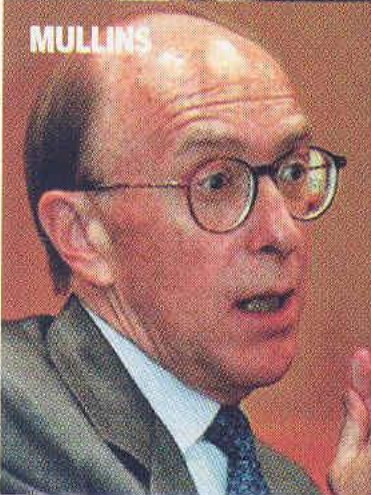
MERIWETHER



SCHOLES



MULLINS



MERTON



## REMEMBER THESE GUYS?

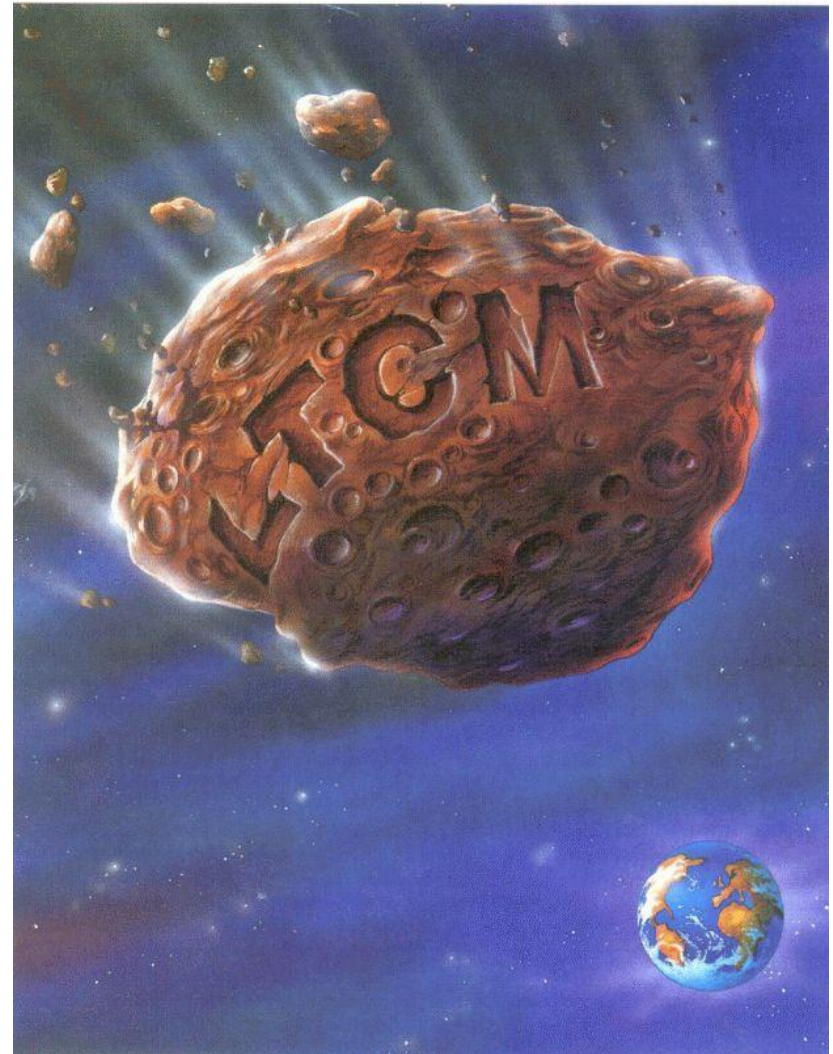
**A**fter a Treasury-bond trading scandal rocked Salomon Brothers in 1991, bond czar **John W. Meriwether** left the firm and set about launching a hedge fund, **Long-Term Capital Management**. Meriwether raised what then was viewed as a startling sum from investors: \$1.25 billion. He bought \$10 million worth of computers. And he assembled a dream team of partners including two winners of the 1997 Nobel Memorial Prize in Economic Science, **Myron S. Scholes** and **Robert C. Merton**, and former Federal Reserve Vice-Chairman **David W. Mullins Jr.** The fund initially delivered double-digit returns, turning its principals into Wall Street superstars. But in 1998 the markets moved against some of the fund's highly leveraged bets on Russian bonds and other financial assets, and LTCM collapsed. The failure might have taken down the financial system were it not for a \$3.6 billion bailout organized by the Federal Reserve Bank of New York. Now, Meriwether runs another fund, called JWM Partners. Scholes is chairman of the private equity firm Oak Hill Platinum Partners. Merton is founder and chief science officer of Integrated Finance Ltd., a corporate strategy adviser that uses his Nobel-winning options theory. And Mullins is chief economist at the hedge fund Vega Asset Management USA.

asked to talk about his readiness for a big blow to the financial system. Paulson issued a litany of warnings. The main risk measure Goldman discloses, VAR, "always assumes that the future is

telling what this cycle's price tag could be if the banks mismanage relationships in new ways. The New York Stock Exchange is investigating a major investment bank to see if it's giving a

# Efficient Market Hypothesis

I make the  
markets efficient  
replied John  
Meriwether  
when asked about  
“market efficiency”





