

Hedge fund assets increase in second quarter

Hedge fund assets under management increased in the second quarter of 2016, recovering the decline from the previous quarter and rising above year-end 2015 to reach the third highest quarterly capital total on record, HFR's Global Hedge Fund Industry Report reveals.

Total capital allocated to hedge funds rose to USD 2.898 trillion as of June 30, an increase of USD 42.06 billion during the quarter. The current capital level was only surpassed in Q1 2015 and Q2 2015, at which time capital peaked at a record USD2.969 trillion, before falling into year-end 2015.

Among the different sub-strategies tracked by HFR, event driven strategies had the largest capital gains during the quarter, although solely driven by performance-based gains as the strategy experienced net investor outflows.

Similarly, fixed income relative value arbitrage strategies also posted performance driven gains nearing the record level experienced in the second quarter 2015.

Macro hedge funds gained 1.68 per cent in the second quarter according to HFR, increasing total capital invested in the strategy to USD 557 billion. The best performing sub-strategy in the macro category was the systematic/diversified CTA index. CTA assets rose to USD 270 billion during the quarter, also its highest level since Q1 2015.

Hedge fund capital allocated to the largest strategy by assets, equity hedge, rose to USD 813.9 billion in the second quarter although remaining below the year-end level of 2015. Investors allocated USD 2.4 billion of net new capital to equity market neutral funds in 2Q, bringing 1H inflows to USD5.0 billion for this sub-strategy, though these were offset by outflows from Fundamental strategies over the quarter and entire first half of 2016

Capital flows to hedge funds were dominated by smaller names in the second quarter while large hedge funds, managing above USD 1 billion, experienced net outflows.

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