



Introduction

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- 1. Hedge Funds:
 - Definition and structure
- 2. Private Equity:
 - Definition
 - Hedge funds VS Private Equity
- 3. Crisis'Impact on Hedge funds and Private Equity.
- 4. Conclusion.

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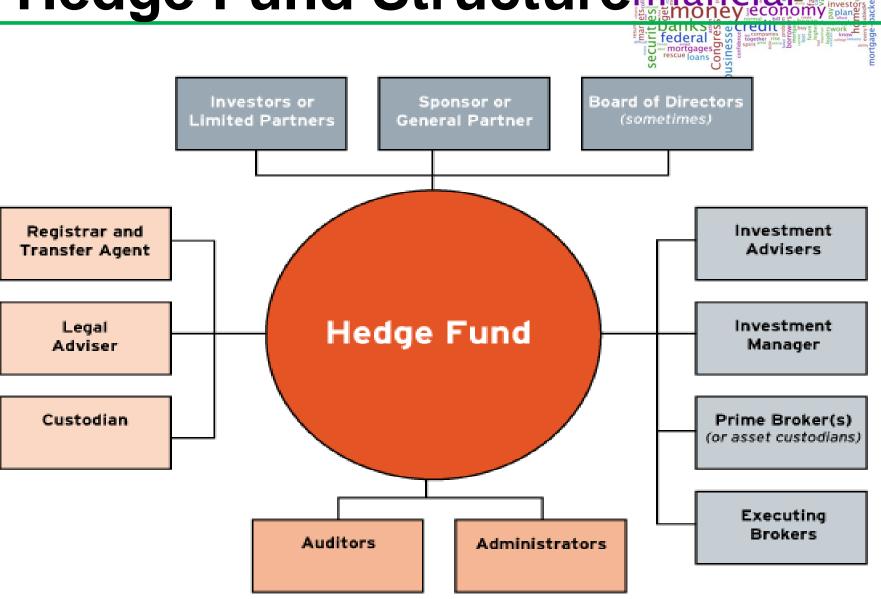
(Daniel García)

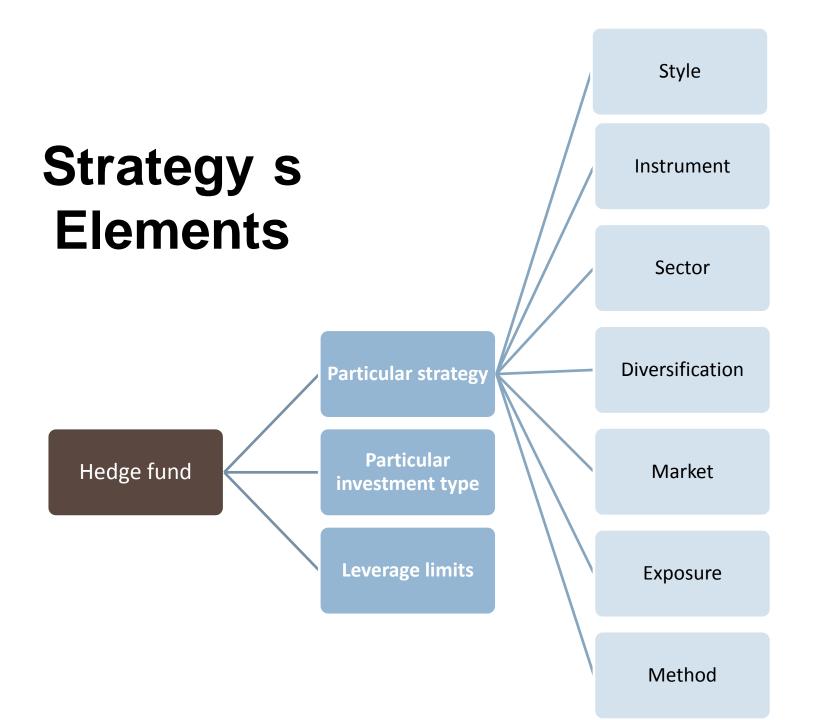
What a Hedge fund is?



