

According to the Modern Portfolio Theory, any investor can moderate his/her portfolio risk by adding different investment asset classes regardless of level of volatility. As such, including hedge funds to an existing portfolio for purposes of diversification seems very reasonable. What is unreasonable is that existing law prevents the ordinary or small investor from participating in hedge funds or other private equity funds. Only the wealthiest individuals have this option. The proposed law would further shrink this privileged group.

What is the purpose of this new regulation? Does this mean that one's net worth determines one's intelligence or ability to understand the world of financial market? How are the risks associated with hedge funds more than the risks inherent in any investment? We have seen the 'average investor' lose their entire retirement fund as a result of numerous stock and mutual fund scandals. How is investing in a hedge fund any different?

There is no reason to believe that smaller investors cannot understand hedge fund strategies, if properly explained. If investors can understand the risks involved with individual US stocks, foreign stocks, commodity futures, currencies, options, mutual funds, and real estate, etc. why assume we cannot understand hedge fund strategies?

I would submit that the issue is one of equal access. This country is based on capitalism and individual choices. Let me, the individual make the choice to invest in a hedge fund or not. Why does the government believe it knows better? Why should only 1% of the wealthiest population have access to something the 99% of us don't, just because they have a certain net worth. This kind of regulation reflects of paranoia and elitism at its worst. Rather than limiting access to hedge funds, the regulations should allow all Americans access, not just to the wealthiest 1%.