# **be smart but not too much!**

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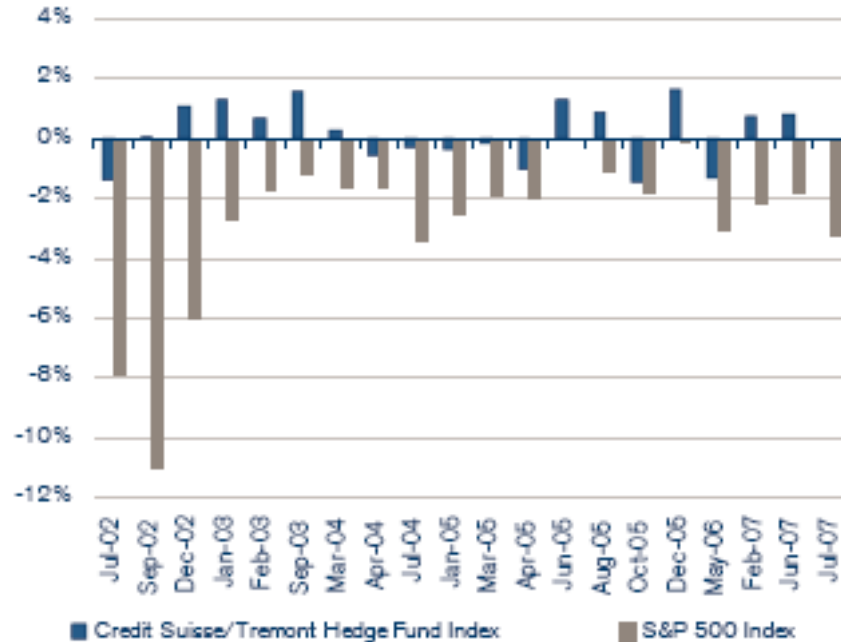


Meriwether: forced to stay to help clean up

# Küresel Kriz Öncesi HF Performansları

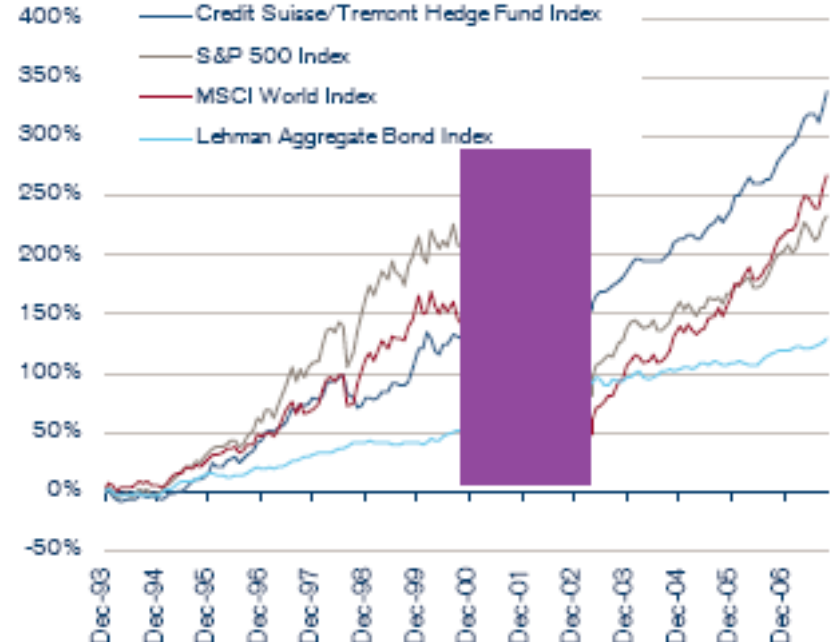
Hedge funds have been resilient in recent market disruptions

Hedge fund performance in 20 most recent down equity months



■ Credit Suisse/Tremont Hedge Fund Index\* had positive returns in 11 of the 20 most recent down equity months.

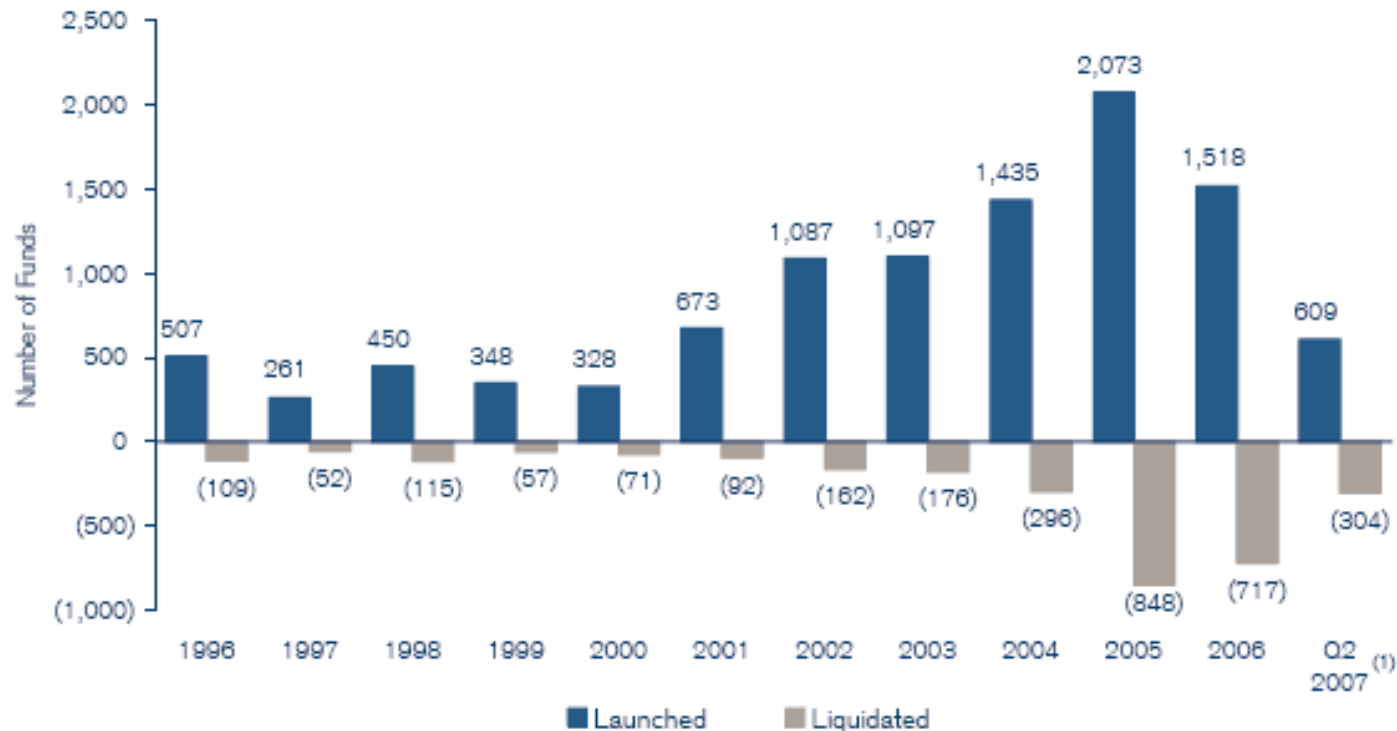
Hedge fund performance relative to global markets (through October 31, 2007)



