• A •

a la carte consulting, 300
absolute return, increasing your, 329
absolute-return funds, 20, 155–156, 163
absolute-return investments, 155
accounting research, 89
accredited investor, 12, 31, 314
acquisitions, 211
activist investing, 215–216
Adviser Registration Depository, 51
The Alchemy of Finance (Soros), 17
allocating assets versus chasing return, 153
allocation of funds, 161–164
alpha, 19, 108, 155, 322–323
alternative assets
commodities, 80, 277–278
convertible bonds, 81–82
derivatives, 80–81
exchange-traded funds, 277
foreign currencies, 277
forward contract, 82
futures contract, 82
human capital, 278
international stock, 276–277
options, 81
overview, 78–79
real estate, 79
residential real estate, 279
swaps, 83
venture capital, 80
warrants, 81–82
alternative investments, 155
alternatives to hedge funds, 43–46
amortizing bond, 76
appraisal ratio, 249–250
arbitrage
capital-structure arbitrage, 174–175
classic example of, 169
convertible arbitrage, 175
cost of transaction factored into, 170–171
derivatives used to offset risk in, 172
fixed-income arbitrage, 176
formula for, 168
index arbitrage, 176–177
leverage used to offset risk in, 173
liquidation arbitrage, 177–178
market efficiency instead of, 169–170
merger arbitrage, 178
option arbitrage, 179
overview, 167–168
pairs trading, 179
risk arbitrage, 171–172
scalping, 180–181
short-selling used to offset risk in, 173
statistical arbitrage, 181
synthetic securities used to offset risk in,
                                 173–174
true arbitrage, 171
types of, 174–182
using, 168–172
warrant arbitrage, 181–182
Arbitrage Pricing Theory (APT), 90, 109–110
assets
allocation of, 152–153
alternative assets, 78–83
asset class, using hedge funds as an, 154–158
bonds, 75–77
buying appreciating assets, 92
cash equivalents, 77–78
categories, access to broad, 330–331
chasing return versus allocating assets, 153
commodities, 80
convertible bonds, 81–82
derivatives, 80–81
expanding your, 275–279
financial asset, 152
forward contract, 82
futures contract, 82
mezzanine financing, 84
money market securities, 77–78
options, 81
overview, 74, 152
payment-in-kind bonds, 84
private transactions, 83–85
real asset, 152
real estate, 79
selling depreciating assets, 93–94
shares, 75
swaps, 83
traditional asset classes, 75–78
tranches, 84
assets (continued)
venture capital, 80
viaticals, 84–85
warrants, 81–82
audits, 15

• B •
bear funds, 289
behavioral finance, 116–121
beta, 19, 106–108, 240
beta funds, 156–157
beta-neutral portfolio, 189–190
biased performance data, 13–14
bid-ask basis, 170
bid-ask spread, 180
Big Mac index, 229
Bill and Melinda Gates Foundation, 127, 140
bills, 76
black-box shops, 110
Black-Scholes model, 66
blue sky laws, 54
bonds
amortizing bond, 76
bills, 76
commercial paper, 76
convertible bonds, 81–82
coupons, 76
discount bonds, 77
notes, 76
overview, 75–77
strips, 76
tranches, 84
zero-coupon bond, 76
borrowed funds, 288
borrowing money, 210–211
bottom-up fundamental analysis, 88–89
BRC funds, 224
bridge loans, 212
brokerage firms, leveraging with, 201
brokers, 60–61, 68–69
business skills versus investment skills, 206
buying into a hedge fund
with brokers, 60–61, 68–69
with consultants, 60–61
marketing hedge funds, 61–62
overview, 59–60
paperwork requirements for, 68
pricing funds, 62–67
with prime brokers, 60
purchasing your stake in the fund, 67–69
signing a contract, 69–70
tax reporting, 69
buying low, selling high, 92
buying on margin, 199–200
buyout funds, 212

