

## Hedge Funds See 'Lifetime' Opportunity In 2009

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Despite the recession and continuing difficulties for Wall Street, hedge fund managers are overwhelmingly optimistic about investment opportunities in 2009, according to a new survey.

Three-quarters of the roughly 1,000 hedge fund managers surveyed by Alpha Search Advisory Partners, an executive search firm, see 2009 as presenting "the greatest investment opportunities of our lifetime."

Respondents reported a reallocation of their holdings to cash, with a third of respondents holding between 25% and 50% of their assets in cash. This shift will likely be reflected in a significant move away from equity long/short and event-driven strategies in 2009. This year may also see an increase in investments in the health care, energy and industrial sectors, with managers picking those areas as best positioned for growth in the difficult economic environment.

Many respondents also expect the current level of redemptions to decline as the economy begins to stabilize. However, respondents were split on whether hedge funds would recapture the assets under management and market share they had in previous years. There is concern that redemptions will continue through at least the first two quarters of 2009 (58%) and possibly throughout the year (29%) before fully stabilizing.

Alpha Search's survey also revealed the prospects for a massive industry consolidation. Roughly half of respondents are considering joint ventures or mergers with other asset management firms in 2009. Increased regulation is a clear concern, with over half the respondents stating that there will be mandatory disclosure of holdings and mandatory registration.

Also, Alpha's survey revealed that if poor performance extends through 2009, there could be a rash of hedge funds shuttering their doors. Over 50% of respondents felt that if funds remain below their high-water marks of performance, they will shut down. Nearly 30% feel that their funds would restructure high water marks with investors, and roughly 20% expect little if any impact.

In terms of investment professionals, nearly 36% of respondents planned some staff reduction and/or a delay in hiring, with the majority considering delaying new hires until the second quarter, and 23% filling in with consultants or contract employees.