

Index

- Absolute return measures
 - histogram, 146
 - information ratio, 148–149
 - MAR and Calmar ratios, 149–150
 - Omega ratio, 153–154
 - Sharpe ratio, 147–148
 - Sortino ratio, 152–153
 - Sterling ratio, 150–152
- Absolute returns, 7
- Absolute risk measure, 154–164
 - downside deviation, 156
 - drawdown analysis, 161–163
 - gain/loss ratio, 163–164
 - kurtosis, 159–161
 - kurtosis calculation interpretation, 160–161
 - semideviation, 157
 - skewness, 157–159
 - skewness calculation interpretation, 158–159
 - standard deviation, 154–155
- Accounting firms, 64. *See also* Auditor(s)
- Action plan, 140–143, 171, 196
- Active activism, 38
- Activist strategies, 37–38
- Administration services, 307
- Administrator services, 307
- Administrators
 - auditors, 275–276
 - custodian, 280
 - information technology, 278–279
 - insurance, 280
 - legal, 279–280
 - primary administrative services, 271–275
 - prime brokers/brokerages, 276–277
 - trade life cycle, 280
- Advance preparation, 208
- Affiliated broker-dealers, 261
- Allocations to hedge funds
 - capital use efficiency, 51–52
 - dispersion, 49–50
 - diversification correlation, 45–49
 - down market protection, 50
 - return enhancement, 43–45
- Allocators, 63
- Alpha, 164, 165
- Alpha investing, 7
- Alternative Investment Management Association (AIMA), 80
- Analysis. *See also* Portfolio analysis; Quantitative analysis
 - 2007, 186
 - 2008, 186–187
 - 2009, 187–188
 - 2010, 188–189
 - 2011, 189
 - attribution, 174–186
 - drawdown, 161–163
 - factor decomposition, 330–333
 - historical portfolio, 206–209
 - legal, 59
 - liquidity, 202–205, 296–297
 - long portfolio sector, 209–211
 - operational, 59
 - peer, 358
 - peer group, 168–171
 - of performance, 173–174
 - risk measures, 313, 314
 - sector analysis, 194–196
 - 13F historical portfolio, 211, 212
 - trade, 213–215

- Analysis (*Continued*)
 up/down scenario, 329
 VaR, 317, 318, 319, 320, 321
- Anti-money laundering (AML) policy, 92
- Apportioning, 358
- Asset liquidity risks, 310
- Assets under management (AUM), 299–300
- Attribution, 358
- Attribution analysis
 about, 174–180
 analysis, 180–186
- Audit firms, 274–275
- Auditor(s), 64, 98–99, 275–276
- Average long exposure, 180
- Back checking, 89, 101
- Background checks, 352–353
- Barclay Hedge, 26
- Barometers, 7
- Base (management) fees, 295
- Basis risks, 310
- Bayou Group, 260
- Bayou Securities, 260
- Benjamin Graham Joint Account, 16
- Beta, 164–165
- Beta breakout, 202
- Board of directors, 290–291
- Body language, 222
- Bottom up shop, 227, 233, 234
- Bottom-up investing, 247
- Buffet, Warren, 14
- Business continuity, 92, 284–285
- Business risks, 310
- Calmar ratio, 150
- Capco paper, 264
- Capco Research, 263
- Capital introduction, 63
- Capital Market Risk Advisers (CMRA), 313
- Capital use efficiency, 51–52
- Case Study Bayou Fund, 259–261
- Cash management and controls, 282–283
- Cash procedures, 306
- Cell phone use, 122
- CFO experience, 270
- Checks and balances, 252
- Clawback provisions, 296
- Client concentration risks, 310
- Client relationship management (CRM), 278
- Code of ethics, 287–288
- “Coming of Age: Global Hedge Fund Surve 2011” (Ernst & Young), 264, 265
- Commodities trading advisor (CTA), 40–42, 45, 49
- Commodity risks, 310
- Company information, 81–82
- Compliance, 90–91, 308
- Compliance manual, 287
- Conditional value at risk (CVaR), 316, 318
- Consistency test, 219
- Consultants, 227
- Contracting references, 343–346
- Contrarian investing, 5
- Convertible bond arbitrage, 34–36
- Convertible bonds, 35
- Conviction value, 245, 251
- Cooperman, Leon, 260
- Correlation, 165, 166–167
- Correlation risks, 310
- Correlation table, 47, 75
- Correlation(s), 245, 246, 251
 diversification, 45–49
 five year, 48
 long-term average, 48
- Counterparty risks, 310
- Credit risks, 311
- Currency risks, 311
- Custodial services, 276–277
- Custodian, 98, 280
- Data collection, initial, 80–105
 13 F analysis, 116–118
 about, 77
 data collection, 78–80