• C •
California Public Employees Retirement System (CalPERS), 216
call, 81, 179
call option, 285–286
capital appreciation as an investment objective, 128, 132–133
Capital Assets Pricing Model (CAPM), 106–109
capital gains, 133
capital-gains taxes, 136–137
capital-structure arbitrage, 174–175
carry, 24–25, 39–41
cash equivalents, 77–78
cash management, 34–37
cash-flow needs, 124
chasing return versus allocating assets, 153
closet indexing, 185
closing the fund, 37
commercial paper, 76
commissions, 41
commodities, 80, 230–232, 277–278
common laws, 142–143
compound interest, 113–116
conflicts of interest, managing, 298
consistent performance over the long term with diversification, 272–273
consultants
a la carte consulting, 300
advising investors, 22–23
buying into a hedge fund with, 60–61
checking up on, 297–298
compensation for, 299–301
conflicts of interest, managing, 298
finding, 296–298
fund manager, investigating, 294
funds of funds, 295–296
hard-dollar consultants, 300
hedge funds paying, 302
investment objectives, helping determine your, 293
in marketing, 23
overview, 22, 291–292
performance, monitoring, 23
performance analyzed by, 292–293
portfolio optimization, 294
portfolio rebalancing, 293
questions to ask of, 299
recommendations for, 297
referrals for, 297
Request for Proposal (RFP), managing a, 295
retainer, working on, 300
soft-dollar consultants, 300–301
contract, manager’s terms used in, 56–57
convertible arbitrage, 175
convertible bonds, 81–82, 175
convertible debenture, 175
convertible preferred stock, 175
corporate life cycle
borrowing money, 210–211
bridge loans, 212
buyout funds, 212
late-stage venture, 208
lending money, 211
leveraged buyout (LBO), 212
management buyout (MBO), 212
merger arbitrage, 213
mergers and acquisitions, gaining return
from, 211–213
mezzanine capital, 209
overview, 207
private equity, 209
private investments in public equity (PIPE), 209
project finance, 209–211
seed capital, 209
troubled businesses, investment strategies
that take advantage of, 213–216
venture capital, identifying, 208–209
vulture funds, 213–216
corporate raiders, 178
corporate structure, 204–206
correlation, 157
coupons, 76
currencies
Big Mac index, 229
derivatives, 225
exchange rates, 226
fixed currency, 226
free-floating currency, 225–226
hedge funds and crises in, 231
interest-rate parity, 227–228
International Fisher Effect, 230
options, 225
overview, 224–225
purchasing-power parity, 228–229
spot market, 225
swaps, 225
trading, 225
cyclical trends, 87–88

defined benefit plans, 139
defined contribution plans, 139
deflation, 112, 220
demographics, 88
derivatives
arbitrage, used to offset risk in, 172
as assets, 80–81
as currency, 225
as leverage, 283–287
overview, 74
designated investments, 67
directional fund, 21, 156–157, 163
disbandment, moving on after, 134
disclosure, 164
discount bonds, 77
disclosure, 164
discrimination, 67
distribution of risk, 102–105
distributions
closing the fund, 37
extraordinary distributions, 36–37
receiving, 132–133
regular payment distributions, 36
waiting for, 35–37
diversifiable risk, 101
diversification
consistent performance over the long term
with, 272–273
increasing your total, 328
issue for macro funds, 222
overview, 272
reducing, 274
riskier assets, moving info, 274–275
dividends, 75
Dodd, David (Security Analysis), 187
dollar-neutral portfolio, 190–191
dollar-weighted returns, 236–237
downtick, 24
Duarte, Joe (Futures and Options For Dummies), 284
due diligence
accredited investor, verifying that you are an, 314
assistance with, 313
fund manager, interviewing, 308–309
Internet databases, searching, 311–312
limits of, 314–317
literature on a fund, reading, 309
overview, 57, 303
phone calls you should make, 310–311
questions to ask, 306–308
reasons to do, 304–305
service organizations, seeking help from, 312–313
EAFE funds, 224
endowments, 140–141
entitlement forms, 51
equity, 75
equity investment strategies
closet indexing, 185
Growth At the Right Price (GARP), 186–187
growth fund, 186
large cap funds, 185
leveraging, 184, 199–201
long-short funds, 195–197
market calls, 197–198
market-neutral portfolio, 188–192
micro cap funds, 186
mid cap funds, 186
overview, 185
short squeeze, 196
short-selling, 184
small cap funds, 185–186
special-situations investors, 187–188
value investing, 187
Eurozone funds, 224
event-driven calls, 197–198
Excel Modeling (Holden), 282
excess capital, 161–162
exchange rates, 226
exchanges, visiting, 83
exchange-traded funds, 277
exemptions, 138–141
extraordinary distributions, 36–37