# HF Sayısındaki Artış Ne Kadar Gerçekçi?

## Fund of Hedge Funds: Margin pressure?

Estimated number of funds launched/liquidated  
1996 – Q2 2007



Source: Hedge Fund Research (HFR), 2007. All data was obtained from publicly available information, internally developed data and other third party sources believed to be reliable. Credit Suisse has not sought to independently verify information obtained from public and third party sources and makes no representations or warranties as to accuracy, completeness or reliability of such information.

(1) Due to lag time in notification of fund launches and liquidations by fund managers, HFR only estimates through prior quarter.



# Kriz Öncesi Son Rakamlar ve En Büyük HF'ler

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- Hedge funds' returns for the first quarter of 2007 hit 2.1%, according to researcher Morningstar (easily beat the Standard & Poor's 500-stock index, which rose 0.64%)
- That kind of performance is drawing ever-larger amounts of money from pension funds and other institutional investors.
- U.S. hedge fund assets exceeded the \$1 trillion level for the first time in 2006.
- The 8,000 funds in the sector had a collective \$1.2 trillion in assets under management, up from \$985 billion in 2005, according to *Absolute Return* magazine.
- The heavyweight funds, ranked according to size and how much their assets under management increased between 2005 and 2006 is given in next slide ranked according to size and recent growth. *By Steve Rosenbush.*

## En büyük 10 Amerikan Hedge Fonu

| Name                           | Location            | Assets under management   | CEO  | Change in assets under mgmt (%) |
|--------------------------------|---------------------|---------------------------|--|---------------------------------|
| JPMorgan Asset Management      | New York            | \$34 billion              | Paul Terence Bateman   | +74.3                           |
| Goldman Sachs Asset Management | New York            | \$32.5 billion            | Allen Reed   | +48.0                           |
| Bridgewater Associates         | Westport, Conn.     | \$30 billion <sup>1</sup> | Raymond Thomas Dalio, president and chief investment officer | +47.0                           |
| D. E. Shaw Group               | New York            | \$26 billion              | David Elliot Shaw  | +40.0                           |
| Farallon Capital Management    | San Francisco       | \$26 billion <sup>2</sup> | Thomas Steyer, senior managing member                        | +59.0                           |
| Renaissance Technologies       | East Setauket, N.Y. | \$24 billion              | James Harris Simons  | +176.0                          |
| Och-Ziff Capital Management    | New York            | \$21 billion <sup>3</sup> | Daniel Saul Och, president                                   | +40.0                           |
| Cerberus Capital Management    | New York            | \$19 billion              | Stephen Feinberg   | +70.0                           |
| Barclays Global Investors      | San Francisco       | \$19 billion              | Blake Grossman   | +29.0                           |
| ESL Investments                | Greenwich, Conn.    | \$18 billion              | Edward Lampert   | +20.0                           |
| <b>TOTAL</b>                   |                     | <b>\$ 249,5 billion</b>   |  |                                 |

**Veri:** Hedgefund Intelligence, Capital IQ

### Dipnotlar

**1** including a recent position in Lowes

**2** including a recent position in shopping mall owner Mills

**3** including a recent position in the Manchester United soccer club



# BEST PRACTICES REPORT, 2008

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1. *Disclosure and Investor Protection*
2. *Valuation*
3. *Risk Management*
4. *Trading and Business Operations*
5. *Compliance, Conflicts and Business Practices*

Report is available at

<http://www.ustreas.gov/press/releases/reports/amcreportapril152008.pdf>

BEST PRACTICES  
FOR THE  
HEDGE FUND INDUSTRY

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REPORT  
OF THE  
ASSET MANAGERS' COMMITTEE


TO THE PRESIDENT'S WORKING GROUP  
ON FINANCIAL MARKETS

*April 15, 2008*

# Seven Sins of Fund Management

A behavioural critique

DrKW Macro research  
Equity Strategy | Global

 Dresdner Kleinwort Wasserstein

November 2005

## Seven Sins of Fund Management

A behavioural critique



### Sin City

#### Sin 1 Forecasting

The folly of forecasting: Ignore all economists, strategists & analysts

Do analysts understand value: who is the greater fool?

#### Sin 2 The illusion of knowledge

The illusion of knowledge, or is more information better information?

