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Arnerich Massena Publishes White Paper Exploring the Value of Funds of Hedge Funds

PORTLAND, Ore., January 15, 2013—Arnerich Massena Inc., an independent investment advisory firm specializing in forward-thinking investment strategies, has published its latest white paper, *What is the Future of Funds of Hedge Funds?* The white paper examines the evolving nature of the fund-of-funds industry and how investors can evaluate and adapt their strategies.

A fund of hedge funds is a single fund that invests in multiple hedge funds. By offering investors a portfolio of hedge funds in a single instrument, funds of funds can often make hedge fund investing simpler and more accessible for many investors.

While hedge funds began to climb back after the financial crisis of 2008, the fund-of-funds industry continued to struggle and between June of 2008 and June of 2012, assets managed by fund-of-funds managers worldwide decreased 42 percent. (*Pensions & Investments*, September 17, 2012). Despite the decrease, funds of funds represent a \$560 billion industry today.

In view of the shift in the industry, funds of funds have adapted to the market, improving customized approaches and negotiating lower fees. “For high net worth and smaller institutional investors, we find that funds of funds continue to offer a valuable proposition and provide greater accessibility to the asset class,” says Tony Arnerich, CEO and CIO of Arnerich Massena. “But those investors for whom direct hedge fund investing is an option may find it worthwhile to make the transition away from funds of funds and into a number of hedge funds directly.”

Arnerich Massena recommends that investors look for fund-of-funds managers who not only aggressively negotiate fees, but scrutinize fund expenses, hold the fund of funds to a manageable number of hedge funds (fewer than 25), and provide diversification by style (long/short, credit, global macro, and arbitrage).

The value of funds of funds to small investors is a one-stop solution providing better diversification than investing directly in hedge funds, but for large investors, direct hedge fund investing may provide better alignment with return goals.

Contributors to the white paper include Arnerich Massena’s Scott Dunbar, JD; Jillian Perkins; Travis Pruitt, CFA; Bryan Shipley; Chris Van Dyke, CFA, CAIA; and RJ Wamsley.

A downloadable version of *What is the Future of Funds of Hedge Funds?* is available at <https://www.am-a.com/company/research.htm>.

About Arnerich Massena

Founded in 1991, Arnerich Massena is a Portland-based independent investment advisory firm servicing corporations, institutions, state and local governments, charitable organizations, trusts and estates, corporate pension and profit sharing plans, and private clients. More information is available at www.arnericmassena.com.