

**David Thompson**  
Collingham Capital Management

An introduction to  
Hedge Funds

Agenda

- What is a Hedge Fund
- What do/should they do
- What makes a good hedge fund
- What is a Fund of Hedge Funds

## What is a Hedge Fund?

- Everybody has a different answer

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- Someone that produces ABSOLUTE RETURNS.
- Absolute Returns *not* relative returns.
- Aim to make positive returns in all market conditions.

## What Makes a Good Hedge fund?

- There are over eight thousand of them to choose from



## What Makes a Good Hedge Fund?

- First – What to avoid
- Carry trades “The road to hell is paved with carry trades.” – Margaret Bramwell 1968.
- Leveraged Beta trades. Que?



## SO – What does make a good hedge fund?

- Another buzz word - Alpha
- Someone that has the skill set and experience to generate Alpha in the sector in which they invest on a consistent basis.

## What are the sectors and what are the skills

- Russian Equities
- European Equity long short
- Macro
- Commodities

## What is a Fund of Hedge Funds?

They charge more, but lower fees.



## What do they do

- They do two things - strategy selection and manager selection.

## What do FOHFs do?

- They do two things - strategy selection and manager selection.
- This creates a diversified portfolio of carefully selected hedge funds.
- The volatility will be lower than single hedge funds.

## Summary

- Hedge Funds aim to give absolute positive returns – but not all do
- Fund of Hedge Funds give diversity and reduced volatility
- There is a place in most portfolios for a hedge fund allocation.