- due diligence questionnaire (DDQ),
 - 80
 - further analysis, 108–116
 - hedge fund journal, 119
 - other materials, 106–107
 - past performance, 77–78
 - research, 107
- Data overview, 99–100
- Data series, 6
- Database and data analysis companies,
 - 62–63
- Database screening process, 68
- Database search, 67
- Databases, 60
- Days to cover ratio, 200
- Days to liquidate position, 204
- Decile distribution, 168
- Defined risk, 309–310
- Derivatives risks, 311
- Directional strategies, 40–42
- Directors and officer liability (D&A),
 - 280
- Disaster recovery, 285–286
- Disaster recovery/business continuity,
 - 307
- Dispersion, 49–50
- Distressed strategies, 39–40
- Diversification, 105
- Diversification correlation, 45–49
- Diversified Macro, 49
- Documents to request, 267, 269
- Dojima Rice Exchange, 4
- Dollar-neutral investing, 7
- Dollar-neutral portfolio, 36–37
- Down market protection, 50
- Downside deviation, 156
- Downside risks, 311
- Drawdown analysis, 161–163
- Due diligence, negative results,
 - 262–263
- Due diligence process
 - about, 57
 - areas of focus, 57–60
 - components of, 218
 - databases, 60
 - elements of, 58
 - fund terms, 59
 - initial thoughts, 70–75
 - manager sourcing, 60
 - performance-based fields, 62
 - process flowchart, 61
 - qualitative fields, 62
 - quantitative analysis, 59
 - regression-based fields, 62
 - service providers, 63–67
 - summary, 67–69
 - time/work distribution, 218
- Due diligence questionnaire (DDQ), 80
- Due diligence questionnaire (DDQ)
 - sample, 81–100
 - anti-money laundering (AML) policy,
 - 92
 - auditor, 98–99
 - business continuity, 92
 - company information, 81–82
 - compliance, 90–91
 - custodian, 98
 - data overview, 99–100
 - diversification, 105
 - execution and trading, 89–90
 - fees, 93
 - fund administration, 95–96
 - fund assets, 99–100
 - fund capacity, 100
 - fund directors, 95
 - fund information/details, 92–93
 - fund performance, 101
 - historical redemptions, 100
 - insurance, 92
 - internal investment, 101
 - investment and portfolio risk
 - leverage, 105
 - investment research, 89
 - investment strategy, 102–104
 - investors, 101
 - legal, 91, 99
 - liquidity, 94, 105
 - miscellaneous, 101–102
 - operational risk, 87–88
 - operational risk for outsourced
 - functions, 88–89
 - organization, 82–85