F
Fama, Eugene (random-walk theory), 98
family office, 44, 46, 268
fat-tail distribution, 104–105
Federal Reserve Board, 199
fees
commissions, 41
funds of funds, 264–266
management fee, 24, 38
overview, 23–24, 37–38
performance fee, 24–25, 39–41
redemption fees, 41
sales charges, 39
schedule, creation of, 16
fiduciary responsibility, 141–145
financial asset, 152
Financial Crimes Informant Network, 68
financing, 230–231
first hedge fund, 15–16, 155
fiscal policy, 218–219
Fisher, Irving (International Fisher Effect), 230
fixed currency, 226
fixed-income arbitrage, 176
flexibility, determining your, 128–129
foreign currencies, 277
forward contract, 82
foundations, 140
framing, 118
fraud, cases of, 315–317
fraud shorts, 93
free-floating currency, 225–226
Frugal Living For Dummies (Taylor-Hough), 33
fund manager
brilliance of (myths about hedge funds), 326
characteristics of, 331–332
interviewing, 308–309
investigating, 294
meetings with your, 42
overview, 21, 42
written communication from, 42–43
fundamental research, 85–91
funds of funds
advantages of, 262–263
consultants, 295–296
disadvantages of, 263–264
fees for, 264–266
graduated performance fees, 265–266
multi-manager funds of funds, 262
multi-strategy funds of funds, 261
negotiating fees with hedge fund manager
for, 266
overview, 260–261
types of, 261–262
funds of funds of funds (F3), 266–267
futures, 287
Futures and Options For Dummies (Duarte), 284
Greenwich-Van, 252–253

G
GARP (Growth At the Right Price), 186–187
Gates, Bill (Microsoft), 75
general partners, 28–29
global funds, 223
Global Investment Performance Standards
(GIPS), 246–247
GLT Venture Fund, 316
governments with too little money, 220
governments with too much money, 219–220
graduated performance fees, 265–266
Graham, Benjamin
economist, 168
Security Analysis, 187
Greenwich-Van, 252–253
gross of fees, 237–238
groupthink, 119
Growth At the Right Price (GARP), 186–187
growth fund, 186

• H •
hard-dollar consultants, 300
Hedge Fund Research, 11, 14, 134, 253
hedge funds
analysts, 22
as an asset class, 154–158
audits, 15
biased performance data, 13–14
as borrowers, 112
as business managers, 206
consultants, 22–23
defining, 10
fees, 23–25
fund manager, 21
information about, gathering, 14–15
investment options open to, 13
investment strategies, aggressive, 12–13
lawyers, 22
as lenders, 112
leverage, 13
manager bonuses for performance, 13
as overlay, 158–161
overview, 10–14
paying consultants, 302
regulatory oversight, lack of, 12
as risk managers, 112
short-selling, 12
as speculators, 112
traders, 22
2 and 20 arrangement, 13
types of, 20–21
hedge-fund strategies used without hedge funds
assets, expanding your, 275–279
diversification, 272–275
leverage, 282–288
margin agreement, 282–283
mutual funds, 288–290
overview, 271
structuring a hedge-filled portfolio, 279–282
HedgeFund.net, 253
herd mentality, 119
heuristics, 117–118
high water mark, 25, 39, 332
history of hedge funds, 15–19
Holden, Craig (Excel Modeling), 282
hostile takeovers, 213–214
human capital, 278

