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# GLOBAL PENSIONS

## Investors again turn profit on secondary hedge fund market

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[David Walker](#)

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GLOBAL – Investors in hedge funds selling their stakes on secondary markets have turned a profit on their holding for the first time in 18 months, demonstrating growing investor interest in the asset class.

Last month, one hedge fund stake changed hands via online exchange HedgeBay at a premium to net asset value - the first time an investor paid over the odds on HedgeBay since August 2008.

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The buyer, identified only as an "institutional investor" by HedgeBay, paid 102% of the stake's prevailing NAV to the fund of hedge funds that was selling it. The stake was in a commodities-focused hedge fund.

Elias Tueta, founder of HedgeBay, said institutional investors such as pension funds have shown increasing interest in HedgeBay as a way of buying into funds.

As Lehman Brothers collapsed in September 2008, hedge funds lost 6.8% of their value, beginning a 14.5%, six-month fall. During this period, about 35% of them curbed redemptions.

This left pension funds and other investors no way out but to offload stakes directly to rivals - but in March 2009 they took a 20% haircut on NAV to do so.

Hedge funds made 20.1% last year, portfolio liquidity improved, and sellers stopped stomaching such discounts holding out for near-NAV prices.

The average discount for sales via HedgeBay now is 8.5%.

Tueta said some investor's confidence in the markets and in certain managers has returned "in sufficient strength to allow them to feel comfortable transacting close to and above NAV".

Additionally, prominent funds Lansdowne Partners' UK Equity fund and Nevsky Capital are among those who have closed to new investors after topping up assets, although Nevsky has since announced a forthcoming change to its management. BlueCrest Capital Management recently signaled it could close its popular BlueTrend computer-driven fund to new investors soon.

As funds are capped, investors have only secondary markets to buy in.

However, Phil Irvine, co-founder of pension consultants PiRho Investment Consulting, said parts of the industry struck by illiquidity in the crisis remain under pressure.

"There are a lot of managers who have held out their liquidity restrictions, estimated to be approximately 20% of the industry," he said.

"In some senses these funds are like the walking dead, and I would not be surprised if they do not manage to continue."

Other data from HedgeBay suggests some funds do not find great demand from buyers.

One hedge fund stake changed hands in February for just 32% of its prevailing NAV.

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