

Investors Redeem USD 22 Billion from Hedge Funds in Q4

Stockholm (HedgeNordic) - Investors redeemed an estimated \$22 billion (0.7 percent of industry capital) in the fourth quarter of 2018 according to the HFR Global Hedge Fund Industry Report. This marks the highest quarterly outflow since the third quarter of 2016. Most of the outflows were concentrated to equity hedge strategies while event driven saw inflows.

The fourth quarter net asset outflow brings the full-year capital outflow to \$34 billion and decreases total hedge fund capital to \$3.11 trillion, down from the prior quarter record of \$3.24 trillion, the HFR report states.

Some hedge funds were hit harder than others. According to HFR, about two dozen hedge funds experienced outflows greater than \$500 million during the quarter.

Most of the capital was pulled from equity hedge funds with approximately \$16.8 billion exiting that strategy. On average, equity hedge funds' performance fell 8.3% during the fourth quarter, bringing their average full-year performance to -6.9%, according to the HFRI Equity Hedge (Total) Index.

The pain of some hedge funds was another's gain. About one dozen hedge funds saw net inflows of greater than \$500 million during that period. Event-driven funds, particularly those that focus on distressed/restructuring, saw inflows. Event-driven funds, in aggregate, fell 2.35% in 2018.

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"Hedge fund outflows in 4Q were driven by several factors, most notably investor reaction to steep losses in traditional asset investments and the sharp spike in equity market volatility leading to redemptions. However, outflows also included several large fund closures from early 4Q (pre-equity market declines in Oct & Dec), including instances of family office conversions and orderly, manager-initiated returns of investor capital, with all of these representing a stark contrast from the panic-driven redemption from the 2008 Financial Crisis," stated Kenneth J. Heinz, President of HFR.

HFR follows nearly 7,000 hedge funds. Some estimates put the total number of hedge funds at around 10,000 to 15,000.

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