

# HEDGE

M A R

Issue No. 110  
February 2003

## Short-sellers were dominant in 2002

### By the staff

As broader markets slumped for the third straight year in 2002, hedge funds and funds of funds posted creditable returns. Short-sellers turned in the best performance by far, with a median return up 23.7%.

All other styles were positive, except global established, which was down 3.9%. But only short-sellers and global international funds beat their 2001 median returns. The S&P 500 index finished the year down 22.1%.

While most of the major style medians were positive, the medians for the subcategories offered a different picture. The global established growth median was the loss leader, down 7.3%, followed by market neutral arbitrage median, down 3.7%. The technology subsector median was down about 2.8%.

Two hundred twenty-five hedge funds and 23 funds of funds posted double-digit returns last year, while another 316 hedge funds and 145 funds of funds were in single digits.

However, only the \$1.7 million Absolute Value Fund broke the triple-digit barrier in 2002, posting a 185.2% return. Relatively few funds finished above 50% last year. Of the 13 funds that did, three were short-biased, and all of those were managed by Derivative Consulting Group.

More than 280 funds across a broad spectrum of styles recorded double-digit losses in 2002. Some of the more spectacular failures last year occurred in distressed securities and technology.

Appaloosa Management's distressed securities funds ended the year down 25%. Bay Harbour Partners Fund and Lucerne Partners, both distressed players, were down around 25% last year as well.

On the technology side, the drubbing suffered by Silicon Capital Partners begs the question: How much pain can a technology fund take before collapsing? The fund was up 173% in its first full year of trading in 1999. The fund lost 14.0% in 2000, 33.6% in 2001 and 43.6% last year. Assets in the offshore version of the fund fell to \$4 million at the end of last year from a peak of \$60 million in August of 2000.

The Weiss Peck and Greer Software fund was down 51% last year, the third consecutive year of double-digit losses following a 225% gain in 1999. The fund's assets have **12▶**

*In a mixed year for hedge funds and funds of funds, short-sellers dominated. Cover*

*Read the profiles of five up-and-coming managers based in the US, Europe and Asia. Page 22*

## HEDGE UPDATE

### Man raises \$365m with latest launch

The offer period for **Man Group plc's Man Multi-Strategy Series 4 Ltd** closed on December 13 with the equivalent of \$365 million raised, primarily from private investors in euro and US dollar classes. Expected to make initial investments from mid-January, Series 4 strategies include long/short equity, event-driven, arbitrage and managed **2▶**

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