

# The Alpha Rich List Got 15% of Everything

There's been plenty of press coverage of the Top 25 hedge fund earners recently, of David Tepper's \$3.5 billion haul and so on. But it's probably even more striking to estimate what portion of total hedge fund returns these guys took home. It goes like this:

Last year the industry began with \$1.8 trillion in AUM and finished with \$2 trillion (BarclayHedge), so that's \$1.9 trillion in average assets under management (AUM) for the year; the 5.5% net return to investors (HFRX) was worth \$103 billion. The Alpha 25 made their money both from fees and their own investments in their funds. Let's make the generous and simplifying assumption that average hedge fund fees are 2% with no incentive fee. Fees were therefore \$38 billion. So gross hedge fund investment profits (i.e. before fees) were \$141 billion.

The Top 25 retained about 15% of the entire industry's gross profits. What a fantastic haul! That leaves the other 85% for the investors who provided most of the capital, not including of course the cut for the rest of the hedge fund industry that's not actually in the Top 25. It's a great business.