



Press Release

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EDHEC-Risk Institute: UCITS hedge funds underperform their non-UCITS rivals, shows new study

This new research is drawn from the Newedge research chair on “Advanced Modelling for Alternative Investments” at EDHEC-Risk Institute.

UCITS hedge funds are typically more volatile and underperform their non-UCITS hedge fund rivals, a new comprehensive comparative study by the EDHEC-Risk Institute has found.

The finding, also show that the domicile of a fund is an important indicator of a fund’s likely performance with European domiciled funds delivering lower risk-adjusted returns compared to funds domiciled in other regions.

The EDHEC-Risk Institute study, which examined an aggregate hedge fund dataset that consisted of more than 24,000 unique hedge funds, is one of the most comprehensive analyses of the performance and risks of UCITS hedge funds and non-UCITS hedge funds undertaken in recent times.

Commenting on the results of the survey, Noël Amenc, Director of EDHEC-Risk Institute, said: “Investors are increasingly considering hedge funds as part of their investment universe, but are also searching for access to sophisticated risk management techniques within the regulated and transparent world of mutual fund products. We are delighted that this study supported by Newedge has been able to shed light on the way in which techniques are converging in the mutual fund and hedge fund universes and we think that the research will be of particular interest to institutional investors”.

Other conclusions found in the report, which can be downloaded at [EDHEC-Risk Publication Convergence Mainstream and Alternative Asset Management](#), include:

- **UCITS hedge funds underperform non-UCITS hedge funds on a total and risk-adjusted basis.** However, UCITS hedge funds have more favourable liquidity terms and when we compare liquidity matched groups of UCITS hedge funds and non-UCITS hedge funds we find that their performance seems to converge.
- There is an important **liquidity-performance trade-off in the sample of UCITS hedge funds.** Our results also show that **non-UCITS hedge funds generally have lower volatility and tail risk than UCITS hedge funds**, which is consistent with hurdles to the transportation of risk management techniques.

- We find important **domicile effects related to firm and fund performance**. European-domiciled funds deliver lower risk-adjusted compared to funds domiciled in other regions. The risk-adjusted performance is highest for North American and Asia/Pacific-domiciled funds. We find similar performance between the main UCITS hedge fund domiciles. Ireland and Luxembourg-domiciled funds exhibit very similar performance measures.

James Skeggs, global co-head Advisory Group at Newedge, added: “EDHEC-Risk Institute has a unique approach to academic research that is highly relevant to our industry and delivers added value for our clients. This is an exciting time for the asset management industry and we will watch the growing convergence of mainstream and alternative asset management with interest.”

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About EDHEC-Risk Institute

Since 2001, EDHEC Business School has been pursuing an ambitious policy in terms of international research. This policy, known as “Research for Business”, aims to make EDHEC an academic institution of reference for the industry in a small number of areas in which the school has reached critical mass in terms of expertise and research results. Among these areas, asset and risk management have occupied privileged positions, leading to the creation in 2001 of a major research facility: EDHEC-Risk Institute. This institute now boasts a team of 90 permanent professors, engineers and support staff, as well as 48 research associates from the financial industry and affiliate professors.

EDHEC-Risk Institute is located at campuses in Singapore, which was established at the invitation of the Monetary Authority of Singapore (MAS); the City of London in the United Kingdom; Nice and Paris in France; and New York in the United States.

The philosophy of the institute is to validate its work by publication in prestigious academic journals, but also to make it available to professionals and to participate in industry debate through its Position Papers, published studies and conferences. Each year, EDHEC-Risk organises three conferences for professionals in order to present the results of its research, one in London (EDHEC-Risk Days Europe), one in Singapore (EDHEC-Risk Days Asia), and one in New York (EDHEC-Risk Days North America) attracting more than 2,500 professional delegates.

To ensure the distribution of its research to the industry, EDHEC-Risk also provides professionals with access to its website, www.edhec-risk.com, which is entirely devoted to international risk and asset management research. The website, which has more than 58,000 regular visitors, is aimed at professionals who wish to benefit from EDHEC-Risk’s analysis and expertise in the area of applied portfolio management research. Its monthly newsletter is distributed to more than 1.5 million readers.

