

When?

How?

Why?

What?

**The
Definitive
Guide to**

Hedge Fund

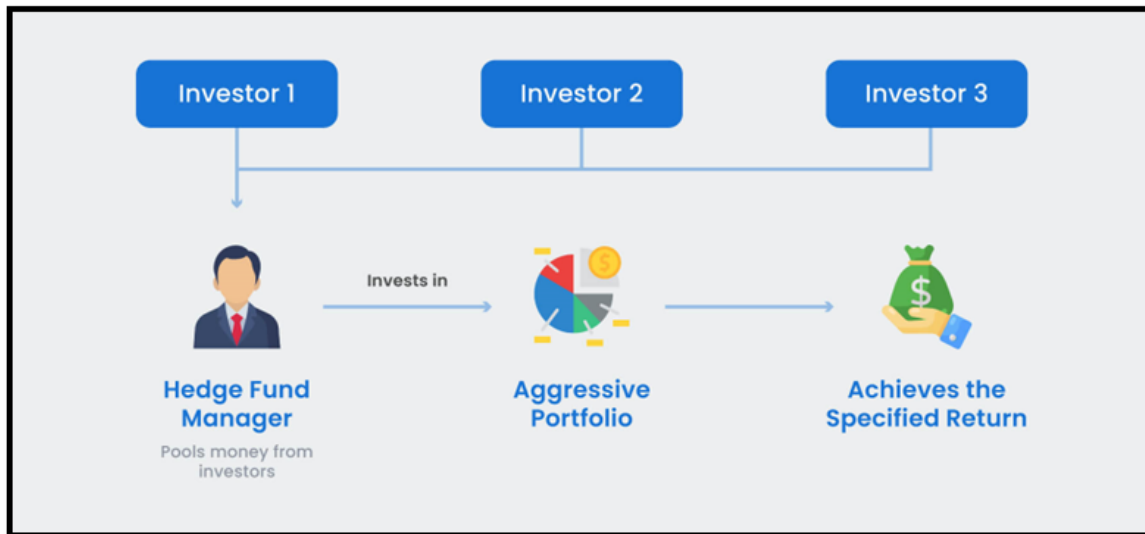


By Shivendra Bhatia



What?

How Does a Hedge Fund Works?



Lower
regulation

May use
derivatives

High barrier
to entry

Fund Seeks
to lower
market risk

Alternative
investment

Complex
Hedge fund
strategies

What?

Types of Hedge Fund

Hedge Fund Strategies

Long –Short

Attempt to profit from both upside and downside price movements.

Equity Market Neutral (EMN)

Offset the long position with the short position. Aim to bring portfolio beta to zero

Short–Selling

Focus on overpriced stock by going short e.g., Adani stock recently

Event–Driven

Anticipation of event that could trigger a rerating upside or downside

Arbitrage

Profit from temp. pricing inefficiencies in market e.g., corporate action , company split

Activist

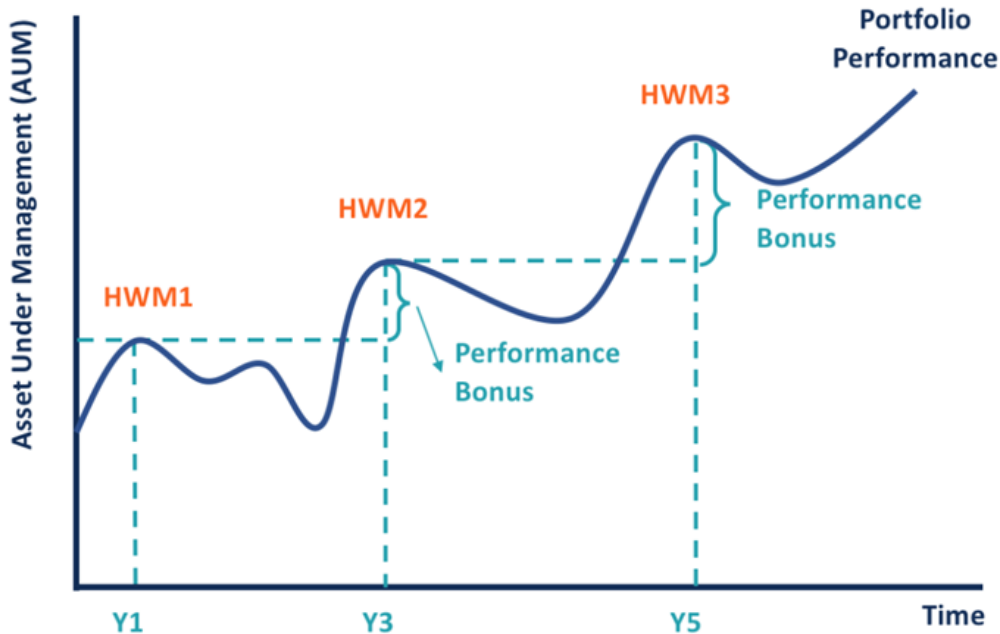
Influencing decision by vocally exerting their shareholder rights.

