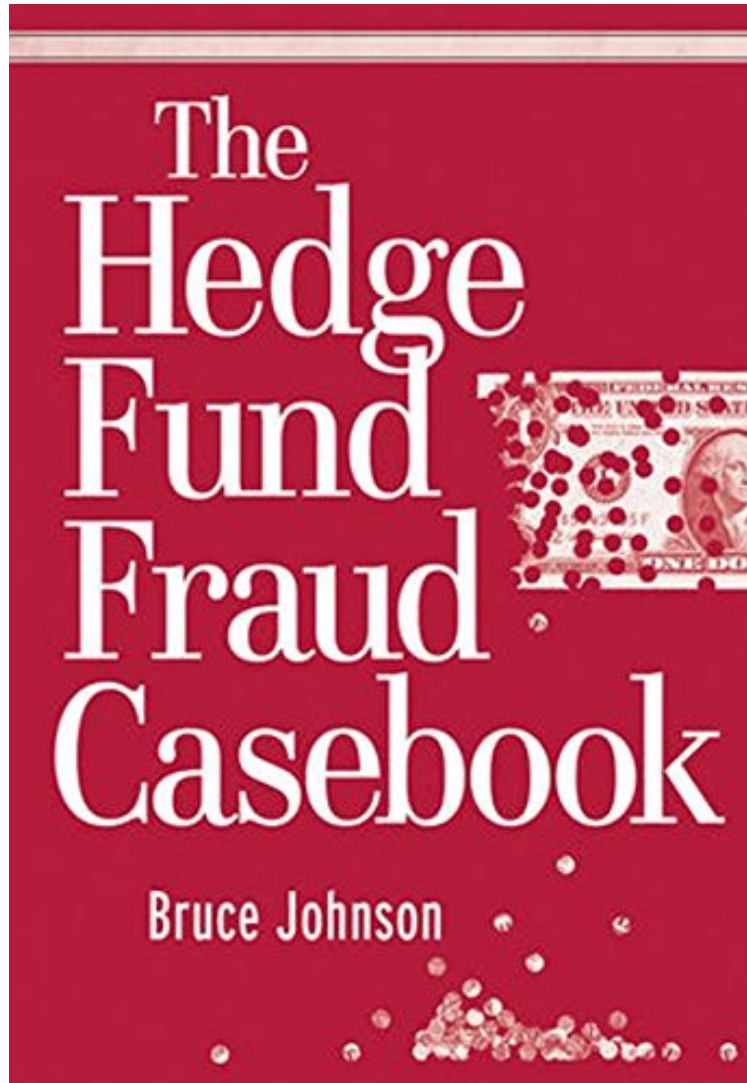


The Hedge Fund Fraud Casebook

Bruce Johnson

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Bruce Johnson : The Hedge Fund Fraud Casebook before purchasing it in order to gage whether or not it would be worth my time, and all praised The Hedge Fund Fraud Casebook:

5 of 7 people found the following review helpful. Not at all what I expected: what you will find inside is By Vox Locus What I expected (wanted!) was an insight into fraud and near/fraud perpetuated by hedge funds. I manage an endowment and receive frequent calls marketing hedge funds and funds of hedge funds. My attitude is that any entity that wants me to invest had better deliver full disclosure of how it operates. Instead, hedge funds operate in essentially unregulated secrecy, self-evaluate their own investments, and in the past have overstated that value to increase fees to hedge fund management. What you won't find in this book is insight into how and why hedge funds go bad. You won't

