



**Evan H. Katz**  
Keynote Speaker  
**at Boston College**

*“Hedge Funds 101, The State of the Hedge Fund Industry, and How to Get a Great Job and Keep It!”*



# Crawford Ventures

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**Video on YouTube of this Keynote: [Click Here](#)**

**More Hedge Fund Videos: <https://bit.ly/EHK-YouTube>**

**Hedge Fund Newsletter: <https://bit.ly/HedgeFundNewsletter>**

***(Or you can just wait and scan the QR code on the last slide.)***

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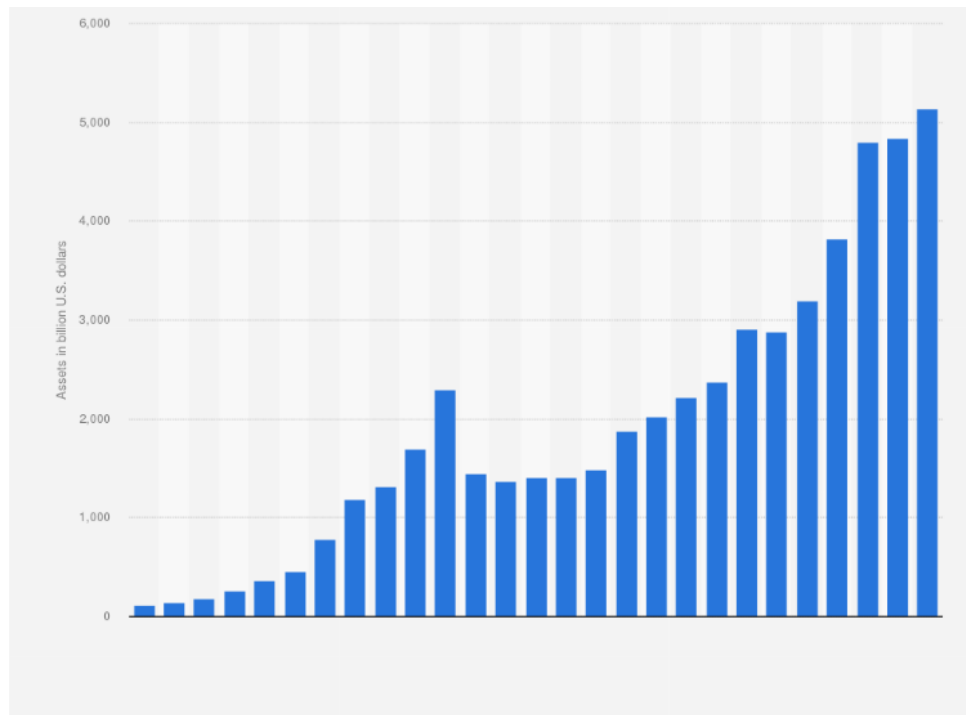
## Evan Katz Background

- **Born on Long Island, N.Y.**
- **Wharton (Finance Major)**
- **Harvard Law School (same class as M.O.)**
- **20 Years in Hedge Funds**
- **Director on H.F.A. B.O.D. 2014-2019**
- **“Best H.F. Fundraiser” Nominated 2021-23**
- **“Young Leadership Award” in 2011**
- **I had great years in the Boston area, including Newton. It is good to be back!**

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## State of the Hedge Fund Industry in 2024:

- AUM – Now, about \$5 trillion! (*explain why*)





## **State of the Hedge Fund Industry (continued):**

- **“Hottest” Strategy – Private Credit/Lending!**
- **Warning: But always remember what often happens with “hot” stocks and investment strategies (e.g., tulips, dot.com, subprime, Bitcoin/cryptocurrency, SPAC’s, etc.)! When everyone gets very excited about a stock or strategy, and piles in, including your barber!**

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## State of the Hedge Fund Industry (continued):

- **Smaller Managers** – As always, they continue to outperform, but they still get vastly fewer investors and dollars. As the old expression goes, “*Nobody ever got fired for buying IBM!*” (Ask your parents!) So, how does a fund every get to be \$1-\$10+ billion if “Most investors never will invest in a <\$500MM fund.”?!? The complete disconnect between the best interests of investors and the people who manage their assets (career risk!).



