

## Demand for second-hand hedge funds reaches new lows

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The average price of hedge fund positions traded on the secondary market fell to new lows in December, despite the industry enjoying its best year of performance in a decade.

Units in hedge funds traded on Hedgebay in December, averaged a face value of 79.78%, according to figures released today by the private exchange.

Allowing for some optimism going into December, following the strong performance during the year, investors were willing to accept larger discounts in order to get rid of positions and start 2010 with a clean slate, according to Hedgebay co-founder Elisa Tueta.

In what is perhaps a reflection of this, private equity was the second most-traded strategy for the month, after credit.

The liquidity crisis has led more hedge fund investors to sell positions on the secondary market, with this becoming a more commonly-used alternative to the traditional method of allocating and redeeming.

Hedgebay initially functioned as mode of access to sought-after managers that were otherwise closed to new investors, but following mass outflows from hedge funds, most managers are still open to investors and getting access is now less of an issue.

Tueta believes that this will continue in the near future and said that it is unlikely that many trades will take place at, or close to, the net asset value of the position, with investors instead focusing on getting rid of illiquid positions.

The average hedge fund returned 18.6% last year, according to the Credit Suisse/Tremont hedge fund index.