FAMILY OFFICE REVIEW
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In the Money

Tips for Investing in Hedge Funds Under the JOBS Act

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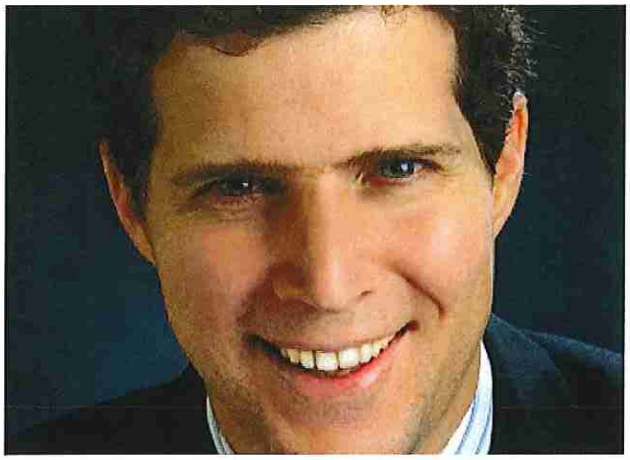

With the JOBS Act approved, as of September 23, 2013, hedge funds will be allowed to advertise. While hedge fund managers still debate the best way to take advantage of this change, investors will see more clearly into the industry long considered as "Black Box."

Clear Winners

The clear winners are the marketing and advertising companies that should see increased revenues from the funds. Before we are exposed to all this new information, it is important to remember a few simple key investing rules:

1. **An advertisement does not replace thorough due diligence on a manager.** I have no doubt that managers will present investors with numbers and data that shows why they are the best. However, we must remember that past performance is only past performance and investors should understand what the investment process is behind the numbers. Is the portfolio manager responsible for this performance still working with the firm, for instance? A professional due diligence that includes a personal meeting with the portfolio manager at his office should be the first step prior to making any allocation decision to a hedge fund manager.

2. **Pay attention to liquidity terms of the hedge funds - hedge funds are not mutual funds or ETFs that provide daily liquidity.** For the most part they provide quarterly liquidity and, as such, investors should consider before investing whether this type of liquidity fits their needs.

3. **Read the fund PPM prior to making an investment.** Some hedge fund managers still have gates, ie the ability to limit the redemption by their investors. Some managers can invest in side pockets or private companies that are less liquid by nature. These key terms may not be disclosed in any advertisement and therefore it is very important to actually read the fund private placement memorandum and become aware of any potential conflicts in the future.

Welcome Change

To sum up: the JOBS Act is a welcome change for the hedge fund industry as it will provide more transparency into firms, their managers, portfolios and operations. While a direct investment in hedge funds is limited to accredited investors, one should remember that as in any other investment, a proper investment and operational due diligence on a manager should take place before making any investment decision to make sure it is a well suited investment that matches the investor risk reward profile and liquidity needs.

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