Global Macro

Profit from the economic conditions and political landscape e.g., Strategy to invest in arm and ammunition

Why?

High Water Mark “HWM” (Hurdle Rate)



Win-Win



Hurdle rate whereby the fund receives a performance fee only if the fund's annual return exceeds a benchmark rate, such as a predetermined fixed percentage, or a rate determined by the market such as LIBOR or a T-bill yield

Image

Source: corporatefinanceinstitute.com

Let's make Hedge Manager rich with your money?

The most common structure is that of "2 and 20"

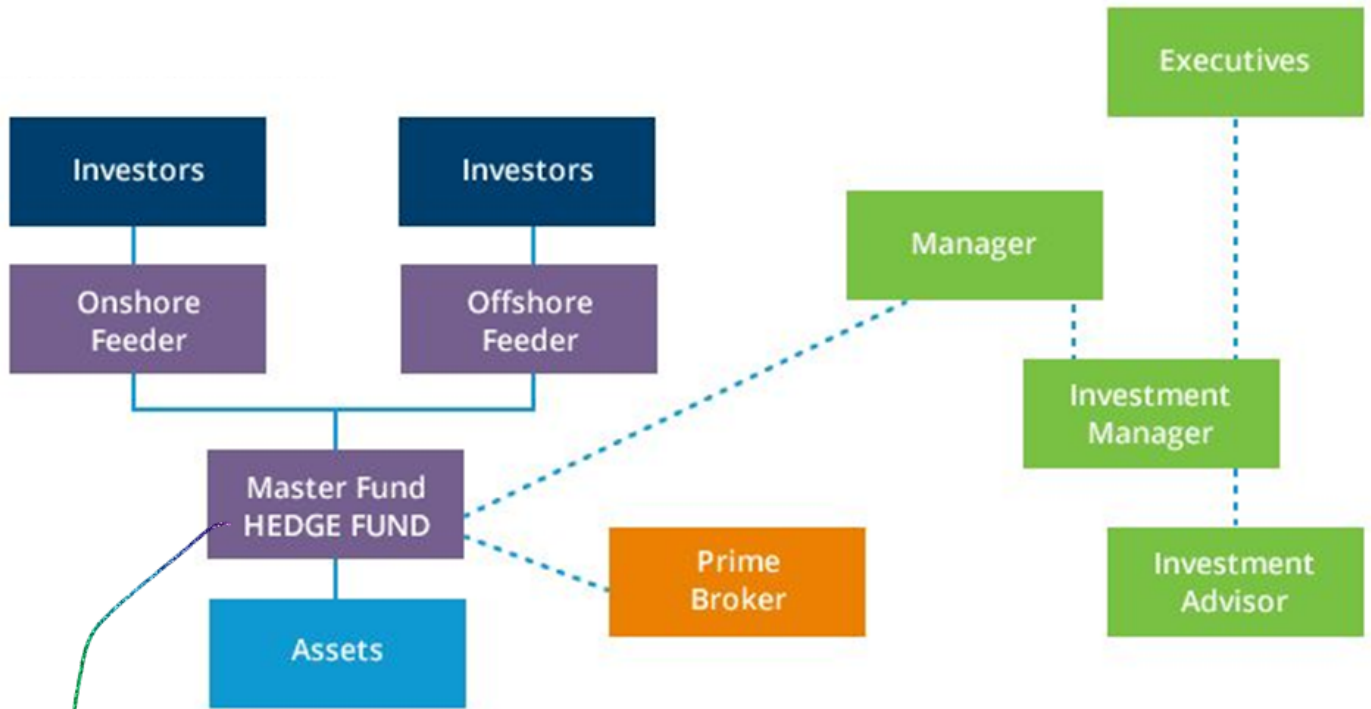
which means 2% management fees and 20% performance fees.

Let's start with an example. SB Capital Management is a Hedge Fund with \$100 million in Asset Value.