• I •
illiquid securities, valuing, 66
incentive fee, 24–25, 39–41
income as investment objectives, 128, 132–133
income taxes, 137–138
index arbitrage, 176–177
indexes, 243–245
individual money manager, 46
Individual Retirement Account (IRA), 141
individually managed accounts, 44, 45–46
inefficiencies in market, exploiting, 331
inflation, 111, 219–220
intangible assets, 204
interest rates
compensation for use of the money, 111
compound interest, 113–116
deflation, 112
differences in interest rates, importance of small, 114–116
effects of interest rates on hedge funds, 112
inflation, 111
nominal interest rates, 110–111
overview, 110, 220–221
real interest rates, 110–111
risk of repayment, 111
interest-rate parity, 227–228
internal rate of return (IRR), 236–237
International Fisher Effect, 230
international funds, 224
International Management Associates, 316
International Monetary Fund, 55
international stock, 276–277
Internet databases, searching, 311–312
investment objectives
additional investments, taking advantage of, 130–131
capital appreciation as, 128, 132–133
consultants helping determine your, 293
disbandment, moving on after, 134
distributions, receiving, 132–133
income as, 128, 132–133
liquidity after you make your initial investment, handling, 130–134
overview, 128–129
total return as, 128
withdrawal of funds, 131–134
investment shorts, 93
investment skills versus business skills, 206
investment strategies, aggressive, 12–13
investments managed like hedge funds, 267
investors, 30–34
IRA (Individual Retirement Account), 141
IRR (internal rate of return), 236–237
Jensen, Michael (Jensen’s alpha), 249
Jones, Alfred Winslow
fee schedule, creation of, 16
first hedge fund, 15, 155
Investment Company Act of 1940, analysis of, 16
Life, Liberty, and Property: A Story of Conflict
and a Measurement of Conflicting Rights, 15

Keynes, John Maynard (economist), 119
KL Group, 316
K-1 form, 69

large cap funds, 185
late-stage venture, 208
lawyers, 22, 50–51
lenders, hedge funds as, 112
lending money, 211
leverage
arbitrage, used to offset risk in, 173
borrowed funds, 288
brokerage firms, 201
buying on margin, 199–200
derivatives, 283–287
futures, 287
options, 285–286
overview, 199
private banks, 200–201
short-selling, 184, 287–288
sources of funds for, 200–201
leveraged buyouts (LBO), 212
LexisNexis, 311
Life, Liberty, and Property: A Story of Conflict
and a Measurement of Conflicting Rights
(Jones), 15
limited partners, 29–30
Lintner, John (Capital Assets Pricing
Model), 106
Lipper Hedge World, 253
liquidation arbitrage, 177–178, 215
liquidity after you make your initial
investment, handling, 130–134
literature on a fund, reading, 309
long position, 93, 285
long term, holding for the, 92
long-short fund, 195–197
long-short mutual fund, 289
long-tail distribution, 103–104
long-term capital gains, 137
Long-Term Capital Management (hedge fund),
17–18, 102–103, 104, 200–201
luxuries, 279

