Performance Pushes Hedge Fund Assets to New Record Despite Outflows

Stockholm (HedgeNordic) – Hedge fund industry assets ended the first half of 2018 at a new record level for the eight-consecutive quarter despite investors pulling out capital following four straight quarters of net inflows for the industry. According to the Hedge Fund Research (HFR), the global hedge fund industry manages $3.235 trillion in capital as of the end of June, after a quarter-over-quarter increase of $20.6 billion.

Hedge fund investors redeemed an estimated $3.0 billion in the second quarter of 2018, with last quarter's net redemptions being the first since the start of 2017. Macro hedge funds suffered the highest net outflows during the three-month period ending June 30, with $2.8 billion leaving the pool of capital assigned to macro strategies. These outflows were partly offset by inflows enjoyed by equity hedge funds, which saw net capital allocations of $2.4 billion during the second quarter. Event-driven and relative value arbitrage managers suffered net redemptions of $1.5 billion and $1.1 billion, correspondingly.

The redemptions appear to have been triggered by the underwhelming performance delivered by global hedge funds in the first quarter of 2018, during which the HFRI Fund Weighted Composite Index recorded a monthly loss for the first time since March 2016. Despite the industry recording net outflows in the second quarter, hedge fund assets under management increased to a new record on the back of performance gains in April and May. HFR's fund-weighted composite index gained 0.79 percent in the first half of 2018, outperforming most global equity markets. Although the HFR index beat the Dow Jones Industrial Average in the first half of the year, it lagged the Standard & Poor's 500 stock index, which advanced 2.65 percent.

> "Performance and capital flow trends shifted and evolved in 2Q18, as managers and investors adjusted to the impact of trade tariff financial market volatility and continued strong U.S. economic growth, driving capital flows into Equity Hedge and performance gains across M&A-centric Event Driven strategies, as well as specialized Technology exposures," HFR president Kenneth Heinz was quoted in a press release.
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> "The combination of trade tariff volatility and strong U.S. corporate earnings has contributed to an expanded opportunity for specialized, long-short investing in these areas, with particular emphasis on technology, manufacturing, media and retail sectors," added Heinz.

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