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William Freedman

Hedge fund managers be warned: Investors may be watching you more closely than you think.

Hedge fund managers be warned: Investors may be watching you more closely than you think. In the wake of blow some of the industry's highest-profile funds, and given their vivid memories of past hedge fund scandals, investors homework on potential managers than ever before.

"Background checks are becoming standard practice for institutional investors," says Guy Simonian, CEO of West Connecticutbased CheckFundManager.com -- an investigative firm that caters to institutional investors, capital len equity firms and funds of hedge funds. "The trend is toward recurring due diligence and annual background invest

According to Simonian, one out of every six investigations raises some sort of red flag, a third of which involve sor enough to make investors walk away. These range from regulatory infractions and criminal records to the fabricati employment or educational histories. Investigators also try to uncover managers' own financial problems, looking f filings, judgments or liens, pending lawsuits -- or even just bad press.

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