

A \$12 billion asset manager wants out of the hedge fund ‘fee racket’

South African money manager Sygnia Ltd. closed all its hedge-fund products, ending a 13-year history with an investment strategy its chief executive officer now calls a ruse to pocket fees.

“Once you know that the emperor has no clothes you cannot in good conscience support what has become a management-fee racket,” Chief Executive Officer Magda Wierzycka wrote in an opinion piece in Johannesburg-based daily newspaper, Business Day.

While investors ignored the fees managers were charging during bull markets, this has changed with the onset of regulations that forced hedge funds to convert into mutual funds and adopt more transparent fee structures, Wierzycka argued. The end of quantitative easing and cheap money flowing into emerging markets has also brought a period of outflows and negative, volatile market returns, she said.[...]

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