



**Evan Katz**  
Keynote Speaker  
at Harvard University

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



# Benoni Capital

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

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

# **Benoni Capital**

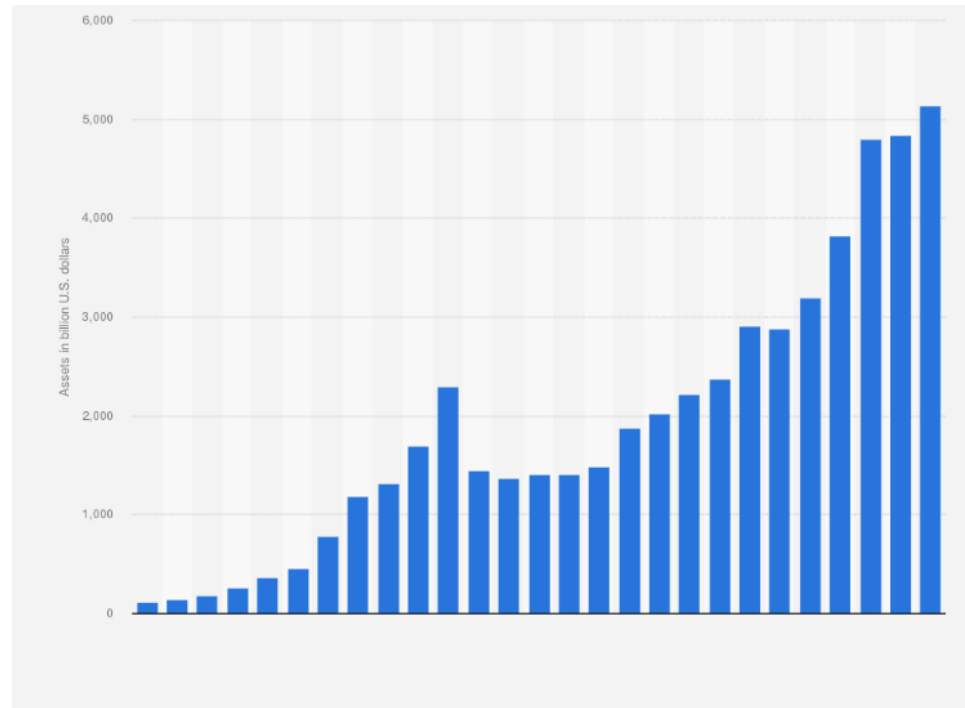
## **Evan Katz Background**

- **Born on Long Island, N.Y.**
- **Wharton (Finance Major)**
- **Harvard Law School (same class as M.O.)**
- **20 Years in Hedge Funds and Wall Street**
- **Director on H.F.A. B.O.D. 2014-2019**
- **“Best H.F. Fundraiser” Nominated 2021-23**
- **“Young Leadership Award” in 2011**
- ***Great to Be Back at Harvard!***

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## State of the Hedge Fund Industry in 2025:

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



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## 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!).

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

- **Major Regulatory Changes – 5th Circuit recently 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”!**

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- **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?**

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## **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!

