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## Hedge Fund Clones

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## [-] Abstract and Keywords

The hedge fund replication refers to the process of replicating a statistical model or algorithmic trading strategy. There are two main methods of replication. The first method, factor replication, is a top-down approach where the hedge fund's exposures are replicated using various statistical methods. The second method, rule-based replication, is referred to as rule-based replication. The article aims to analyze hedge fund strategies and implement these with automated trading systems to replicate desirable distributional properties of hedge funds. The underlying assumption of factor replication method is that the hedge fund's return is driven by a set of common risk factors. The dynamic trading approach involves trading assets such as mean, volatility, and correlation of hedge fund returns. The return time-series of hedge funds are not exactly replicable. The implementation of dynamic trading involves three steps: 1) define desirable dependence structures relative to hedge fund returns, 2) define the reserve asset as the dependent variable, and 3) define the investor's portfolio. The final and third step is to define the payoff function.

**Keywords:** [hedge fund replication](#), [statistical model](#), [algorithmic trading](#), [time-series](#)

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