

## Looking Ahead To 2013: The Hedge Fund Industry Speaks (Part I)

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We expect more of the same on the economic front: additional quantitative easing programs and money printing around the world. This means a low-growth environment in the U.S. while the deleveraging process continues.



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With the elections behind us and recent peak in companies' earnings we are cautious about U.S. equities and thus will focus our work on managers that have a net exposure of 20-40% and have a proven ability to make money by shorting stocks. To diversify our exposures we will be looking for opportunities with event-driven managers that have a focus on credit/special situations expertise and can invest across the capital structure. Another area of focus may be global macro strategy with managers that have exposure to interest rates, FX and commodities and a low exposure to equity.

We think Europe has turned a corner and that there are some attractive opportunities in equities and loans. That is not to say there won't be volatility in the markets but we will be looking to increase exposure to the region.

And last, we continue to believe that emerging and smaller managers will outperform the large and more established funds.