#### Sin 3 Meeting companies

Why waste your time listening to company management?

#### Sin 4 Thinking you can out-smart everyone else

Who's a pretty boy then? Or beauty contests, rationality and great fools

#### Sin 5 Short time horizons and overtrading

ADHD, time horizons and underperformance

#### Sin 6 Believing everything you read

The story is the thing, or the allure of growth

Scepticism is rare, or, Descartes vs. Spinoza

#### Sin 7 Group decisions

Are two heads better than one?



# **Regulatory Responses to HFs' Activities**

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- **Basel Committee on Banking Supervision**
- **International Organisation of Securities Commissions**
- **Financial Stability Forum**
- **APRA**
- **FSA**



## **Regulatory Response: Basel Committee on Banking Supervision (BCBS)**

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- Sound Practices for Banks' Interactions with Highly Leveraged Institutions, **BCBS**, January 1999 (14p)
- Banks' Interactions with Highly Leveraged Institutions, **BCBS**, January 1999 (29p)
- Banks' Interactions with Highly Leveraged Institutions: Implementation of the Basel Committee's Sound Practices Paper, **BCBS**, January 2000 (11p)
- Review of Issues Relating to Highly Leveraged Institutions (HLIs), **BCBS & IOSCO**, March 2001 (12p)



## Regulatory Response: International Organisation of Securities Commissions (IOSCO)

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- Causes, Effects and Regulatory Implications of Financial and Economic Turbulence in Emerging Markets, **IOSCO**, November 1999 (103p)
- Hedge Funds and Other Highly Leveraged Institutions, **IOSCO**, November 1999 (45p)



# Regulatory Response Financial Stability Forum (FSF)

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- Report of the Working Group on Highly Leveraged Institutions, **Financial Stability Forum**, 5 April 2000 (155p)
- Recent Developments in the Hedge Fund Industry, **Financial Stability Forum**, March 13, 2001 (13p)
- Progress in Implementing the Recommendations of the Working Group on Highly Leveraged Institutions (HLIs), **Financial Stability Forum**, May 2001 (6p)
- The FSF Recommendations and Concerns Raised by Highly Leveraged Institutions (HLIs): An Assessment, **Financial Stability Forum**, 11 March 2002 (12p)
- Update on Highly Leveraged Institutions (HLIs): **Financial Stability Forum**, May 2007
- HF Working Group's *Hedge fund Standards: Final Report*, Jan, 2008.  
[www.hfwg.co.uk](http://www.hfwg.co.uk)



## Other Selected Materials

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- Best Practices for the Hedge Fund Industry, Report of the Asset Managers' Committee to the President's Working Group on Financial Markets, April 15, 2008.
- International Contagion Effects from the Russian Crisis and the LTCM Near-Collapse, 2002, **Mardi Dungey, Renée Fry, Brenda Gonzalez-Hermosillo and Vance Martin**, IMF, WP/02/74.
- The costs and benefits of moral suasion: Evidence from the rescue of long-term capital management, by **Craig Furfine**, BIS Working Papers, No.103, August 2001.
- A review of Financial Market Events in Autumn 1998, Committee on the Global Financial System, BIS, October 1999.
- Turbulence in Mature Financial Markets, World Economic Outlook, Chapter III, **IMF**, 1998
- Hedge Funds and Financial Market Dynamics, Occasional Paper, No.166, **IMF**, Washington DC, 1998.



## **Regulatory Response\* (1)**

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- Near-collapse of LTCM raised the question of whether banks have been deficient in their dealings with hedge funds and HLIs.
- Efforts of the BCBS resulted in the issuance of ‘supervisory guidance’, both internationally and in the United States, with the aim of improving banks’ policies and practices regarding HLIs.

(\*) Source: Mr McDonough’s statement on the work done at international level by the BCBS on banks’ dealing with highly leveraged institutions (24 March 1999)



## Regulatory Response (2)

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- It is very well-known that it is primarily the responsibility of each banking organisation to manage its risks.
- But given the special role that banks play in the economy and the systemic risks that can occur when they do not function properly, banks' risk management activities are a legitimate public policy concern.
- Sound practice standards provide banks and their supervisors the tools to measure industry progress toward the goal of effective risk management.



## Regulatory Response (3)

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- The Committee's report revealed a number of deficiencies in banks' practices.
  - In particular, the Committee observed an imbalance among the key elements of the credit risk management process, with too strong a reliance upon collateral to protect against credit losses.
  - This undue emphasis, in turn, caused many banks to neglect other critical elements of effective credit risk management, including in-dept credit analyses of counterparties, effective exposure measurement and management techniques, and the use of stress testing.



## Regulatory Response (4)

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- The credit approval process
  - Banks need to sufficiently understand the ability of HLIs to manage their risks. Since risk profiles can change from day to the next, or even from moment to moment, it is necessary for an HLI's counterparties to ensure that the HLI can effectively manage its business operations and risks on an ongoing basis.
- Exposure Management
  - Banks should develop better measures of the credit exposure resulting from different type of trading activities.
  - Banks should develop more effective measures such as *potential future exposure*, that measures the credit exposure between a counterparty and a bank, and how this exposure could change in the future as market prices fluctuate.



## Regulatory Response (5)

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- Stress Testing

- Banks must develop measures that better account for credit risk under extreme market conditions. This can be achieved what is called '*stress tests*', where a bank conducts '*what if*' analyses of how credit exposures to a single counterparty could grow under these market conditions.
- Stress tests must include a large rise or a fall in interest rates or a major change in exchange rate.



