MIT Mystery Hunt: The Answer is Secondary
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Outline

- Hedge Fund
- Private Equity
- Top Performer
- Current Actions
- Recommendations
- References
Hedge Fund

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"A hedge fund is an alternative investment vehicle available only to sophisticated investors, such as institutions and individuals with significant assets."
Characteristics
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- not currently regulated
- pool of underlying securities
- invest in many types of securities
Securities

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- Stocks
- Bonds
- Commodities
- Real Estate
Strategies
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- Multistrategy
- Mortgage-backed Arbitrage
- Convertible Arbitrage
- Emerging Markets
- Equity Long Short
- Fixed Income
Limitations

- typically open only to a limited range of investors.
- U.S. laws require that hedge fund investors be “accredited,”
- minimum annual income, have a net worth of more than $1 million
- significant investment knowledge.
How it works

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- typically use long-short strategies
equal balance of long positions and short positions

- seek to generate returns over a specific period of time
  “lockup period,” during which investors cannot sell their shares

- invest in “derivatives,”
  contracts to buy or sell another security at a specified price

- often seek to increase gains, and offset losses,
  hedging their investments using a variety of sophisticated methods

- Hedge fund managers receive a percentage of
  the returns they earn for investors + a management fee