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Nota di contenuto	Front Cover; Title page; Copyright Page; Table of Contents; Preface and Acknowledgments; About the editor; List of contributors; Part One: Performance; 1 Rank alpha funds of hedge funds; 1.1 Introduction; 1.2 Hedge fund data and biases; 1.3 Factor models for hedge funds; 1.4 Model estimation; 1.5 Rank alpha; 1.6 Optimizing funds of hedge funds; 1.7 Cleaning the covariance matrix; 1.8 Performance analysis of rank alpha portfolios; 1.9 Conclusion; References; 2 Funds of hedge funds: bias and persistence in returns; 2.1 Introduction; 2.2 Database; 2.3 Methodology; 2.4 Descriptive statistics 2.5 Bias analysis2.6 Persistence in performance; 2.7 Conclusion; References; 3 Replication and evaluation of funds of hedge funds returns; 3.1 Introduction; 3.2 The KP efficiency measure; 3.3 Evaluation results; 3.4 Distributional analysis; 3.5 Conclusion; References; 4 Performance, size, and new opportunities in the funds of hedge funds industry; 4.1 Introduction; 4.2 Experimental framework; 4.3 Factor model for fund of funds; 4.4 Sample formation; 4.5 Performance

decomposition of FOF portfolios; 4.6 Principal components of FOF returns; 4.7 Conclusion; References

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7.4 Distribution of returns and potential biases; 7.5 Asset-based style factors; 7.6 Mean excess return and Sharpe ratio comparisons; 7.7 Fung and Hsieh model alphas and information ratio comparisons; 7.8 Correlation with traditional asset returns and lagged equity return comparisons; 7.9 Conclusion; References;

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Part Two: Diversification, Selection, Allocation, and Hedge Fund Indices

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10 Style analysis of funds of hedge funds: measurement of asset allocation and style drift; 10.1 Introduction; 10.2 Sharpe's model for style analysis; 10.3 Data set; 10.4 Hedge fund classification; 10.5 Accuracy of Sharpe's model; 10.6 Measuring the style drift; 10.7 Conclusion; References; Appendix

11 Gains from adding funds of hedge funds to portfolios of traditional assets: an international perspective

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## Sommario/riassunto

With about 450 billion in assets, funds of hedge funds are the most recent darling of investors. While hedge funds carry high risk for the promise of high returns they are designed for the very rich and for large institutional investors such as pension funds. A Fund of Hedge Funds (FOF) spreads investments among a number of hedge funds to reduce risk and provide diversification, while maintaining the potential for higher than average returns. Odds are that some pension fund of yours is invested heavily in these products, and more recently these FOFs have been opened to more and more individ

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