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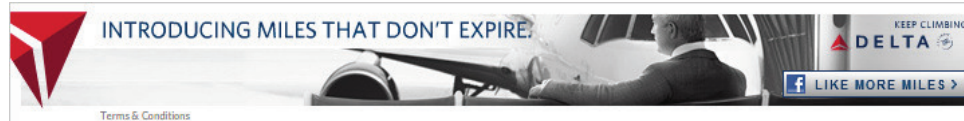
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Latin American Hedge Funds' Resilience Shown In Fees

Article

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By Amy Or
OF DOW JONES NEWSWIRES

Latin American hedge funds' stable performance through the financial crisis not only earned them rapid growth in assets but also resistance to the downward pressure on fees, according to data provider EurekaHedge.

Investors in Latin American funds have largely abided with the industry norm of the so-called "2-and-20" fee structure, where managers charge 2% of assets as management fees and 20% of profits as incentive fees.

"Although in 2009 Latin American start-up funds did lower their fees in line with investor demands, the average performance fees of funds launched in 2010 are back at 20%," EurekaHedge said.

Latin American funds charged 1.95% as management fees and 20% on performance gains last year, on average. In contrast, Asia-focused hedge funds charged an average 1.56% and 19.22%, respectively, and global funds charged 1.59% and 18.91%, on average.

Latin American funds' resilience on fees was largely due to stable performance throughout the past decade. And the region is becoming increasingly attractive to investors in light of recent events.

"Geopolitically, Latin America seems to be safe, especially with all the crises in the Middle East and the unfortunate incident with Japan," said Victor Hugo Rodriguez, president and chief executive of third-party marketer LatAm Alternatives. He was recently appointed one of five directors of Hedge Fund Association's new Latin American chapter.

Even in the darkest days of the financial crisis, Latin American funds fared better than those in many other markets. The region's hedge funds lost 4.93% in 2008, less than half of the 10.78% loss the global industry recorded.

Last year, Latin American managers gained 9.84%, comparable to the industry average of 10.83%.

The stable performance attracted new investors, especially those looking to diversify their portfolio beyond the developed markets. Latin America was the only region that attracted net positive asset flows in 2009, gaining \$5.9 billion.

And over the past decade, assets managed by Latin American hedge funds have grown by nearly 25 times to \$60 billion as of Dec. 31. They have surpassed the pre-crisis high of \$58.4 billion set in June 2008, EurekaHedge said.

Still, Latin American funds are in their infancy and accounted for just a fraction of the \$1.7 trillion hedge fund industry. North American funds managed \$1.12 trillion assets, and funds focused on Asia excluding Japan \$112.5 billion.

Rodriguez said the next big development for the region's hedge fund industry would be dedicated Latin American funds set up by global asset managers.

"BlackRock has a fund dedicated to Latin America, other managers will be focusing on the region as well. They will either hire people, acquire funds or set up joint ventures," he said. "It is a play that is very hot in Latin America, with Brazil leading the way."

BlackRock Inc. (BLK), the largest asset management firm in the world, has a \$1.06 billion mutual fund focused on Latin America, led by Will Landers.

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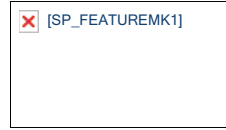
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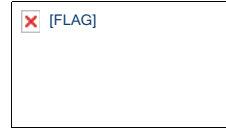
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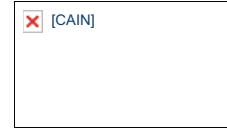
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