- Due diligence questionnaire (DDQ)
 sample (*Continued*)
 outsourced controls, 105
 ownership, 82
 portfolio construction, 104–105
 prime brokers/brokerages, 97–98
 references, 85
 risk management, 86–87
 template, 81
 third-party marketers, 99
 track record, 85–86
 valuation, 96
- Due diligence team, 223
- Earnings growth last 12 months
 (12 month EG), 198–199
- Edge (advantage), 221–222, 248
- Employees biography, 342–343
- Equity market neutral strategy, 36
- Equity-oriented strategies, 32–34
- Ernst & Young, 264
- Errors and omissions (E&O), 280
- Evader references, 347
- Event driven, 37–40
- Event-driven strategies, 37
- Excess skewness, 159
- Execution and trading, 89–90
- Exposure, gross, 238
- Exposure and attribution report,
 175–177
- Exposure-based risk, 314
- Exposure-management hedging, 30
- Facebook, 343
- Factor decomposition analysis,
 330–333
- Failure to meet minimum standards,
 262–263
- Falsified pedigree, 261
- Fat-tailed curve, 160
- Fee options, 71
- Fee schedule, 16
- Fees, 30, 93
 other, 296
- Fictional Capital Management,
 80–105
- Fictional Capital Management (FCM),
 78
- Fictional Capital Management (FCM)
 vs. historical portfolio analysis, 209
- Fictional onsite interviews
 interview transcript, 229–248
 meeting notes, 246–249
- Fidelity Trade Fund, 18
- Financial analysis, 59
- Financial exposure chart, 114
- Firm overview, 81
- Fixed income arbitrage, 36
- Focus areas
 financial analysis, 59
 fund terms, 58–59
 legal analysis, 59
 operational analysis, 59
 portfolio analysis, 59
 qualitative analysis, 59
 quantitative analysis, 58
 references and background checks, 60
 risk analysis, 59
 sourcing and screening, 57
- Fortune* magazine, 17
- The Fountain of Gold, The Three
 Monkey Record of Money
 (Homma)*, 5
- Fraud, 260–261, 291, 311, 312, 334
- Fund administration, 95–96
- Fund assets, 99–100
- Fund capacity, 100
- Fund comparisons, 70–71
- Fund directors, 95
- Fund Five, 78
- Fund information/details, 92–93
- Fund performance, 101
- Fund terms, 58–59
- Fundamental analysis, 189–193
- Fund-level gate, 298
- Funds dispersion, 261
- Further analysis, 108–116
- Gain/loss ratio, 163–164
- Gates, 298
- General partner liability, 280
- Geography risks, 311

- Global macro management, 40–41
- Google, 66–67, 345
- Google alert, 342–343
- Google Alerts, 66
- Google Search, 66, 341
- Graham, Benjamin, 14–17, 19
- Graham-Newman Corporation, 16
- Grahar Corporation, 15
- Graphical depiction of hedge fund risks, 312–314
- Gross exposure, 20, 170, 238
- Groupthink, 220
- Guggenheim Exploration Company, 14–15
- Gut feelings, 223
- Hard lockups, 297, 327
- “Hard Times Come to Hedge Funds” (Loomis), 2
- Harris, Lou, 15–16
- Hedge fund
 - candidates, 69
 - database and data analysis
 - companies, 62–63
 - failures, 263
 - journal, 118, 119
 - liquidity of, 299
 - operational issues, 263
- Hedge fund asset class
 - allocations to hedge funds, 43–52
 - definition, 29–31
 - hedge fund size and age performance
 - impact, 52–54
 - strategies, 32–43
 - structure, 31–32
- Hedge fund history
 - about, 3
 - academic work, 5–14
 - innovator, 17–26
 - inventors of, 4
 - legend regarding, 14–17
 - samurai connection, 4–5
- Hedge fund information, 65–66
- Hedge Fund Research, Inc., 44
- Hedge fund scoring model, 358–374
 - investment variables, 360–367
 - list of markets, 358–359
 - operational variables, 367–370
 - performance variables, 373–374
- Hedge fund scoring model and decision making
 - about, 357–358
 - hedge fund scoring model, 358–374
 - putting it all together, 374–377
- Hedge funds
 - asset growth, 24
 - industry life-cycle, 25
 - numbers of, 24
 - pros and cons of investing in, 44
 - strategy composition, 26
- “The Hedge Funds on Paper” (Larsen), 13
- “Hedge Principle” (Karsten), 12
- Hedgefund.net, 273
- HFRI Equity Hedge Index, 45, 149, 161, 166, 180
- HFRI Equity Hedge Indexes, 108, 149
- HFRI Hedge Fund Composite Index, 44, 45, 50, 51
- HFRI Macro Index, 49
- HFRI Systematic, 49
- High water mark, 295
- High-yield strategies, 39–40
- Histogram, 146
- Historical assets under management, 115
- Historical portfolio analysis, 206–209
- Historical redemptions, 100
- Honma, Munehisa, 4–5
- Hurdle rate, 296
- Illiquid investments, 298
- Incentive performance fees, 295–296
- Independent administrator, 271
- Independent auditors, 260
- Independent board of directors, 260
- Independent oversight, 291
- Industry-specific indicators, 6
- Information ratio, 148–149
- Information request, 78–80
- Information technology, 278–279
- Initial call on meeting, 121–122