## **State of the Hedge Fund Industry (continued):**

- **Major Regulatory Changes** – 5th Circuit struck down the SEC’s proposed regulations that would have prohibited a hedge fund’s giving certain preferential treatment/information to one investor, without also giving it to all investors.
- **Notice to Other Investors** – Might have been ok.
- **Portfolio/Performance Information** – How can a P.M./I.R. person now ever take an investor’s call?!? Very similar to “Reg FD”!



- **What Is a Hedge Fund?**
- **Who Started the First Hedge Fund?**
- **And in What Year Did He Do So?**  
(Hint: Diamond Anniversary!)



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## **Original Answer (1949, 75 Year Anniversary!):**

- **Alfred Winslow Jones (“A.W. Jones”)**
- **Trading Stocks**
- **Long/Short Equity + Leverage**
- **Make Money (or Lose Less) Regardless of Which Way the Markets Move**
- **Less Correlated (esp. to down markets)**
- **Can Anyone Tell Me What “Alpha” Is?**



**Traditional Answer (Until Most Recently):**  
*(There are many types of hedge fund strategies. I will explain each one.)*

- **Long Short Equity – Still #1 by far.**
- **Activist**
- **Algorithmic/Quantitative/Systematic**
- **Convertible Arbitrage**
- **Fixed Income**
- **Global Macro**
- **Managed Futures (CTA's and CPO's)**
- **Market Neutral**
- **Merger Arb**
- **Sector Funds (e.g., biotech, technology)**
- **Stat Arb and Vol Arb**

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## **And Pretty Much Anything Else Nowadays!**

