



UNDERSTANDING HEDGE FUNDS

Welcome to Understanding Hedge Funds, a monthly e-newsletter designed to provide accessible educational content about the hedge fund industry and investment strategies.

The hedge fund industry has grown in recent years to become a leading investment partner for qualified institutions and individuals around the world. The information and resources contained in these newsletters help explain how the industry works, who it benefits, and why so many institutional investors are increasingly using hedge funds to diversify and manage risk in their portfolios.

Understanding Hedge Fund Strategies Infographic

This infographic offers users a straightforward view into the many strategies that hedge funds use to provide portfolio diversification, risk management and reliable returns to their investors. Included among the strategies featured in the infographic are: Long/Short Equity Funds, Global Macro, Event Driven, Relative Value, Credit Funds, Quantitative Funds, Multi-Strategy Funds and Managed Futures (CTAs).

Hedge Fund Strategies

HEDGE FUND
fundamentals

Hedge funds offer investors many investment options. No two hedge funds are identical, but funds can be categorized by their strategies.

Each fund makes different investment decisions, but hedge funds are united by fundamental goals:

- Portfolio Diversification** - Prevents over-concentration in specific assets
- Risk Management** – Helps anticipate and avoid volatility in the marketplace
- Reliable Returns Over Time** – Provides opportunities for asset growth

How do hedge funds invest?

Hedge funds manage **\$2.63 trillion*** in global assets across these strategies:

<p> Long/Short Equity Funds: Maintain long and short positions in equity and equity derivative securities</p> <p> Global Macro: Analyze market impact of economic variables to develop investment strategies</p> <p> Event Driven: Maintain positions in companies currently or prospectively involved in corporate transactions (mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments)</p> <p> Relative Value: Maintain positions based on valuation discrepancy in the relationship between multiple securities</p>	<p> Credit Funds: Invest in fixed income securities, taking large investment positions and using the ownership stake to participate in the management of a company</p> <p> Quantitative Funds: Trade positions based on computer models built to identify investment opportunities</p> <p> Multi-Strategy Funds: Utilize a variety of processes to arrive at an investment decision, including both quantitative and fundamental techniques</p> <p> Managed Funds Trading (CTAs): Investors, often called commodity trading advisors (CTAs), trade in these markets using futures, forwards and options contracts in everything from grains and gold, to currencies, stock indexes and government bond futures</p>
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What do investors look for?

In 2014, institutional investors are expected to seek out the following hedge fund strategies.*

Long/Short Equity Funds	Global Macro Funds	Multi-Strategy Funds

*Source: HFR 2013
*Source: Preqin 2014

For more information please visit, hedgefundfundamentals.com **HEDGE FUND fundamentals**