- Initial thoughts
 - correlation table, 75
 - fund comparisons, 70–71
 - risk/return charts, 72
 - rolling correlation chart, 73
 - UpDown cumulative performance comparisons, 74
- Innovations, 14
- Insurance, 92, 280
- The Intelligent Investor* (Graham), 14
- Interest rates risks, 311
- Internal capital, 299
- Internal investment, 101
- Internal policies. *See* Policy
- Internal pricing and valuation committee, 289
- Internet and social media, 341–343
- Interview, initial
 - basic tips, 122–123
 - initial call on meeting, 121–122
 - interview transcript, 124–139
 - meeting notes, 139–143
 - phone interviews, 122–139
- Interview questions, 331–333
- Interview transcript, 124–139, 229–248
- Interview with operational staff, 301–308
 - administration services, 307
 - cash procedures, 306
 - compliance, 308
 - disaster recovery/business continuity, 307
 - pricing and valuation, 306–307
 - trading, 305–306
- Interviews, onsite
 - about, 217–219
 - fictional, 228–257
 - meeting notes, 224, 226–228
 - with more than one person at a time, 222–2133
 - note taking, 224–225
 - one-on-one meetings, 219–222
 - onsite meeting strategies, 219
 - perspectives, 223–224
 - question list, 226–227
- Investigative firms, 352
- Investment and portfolio risk leverage, 105
- Investment books, 5
- Investment research, 89
- Investment strategy, 102–104
- Investment variables, 360–367
- Investor communication, 261
- Investors, 101
- iPad, 225
- Israel, Samuel, III, 259, 260, 261
- Japanese candle chart patterns, 5
- Jones, Alfred Winslow, 2, 19–21
 - dollar-neutral portfolio, 36–37
 - innovations, 23
 - “The Jones Nobody Keeps Up With” (Loomis), 17
- Karsten, Karl, 5–8, 10–13, 19, 36–37
- Karsten Statistical Laboratory, 5
- Key pension risks, 311
- Key-person clause, 83
- Kurtosis, 52, 159–161
- Kurtosis calculation interpretation, 160–161
- Lagging indicators, 7
- Leading indicators, 7
- Legal, 91, 99, 279–280
- Legal analysis, 59
- Leptokurtic curve, 160
- Leverage, 10, 30, 227
- Leverage risks, 311
- Liability insurance, 280
- “Life, Liberty and Property” (Jones), 19
- LinkedIn, 342–343
- Liquidation environment, 327
- Liquidity
 - analysis of, 296–297, 301, 327
 - current status, 105
 - guidelines, 240
 - of hedge fund, 299
 - management, 94
 - measure of, 87
 - mismatch risks, 311

