



Hedge Funds vs. Mutual Funds

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Hedge Funds vs. Mutual Funds

- Not touting one strategy as superior to the other.
- Very different vehicles. Important to know the differences to perform appropriate due diligence and assess the suitability to plan portfolios.

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There are risks involved with mutual fund investing, including the risk of loss of principle.



Hedge Funds vs. Mutual Funds

Primary Differences:

- Registration and Regulation
- Transparency of information
- Liquidity
- Independent Oversight

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Hedge Funds vs. Mutual Funds

Registration and Regulation

In General, neither hedge funds nor their managers are registered with the SEC.

Mutual Funds are registered under the Investment Company Act of 1940, and their managers must be registered under the Investment Advisers Act of 1940.

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Hedge Funds vs. Mutual Funds

Transparency of Information

Hedge funds often have limited transparency into their holdings, strategy, structure, financials, and leverage.

Mutual Funds must disclose and adhere to their principal investment strategies. Mutual Funds also have strict borrowing requirements and are subject to ongoing scrutiny from fund trustees and third parties (such as Morningstar).

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Hedge Funds vs. Mutual Funds

Liquidity

Hedge Funds often have limited liquidity.

There is no public market or body of law requiring hedge funds to repurchase shares daily and there is no law to establish “fair price” for repurchases. Hedge Funds set their own formula for determining redemption price, and the manager can set the time, place, and manner of redemption.

Mutual Funds are highly liquid.

Mutual funds calculate NAV daily using an SEC-regulated formula and redeem investor shares at the NAV daily.

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Hedge Funds vs. Mutual Funds

Independent Oversight

Hedge Funds are not examined by any governmental organization and are not required to have an independent compliance program or an independent board of directors overseeing the fund managers' actions.

Mutual Funds are required to have regular examinations by the SEC and FINRA. They are also required to have a strict compliance program and an independent board of trustees to oversee the actions of the manager.

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Hedge Funds vs. Mutual Funds

- Certain differences may be seen as positive by one trustee and negative by another:

Incentive fees may be seen as important to recruit talent to Hedge Funds or as a danger because managers may take on too much risk with client capital in search of a higher payout.

Lack of transparency may be seen as necessary to protect proprietary trading strategies or as a potential cover for certain managers to take on excessive risk.

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Hedge Funds vs. Mutual Funds

Summary

	Hedge Funds	Mutual Funds
Registered with and Regulated by the SEC		X
Transparency of holdings, structure, leverage, etc.		X
Highly Liquid		X
Independent Oversight/Auditing		X

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Hedge Funds vs. Mutual Funds

- These differences highlight the importance of performing the proper due diligence on investments.
- Institutional Investors are considered sophisticated investors with the ability to take on potentially greater risk than the average investor. Therefore, many different vehicles may have a place in a plan's asset allocation strategy.
- Institutional investors may need to determine if these investments are suitable and how they fit into the plan.

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Hedge Funds vs. Mutual Funds

Important Disclosure

There are risks involved with mutual fund investing, including the risk of loss of principal.

Investing in a mutual fund does not guarantee better performance or lower costs than an investment in another vehicle.

There is no assurance that the investment process will consistently lead to successful results.

If you would like to receive, at no charge, the most recent copy of ICON's disclosure document, Form ADV Part II, please send your request in writing to: Attention: Compliance, ICON AdvisersSM, 5299 DTC Boulevard, 12th Floor, Greenwood Village, CO 80111.

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