macro funds
BRIC funds, 224
currencies, 230–232
diversification as an issue for, 222
EAFE funds, 224
Eurozone funds, 224
global economy as an issue for, 222–223
global financial expertise as an issue for, 222
global funds, 223
international funds, 224
overview, 221–223
regional funds, 224
subadvisers as an issue for, 222
macroeconomics, 87, 218–221
Malkiel, Burton (A Random Walk Down Wall
Street), 98
Managed Account Report, 253
management buyout (MBO), 212
management decisions versus investment
decisions, 206
management fees, 24, 38
market calls, 197–198
market conditions, working through, 328
market efficiency, 96–98, 169–170
market indexes, 243–245
market rate of return, determining, 105–106
market risk, 101
market risk premium, 105–106
market-capitalization-weighted index, 244
marketing hedge funds, 61–62
market-neutral portfolio, 188–192
Markowitz, Harry (contribution to MPT), 98
matched assets, 126–127
material information, 215
MBO (management buyout), 212
meetings with your fund manager, 42
merger arbitrage, 178, 213
mergers, 211–213
Meriwether, John (Long-Term Capital
Management), 18
Merton, Robert (Long-Term Capital
Management), 18
mezzanine capital, 209
mezzanine financing, 84
micro cap funds, 186
microeconomics, 87
Microsoft (Gates), 75
mid cap funds, 186
Milton Hershey School Trust, 160
minimum-variance portfolio, 157
Modern (Markowitz) Portfolio Theory (MPT)
alpha, 108–109
Arbitrage Pricing Theory (APT), 109–110
beta, 106–108
Capital Assets Pricing Model (CAPM),
106–109
distributing risk, 102–105
diversifiable risk, 101
market rate of return, determining, 105–106
market risk, 101
market risk premium, 105–106
overview, 98–99
ranking market return, 106–109
return beyond standard deviation, 108–109
risk defined, 99
risk types in, 101
specific risk, 101
standard deviation calculation, 99–101
systematic risk, 101
unsystematic risk, 101
monetary policy, 219–221
money market securities, 77–78
Morningstar, 254
mosaic theory, 215
multi-manager funds of funds, 262
multi-strategy funds, 257–260
multi-strategy funds of funds, 261
mutual fund of funds, 290
mutual funds, 33–34, 45, 268, 288–290
Mutual Funds For Dummies (Tyson), 34
myths about hedge funds
alpha is real and easy to find, 322–323
asset classes that should be in diversified
portfolios, hedge funds are, 322
exotic securities, hedge-fund industry loves, 325
fund managers are brilliant, 326
hedge risk, hedge funds, 324
industry is secretive, 324–325
mutual fund with better returns, a hedge fund is like a, 321–322
performance of hedge funds is guaranteed, 325–326
risky, hedge funds are, 323–324
small investors, hedge funds aren’t for, 326
strategies can make a fund set forever, exotic and effective, 323

N
naked shorts, 94
NASDAQ BrokerCheck, 312
National Association of Securities Dealers
(NASD), 12, 199
National Futures Association, 312
National Securities Markets Improvement Act
of 1996, 54
natural hedges, recognizing, 280–281
negotiations, 70, 266
net asset value, calculating, 63–66
net present value, 66
net worth of investors, verifying, 33
net-of-fees, 238–239
New York Stock Exchange (NYSE), 63, 199
nominal interest rates, 110–111
non-directional fund, 20, 155–156, 163
nonpaper money, 220
normal risk distribution, 102
notes, 76

O
offshore funds used to avoid SEC registration, 55–56
online stock quotation services, 107
Open Society Institute, 231
opportunity cost, 125
option arbitrage, 179
options, 81, 225, 285–286
overlay, hedge fund as an, 158–161