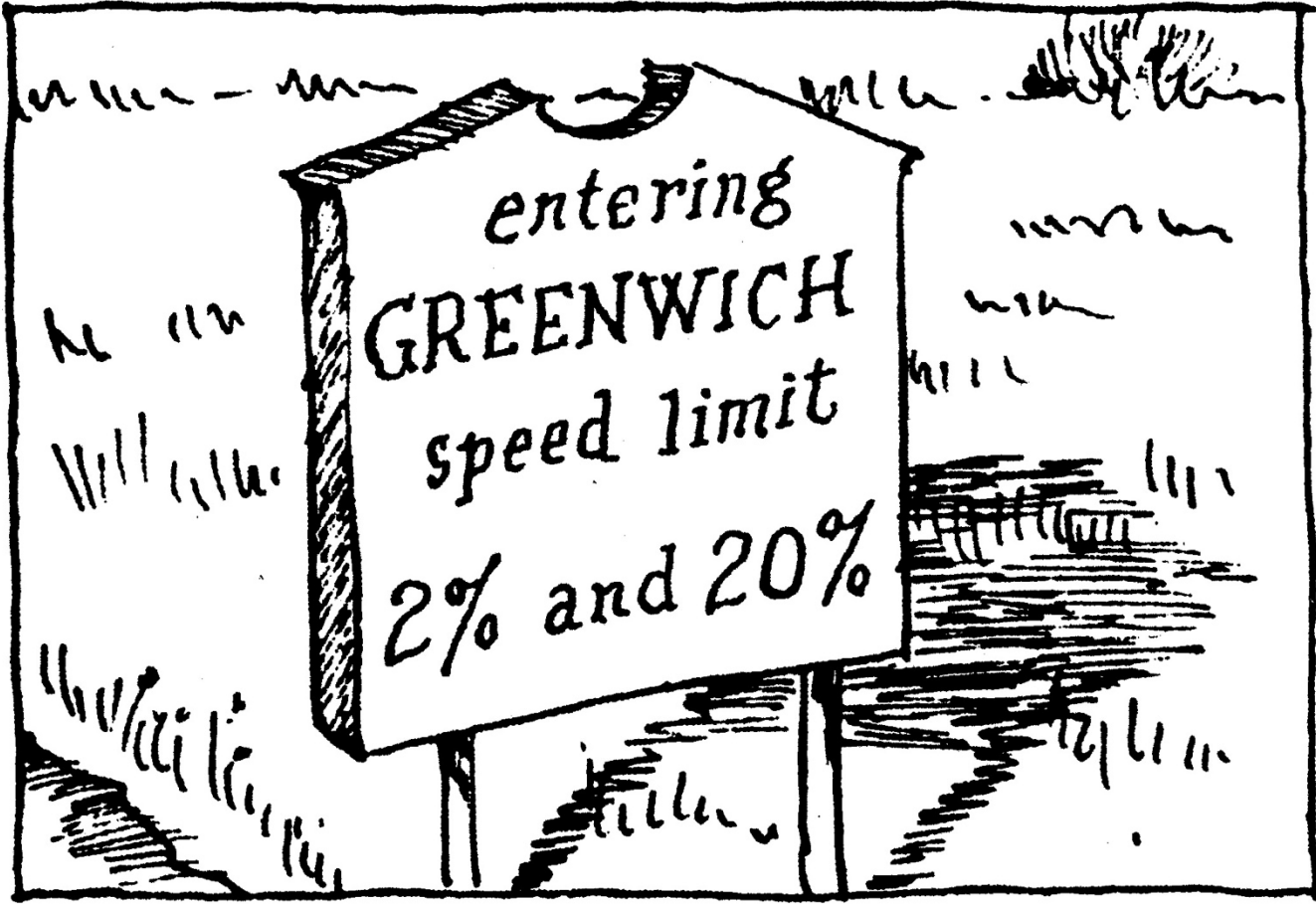
- **Artificial Intelligence (*huge emergence!*)**
- **Auto or Credit Card Loans (collateralization)**
- **Commodities (e.g., oil/gas, gold/silver, corn/wheat)**
- **Crypto (BlackRock, Fidelity, GS, JPM, MS!)**
- **Currencies (FX, G10, etc.)**
- **I.P. – Patent Licensing and/or Litigation**
- **Life Settlement (*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**