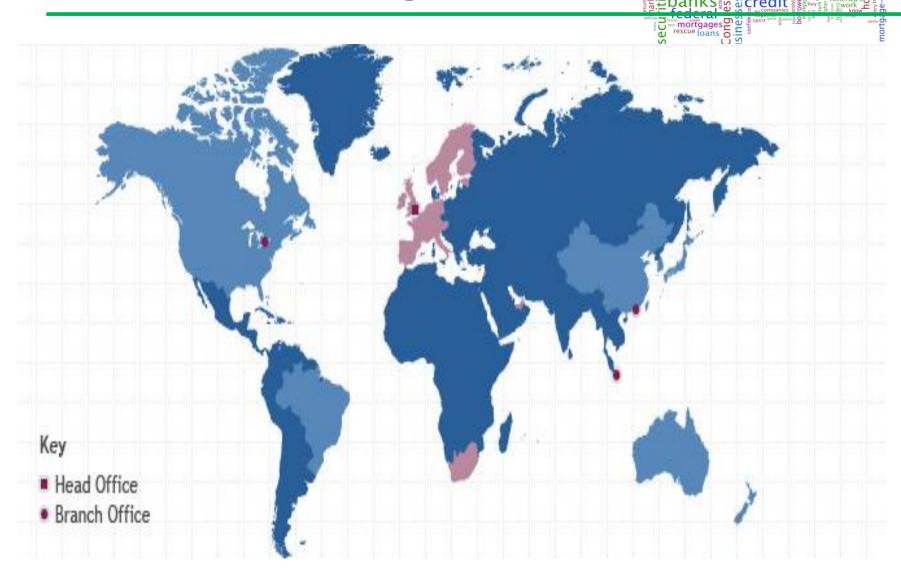
- A lightly regulated Investment Fund
- Open to a limited group of investors
- The profit is high
- Time of investment (6-18 months)
- Minimum investment (200.000\$-10.000.000\$)

Hedge Fund Structure





Investment manager location



PRIVATE EQUITY



Investments in company's capital;

 Investments in companies – not participators in Stock Exchange;

Minimum amount of investment – 250,000 \$;

2 CRITICAL FUNCTIONS OF PRIVATE EQUITY:



 Relationships between private equity firms and similar transaction professionals

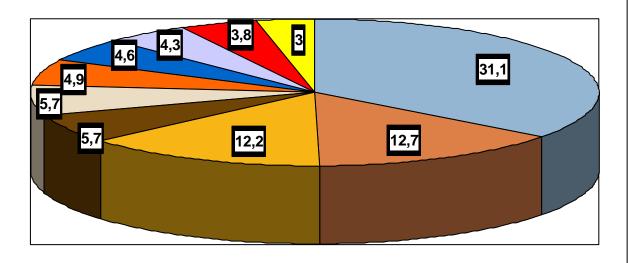
 Support to the companies in which private equity firms invest.

DIFFERENCES BETWEEN PRIVATE EQUITY AND HEDGE FUNDS:

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- Time to hold;
- Risk tolerance;
- Liquidity;
- Participation on a board of directors;
- Desired return of investment;

Country % of total in Private Equity market:





Crisis'impact on HEDGE FUNDS and PRIVATE EQUITY



Impact on HEDGE FUNDS:

- → An important and unknown amount of hedge funds are affected by sub-prime mortgage debt.
- → Those hedge funds have been one of the victims of liquidity crisis and reputed bank were hit as consequence.
- → Banks and investment banks created special vehicles to take out of their balance -sheet debts

Lack of
liquidity and
difficulties
to get
financing

They don't know what are they buying

make banks need to assume again an important amount of these special vehicles.

Hedge funds'strategies rely on cheap credit but financing is disappearing because of the current credit squeeze.

Crisis impact on HEDGE FUNDS and PRIVATE EQUITY II



Impact on PRIVATE EQUITY (PE)

- As a consequence of the difficulties to get financing PE funds depend more on investors' funds and less on borrowed money.
- →The more volatile share market make re-selling more difficult but it may also offer opportunities.
- →A change is happening in PE firms'strategies:



Crisis impact on HEDGE FUNDS and PRIVATE EQUITY



As we can see HEDGE FUNDS and PRIVATE EQUITY are very related between them and both of them have played an important role in financial crisis.

The real problem is that nobody knows for sure:

how much money they hold

where their money is invested and

how significantly they 're leveraged.

Conclusion I



Private equity firms generally invest in a company's equity, with a long-term view, expecting a return which depends on the profitability of the invested company.

Hedge funds is a more aggressive player, selling extraordinary returns. Are a private investments vehicles where the manager has a significant stake in the fund and enjoys high level of flexibility to employ a broad spectrum of strategies.

Conclusion II



The Private Equity, like hedge funds, increase their profits through high leverage of the capital. This means that these funds invest more than the capital held.

These funds lack transparency and regulation and the current situation of crisis can have a negative impact o.n the economy

