

## Hedge Fund Volatility

Hedge fund volatility is an especially important discussion now with the market and economy feeling distressed. The first thing to understand is what exactly a hedge fund is.

A hedge fund is a fund that can invest in short term or long term purchases, but the primary strategy is to remain in the stocks just as long as possible to maximize income and minimize risk to its shareholders, and to get out before the fund has lost money on that particular purchase. They are intended to give returns to its shareholders no matter what is happening in the market by preserving its original investment and getting in and out of stocks or bonds before they experience a downturn. Hedge funds are open only to a limited number of investors, but are allowed to invest in a varied amount of types of things, like stocks and bonds, debts and commodities, and things like real estate which aren't linked to the regular stock market. A hedge fund pays a commission to its manager for running the fund.

The difference between a hedge fund and a normal investors fund is that hedge funds invest in such a wide variety of types of investments, and most funds are only an option for very well to do investors. Also, the fund manager plays a much different role than a mutual fund investor, and researches all kinds of investment opportunities.

Volatility is an interesting concept when discussing hedge funds because usually hedge funds do not experience as much volatility as the normal market. But every fund is experiencing volatility at this time, and hedge funds, as well as regular investment funds are suffering from market volatility.

General market volatility is actually important to hedge funds, as the fund managers thrive on the wild market, so that they can invest in things at a low point and sell them before they hit the ottom. Strong fund managers can take advantage of market volatility and use it to their advantage to increase earnings. It is important to be willing to invest in a fund for a reasonable amount of time, because funds are meant to go up and down in value, and it is best to find a fund that takes advantage of hedge fund volatility if you plan on investing in hedge funds.