SMU professor wins award for research on hedge funds

By GENEVIEVE CUA

FRESH research has found that hedge funds with a physical presence in the region outperform their peers by as much as 5.5 percentage points a year.

Assistant Professor Melvyn Teo of Singapore Management University’s finance faculty was yesterday awarded a prize of US$10,000 for his research, at the first AIMA Insead Research Award for Asian alternative investments. The award aims to encourage applied research. AIMA is the Alternative Investment Management Association.

The award is sponsored by the Chartered Alternative Investment Analyst Association, the sponsoring body for the CAIA designation, which seeks to become the educational standard for the alternative investments sector.

Assistant Prof Teo’s paper is titled “The Geography of Hedge Funds”, and is based on research done between January and May this year.

It analysed the relationship between the risk-adjusted performance of hedge funds and their proximity to their investments, using data on Asian hedge funds. It found that the local information advantage was especially pervasive for emerging market and event driven funds.

The panel of four judges include Stephen Diggle, principal of Artradis Fund Management, and Pierre Hillon, de Picciotto Chaired Professor of Alternative Investments and Insead finance professor.

Singapore has been trying to woo hedge fund managers to set up shop here, as part of its plans to become a wealth management hub. So far, some US$7 billion of hedge fund assets is managed out of Singapore. This pales next to Hong Kong, where hedge fund assets rose 268 per cent over the last couple of years to US$33.5 billion.

Last week, the SMU launched a hedge fund centre for research and education together with BNP Paribas. The centre will undertake research, organise seminars and executive education courses.

As at June, AsiaHedge estimated that assets in Asia-Pacific hedge funds stood at US$128 billion.

This, however, could under-estimate actual assets substantially, says GFIA principal Peter Douglas, due to managers’ desire to maintain a low profile. Mr Douglas is an AIMA council member, and also a judge at the research panel.