

BUYERS REMORSE

AUGUST 2007

In another, "**See I told you so moment**", Sara Hoffman, of *Investment News*, is reporting that major losses at many prominent hedge funds are finally causing pension fund managers to second guess hedge fund investments.

The Wall Street Journal reported that hedge funds managed by Goldman Sachs Group Inc. and AQR Capital Management, among others, have suffered substantial losses, emphasizing the high-risk element of investing in many hedge funds. Their difficulties have prompted pension funds to wait until the market stabilizes before continuing or increasing investments,

Among the pension funds delaying committing their funds is the Ohio School Employees Retirement System. It is permitted to invest as much as 10% of its \$11.7 billion in assets in hedge funds; though given recent market turmoil, it is in no hurry to do so.

Pension funds have been a vast monetary source for hedge funds. While it is too early to determine whether pension managers will be redeeming their hedge fund holdings, a pullback could be a significant blow to many hedge funds.

This would also have the inverse effect on the overall markets. A pension/institutional flight to quality will have a positive effect on the financial markets as a lot of sidelined cash heads to more conservative investments. Furthermore, we could see a decrease in the overall volatility. This is speculation on my part; the hedge fund honchos will be on full **kiss-butt** entertainment mode, wining and dining institutional investors in order to keep there business. Steak houses and golf courses should be busy the next couple of months.