## **Regulatory Response (6)**

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- **Sound Practice Recommendations in the Basel Committee Report**
  - Banks should establish clear policies governing their involvement with HLIs,
  - Banks should adopt credit standards addressing the specific risks associated with HLIs,
  - Banks should establish meaningful measures of potential future exposure,
  - Banks should establish meaningful credit limits, incorporating the results of stress testing; and
  - Banks should monitor exposure on a frequent basis.



## **Regulatory Response: Australian Prudential Regulation Authority (APRA)**

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*We are not intending to prescribe formal limits on, or to ban, investments in hedge funds. But [...], we do expect trustees to investigate thoroughly their suitability for superannuation purposes and to have robust arrangements in place to control the inherent risks.*

**Graeme Thompson**

Chief Executive Officer

*While many hedge funds are professionally managed and regulated, they can lead to significant losses in a relatively short time.*

**APRA Insight**

**2<sup>nd</sup> Quarter 2003**



# Regulatory Response: Australian Prudential Regulation Authority (APRA)-1

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- Hedge funds are difficult to define and categorise but are generally defined by a single manager and have broad delegations to use gearing and derivatives. [...] They are also often characterised by relatively short trading history and/or an absolute return rather than a benchmark return.



# Regulatory Response: Australian Prudential Regulation Authority (APRA)-2

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An assessment will often identify the hedge fund.... :

- high levels of leverage used by some funds, often from two to ten times;
- unregulated entities incorporated in traditional tax and legal safe havens;
- single person risk;
- an unproven performance history;
- extensive use of derivatives;
- a lack of disclosure about the fund's assets and strategies;
- absence of conventional periodic valuation processes;
- no investment mandates and a wide range of investment possibilities; and
- no relevant benchmark to compare performance.



# **Regulatory Response: Australian Prudential Regulation Authority (APRA)-3**

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***APRA expects trustees to address the following questions (selected ones reported here):***

1. Is the hedge fund a regulated entity? What are the disclosure requirements of the fund, what legal jurisdiction is the fund subject to, and is that legislative environment comparable to the Australian system?
2. How has the trustee developed confidence in the adequacy and robustness of the fund's resources and risk management systems?
3. How has the trustee assessed, and formed confidence in, the integrity of key service providers of the fund such as the prime broker, dealers, auditors, legal advisors and external administrators?



## **Regulatory Response: Australian Prudential Regulation Authority (APRA)-4**

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***APRA expects trustees to address the following questions (selected ones reported here):***

4. What is the level and frequency of reporting received by the trustee from the fund? For example, if the fund is an equity long/short strategy, are short and long positions disclosed to the investor? Are the number and value of positions disclosed? Is the level of gearing reported? Will the extent of reporting from the fund enable the trustee to manage and monitor the level of risk inherent in the fund's portfolio?
5. Is there a lock-up period for the investment in the hedge fund? Can the investment be redeemed within an acceptable time? What is the regularity of the fund striking a unit price?



## **Regulatory Response: Australian Prudential Regulation Authority (APRA)-5**

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***APRA expects trustees to address the following questions (selected ones reported here):***

6. What benchmarks do trustees utilise to measure the risk weighted performance of a hedge fund? Are performance fees set at realistic levels?
7. Is the trustee confident that the hedge fund will not impair the ability of the trustee to comply with reporting obligations to Australian regulatory bodies, including APRA?