P
pairs trading, 179
paper gains, 133
paperwork requirements for buying into a hedge fund, 68
partnership agreement, 69
partnerships, 28–30
payment-in-kind bonds, 84
peak-to-trough ranges, 241
peer rankings, 245–246
performance
academic measures used to determine risk and return, 247–250
analyzed by consultants, 292–293
appraisal ratio, 249–250
benchmarks for evaluating risk and return, 242–247
Global Investment Performance Standards (GIPS), 246–247
performance (continued)
indexes, 243–245
Jensen’s alpha, 249
monitoring, 23
overview, 234
peer rankings, 245–246
reporting service used to track, 252–254
returns, 234–239, 250–252
risk, 239–242, 250–252
Sharpe measure, 247–248
standardizing performance calculations, 246–247
style persistence, 252
survivor bias, 251
Treynor measure, 248–249
performance fee, 24–25, 39–41
performance persistence, 251
permanent funds, 127–128
phone calls you should make for due diligence, 310–311
PIPE (private investments in public equity), 209
pooled accounts, 44, 45
portfolio manager. See fund manager
portfolio optimization, 281–282, 294
portfolio rebalancing, 293
position transparency, 146–147
the present, bias toward, 120
price-weighted index, 244
pricing anomalies, 118–120
pricing funds, 62–67
prime brokers, buying into a hedge fund with, 60
principal, 127
principal-agent problem, 205
private banks, leveraging with, 200–201
private equity, 209
private investments in public equity (PIPE), 209
private transactions, 83–85
private-placement agreement, 69
profitable inefficiencies, 97
project finance, 209–211
provisions in a contract, addressing, 70
proxy battles, 216
prudent person rule, 142–143
purchasing your stake in the fund, 67–69
purchasing-power parity, 228–229
pure-alpha fund, 155–156
put, 81, 179
put option, 285–286
Putnam, Samuel (prudent person rule), 142–143
• Q •
qualifications for investors, 12, 32
qualified plans, 139–140
qualified purchasers, 32
quantitative research, 89–90
quants, 89
questions to ask, 299, 306–308
quiz on unique hedge funds, 269
• R •
random walk, 97–98
A Random Walk Down Wall Street (Malkiel), 98
random-walk theory (Fama), 98
ranking market return, 106–109
real asset, 152
real estate, 79
real interest rates, 110–111
realized gains, 133
reasons to invest in a hedge fund
absolute return, increasing your, 329
asset categories, access to broad, 330–331
diversification, increasing your total, 328
fund managers, characteristics of, 331–332
incentives for fund managers are aligned with your needs, 332
inefficiencies in the market, exploiting, 331
market conditions, working through, 328
returns, smoothing out, 330
risk, reducing, 327–328
tax-exempt investors, increasing returns for, 329–330
rebalancing a portfolio, 192–195
redemption fees, 41
regional funds, 224
regular payment distributions, 36
regulations, 53, 58. See also SEC registration
relationship between owners and managers, 205
relative valuation, 66
reporting an investment with a hedge fund as an overlay, 159–161
reporting service, 252–254
repurchase agreement, 77
Request for Proposal (RFP), managing a, 295
residential real estate, 279
retainer, working on, 300
return
academic measures used to determine risk and return, 247–250
benchmarks for evaluating risk and return, 242–247
beyond standard deviation, 108–109
calculating, 235

