



Japanese Hedge Funds Seeing Red

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Is the sun setting on the Japanese hedge fund industry? Predictions of doom and gloom abound after investors yanked at least US\$7.7 billion from Japanese hedge funds last year—and possibly as much as US\$20 billion—pushing it further behind its Asian rivals and prompting fund closures and reorganizations.

Japanese hedge funds now manage just US\$24 billion, according to EurekaHedge. In addition to redemptions, the industry posted investment losses of more than US\$3 billion, making it one of the few regions to post a loss in 2007. Last year was the second straight year of outflows for Japanese hedge funds.

By contrast, hedge funds in Asia—excluding Japan—continue to boom, raking in US\$22.4 billion in new assets, almost as much as is managed in Japan. Those funds also enjoyed a positive investment return in 2007, gaining more than US\$12 billion in the markets to reach a total of US\$101 billion.

The Japanese bloodletting claimed some high-profile victims: Goldman Sachs has decided to close its GS Strategic Japan Partners hedge fund, *Reuters* reports, while funds managed by Stratton Street Capital, Whitney & Co. and Sparx Group all posted sizeable losses.

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