find useful examples of how to avoid being fleeced by a hedge fund. What you will find are the author's explanation that he got into the field of due diligence auditing because at middle age he wanted to be in an area of finance with little competition for jobs. Pages of a very basic primer on history of stock markets and stock market regulation. Complex charts showing that hedge funds implode when bad returns become public knowledge (duh!). And 100 "cases" of hedge fund fraud. These are short, one page, bare descriptions of what happened to or in the fund. For the most part, they are extracts of public records and court files. Worst, they are often about fraud committed on hedge funds by outsiders (e.g., brokers, auditors) not by hedge funds themselves. This book is not a source for the investor trying to evaluate whether he should invest in hedge fund---or in a particular hedge fund. 0 of 0 people found the following review helpful. The First Reference for Hedge Fund Fraud By AcedOut This book is of historical importance to hedge fund investing in regard to fraud. Most of what people know about fraud in the industry is from memory---either directly reading about a fraud in their preferred periodical, hearing the story from a colleague, or the unfortunate reality of first hand experience. Johnson's book makes a first step in formalizing this information. He has spent a significant amount of time going through articles and filings to collect information on each of the first 100 cases of hedge fund fraud and summarizes them in an easy to read format. He also provides a particularly useful section on legal precedents that each case has set. The author also gives a brief history on the evolution of the legal structure around hedge fund regulation. As someone who works in the industry, but does not have a legal background, I found this illuminating. When coupled with the legal precedents section of each case, I was able to get a good feel for the evolution of the legal aspects of the hedge fund business, both on the regulation side and the legal structuring of hedge fund documents. The downside of the book is that it is light on analysis, and the data analysis present was not particularly convincing. There seemed to be some tiny, but obvious arithmetic mistakes or typos, which perhaps is to be expected in a first print. Moreover, I have a feeling the source documents may have disclosed other pieces of quantitative data about the funds that were omitted for the sake of brevity. It would have been nice to have all the other quantitative data on each case (even though I imagine it would be inconsistent across cases and thus somewhat unorganized) to be put in an appendix of some sort. While reading, it's important to realize some of the data is of limited legal relevance in a modern context. In particular, there are historical cases of fraud in the book that would not hold up in modern times because legal documents are now written in a more strenuous manner to protect the GP. Case 3 in the book would be an example of that, but this point is not explicitly mentioned. In my opinion, the author has both the background and ability to write about such aspects of each case but has refrained from it. I think this is one of the shortcomings of the work that could be easily remedied in an expanded edition. That said, the author has accordingly framed the work as the first step in answering the question why hedge funds fail. In this light, the text is intended to act primarily as a reference book and a platform for future research in the area, which explains the superficial extent of the analysis. The data gathering alone is a truly herculean effort worthy of praise. Like most other practitioners, I only wish he was able to cover the era of exponential growth that occurred in the hedge fund space after 2000. In short, I trust Johnson's qualitative analysis, but I feel that he could have done more with it. And while I thought a few of the numbers were suspect, this is still an important first step in the study of hedge fund fraud. Thus, I would recommend its purchase as a reference. 7 of 8 people found the following review helpful. Detailed research, but a decade out of date.... By Hedgie Bruce Johnson provides a helpful 38 page introduction on the general background to financial industry fraud. However, the majority of the book comprises two page summaries of 100 hedge fund fraud cases. While the analysis is relatively detailed, the information is of limited value to today's hedge fund investors as there is no analysis of any fraud after the year 2000! No Madoff, Bayou, Lipper, Lancer, Beacon Hill, KL Financial etc. Many of the cases which are reported prior to 2000 are obscure, dealing with small commodity pool operators and wealth advisors who would not be considered for investment by a current, institutional allocator. Overall, it seems as if the author has completed a large amount of admirable, detailed research, but has missed the opportunity to comment on fraud over the past decade, when the industry grew from a cottage industry to a global asset class.

An in-depth, well-researched look at 100 hedge fund frauds Compared to mutual funds, hedge funds are the James Bonds of the marketplace. They have been relatively unfettered by government regulation, and they play bigger games, take bigger risks, use unorthodox methods, and have the power to capture the public imagination in a way that their lesser counterparts have difficulty approaching. At once fascinating and startling, The Hedge Fund Fraud Casebook provides readers with a broad knowledge of hedge fund regulation through a look at the first 100 cases of proven fraud at hedge funds. Compiling concrete data on cases of hedge fund fraud, The Hedge Fund Fraud Casebook provides you with a factual foundation for assessing this difficult area of risk. First comprehensive survey of hedge fund fraud including 100 chronological fraud cases Includes descriptions of each case, diagram of the player interaction, and tables detailing monies recovered, fines paid, prison terms, and professional sanctions Useful for both individual and professional investors, particularly given the last eighteen months of fraud and mismanagement among leading financial professionals and companies The Hedge Fund Fraud Casebook provides a hedge fund professional's look at fraud and can help you prevent or avoid similar frauds in the future. It's a vital resource for any hedge fund manager or investor.

