

Smaller Hedge Funds See More Assets Headed Their Way

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For hedge funds, it doesn't hurt being small these days, as billions of dollars are flowing into their coffers. In some cases, new assets have been earmarked for emerging hedge fund managers with only a few million dollars in assets.

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Hedge funds are expected to attract \$210 billion this year, rising to \$2.25 trillion in total assets, according to Jack Wiener, executive vice president of vendor Linedata North America, who chaired a hedge fund discussion panel last week at the offices of Herrick Feinstein, a law firm in New York.

"There is plenty of money coming in, which is good news for all of us," Wiener said. "And firms are willing to give smaller hedge funds a chance."

Irwin Latner, a partner at Herrick Feinstein and chair of the firm's hedge fund group, said he is seeing funds of all different sizes attracting money. That's a big change from the past, when investors eschewed most funds with less than a billion dollars in assets. In particular, Latner noted there has been funding for a lot more start-up funds recently.

Many of these start-ups are getting money from funds-of-funds, said Kristin Steele, head of marketing and business development at ISIS Fund Services. Managers trading niche strategies are getting the most money allocated to them, she added.

Chris Grandi, president of fund management technology firm Abacus Group, said investors have been getting more detailed in investigating funds. They are particularly interested in the security measures that smaller managers have in place, demanding a redundancy of systems in case something goes wrong.

That makes sense to Art Murphy, vice president of hedge funds at Linedata, which sponsored the event. He said emerging managers need to pay attention not just to trading, but to how they structure their businesses, so investors can feel confident in handing them their money.

"Whether you are a pizzeria, a bar, or a hedge fund, you need to have a business plan," Murphy said.

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