## Quote of the Presentation

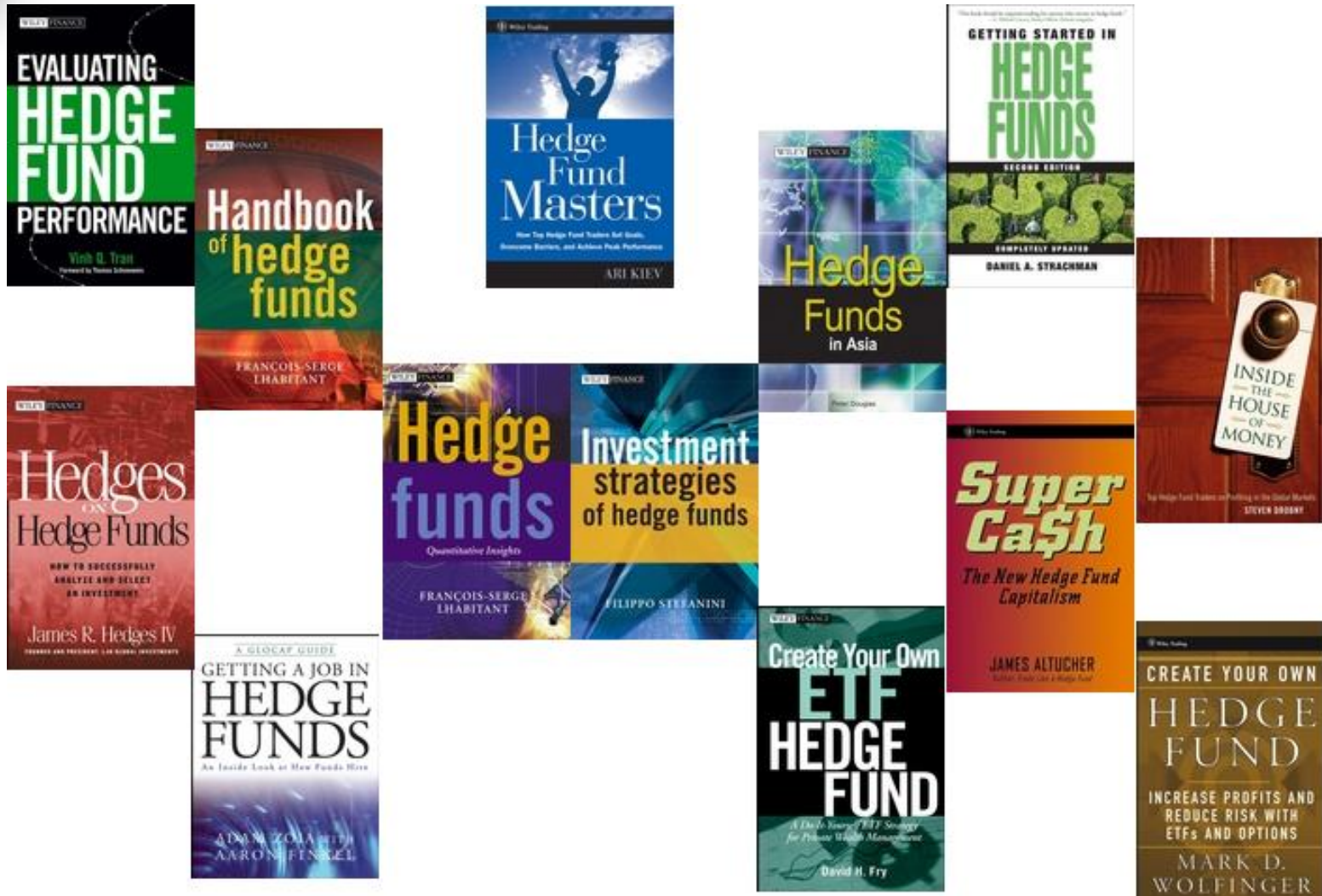
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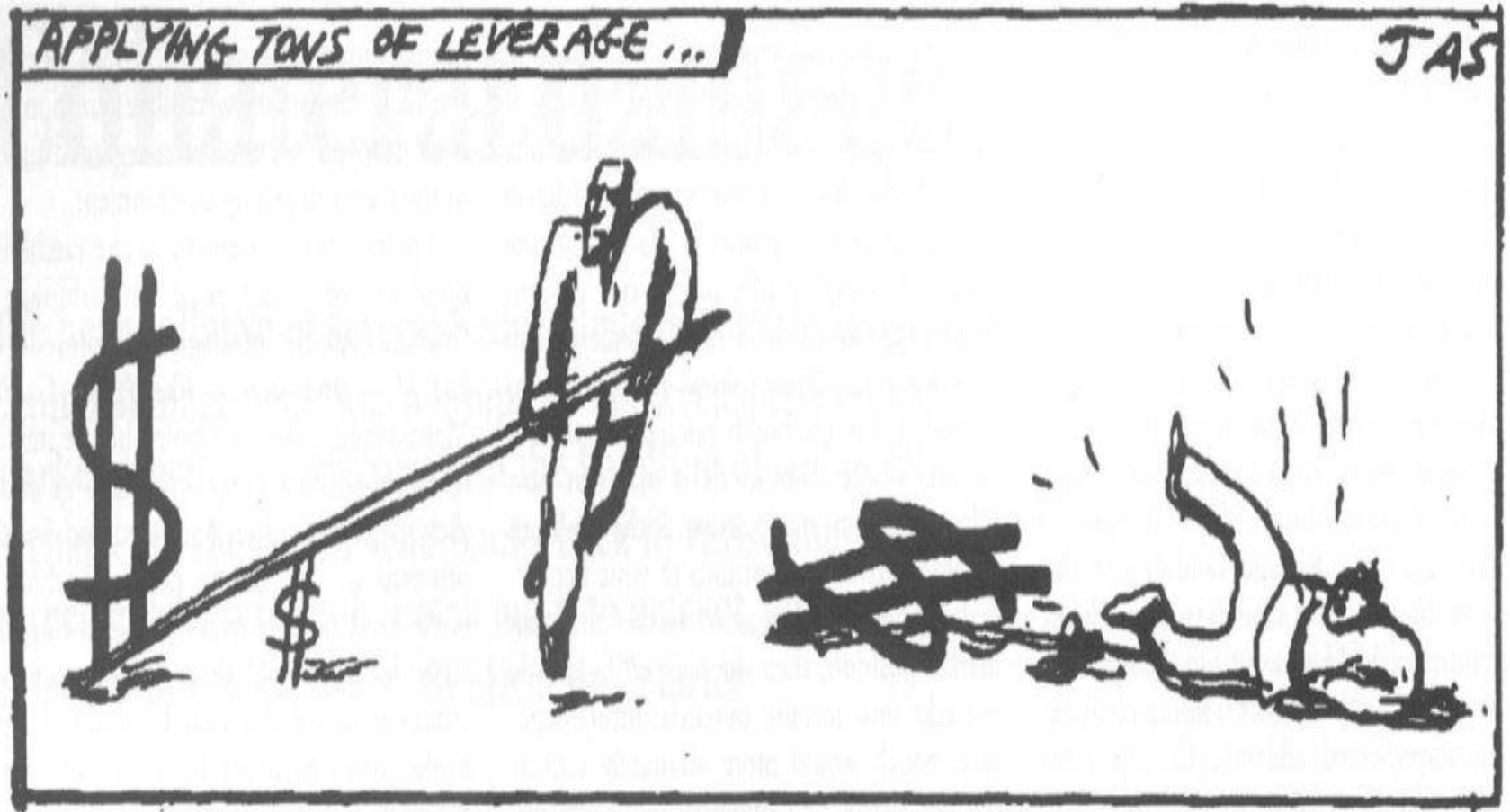
***“It’s impossible  
to take an unnecessary risk.  
Because you only find out  
whether a risk was unnecessary  
after you’ve taken it.”***