- monitoring, 133
- redemption, 104
- stated vs. projected, 204
- Liquidity analysis, 202–205, 296–297
- Liquidity profile, 226
- Liquidity provisions, 30
- Lockout period, 297
- Lockups, 297
- Long and short books
 - analysis of, 206
 - attribution, 181–185
 - difference between, 20, 190
 - exposure to, 174, 196, 210
 - historical performance, 180–189
 - liquidity and, 206, 362
 - mismatch, 207, 210
 - portfolio returns, 178
- Long attribution, 178, 179, 180
- Long based strategies, 32–33
- Long portfolio attribution, 180
- Long portfolio market capitalization,
 - historical, 211–213
- Long portfolio sector analysis,
 - historical, 209–211
- Long return, 170
- Loomis, Carol, 3, 17–18
- Low correlation, 31

- Macro, 45
- Macro call, 127–128
- Macro environment, 234, 235–236
- Macro hedge fund, 270
- Manager sourcing, 60
- MAR and Calmar ratios, 149–150
- MAR ratio, 150
- Marino, Daniel, 259, 260, 261
- Market cap breakdown, 142
- Market cap breakout, 196–197
- Market capitalization, 196–197
- Market capitalization exposure, 211
- Market indicators, 6
- Market risks, 311
- Market sectors, 8
- Markets list, 358–359
- Marquez, James, 260
- Mean excess loss, 316

- Media, 64, 66
- Media sources, 65–66
- Meeting notes
 - action plan, 140–143
 - follow-up list, 256–257
 - individuals, 249–256
 - key points/questions, 139–140
 - location, 249
 - manager interview, 139–143
 - on position and themes, 215
 - usefulness of, 224–225, 246–249
- Meltdown, 324
- Meltdown scenario, 326
- Meltdown security, 325, 326
- Meltup, 324
- Meltup scenario, 328
- Merger arbitrage, 38
- Microcaps, 197
- Minimum acceptable return (MAR),
 - 149, 153, 156
- Modeling, 129
 - methods, 7
 - risks, 311
 - scores, 374
 - variable weighting, 359–360
- Modigliani, Franco, 147
- Modigliani, Leah, 147
- Monthly letters and quarterly reports,
 - 293
- Monthly/quarterly letters, 106
- Motors, market sector, 9
- Multiple manger concept, 20
- Multiple yellow dogs, 263
- Multiple-person meetings, 222–223
- Multiprime model, 277
- Multi-strategy, 42

- NASD, 260
- Negative reference, 346
- Negative skewness, 158
- Net asset valuation (NAV), 271
- Net exposure, 20, 170
- Newman, Jerry, 16
- Nondisclosure agreement (NDA), 139,
 - 240
- Normal distribution, 160

- Normalizing, 193
- Note taking, 224–225
- Note-Taking HD app, 225
- Notional exposure, 174

- Observations, 323–327
- Offlist reference, 340–341
- Oils, market sector, 9
- Omega Advisors, 261
- Omega ratio, 153–154
- One-day stress test, 323
- One-day VaR analysis, 317, 318, 319, 320
- One-month VaR analysis, 320, 321
- One-on-one meetings, 219–222
- Onlist reference, 340–341
- Onsite meeting strategies, 219
- Onsite meetings
 - general questions, 221
 - number of attendees, 220
 - sequence of, 220–221
 - work prior to, 217
- Operational analysis, 59
- Operational categories, 5 P's, 268
- Operational documents, 271
- Operational due diligence (OpDD)
 - 256, 259–308
 - case study Bayou Fund, 259–261
 - categorization, 267–300
 - definition, 261–263
 - importance of, 263–269
 - interview with operational staff, 301–308
 - operational issues, 266–267
 - tips, 300–301
- Operational due diligence (OpDD), categorization of
 - board of directors, 290–291
 - code of ethics, 287–288
 - compliance manual, 287
 - documents to request, 267, 269
 - people, 269–271
 - personal trading, 292
 - policy, 286–294
 - process, 281–286
 - product, 294–300
 - providers, 271–280
 - transparency and reporting, 292–294
 - valuation policy, 288–290
- Operational risk, 87–88, 311, 314
 - for outsourced functions, 88–89
- Operational variables, 367–370
- Operations group, 281
- Opinions, 312
- Opportunistic mandates, 30
- Organization, 82–85
- Outlier positions, 228
- Outsourced controls, 105
- Overshadowing, 220
- Ownership, 82

