



Letter to the Editor

December 13, 2011

The following is in response to Michael Edesess' article, [The Unspoken Truth about Hedge Funds](#), which appeared last week:

Dear Editor,

Dr. Edesess did a great job of highlighting the problems with hedge fund databases and the dangers of generalizing about such an amorphous industry. Unfortunately it was improperly titled; more appropriate would have been "The Often-Ignored Unimportance, Immateriality, and Uselessness of Hedge Fund Index Data."

The shortcomings of hedge fund indexes are well known – they are just ignored by those who feel a need to classify, quantify, back test, optimize, and package everything that has to do with investment management. Hedge funds are not an asset class. Hedge funds are legal structures with investment approaches and compensations arrangements that distinguish them from traditional approaches. And even that definition is subject to change as "alternative" strategies such as shorting become more common in traditional structures such as separately managed accounts and mutual funds.

The key lesson from Edesess' well-summarized "truths" is that hedge funds, perhaps even more so than traditional investment approaches given their wide latitude and flexible mandates, must be evaluated individually and with a forward-looking view towards the ability of the manager to add value for the benefit of his or her clients.

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