From the Inside Flap
The James Bonds of the marketplace, hedge funds are less encumbered by government regulation, less transparent to investors, play more complex games, take bigger risks, and capture the public imagination in a way that their lesser counterparts have difficulty approaching. These unique features have resulted in an increasing scale of losses due to fraud, with no corresponding increases in safeguards available for investors. Devoted to this little-researched yet increasingly crucial area, *The Hedge Fund Fraud Casebook* thoroughly informs those who seek to risk their capital on a rational basis and want to better understand some of the outer reaches of what constitutes rational risk. Divided into two parts, this fascinating look at deception in the hedge fund world begins with a broad appraisal of the context of fraud and of hedge funds, and then presents a compendium of 100 chronologically arranged "cases" beginning with the first known fraud in a hedge fund. It covers: The historic roots of prohibitions against fraud Assumptions regarding events and uncertainties in the mortality of hedge funds Uncertainties and events within the law enforcement system Each involving a hedge fund participant and a formal allegation of fraud, all of the cases have been disposed within U.S. jurisdictions: civil, criminal, or administrative. With an identical page format of facts, charts, tables, and summarized texts provided for each case for easy cross-comparisons, *The Hedge Fund Fraud Casebook* is the first extensive book completely dedicated to this subject. It draws important conclusions as to the nature of fraud in the hedge fund industry, its reasons, its methods, the outcomes, and convincing insights into ways to prevent or predict the crime in advance.

From the Back Cover
Praise for *The Hedge Fund Fraud Casebook* "This book is a startling eye-opener. Bruce Johnson delivers the promised goods and wraps it all in a context of history that itself is fascinating reading. Along with the cases themselves comes the story of the enormous and persistent effort it took to uncover and detail them." John A. Prestbo, Editor and Executive Director, Dow Jones Indexes "This book is an essential read for hedge fund investors and analysts who seek to deepen and enhance their base of knowledge. Extremely relevant due to the current turbulent economic climate, the author exposes the basic elements in the construction of the hedge fund credit model and how it can be implemented to assess the probability of a hedge fund failure. Following this analysis is an in-depth application to the real world in the form of 100 chronologically arranged cases of hedge fund fraud. Following each case is a summary of pertinent facts, charts, tables, and a textual conclusion to better facilitate case analysis. This timely volume will be of importance and much interest to any investor or analyst who wants to further their practical education and augment their personal efficacy." Ho Ho, Quantitative Portfolio Manager, CalPERS "This book is a big dose of realism about the world of fraud and potential fraud that surrounds all of us who take risks for a living. Bruce Johnson has catalogued the key components of each case of fraud over the first thirty-two years of the hedge fund industry. In doing this, he has created the equivalent of a periodic table of the elements for the complex world of financial fraud and hedge funds. This breakthrough represents both a valuable set of insights into the industry as well as an important methodology for studying it. *The Hedge Fund Fraud Casebook* is required reading for anyone who grapples with risk in financial markets." Teresa Barger, CEO, Cartica Capital "Having invested in the markets for over twenty years, I have a deep appreciation for what Bruce Johnson has accomplished in this book. It opens a rare window into the 'dark side' of the often secretive world of hedge funds. This is a well written book that is a must-read for anyone who evaluates and selects hedge fund managers." Jolanta Wysocka, CEO, Mountain Pacific Group, LLC "Bruce Johnson provides a thoughtful analysis of the history of hedge funds in this well-researched book about hedge fund fraud. Careful and thorough due diligence is paramount when selecting any investment product, but in an industry that prizes opacity coupled with high fee structures, investors must rely on specialists with broad market knowledge, historical perspective, and strong analytical skills to ascertain managers with robust organizations, sustainable investment processes, sufficient resources, and a strong back office in order to achieve consistent investment returns. *The Hedge Fund Fraud Casebook* provides an in-depth review of the life cycle of hedge funds and commonalities of behavior that leads to fraud." Julia K. Bonafede, CFA, Head of Wilshire Consulting

About the Author
BRUCE JOHNSON spent more than a decade as a hedge fund practitioner, managing and advising funds. He was CEO of Albourne America LLC, the U.S. arm of Albourne Partners, a hedge fund advisory firm based in London. While at Albourne, Johnson researched new approaches to hedge fund due diligence including the quantitative analysis of "fund failure" and hedge fund credit. After an earlier career as an architect and city planner in New York and London, Johnson has gained twenty-four years worth of experience in finance, including extended postings in Tokyo, Hong Kong, and London. While head of Global Research for Baring Securities, he published an important paper on the future of the Chinese and Indian economies, correctly predicting their current impact on global trade, and also created and managed the first investible global emerging markets equity index.