- Paper portfolio
 - annual performance, 11
 - monthly performance, 10
 - weekly performance, 11
- Partners, 349
- Passive activism, rumor-trage, 39
- Past performance, 77–78, 359
- P/E ratio, 207
- P/E to growth (PEG) ratio, 207
- Peer analysis, 358
- Peer group analysis, 168–171
- Peer group comparison, 205–206
- PEG ratio (P/E to growth), 207
- People, 269–271
- Percentile ranking, 168, 170
- Performance, 292–293
- Performance analysis, goals of, 173–174
- Performance based risk, 314
- Performance comparisons, 46
 - monthly chart, 109–111
- Performance fee, 16
- Performance measures, 146
- Performance variables, 373–374
- Performance-based fields, 62
- Personal reference types, 346–348
- Personal trading, 292
- Perspectives, 223–224
- Pertrac, 52
- P/FC ratio, 207
- P/FCF distribution, 198

- Phone interviews, 122–139
- Plinius the Elder, 309
- Policy, 286–294
- Politicians' references, 347
- Portfolio analysis, 59
 - about, 173–174
 - advance preparation, 208
 - attribution analysis, 174–189
 - beta breakout, 202
 - earnings growth last 12 months (12 month EG), 198–199
 - evaluating portfolio data, 193–215
 - fundamental analysis, 189–193
 - historical portfolio analysis, 206–209
 - liquidity analysis, 202–205
 - long portfolio market capitalization, historical, 211–213
 - long portfolio sector analysis, historical, 209–211
 - market cap breakout, 196–197
 - peer group comparison, 205–206
 - price/earnings (P/E) breakout, 197–198
 - price/free cash flow (P/FCF) breakout, 198
 - return on equity (ROE) breakout, 200–201
 - short ratio breakout, 200
 - trade analysis, 213–215
- Portfolio concentrations, 194
- Portfolio construction, 104–105
- Portfolio data evaluation, 193–215
- Portfolio liquidity, 202, 213, 250
- Portfolio management system, internal, 334
- Portfolio managers, 20
- Portfolio stress tests, 322
- Portfolio theories, 247
- Portfolio transparency, 189
- Portfolio value at risk (VaR), 317
- Position concentration risks, 311
- Position level transparency, 217
- Position-based factor decomposition, 330
- Position-level information, 256–257
- Position-level transparency, 138–139, 190
- Positive skewness, 158
- Predicted fund return, 164
- Price discovery, 4
- Price/earnings (P/E) breakout, 197–198
- Price/earnings (P/E) ratio, 207
- Price/free cash flow (P/FCF) breakout, 198
- Pricing and valuation, 306–307
- Pricing risks, 312
- Primary administrative services, 272–275
- Prime brokers/brokerages, 63–64, 97–98, 276–277, 334
- Pro forma analysis, 114
- Pro forma calculation, 115
- Problematic references
 - personal reference types, 346–348
 - questions to ask, 348–349
 - references to check, 349–350
- Process
 - business continuity, 284–285
 - cash management and controls, 282–283
 - disaster recovery, 285–286
 - shadow reconciliation, 283–284
 - trade life cycle, 281
- Process flowchart, 61
- Product
 - about, 294–295
 - assets under management (AUM), 299–300
 - base (management) fees, 295
 - gates, 298
 - incentive performance fees, 295–296
 - lockups, 297
 - other fees, 296
 - side pockets, 298–299
 - subscriptions/redemptions, 296–297
- Projected days to liquidate, 203
- Providers
 - administrators, 271–275
 - custodian, 280
 - information technology, 278–279
 - insurance, 280