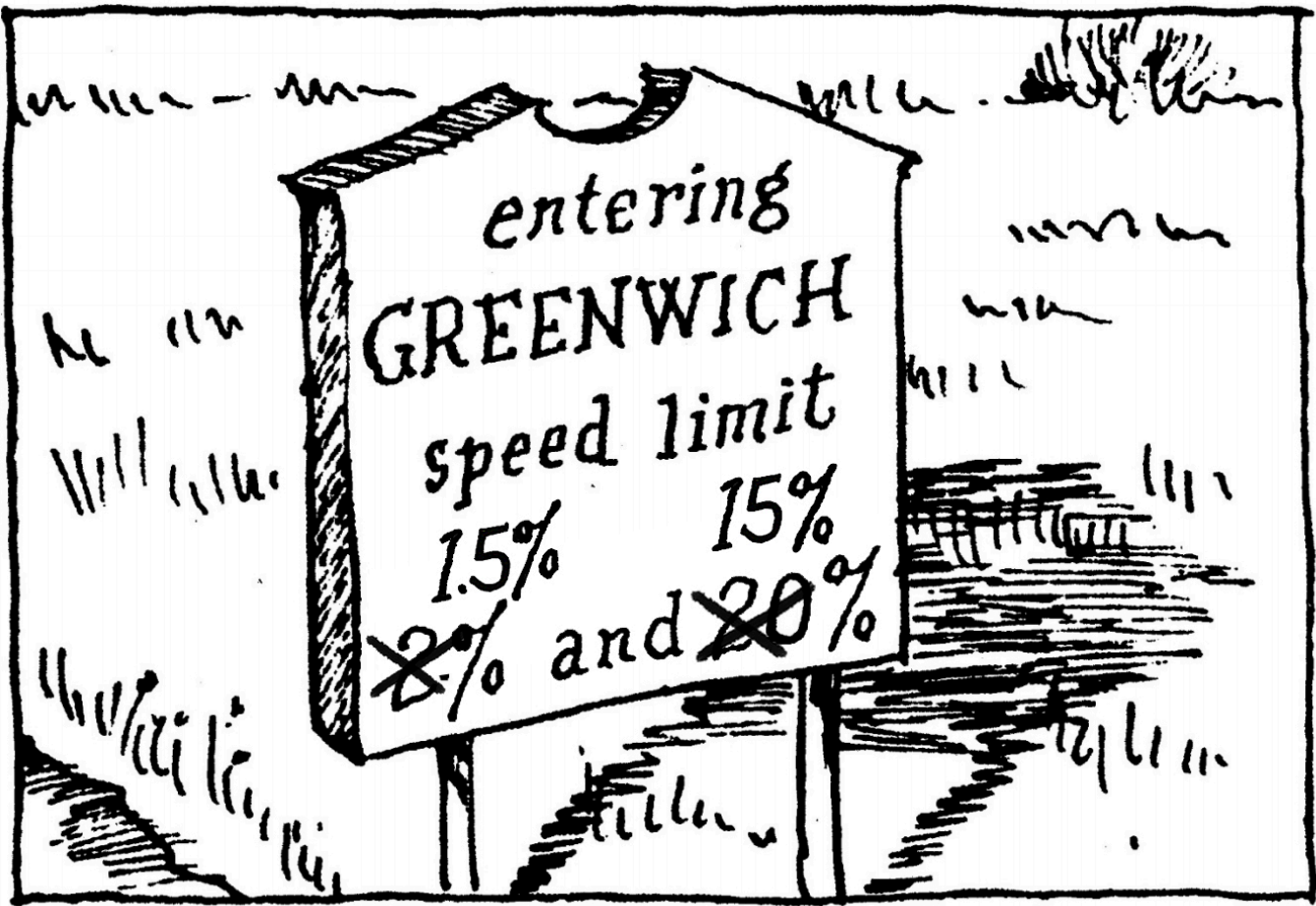
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- **Lots of “Quantitative Easing” (Easy Money and Very Low Interest Rates) Post the 2008-2010 Financial Crisis**
- **Most HF’s Cannot “Outperform” the S&P in a Straight Up Bull Market**
- **So, Hedge Fund Fees Came Down**
- **But, Then Came 2023! S&P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

**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.**

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

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## 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.”) – *We will discuss.***
- **General Counsel (“G.C.”)**



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

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## 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?**

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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)

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## 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 or NYC, but do not get too caught up in the scene. Because 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!*



## Harvard Q&A:

- 1. How do you expect the potential “democratization” of private markets to 401(k) investors to impact alternatives fundraising dynamics and potential private equity multiple compression due to increased competition?**
- 2. How are hedge funds adapting their strategies to geopolitical volatility, such as the Iran war’s impact on oil and commodity markets?**
- 3. What are the most compelling paths for students, especially those from liberal arts backgrounds, to break into hedge funds early in their careers, and what specific skills or signals make them stand out in such a competitive recruiting process?**



**More Questions?**



**Many Thanks to Harvard, and  
to All of the Event Attendees!**