- It follows a 2/20 fee structure;
- the hurdle rate is 6%
- Net Gains after fees

Year	NAV (Beginning of Performance Period)	NAV (End of Performance Period)	High Water Mark	Management Fees	Incentive Performance	End Value (Net of Fees)
1	100	130	130	2% of 100 = \$2	=20% of (130-100-2-(6% of 100)) = \$4.4	\$123.60
2	130	120	130	2% of 123.6 = \$2.47	No Incentive for fund Manager	\$117.53
3	120	160	160	2% of 117.53 = \$2.35	=20% of (160-130-2.35-(6% of 117.53)) = \$4.12	\$157.53

A Typical Hedge Fund Structure





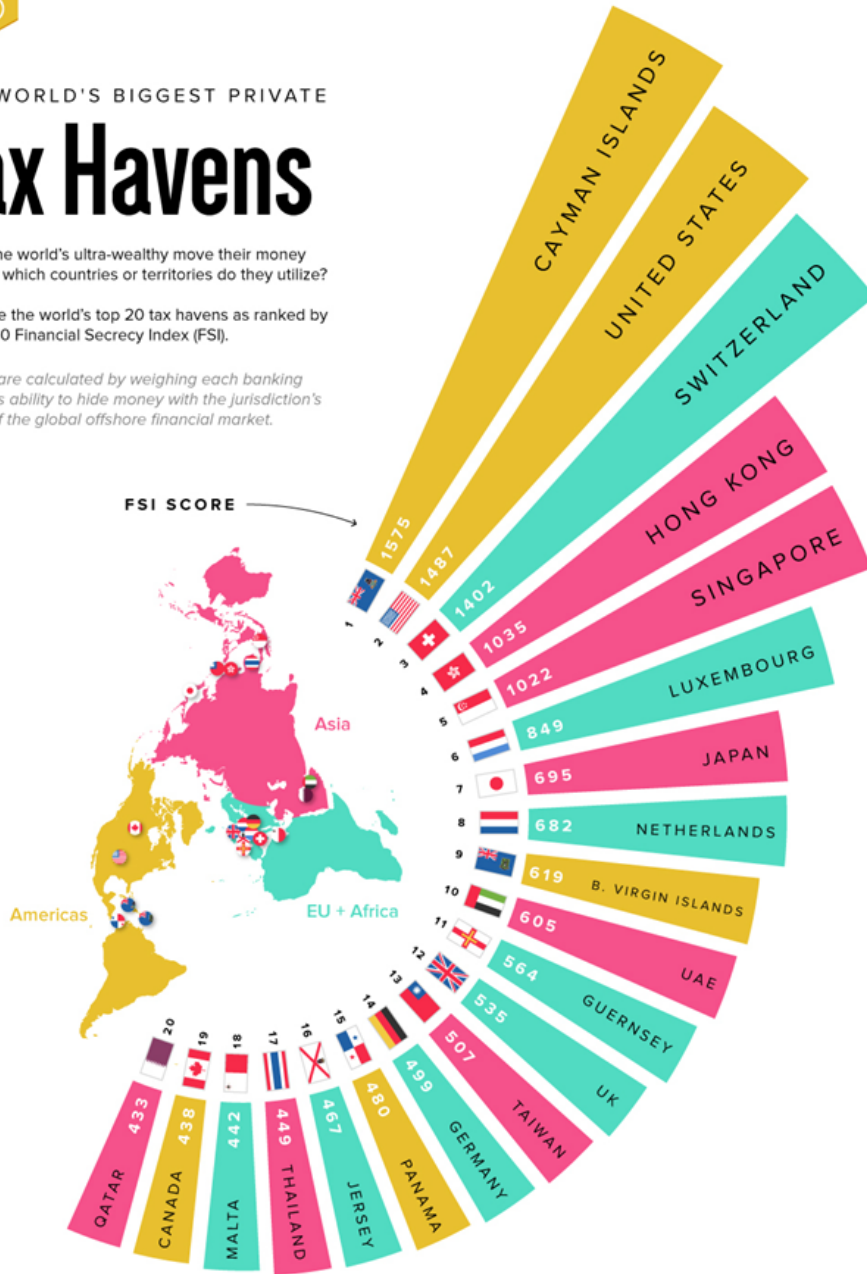
THE WORLD'S BIGGEST PRIVATE

Tax Havens

When the world's ultra-wealthy move their money around, which countries or territories do they utilize?

Here are the world's top 20 tax havens as ranked by the 2020 Financial Secrecy Index (FSI).

