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Hedge Fund Investors Still Wary, Want Bargains - Hedgebay

LONDON -(Dow Jones)- Investors remain wary of putting money into hedge funds and won't pay full price for secondary stakes, according to data Monday from Hedgebay, a secondary trading market which lets individuals and institutions buy and sell hedge fund shares.

The average discount on stakes sold in June was 10%, making it the sixth consecutive month that all transactions on the platform were at a discount to net asset value. Before the financial crisis picked up steam a year ago, the average discount was only 1.5%, and Hedgebay regularly recorded trades at prices above net asset value - typically reflecting demand for hedge funds not open to new investment.

Hedgebay said the average discount grew in June, from 8% in May, but has fallen from its 20% high in March.

"On the whole, trading patterns indicate that investors do not believe the fundamentals of the market have changed. The fact that the average discount increased again in June shows that hedge funds are not nearly out of the woods yet," said Elias Tueta, co-founder of Hedgebay.

Hedge funds have had a strong year, with the average fund returning more than 12% in the seven months to July 31, according to Hedge Fund Research Inc. But after average losses of more than 19% in 2008, investors remain cautious.

Using Hedgebay is one of the few ways investors can get in and out of hedge funds quickly, since most funds only take new subscriptions and redemption requests quarterly. The market also lets investors try to unload stakes in funds which have put redemptions on hold or are in the process of being wound down.

Company Web site: www.hedgebay.com

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08-11-090722ET

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