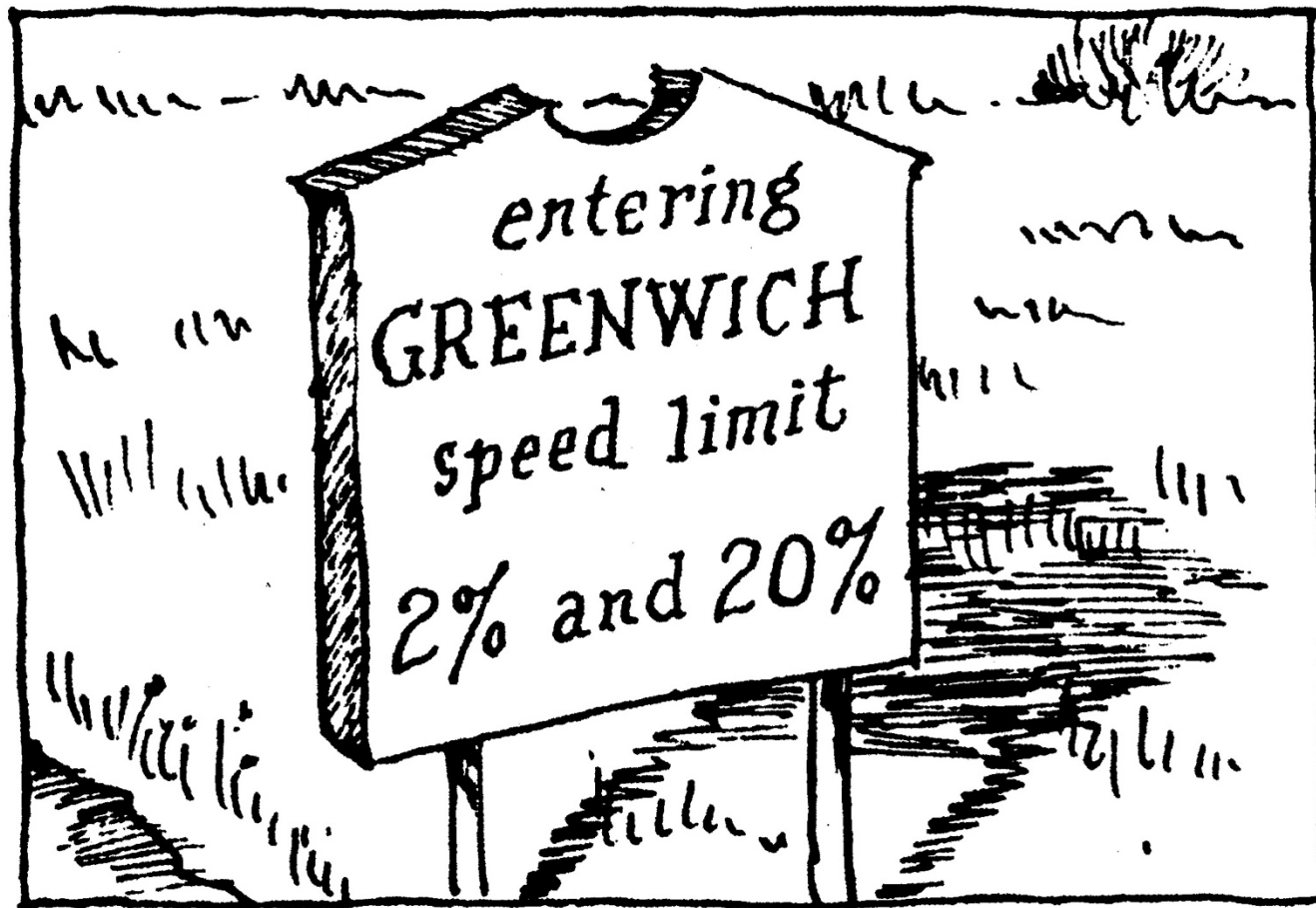
- **Artificial Intelligence (huge emergence!)**
- **Auto or Credit Card Loans (collateralization)**
- **Commodities (e.g., oil/gas, gold/silver, corn/wheat)**
- **Crypto (BlackRock, Fidelity, GS, JPM MS!)**
- **Currencies (FX, G10, etc.)**
- **I.P. – Patent Licensing and/or Litigation**
- **Life Settlement (*discuss*)**
- **Litigation Finance (IP, Mass Tort, etc.)**
- **Mortgages (Fannie Mae, Freddie Mac)**
- **Private Credit / Private Lending – HOT!**

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## Alternative Definition of Hedge Fund:

- **Liquid (usually; but sometimes not; quasi PE)**
- **Trades Instruments on a Market or O.T.C.**
- **Not a Mutual Fund**
- **Charges a Management Fee (1.0-1.5%-2%)**
- **Charges a Performance Fee (15-20%)**
- **Traditionally Was 2% and 20%**  
*(But Do You Really Need 2% to Run a \$5-10B+ H.F.?)*
- **Rarely a HF Performance Fee “Hurdle Rate”**
- **Investment Subscriptions Typically Monthly**
- **Redemptions Typically Quarterly w/Notice**