EDHEC-Risk Institute also has highly significant executive education activities for professionals. In partnership with CFA Institute, it has developed advanced seminars based on its research which are available to CFA charterholders and have been taking place since 2008 in New York, Singapore and London.

EDHEC-Risk Institute has an original PhD in Finance programme which, in addition to its highly selective residential track for young talents worldwide, has an executive track for high level professionals who already have master’s degrees from prestigious universities and significant industry experience. These professionals are looking to go beyond their usual activities in order to develop research on the concepts that are relevant to their occupation. Complementing the core faculty, this unique PhD in Finance programme has highly prestigious affiliate faculty from universities such as Princeton, Wharton, Oxford, Chicago and CalTech.

In 2012, EDHEC-Risk Institute signed two strategic partnership agreements with the Operations Research and Financial Engineering department of Princeton University to set up a joint research programme in the area of risk and investment management, and with Yale School of Management to set up joint certified executive training courses in North America and Europe in the area of investment management.

Building on its experience in the area of beta analysis and creation, EDHEC-Risk Institute has also created ERI Scientific Beta, which aims to be the leading provider of advanced beta for the investment industry. This initiative is based on all of the research conducted by EDHEC in the area of indices and benchmarks.

About Newedge

Newedge is a leading force in global multi-asset brokerage, with a presence in more than 20 locations across 16 countries and access to more than 85 derivatives and stock exchanges. Newedge is independently run, whilst still benefitting from the support of its two global banking shareholders — Société Générale and Credit Agricole CIB — and offers a full range of execution, clearing and prime brokerage services.

Newedge Alternative Investment Solutions (“Newedge AIS”) has developed to become a leading independent prime broker. It offers global hedge funds a multi-asset class prime brokerage platform, covering a variety of assets and instruments across equities, fixed income, foreign exchange and commodities, cash and derivatives.

Recognising the quality of its Prime Brokerage offer and team, Newedge received numerous industry awards in 2012, including *HFMWeek*'s Best Prime Broker – Capital Introduction' awards in Europe and in the U.S. and the *Hedge Fund Journal* 'Leading Prime Broker for Liquid Strategies' award for service providers to the European hedge fund industry. Newedge was also named 'Top Rated in North America' as a prime broker in the *Global Custodian Awards for Excellence*. Furthermore, *Preqin*, the alternative assets industry's leading source of data and intelligence, ranked the Newedge Prime Brokerage Group as number one in terms of CTA market share.

- **Multi-Asset Prime Brokerage:** Newedge offers clients a single, multi-asset class prime brokerage platform that covers a variety of financial assets including listed products, equities, fixed income, interest rates and foreign exchange. Newedge is committed to helping their hedge fund clients maximise efficiency in trading multiple asset classes, while minimising operational risks.
- **Capital Introduction:** Newedge's knowledge and in-depth experience enables introductions to sophisticated investors where a match in criteria is found. Newedge specialises by investor type, with dedicated coverage for pension funds, Middle Eastern investors, sophisticated global investors and family offices. Capital introductions are subject to local rules and practices.
- **Financing, Risk Management and Reporting:** Newedge AIS offers financing and reporting options that are specifically tailored to client requirements, and to the different assets and instruments traded. The firm focuses on analysing and understanding customers' requirements, legal structure and business, before providing a personalised risk management solution.
- **Research:** An innovator in providing investors with benchmarking tools that accurately represent key hedge fund strategy styles, Newedge AIS also produces an exclusive series of industry-leading research reports and provides quantitative statistics on hedge fund return information to investors.
- **UCITS:** For investors looking to allocate capital to liquid and transparent fund structures, Newedge AIS offers an open architecture UCITS compliant servicing platform. This allows investors to access best-of-breed hedge funds and CTAs that offer a UCITS compliant investment solution within their product range.
- **Managed Account Services :** Newedge AIS provides an independent managed account service enabling investors to access the performance of hedge fund strategies through a separately managed account.

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