



Evan H. Katz
Guest Lecturer at
New York University Stern School of Business

“Hedge Funds 101 – And How to Get a Great Job and Keep It!”





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

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



Evan Katz Background

- **Born on Long Island**
- **My Father Went to NYU Business!**
- **Wharton (Finance Major)**
- **Harvard Law School**
- **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**



What Is a Hedge Fund?

Who Started the First Hedge Fund?

And When?

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Original Answer (1949, 75 Year Anniversary!):

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

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Today's Answer (2024):

- **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**



And Also:

- **Auto Loans**
- **Commodities (“Hard” and “Soft”)**
- **Credit Card Receivables**
- **Cryptocurrency (Bitcoin, Ethereum, etc.)**
- **Currencies (FX, G10, etc.)**
- **Mortgages (Fannie Mae, Freddie Mac)**

That is, pretty much anything at all nowadays!

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Alternative Definition of Hedge Fund:

- **Liquid (usually; but sometimes not!)**
- **Trades Instruments on a Market or O.T.C.**
- **Not a Mutual Fund**
- **Charges a Management Fee (1.0-1.5%)**
- **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 Performance Fee “Hurdle Rate”**
- **Subscriptions Typically Monthly**
- **Redemptions Typically Quarterly w/Notice**

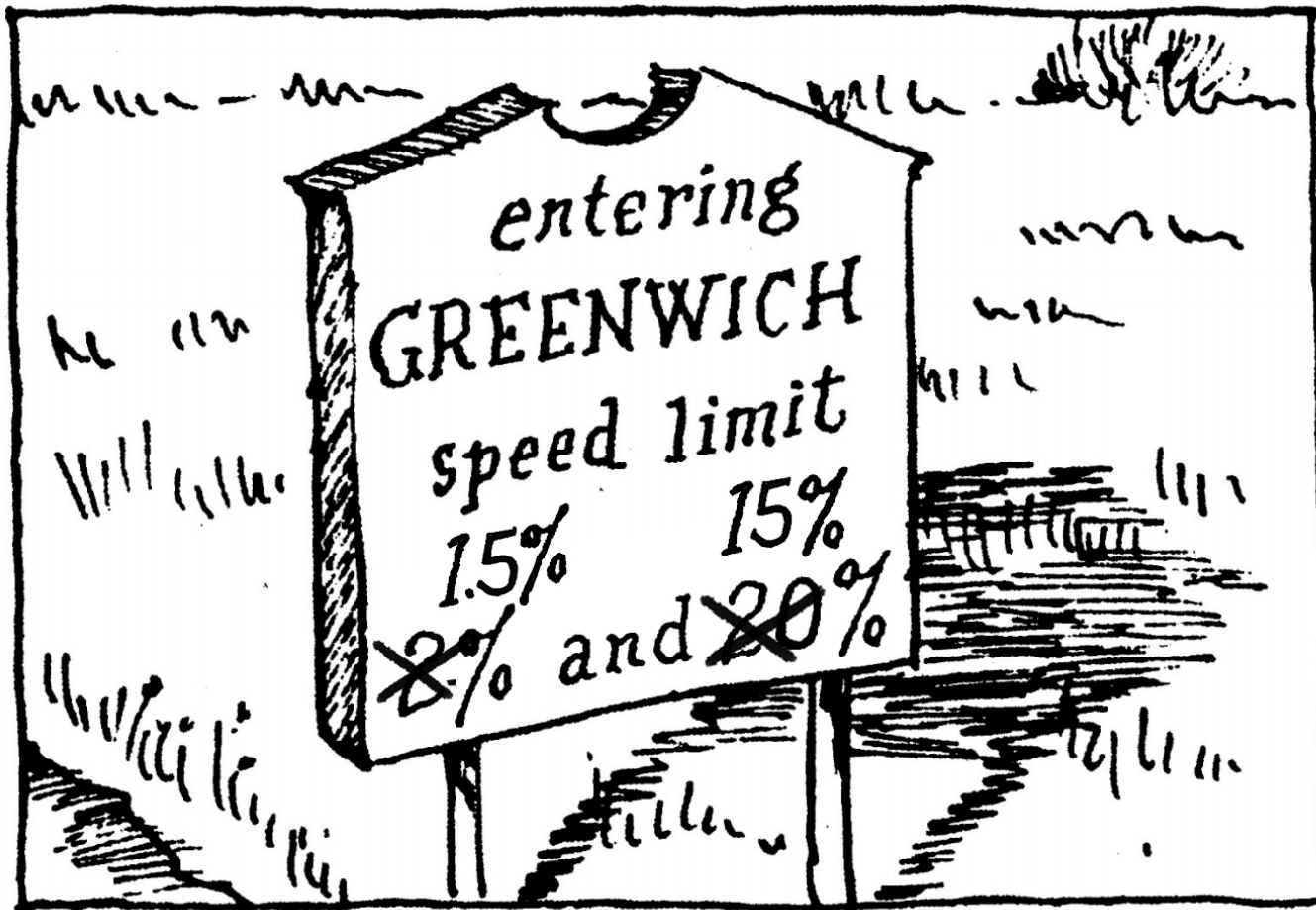
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- **Lots of “Quantitative Easing” Post the 2008-2010 Financial Crisis**
- **Hedge Funds Cannot “Outperform” the S&P in a Straight Up Bull Market**
- **So, Hedge Fund Fees Came Down**
- **But, Then Came 2023! S&P -19.44%!**

