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Looking Ahead to 2012: The Hedge Fund Industry Speaks

Nobody can say for sure what lies ahead, but FINalternatives Senior Reporter Mary Campbell asked some industry experts to give us their best guess as to what 2012 will bring for markets generally—and hedge funds in particular. Here's what ***Christopher Tsai****, President and CIO of* ***Tsai Capital Corporation****, had to say:*

Unless the European liquidity and solvency issues are resolved, markets will remain exceptionally volatile in 2012, and the correlation between most asset classes unusually high. If the issues are not resolved, markets will decline meaningfully. However, governments would once again react by offering additional "solutions." Any sell-off will therefore be followed by a rally.

Tsai Capital's outlook represents a dangerous situation for short sellers, and for long participants who are short-term oriented. At the same time, in 2012, the market will likely provide exceptional opportunities for investors with dry powder and a multi-year time horizon.

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