

# Hedge funds 'misrepresent facts' – wh.

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The [FT has reported](#):

*One in five hedge fund managers misrepresents their fund or its performance to investors during formal due diligence investigations, [research from New York University's Stern School of Business](#) suggests.*

The research is likely to be a further blow to the reputation of a battered industry, which has faced increasing demands for transparency from investors in the wake of the credit crisis.

Using confidential data taken from 444 due diligence reports commissioned by investors between 2003 and 2008, academics at Stern analysed the extent to which hedge fund managers' representations about their funds differed from reality. Managers most commonly misrepresented the amount of money they had entrusted to their funds, their performance and their regulatory and legal histories, according to the research.

There's a not a shadow of a doubt what 'misrepresent facts' means here. It means lie. It's just Justice Eady and his draconian interpretation of the truth — which is that it must not be stated — that prevents newspapers telling it as it is on such matters.

Well, I will — and if it's off to Court 13 in the Strand that I have to go — so be it. Misrepresenting facts is lying. So why not say so?

And this abuse was not amongst the small funds, or from new managers:

*Covering funds with up to \$8bn in assets under management and managers with an average of 19 years of experience in the industry, the data captures some of the most prominent hedge funds in operation.*

Nor were the errors minor:

*As well as analysing the occurrence of falsehoods, Stern's academics also sought to gauge its severity and its implications. Researchers looked specifically at instances*

*where funds had been in some form of regulatory or legal trouble in the past and found that nearly one in six managers either underplayed or denied the existence of such problems.*

Let's say what's actually happening: there is a systemic culture of falsehood in a material part of this sector sufficient to cast doubt over the credibility of all it says. But they resist regulation supported by those like Boris Johnson , who [get into office](#) on the back of the 'donations' they made to his campaign: a ruse about as dishonest as the sector itself. And, all in all, yet more evidence of corruption in the corporate elite.