- Providers (*Continued*)
 legal, 279–280
 prime brokers/brokerages, 276–277
 Public filings, 190
- Qualitative analysis, 59
 Qualitative assessments, 312
 Qualitative fields, 62
 Quantitative analysis
 about, 145–146
 absolute return measures, 146–154
 absolute risk measure, 154–164
 peer group analysis, 168–171
 performance measures, 146
 regression-based strategies,
 164–168
 screening statistics, 58
 Quantitative hedge funds, 293
 Quantitative review, 171
 Quartile distribution, 168, 169, 170
 Question list, 226–227
 Questions to ask, 348–349
- Rails, market sector, 8
 Red flags, 263, 265
 Redemption, 296, 298, 300
 Reference and background checks
 about, 339–340
 background checks, 352–353
 basic due diligence, 60
 contracting references, 343–346
 internet and social media, 341–343
 problematic references, 346–349
 reference call summary, 353–355
 reference checker selection, 344–346
 references, onlist and offlist, 340–341
 Reference call summary, 353–355
 Reference checks, 256
 Reference list, 143
 Reference questioner, 345–346
 Reference scorecard, 351
 References
 contact information, 85
 evader, 347
 negative, 347–348
 onlist and offlist, 340–341
 politicians, 347
 stonewaller, 346
 References to check, 349–350
 Regression-based fields, 62
 Regression-based strategies
 alpha, 165
 beta, 164–165
 correlation, 166–167
 Treynor ratio, 167–168
 T-stat, 165–166
 Regulatory issues and litigation, 260
 Regulatory risks, 312
 Relative value, 34–37
 Relative value trade, 15
 Relative velocity, 21
 Reputation risks, 312
 Research, 107
 Return enhancement, 43–45
 Return objective, 30
 Return on equity (ROE) breakout,
 200–201
 Reversion to the mean, 5
 Richmond Fairfield Associates, 260
 Risk aggregators, 294
 Risk analysis, 59
 Risk assessment, 256
 Risk due diligence
 about, 309–312, 314–315
 factor decomposition analysis,
 330–333
 graphical depiction of hedge fund
 risks, 312–314
 risk concerns, 313
 risk manager interview, 333–337
 value at risk (Var), 316–322
 Risk governance survey, 315
 Risk management, 86–87, 265
 Risk management policy, 336
 Risk manager, 136–137, 335
 Risk manager interview, 333–337
 Risk measures, 154–164, 314
 Risk measures analysis, 313, 314
 Risk reports, 294, 335
 Risk survey, 312
 Risk/return charts, 71, 72
 Risk/return graph, 44