***Giovanni Agnelli***

# Hedge Fund World



# Leveraging might be dangerous to your health....



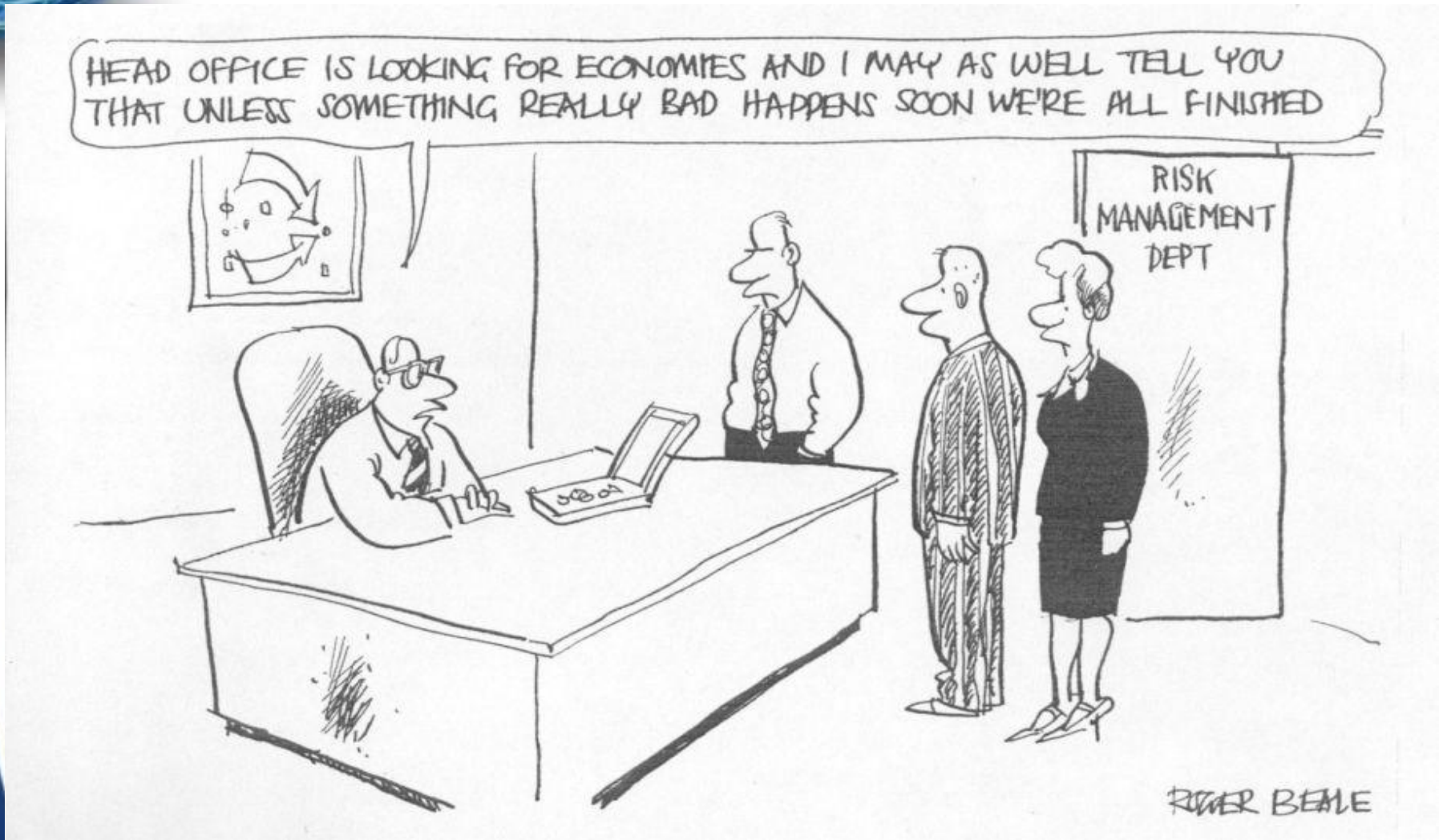
# employ skilled people😊



**You should not think money spent on risk management as unnecessary & superfluous!**



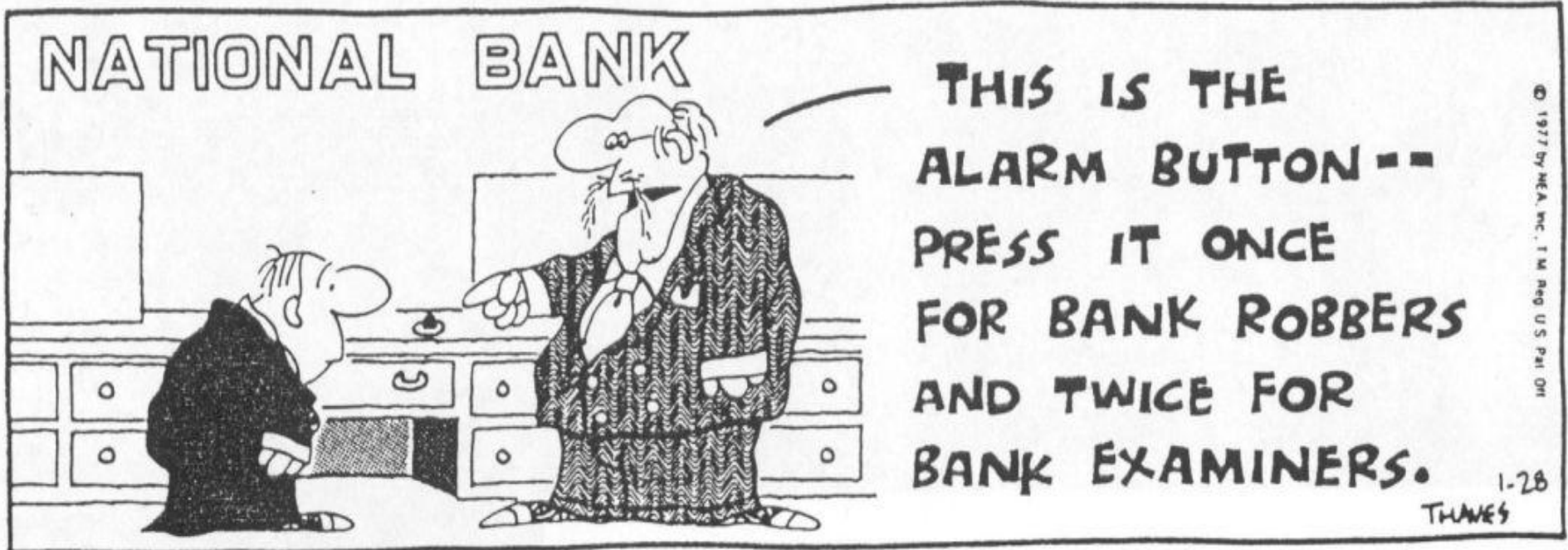