dollar-weighted returns, 236–237
gross of fees, 237–238

internal rate of return (IRR), 236–237

net-of-fees, 238–239

overview, 234–235

reviewing, 234–239

smoothing out, 330

time-weighted returns, 236

return of capital, extraordinary distributions, 36–37

reversion to the mean, 153

risk

academic measures used to determine risk and return, 247–250

benchmarks for evaluating risk and return, 242–247

beta, 240

defined, 99

determining, 239–242

distribution of risk, 102–105

diversification into riskier assets, 274–275

overview, 239

peak-to-trough ranges, 241

reducing, 327–328

repayment, 111

risk and return tradeoff, 250–252

standard deviation, 240

stress tests, 241–242

value at risk (VAR), 242

risk arbitrage, 171–172

risk managers, hedge funds as, 112

risk transparency, 147–148

• S •
sales charges, 39

sample trades

beta-neutral sample trade, 189

dollar-neutral sample trade, 191

long-short funds, 196

market calls, 198

to rebalance a portfolio, 194–195

sector-neutral sample trade, 192

scalping, 180–181

Scholes, Myron (Long-Term Capital Management), 18

SEC registration. See also regulations

approval of fund compared, 53–54

entitlement forms, 51

Form ADV Part 1, 51

Form ADV Part 2, 52

Form ADV-H, 52

Form ADV-W, 52

investing in a fund without, 56–57

lawyers specializing in SEC compliance, 50–51

offshore funds used to avoid, 55–56

overview, 48–49

policies on, 49–50

process of, 51–52

state level, 54

U4, 52

U5, 52

sector-neutral portfolio, 191–192

secular trends, 87–88

Securities Exchange Act of 1934, 214

security, 74

Security Analysis (Graham & Dodd), 187

seed capital, 209

sell short, 33

selling depreciating assets, 93–94

semi-strong form market efficiency, 169

service organizations, seeking help from, 312–313

shareholder activists, 215–216

Shariah laws, 150

Sharpe, William

Capital Assets Pricing Model, 106

Sharpe measure, 247–248

short position, 285

short squeeze, 196

short term, trading for the, 92

short-seller, 93

short-selling, 12, 173, 184, 287–288

short-short rule, 45

short-term capital gains, 137

side pockets, managing, 67

signing a contract, 69–70

simple interest, 113–114

small cap funds, 185–186

small portfolio, using hedge-fund strategies within, 33

socially responsible investing, 149–150

soft-dollar consultants, 300–301

Soros, George

The Alchemy of Finance, 17

Open Society Institute, 231

Quantum Fund, 17

theory of reflexivity, 120

special investments, 67

special-situations investors, 187–188

specific risk, 101

speculation, 16, 81, 112, 232

spot market, 225

spread, 82

Standard & Poor’s 500 index, 160

standard deviation, 99–101, 240
standardizing performance calculations, 246–247
state level SEC registration, 54
State of Alaska Permanent Fund, 127
statistical arbitrage, 181
stocks, 75
story stock, 88–89
straddle, 285–286
strategies for allocation of funds, 163
stress tests, 148, 241–242
strips, 76
strong form market efficiency, 169
structuring a hedge-filled portfolio, 279–282
style persistence, 252
subadvisers as an issue for macro funds, 222
subscription agreement, 69
super accredited, 32
survivor bias, 251
swaps, 83, 225
Swensen, David (Yale University Endowment), 18
synthetic securities used to offset risk in arbitrage, 173–174
systematic risk, 101

T

tangible assets, 204
tax exemptions, 138–141
tax reporting, 69
taxation
capital-gains taxes, 136–137
exemptions, 138–141
income taxes, 137–138
overview, 136
tax-exempt investors, increasing returns for, 329–330
Taylor-Hough, Deborah (Frugal Living For Dummies), 33
technical analysis, 90–91
teenie, 24
temporary funds, 125–126
tender offers, 214–215
theme investing, 86–88
total return as investment objective, 128
trading, 225

T ●

tangible assets, 204
tax exemptions, 138–141
tax reporting, 69
taxation
capital-gains taxes, 136–137
exemptions, 138–141
income taxes, 137–138
overview, 136
tax-exempt investors, increasing returns for, 329–330
Taylor-Hough, Deborah (Frugal Living For Dummies), 33
technical analysis, 90–91

T ●

tangible assets, 204
tax exemptions, 138–141
tax reporting, 69
taxation
capital-gains taxes, 136–137
exemptions, 138–141
income taxes, 137–138
overview, 136
tax-exempt investors, increasing returns for, 329–330
Taylor-Hough, Deborah (Frugal Living For Dummies), 33
technical analysis, 90–91
teenie, 24
temporary funds, 125–126
tender offers, 214–215
theme investing, 86–88
theory of reflexivity (Soros), 120
tick, 24
ticker tape, 24
time horizon, 124–128
time-weighted returns, 236
timing, taking advantage of market, 198
Tokyo Stock Exchange, 64
top-down fundamental analysis, 86–88
total return as investment objective, 128
traditional asset classes, 75–78
tranches, 84
treynor, jack
Capital Assets Pricing Model, 106
Treynor measure, 248–249
troubled businesses, investment strategies that take advantage of, 213–216
true arbitrage, 171
trust law, 143–144
2 and 20 arrangement, 13
tyson, eric (mutual funds for dummies), 34

U ●

U ●

Unfarallon (Yale University Web site), 149
Uniform Management of Institutional Funds Act (UMIFA), 144
unsystematic risk, 101
uptick, 24
U.S. Securities and Exchange Commission, 12, 45, 312

V ●

value at risk (VAR), 148, 242
value investing, 187
venture capital, 80, 208–209
viaticals, 84–85
vulture funds, 213–216

W ●

wages and pricing, 119–120
warrant arbitrage, 181–182
warrants, 81–82
weak form market efficiency, 169
window dressing, 148
withdrawal of funds, 131–132
written communication from fund manager, 42–43

Y ●

Yahoo!Finance, 170
Yale University Endowment, 18–19
yield, 75

Z ●

zero sum game, 284
zero-coupon bond, 76