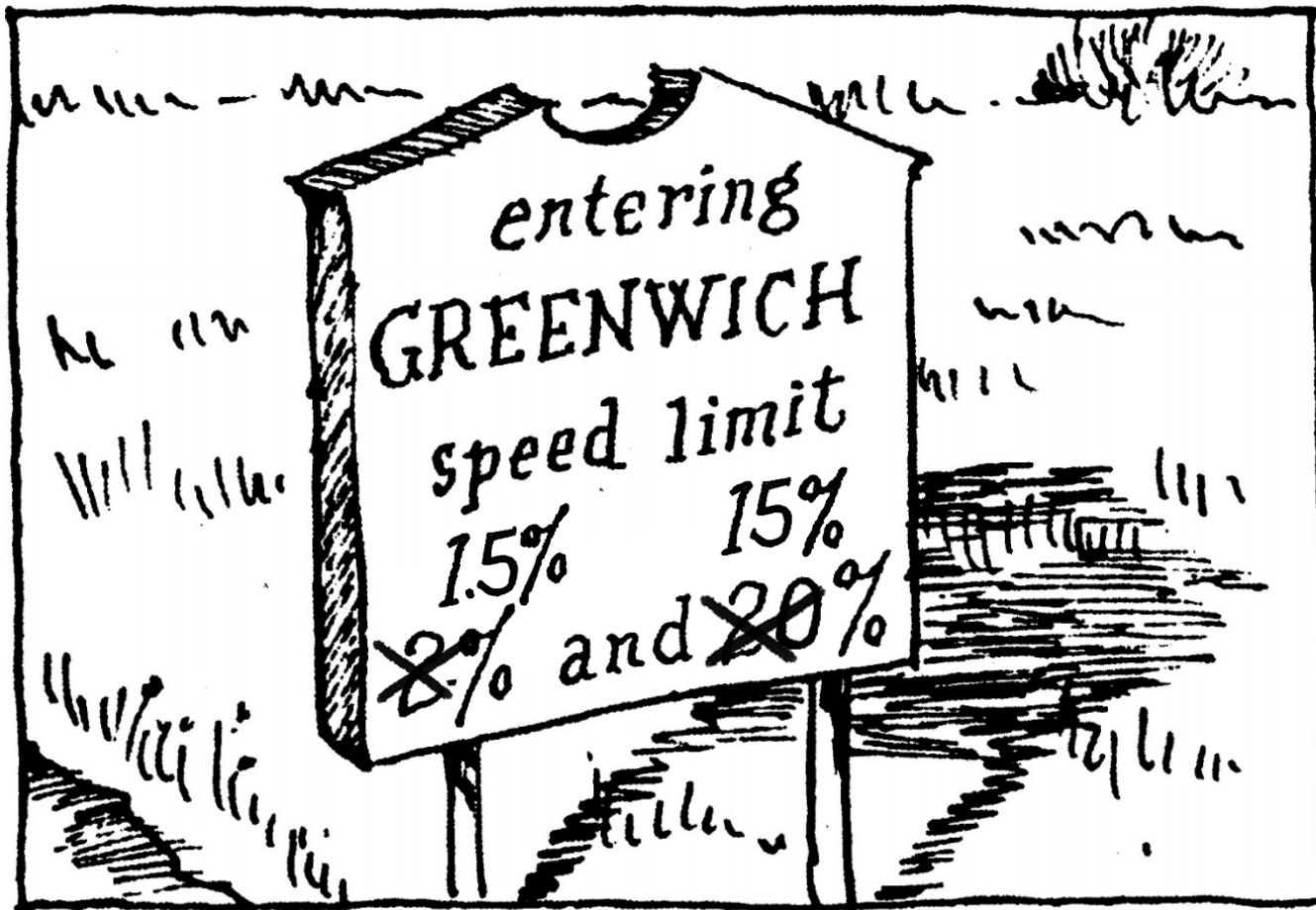
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- **Lots of “Quantitative Easing” (Easy Money and Very Low Interest Rates) Post the 2008-2010 Financial Crisis**
- **Most HF’s Cannot “Outperform” the S&P in a Straight Up Bull Market**
- **So, Hedge Fund Fees Came Down**
- **But, Then Came 2023! S&P -19.44%!**

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- **How Are Hedge Funds Structured?**
- **What Types of Entities?**
- **How and Where Are They Created?**



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**The Fund:** ABC Hedge Fund, LP (Delaware)

**The I.M.:** ABC IM, LLC (Delaware)

**The G.P.:** ABC GP, LLC (Delaware)

**Offshore:** Cayman (or Bermuda, B.V.I., Ireland, Luxembourg)  
For U.S. ERISA NFP (E/F/P/401k)  
To Block UBTI (*explain*)  
Non-U.S. Avoid Tax Withholding  
Master Feeder Structure

