- **Hedge Fund Strategies**
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Hedge Fund Strategies Explained:

Hedge funds are private pools of capital (i.e. money) that are actively managed and invested, using a variety of instruments, in order to generate a return. Many different investment styles or "strategies" are used to achieve this goal. Below is an overview of the most commonly used strategies in the hedge fund world:

Global Macro

This involves taking positions on a variety of financial instruments (equities, fixed income, currencies, derivatives) in anticipation of macroeconomic events. For example, if a manager believes that the U.S. will enter in a recession, he might be short U.S. equities, U.S. indices, or even the U.S. dollar. This strategy typically involves analysing interest rate trends, political changes, government policies, geopolitics, general money flows, etc.

Directional

This strategy involves taking a long or short position in a market, utilising market movements, trends, or inconsistencies when choosing instruments across a variety of markets. Some of those funds can focus on a specific region (i.e. Russia, emerging markets, etc) or sector (i.e. commodities, technology, etc).

Event-driven

Also classified as “special situation / special opportunity” strategies, this approach involves looking for events that are expected to make an impact over a relatively short period of time: corporate restructuring, bankruptcies, mergers, takeovers, share buybacks, bond upgrades, earnings surprises, and spin-offs.

Relative value

Relative value strategies are designed to take advantage of perceived mispricing among related financial assets, such as a single company's debt and equity securities. These strategies rely on the long-run tendency of market prices to revert to equilibrium relationships, while deviating in the short-run, providing profit opportunities. A few examples are as follows:

fixed-income arbitrage, yield curve arbitrage, corporate spread arbitrage (interest rate spread between the prices of corporate bonds and Treasury bills), Treasury-Eurodollar spread arbitrage, mortgage arbitrage, derivatives arbitrage, stock index futures arbitrage, regulatory arbitrage, etc.

Credit Funds

Credit funds invest in fixed-income securities, often taking large investment positions using the ownership stake to participate in the management of a company.Traditionally, these funds have focused on corporate credit. In recent years, however, many funds have also expanded investment into sovereign debt and distressed debt holdings.

Quantitative Funds

This type of investment fund trades positions based on computer models built to identify investment opportunities. These models can utilize an unlimited number of variables, which are programmed into complex, frequently updated algorithms and are also controlled by a portfolio manager. Quantitative funds models are used as a means of executing a number of other hedge fund strategies, including these: Long / Short Equity, Global Foreign Exchange, Global Fixed Income, and Futures and Forwards.