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**Does Anyone Know How Hedge Funds
are 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



**What Are the “Service Providers” that You
Need to Run and Support Your Hedge Fund?**

And What Do They Do For a Hedge Fund?

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Service Providers

- **Accountants – Audit and Tax**
(The “Big 4”, plus Anchin, EisnerAmper, Marcum, etc.)
- **Administrator – Citco, MUFG, 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**
- **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”)**
- **Virtual Data Room – Contains all of the above, plus audited financial statements, Form ADV, etc.).**



Who Invests in Hedge Funds?

Who and What Types of Entities or People Are the Most Common Hedge Fund Investors?

(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).**
- **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
• Foundations	NFP	Offshore
• Funds of Funds	FP	Onshore
• Insurance Co's	???	???
• OCIO's	NFP	Offshore
• Pensions	NFP	Offshore



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)
- **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 (new 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.
- **Diversity Stock in Your Company** – *Explain.*
- **Dating, Marriage, Kids** – Enjoy NYC, but do not get too caught up, for too long, in the NYC scene. Life can quickly pass you by.



Follow-Up Advise and Questions:

EKatz@CrawfordVentures.com

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



NYU Stern – Additional Questions for Evan Katz:

1. With your extensive experience in both finance and law, how do you believe your dual background has contributed to your success in the hedge fund industry?
2. Can you share a particularly challenging fundraising experience you've faced in your career, and how you navigated through it?
3. As a twice-elected Director on the Hedge Fund Association Board of Directors, what initiatives have you championed to promote the growth and sustainability of the hedge fund industry?
4. Given your vast network of global investors, what key factors do you believe are crucial in establishing and maintaining strong relationships with institutional and family office investors?
5. You've been recognized with the “Young Leadership Award” at the Hedge Fund Summit in 2011. How do you see the landscape of leadership in the hedge fund industry evolving, particularly in terms of attracting and empowering younger professionals?

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6. Could you elaborate on your involvement with early-stage technology and medical life sciences companies? How do you approach fundraising for these ventures compared to hedge funds and private equity funds?
7. In your opinion, what are some of the most significant challenges facing hedge funds today, and how should managers adapt to remain competitive in this dynamic environment?
8. With your experience in both legal and financial domains, how do you approach regulatory compliance within the hedge fund industry, especially considering the evolving regulatory landscape?
9. As someone who is frequently asked to speak on hedge fund best practices and fundraising at industry conferences, what are some recurring themes or advice you find yourself emphasizing to aspiring fund managers?
10. Looking ahead, what trends do you foresee shaping the future of alternative asset investment, and how do you plan to position Crawford Ventures to capitalize on these opportunities?



More Questions?



Thank You!