

# Contents

<b>Introduction</b>	<b>xi</b>
<b>Acknowledgments</b>	<b>xv</b>
<b>Chapter 1    The Truth about Hedge Fund Returns</b>	<b>1</b>
How to Look at Returns	2
Digging into the Numbers	3
The Investor's View of Returns	6
How the Hedge Fund Industry Grew	10
The Only Thing That Counts Is Total Profits	13
Hedge Funds Are not Mutual Funds	14
Summary	16
<b>Chapter 2    The Golden Age of Hedge Funds</b>	<b>19</b>
Hedge Funds as Clients	20
Building a Hedge Fund Portfolio	22
The Interview <i>Is</i> the Investment Research	24
Long Term Capital Management	27
Too Many Bank Mergers	30
Summary	33

<b>Chapter 3</b>	<b>The Seeding Business</b>	<b>35</b>
	How a Venture Capitalist Looks at Hedge Funds	36
	From Concept to the Real Deal	38
	Searching for That Rare Gem	41
	Everybody Has a Story	46
	Some Things Shouldn't Be Hedged	50
	The Hedge Fund as a Business	52
	Summary	56
<b>Chapter 4</b>	<b>Where Are the Customers' Yachts?</b>	<b>59</b>
	How Much Profit Is There Really?	60
	Investors Jump In	63
	Fees on Top of More Fees	65
	Drilling Down by Strategy	69
	How to Become Richer Than Your Clients	74
	Summary	77
<b>Chapter 5</b>	<b>2008—The Year Hedge Funds Broke Their Promise to Investors</b>	<b>79</b>
	Financial Crisis, 1987 Version	80
	How 2008 Redefined Risk	82
	The Hedge Fund as Hotel California	85
	Timing and Tragedy	93
	In 2008, Down Was a Long Way	97
	Summary	98
<b>Chapter 6</b>	<b>The Unseen Costs of Admission</b>	<b>99</b>
	How Some Investors Pay for Others	101
	My Mid-Market or Yours?	104
	The Benefits of Keen Eyesight	107
	Show Me My Money	111
	Summary	115
<b>Chapter 7</b>	<b>The Hidden Costs of Being Partners</b>	<b>117</b>
	Limited Partners, Limited Rights	118
	Friends with no Benefits	120
	Watching the Legal Costs	125
	Summary	128

<b>Chapter 8</b>	<b>Hedge Fund Fraud</b>	<b>129</b>
	More Crooks Than You Think	130
	Madoff	133
	Know Your Audience	134
	Accounting Arbitrage 101	136
	Checking the Background Check	138
	Politically Connected <i>and</i> Crooked?	140
	Paying Your Bills with Their Money	141
	Why It's Hard to Invest in Russia	143
	After Hours Due Diligence	145
	Summary	146
<b>Chapter 9</b>	<b>Why Less Can Be More with Hedge Funds</b>	<b>149</b>
	There Are Still Winners	151
	Avoid the Crowds	154
	Why Size Matters	158
	Where Will They Invest All This Money?	166
	Summary	168
	<b>Afterword</b>	<b>171</b>
	<b>Bibliography</b>	<b>177</b>
	<b>About the Author</b>	<b>181</b>
	<b>Index</b>	<b>183</b>

