



Cliff's Perspective

Hedging on Hedge Funds

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It seems that all we read today about hedge funds is about how they, as a group, are failing and investors are heading for the exits. In [this Bloomberg article](#), I discuss how the current dialogue is an overreaction, even though many criticisms are valid, and is based on a false comparison. We've long been saying that, as a whole, most hedge funds are too correlated with equity markets and too expensive given that too much of their return comes simply from equity markets rising, something that isn't bad but is available for nearly no fee. I haven't changed my views, and also believe that hedge funds set expectations too high, especially for the tough times that inevitably occur from time to time. But what we hear today is an overblown case against hedge funds based on bad math rather than facts and sound reasoning.

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