**Make your institution feel that they really need a risk management department.....**



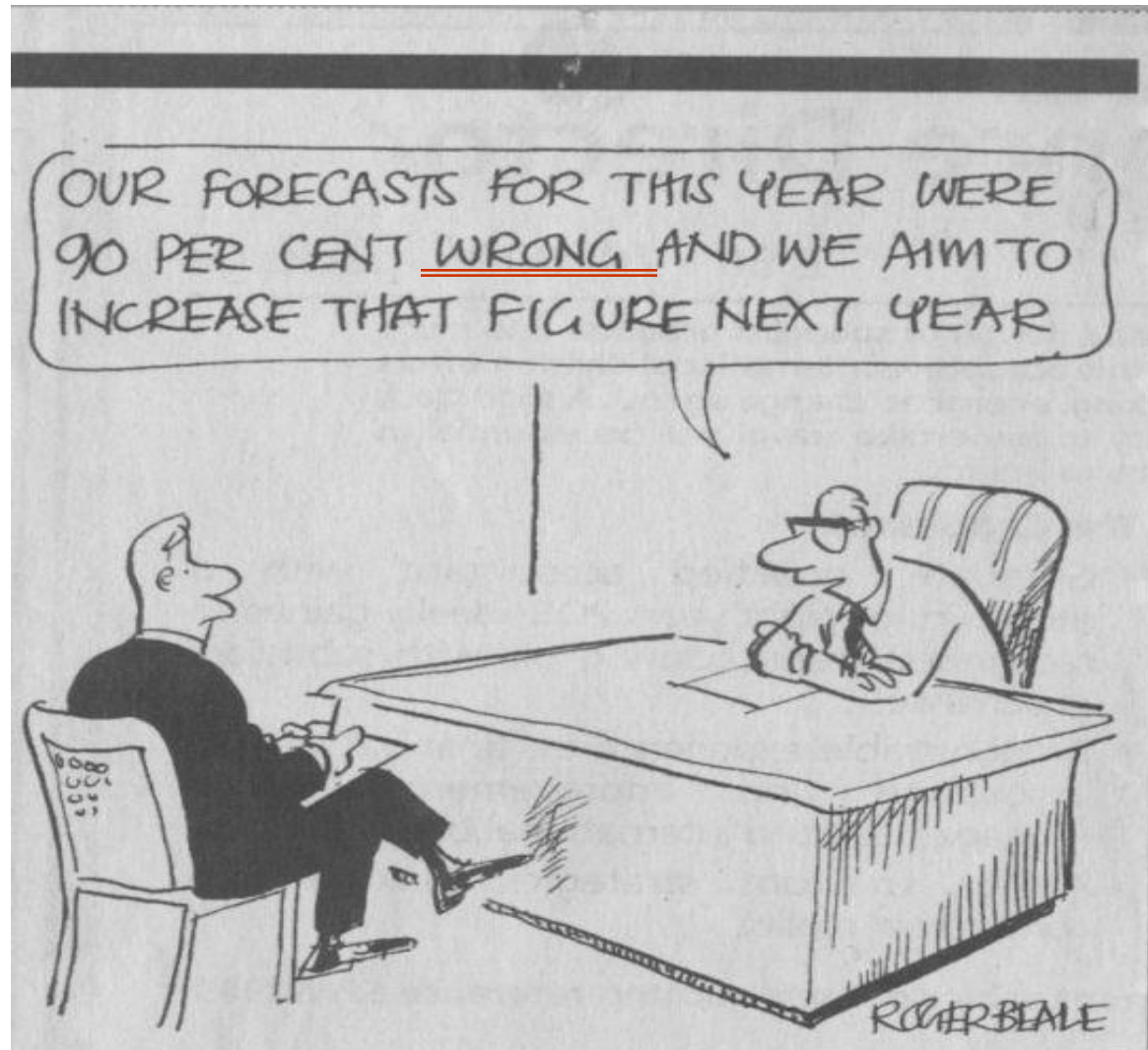
## Develop an efficient, multi-purpose early warning system.....

FRANK AND ERNEST

by Bob Thaves



## Forecasting ability is important.....



**Teşekkürler...**

