40pc of hedge funds mislead investors, according to Oxford University study

An Oxford University study has found that 40pc of hedge funds mislead investors by giving incorrect information about their monthly investment performance.

The Oxford University study says that 'unreliable disclosures' should work to warn investors about future performance Photo: Photolibrary.com

By Helia Ebrahimi

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The research, in conjunction with Duke University, claims that 7,000 individual hedge funds managed to misinform their clients about performance results between 2007 and 2011.

The results showed that out of the 18,000 funds tracked, those that had changed historic data after the fact, performed considerably worse than peers with an accurate reporting track record.

The study says that "unreliable disclosures" should work to warn investors about future performance.

The Securities and Exchange Commission, the US regulator, recently adopted new rules requiring "large hedge funds" to report quarterly information to a recently established Financial Stability Oversight Council set up under the Dodd-Frank legislation.

Dr Tarun Ramadorai, from the Oxford-Man Institute of Quantitative Finance, said the research had highlighted the "unreliability of voluntary disclosures" made by hedge funds.

Dr Ramadorai said investors and regulators would be better served if hedge funds had "mandatory, audited disclosures of past performance" which would allow them to "accurately assess the real risks and returns of hedge fund investments".

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