

61 per cent of hedge funds report outflows in October

Investors redeemed an estimated USD14.2 billion from hedge funds in October, bringing year-to-date outflows to USD77.0 billion, according to eVestment's latest Hedge Fund Industry Asset Flows Report, HedgeWeek.com reports.

The report reveals that the breadth of redemption pressure in October was the industry's largest in 2016 with 61 per cent of reporting funds estimated to have net outflow during the month.

The last five months have accounted for the majority of the industry's redemptions in 2016, a time frame which aligns with investors' processes for analysing 2015 results, and taking actions on those decisions.

Redemptions from managed futures were the largest in nearly two years as performance issues began to impact investor sentiment, while commodity strategies saw their second consecutive month of outflows.

Event driven funds took the biggest hit among major strategies, with USD4.49 billion in outflows in October, bringing YTD outflows to USD38.22 billion, almost double the USD19.38 billion these funds lost in 2015.

What bright spots the industry saw among major strategies were in distressed and broad multi-strategy funds which saw positive flows of USD580 million and USD550 million respectively.

"Hedge funds continue to face difficult times, but the USD3 trillion industry is not on the verge of disappearing," writes eVestment. "Savvy institutional investors have more choices, more technology and more influence on their side than ever before. The largest allocators may find it more cost effective to bring resources in-house rather than to pay high fees for mediocrity, while others may turn to replication strategies, or ETFs, but also increasingly to private markets which hold the perception that value has more potential to be realised, and manager expertise is more critical in that process.

"The result for the hedge fund industry, for now, appears to be stagnation at best, and slow erosion at worst. What may provide hope to the industry is a change which can disrupt the homogeneity of public markets over the last several years. There are sparks of change emerging over the globe, but whether professional discretion can prevail is not yet evident."

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