**SMA's:** Separately Managed Accounts  
(*Discuss the history of SMA's pre/post-Madoff.*)

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- **What Are The “Service Providers” That You Need to Run A Hedge Fund?**
- **And What Exactly Does Each Service Provider Do For Their Hedge Funds?**

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## Service Providers

- **Accountants – Audit and Tax**  
(The “Big 4”, Anchin, CohnReznick, EisnerAmper, Marcum)
- **Administrator – Citco, MUFG, NAV, SS&C, etc.**
- **Attorneys – Onshore and Cayman/Offshore**  
(Akin, Kleinberg, Schulte, Seward, Morgan Lewis, Sidley, etc.)
- **Bank – Fund, I.M. and G.P. Accounts**
- **Compliance Consultant – ACA, etc.**
- **Cybersecurity – Now a major SEC issue.**
- **Insurance – D&O and E&O policies (*discuss*)**
- **Prime Broker (Cap Intro) – Citi, G.S., M.S.**



- **Who Works at Hedge Funds?**
- **What Does Each Person and Role Do?**



## **Who Works at a Hedge Fund?**

- **Portfolio Manager(s) (the “P.M.(s)”)**
- **Analysts – Supporting Investment Research**
- **Quants – Coding and Models**
- **Chief Financial Officer (“C.F.O.”)**
- **Chief Operating Officer (“C.O.O.”)**
- **Accounting/Trading (“Back Office”)**
- **Chief Risk Officer (“C.R.O.”)**
- **General Counsel (“G.C.”)**



- **What Are a Hedge Fund's Principal Docs?**



## **What Are a Hedge Funds Principal Docs?**

- **One-Pager (a/k/a Tear Sheet)**
- **PowerPoint (“PPT” a/k/a “Pitchbook”)**
- **Private Placement Memorandum (“PPM”)**
- **Limited Partnership Agreement (“LPA”)**
- **Subscription Docs (a/k/a “Sub Docs”)**
- **Investment Management Agreement (“IMA”)**
- **Virtual Data Room – Contains all the above, plus copies of the fund’s audited financial statements, Form ADV, Form PF, etc.).**



- **What Types of Entities Or People Are The Most Common Investors in Hedge Funds?**

*(Click These Links for a [Video](#) and a 55-Tip [PowerPoint Presentation Regarding How to Best Fundraise.](#))*



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## Hedge Fund Investors – Individuals

- **U.S. – All taxable, so all onshore (Delaware).**
- **Non-U.S. – All offshore (e.g., Cayman), in order to avoid U.S. tax withholding.**
- **High-Net Worth – “Accredited Investors”**
- **Family Offices:**
  - **Single-Family Offices (“SFO’s”)**
  - **Multi-Family Offices (“MFO’s”)**
- **Investor Clubs (e.g., Tiger 21)**

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## Hedge Fund Investors – Institutional

<u>Investor Type</u>	<u>For \$?</u>	<u>Del./Cayman</u>
● Endowments	NFP	Offshore
● First Loss ( <i>explain</i> )	FP	Onshore
● Foundations	NFP	Offshore
● Funds of Funds	FP	Onshore
● Insurance Co's	???	???
● OCIO's	NFP	Offshore
● Pensions	NFP	Offshore
● Seeders ( <i>explain</i> )	FP	Onshore



- **Who Regulates Hedge Funds?**

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## It Depends on What They Trade

- Equities – U.S. Securities and Exchange Commission (“SEC”)
- Futures – Commodity Futures Trading Commission (“CFTC”)
- Neither – E.g., rare baseball cards, or rare wines – No regulator. But the SEC always has anti-fraud jurisdiction.

