

PERFORMANCE SHENANIGANS

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A new academic report by Professors Vikas Agarwal, Naveen Daniel and Narayan Naik entitled Why is Santa So Kind To Hedge Funds? studied the performance of hedge funds returns for the month of December. The professors looked at 7,535 hedge funds from 1994-2002 and what they found is in their words is a "December spike." December's performance was 2 ½ times better than the other 11 months. This was especially true when compensation for the hedge fund was performance based and the managers get to place any value they choose on illiquid investments. The professors suggest that the "**December spike**" is the product of managers who "inflate returns." Often at the expense of January results.

This does not surprise us in the slightest. It would be interesting to see the volume of Ferraris and Aston Martins sold in December.

Anyway...the professors are asking the regulators to take a look.

I won't hold my breath.