- ROE distribution, 201
Rolling correlation chart, 71, 73
Rolling lockup, 297
Russell 2000 Index, 80, 147, 155, 159, 166, 180, 324, 325, 329
- S&P 500 Index (S&P 500), 50, 70, 71, 108, 146, 147, 149, 180
Scaled weight, 181
Scientific Forecasting (Karsten), 5
Scoring model
 comparison with peers, 375
 historical scores, 375
 investment variables, 363, 364, 365, 366
 return vs. model ranking, 376
 return vs. model ranking score, 376
“Secret sauce,” 293
Sector analysis, 194–196
Sector attribution, 195
Sector breakdown, 142
Sector breakout
 about, 193
 action plan, 196
 sector analysis, 194–196
 sector breakout, 193–196
Sector concentration, 231–232, 251
Securities and Exchange Commission (SEC), 116
Security Analysis (Graham), 14
Sell discipline, 242, 244
Sell-side research, 89
Semideviation, 157
Service providers
 auditors/accounting firms, 64
 Google, 66–67
 media, 64, 65, 66
 prime brokers/brokerages, 63–64
 software vendors/IT firms, 64
Shadow (phantom) equity, 131
Shadow reconciliation, 283–284
Sharpe, William, 21
Sharpe ratio, 70, 71, 147–148
Short attribution, 179
Short based strategies, 33–34
Short book. *See also* Long and short books
 analysis of, 174
 elements of, 134
 employment of, 239
 historical exposures, 188
 portfolio attribution, 180, 186, 187, 188
 return approximation, 179
 as separate portfolio, 251
 turnover, 127
 use of, 32
Short portfolio attribution, 180
Short ratio, 207
Short ratio breakout, 200
Short ratio distribution, 200
Shorting vs. swap agreements, 206–207
Side pockets, 298–299
Skewness, 52, 157–159
Skewness calculation interpretation, 158–159
Skin in the game, 30, 301
Small caps, 202
Soft dollars, 90, 287
Soft lock, 70, 71
Soft lockups, 297
Software. *See* Information Technology
Software vendors/IT firms, 64
Sortino, Frank, 152
Sortino ratio, 152–153
Sourcing and screening, 57
Standard deviation, 154–155
Stated vs. projected liquidity, 204
Steels, market sector, 9
Sterling ratio, 150–152
Stock outliers, 327–329
Stock ranking model, 249, 250
Stock ranking system, 244–245
Stonewaller references, 346
Stop loss, 226, 243
Stop-loss limits, 86
Stop-loss policy, 242
Stores, market sector, 9
Strategies
 directional strategies, 40–42
 equity-oriented strategies, 32–34

- Strategies (*Continued*)
 event driven, 37–40
 multi-strategy, 42
 relative value, 34–37
- Stress test(s), 240, 312, 332, 338, 372
- Stress tests and scenario
 about, 322–323
 observations, 323–327
 stock outliers, 327–329
- Subscriptions/redemptions, 296–297
- Systematic (CTA) Index, 49
- Tail risks, 312
- Tail VaR, 316
- Tassin, Algernon, 15
- Temporary reports, 273
- Thin-tailed curve, 160
- Third-party marketers, 99
- 13F analysis, 116–118, 226
- 13F filings, 141, 190
- 13F historical portfolio analysis, 211, 212
- 13F long portfolio, 192
- 13F portfolio, 112, 117, 198, 200, 201, 203, 204, 317, 318, 319, 320, 321, 323, 325, 326, 328, 329, 330
- 13F reports, 208, 210
- 13F weight, 181
- Tips, 300–301
- Top-down factors, 252
- Track record, 85–86
- Tracking, 358
- Trade analysis, 213–215
- Trade life cycle, 280, 281
- Trading, 305–306
- Trading group, 281
- Transparency, 30–31, 299
 and reporting, 292–294
 risks, 312
- Treynor ratio, 167–168
- T-stat, 165–166
- Twitter, 343
- “2Q 2011 HFFN Hedge Fund Administration Survey” (Hedgefund.net), 273
- Types of risks, 310–312
- “Understanding and Mitigating Operational Risk in Hedge Fund Investments” (Capco Research), 263
- Up/down chart, 113
- Up/down cumulative performance comparisons, 74
- Up/down ratio, 329
- Up/down scenario analysis, 329
- U.S. Securities and Exchange Commission (SEC), 190
- Utilities market sector, 8
- Valuation(s), 96, 246
 policy, 288–290
- Value at risk (Var)
 about, 316
 additional information, 318–322
 percentage, 318
 problems with, 316–318
- Value investing, 14
- VaR analysis
 one-day, 317, 318, 319, 320
 one-month, 320, 321
- Variable equity long/short strategies, 32
- Variable list, 359–360
- Velocity calculations, 21
- Wavering hedge fund, 290
- Websites, 64, 66, 190–193, 343

<http://www.pbookshop.com>

<http://www.pbookshop.com>

<http://www.pbookshop.com>

<http://www.pbookshop.com>

<http://www.pbookshop.com>

<http://www.pbookshop.com>