

# Hedge Funds: A Dynamic Industry In Transition\*

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## Abstract

The hedge-fund industry has grown rapidly over the past two decades, offering investors unique investment opportunities that often reflect more complex risk exposures than those of traditional investments. In this article we present a selective review of the recent academic literature on hedge funds as well as updated empirical results for this industry. Our review is written from several distinct perspectives: the investor's, the portfolio manager's, the regulator's, and the academic's. Each of these perspectives offers a different set of insights into the financial system, and the combination provides surprisingly rich implications for the Efficient Markets Hypothesis, investment management, systemic risk, financial regulation, and other aspects of financial theory and practice.

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