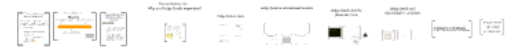


The Hedge Fund Industry



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What are hedge funds?

A hedge fund is a private association for investment, normally only open to qualified institutional investors or wealthy individuals.

- *Considerable freedom in their investment strategies*
- *Use of significant leverage*
- *Use of derivatives*
- *Unregulated environment*

• **Risk**



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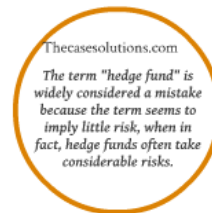
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The term "hedge fund" is widely considered a mistake because the term seems to imply little risk, when in fact, hedge funds often take considerable risks.

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History

The first Hedge Fund was created in 1949 by the doctor in sociology and financial journalist Alfred Winslow Jones.

In the 1990s, hedge funds actually had their take-off, because it during this decade, institutional investors such as insurance companies or pension funds began to invest in hedge funds.



The hedge funds industry began to develop from the 1960s and by 1968 there were around 200 hedge funds.

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Causes that led to the growth of the hedge funds sector

- 1 Strong growth of people with large wealth, and also the increased sophistication of this type of clients.
- 2 Increase in the academic and empirical evidence that confirm that hedge funds can offer attractive combinations of profitability and risk.
- 3 The increase of respectability and acceptance of alternative investments, including hedge funds, in addition to its recognition as a new asset class.

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What does a hedge fund do?

Main objective:

To reduce volatility and deliver positive results for their clients regardless of what the markets are doing.

As these funds can invest in anything they choose, it is important to know and trust the people behind the fund in which you want to place your money.

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Why are Hedge Funds important?

- Increasing importance: economic value against other investment means (higher risk, higher return)