Lower risks from hedge fund strategies causing a rethink

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While global hedge funds continue to outperform global equities, the big news is that they are doing it for only one-third the risk.

The latest GreenwichVan Hedge Fund Index report for January 2006 shows that the S&P 500 scored a return, in local currency terms, of 10.3 per cent for the 12 month period, even though the corresponding return from global hedge funds was 12.2 per cent.

But it's the risk story behind global hedge funds that is emerging as the real driver behind the sector as it gains acceptance as a mainstream asset class by more traditional investors, particularly with alternative strategies tipped to reach 20 per cent over the next few years.

Reinforcing the risk perspective, over the all important five year period global hedge funds outperformed global equities by a factor of 20, but they did it for only one-third the risk quotient.

On the back of this stability of risk in the global hedge fund sector, Van MacDonald Global Partners, local partner of the GreenwichVan group in Australia, is introducing the 'AAA' Rabobank Structured Hedge Fund Note to Australian investors that will be underpinned by the global hedge fund index that they monitor.

Scott MacDonald, managing director of Van MacDonald Global Partners, said, "The overall performance of the hedge fund managers continues to be strong as we begin 2006 and we are certain that this 'belt and braces' approach to risk management within this product will appeal to many looking at ways to derive alpha and reduce risk."

To support the introduction of the issue, Tom Whelan, GreenwichVan's chief executive officer, was recently in Australia working with investors interested in finding out more about the sector.

"Most of the big [investment] firms are under real margin pressure and this is pushing hedge fund strategies to being mainstream," he said.