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## Hedge Fund “Blowups”

- **All Investments Are Bad/Wrong – NEVER!**
- **The Basic/Stupid Mistakes – ALWAYS!**
  - **Too Concentrated in Very Few Positions**
  - **Too Concentrated in Just a Few Sectors**
  - **Too Much Leverage (or Far Too Much!)**
  - **Not Having Hard Stop-Losses**

*And Usually All or Most of the Above!*
- **Bear Sterns, Lehman Brothers, Long-Term Capital (Read “When Genius Failed”)!**

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## Hedge Fund Frauds

- Highly Sophisticated Frauds – RARE!
- Simple Detectable Frauds – ALMOST ALL!
  - Self-Administering (Madoff, \$65B Ponzi)
  - Fake Orders (Petters, \$3.65B Ponzi)
  - Fake Legal Settlements (Rothstein, \$1.2B)
  - Unsupported Valuations (Level 3 Assets)

*All very easily detected frauds, if investors had just checked with independent third parties!*



## **How to Get a Job in Hedge Funds?**

**(LinkedIn & Recruiters Are When You Already Have Some Experience.)**

- **Albourne Village** – Also has H.F. news too.
- **LinkedIn** – Set up alerts. A ton of H.F. jobs.
- **Recruiters** –Google “Hedge Fund Recruiters”  
(Atlantic Group, Coda, Glocap, Selby Jennings, WhiteCap, etc.)
- **Pro Tip!** – Do an advanced search on LinkedIn for senior people who both (A) work in hedge funds and also (B) went to your college too!
- **Trade Organizations** – Join, Attend, Network!  
And eventually seek a leadership position.  
(AIMA, CalALTs, CFANY, CTHFA, HFA, MFA, Texas AIA)



## **How to Keep a Hedge Fund Job or *Any* Job**

- **Do exceptional quality work (obviously!).**
- **Brainstorm, find and do additional helpful projects that you were not assigned.**
- **If possible, be a revenue generator (many clients/investors are your best job security!)**
- **Do well, and on time, even the annoying part of the job (e.g., expense reports, time sheets)**
- **Attitude – The P.I.A. people get laid off first!**
- **Dinner – Don't be your boss' conversation!**



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## **A Few Random But *Critical* Life Lessons:**

- **Networking** – Take notes on business cards!
- **Get Mentor** – Ask a leader for 15 mins./mo.
- **Diversify Stock in Your Company** – *Explain.*
- **Dating, Marriage, Kids** – Enjoy Boston/NYC but do not get too caught up, for too long, in the scene. Life can quickly pass you by.



## **Follow-Up Advise and Questions:**



*Please email next week. And if you do not hear back from me after two weeks, please follow up!*



## **Boston College Q&A:**

(Watch the [keynote video](#) for all of the answers!)

- 1. What role do alternative investments play in your and your investors' overall strategy, and how do you and they determine which alternative assets are worth exploring?**
  
- 2. How do you see ESG factors influencing the alternative asset management space, specifically among hedge funds and private equity?**



- 3. What role does technology (AI) play in informing your investment decisions or growing the funds you work with?**
- 4. What advice would you give to someone looking to move into alternative asset management straight out of college?**
- 5. How did your experiences at Wharton and Harvard Law shape your career in alternative asset investment?**



- 6. What trends are you currently seeing in hedge fund and private equity fundraising, especially with institutional investors and family offices?**
- 7. How do you evaluate and select emerging managers when deciding to allocate investor capital to hedge funds?**
- 8. What are the most critical factors for a successful large-scale fundraising campaign for an alternative investment fund?**

- 9. In your opinion, how has the hedge fund industry evolved in the past decade, and where do you see it heading in the next 5–10 years?**
- 10. What are some of the best practices that you recommend for managing relationships with institutional investors and family offices?**
- 11. Can you share a memorable experience where you overcame significant challenges during a fundraising campaign?**

- 12. How has your involvement with philanthropic organizations like Hedge Funds Care / Help For Children influenced your approach to finance and investment?**
- 13. Given your extensive global network, what differences do you notice in investor behavior across regions or types of investors?**



**More Questions?**





**Many Thanks to Boston College  
and to All of the Event Attendees!**