



# Hedge Funds: Past, Present, and Future

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## Abstract

Assets managed by hedge funds have grown faster over the last ten years than assets managed by mutual funds. Hedge funds and mutual funds perform the same economic function, but hedge funds are largely unregulated while mutual funds are tightly regulated. This paper compares the organization, performance, and risks of hedge funds and mutual funds. It then examines whether one can expect increasing convergence between these two investment vehicles and concludes that the performance gap between hedge funds and mutual funds will narrow, that regulatory developments will limit the flexibility of hedge funds, and that hedge funds will become more institutionalized.

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