• Scores are calculated by weighing each banking system's ability to hide money with the jurisdiction's share of the global offshore financial market.

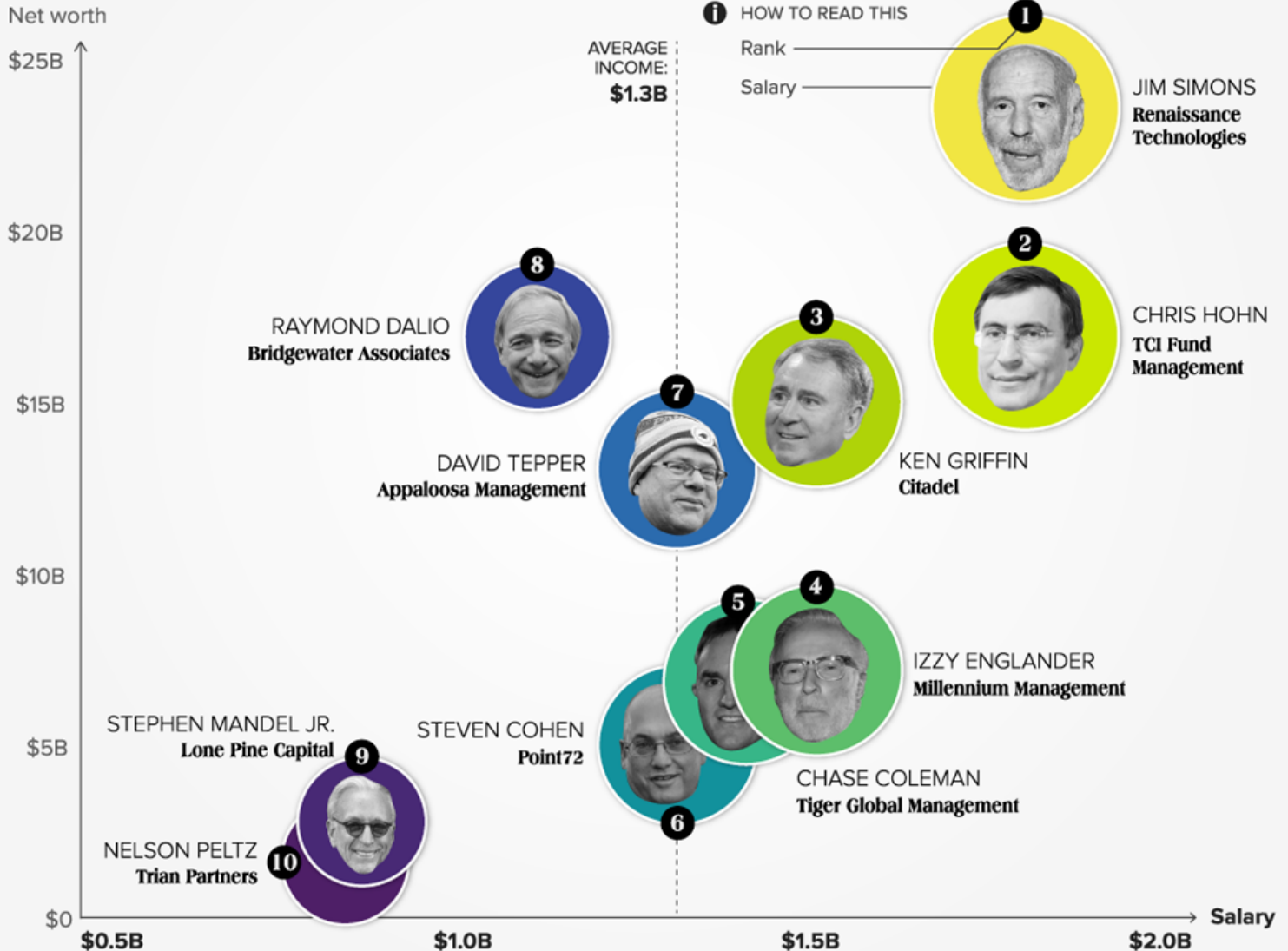


THE TOP 10 Hedge Fund Managers

BY EARNINGS

Hedge fund managers are often seen as the titans of Wall Street for both the massive wealth they oversee, and earn themselves.

Who are the top 10 hedge fund managers, and how much do they earn?



Salary figures as of 2019
 Net worth figures as of 2020

Source: Institutional Investor & Forbes




Caution 

TOO MANY COOKS SPOIL THE BROTH

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