

Abstract

In the financial industry, hedge funds are one of the most controversial topics in the area of alternative investments. These funds started to increase in 1980 and accelerated till the Global Financial Crisis 2008, which caused the majority of these funds to default (Ben-David et al., 2011). Investors are accepting high performance, and management fees in order to hedge their capital with these funds. Returns are measured in absolute terms rather than relative as mutual funds do. The performance of hedge funds has to be measured in terms of the return, and risk associated with it. Even though, several investing strategies might deliver the highest returns, investors are facing disproportionately high risk or are exposed to tail-risk in events of a downturn in the market (Ackerman, McEnally, Ravenscraft, 1999). The thesis will evaluate the hedge fund industry and the different strategies these fund managers use. This paper will use secondary data from the Credit Suisse Hedge Fund Index database and a quantitative approach to analyze the strategies on statistical risk and return measures. The database will be divided into different periods to compare the overall performance and the performance during the Financial Crisis. This study shows, that not all strategies have the same statistical attributes and gives answers which strategy might be the safest and most profitable, during an extreme or tail-risk event such as the Global Financial Crisis 2008.