New centre to dispel myths about hedge funds

By Arthur Poon

HEDGE funds are bloodsuckers which leave a trail of devastation. They make huge bets against economies and currencies, and make their money by impoverishing millions of people.

These are some of the misconceptions that a new hedge fund centre in Singapore wants to dispel.

Speaking at its launch yesterday, the Monetary Authority of Singapore's deputy managing director Ong Chong Tee said: "To some, hedge funds are greedy, relentless and at times, heartless exploiters of market imperfection, while to others they offer hope for higher returns, improved diversification and enhanced liquidity in the financial marketplace."

He said the centre's establishment is timely, given increased global demand for hedge fund products. The centre is located at the Singapore Management University (SMU).

Hedge funds are mainly for sophisticated investors with large sums to invest. Managers of these funds use aggressive, sometimes high-risk, investing techniques to maximise returns.

Assets managed by hedge funds globally are now estimated at US$1.2 trillion (S$1.9 trillion) - double that of five years ago - and are expected to grow by another US$250 billion over the next five years.

In Singapore, the number of hedge fund managers has grown from a handful five years ago to more than 100 now, Mr Ong said.

"With this expansion of the hedge fund industry in Singapore, it is important to continuously build the pipeline of expertise and the upgrading of skills," he added.

The new $1.4 million research centre has been jointly set up by French bank BNP Paribas and SMU.

It will hold conferences on hedge fund and executive programmes to educate finance professionals and the public on hedge fund investments.

Hedge funds are alternative investment vehicles. They differ from mutual funds in that they can short-sell and take advantage of falling prices, borrow to amplify returns and invest in options which pay off in a volatile market.

SMU president Howard Hunter: "A lot more understanding and education are essential for the regional hedge fund market to develop and mature healthily."