

Trading volume accelerates in March on Hedgebay

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The volume of trading on the secondary market reached a year to date high in March, according to Hedgebay. The index has also shown repeats of last month's premium trade, the first in nearly two years, confirming investors' eagerness to seek out quality hedge fund assets.

The March edition of the Hedgebay Secondary Market Index showed the highest number of trades completed so far in 2010. Hedgebay believes that the increased transaction frequency is indicative of investors having greater confidence in both the managers and future results.

Elias Tueta, co-Founder of Hedgebay, said: "To some degree, the premium trade last month was a watershed for the secondary market. The emergence of trades at premium over NAV indicates that investors have become more comfortable with specific managers and with the market as a whole. Trust has returned to the market as far as quality liquid hedge fund assets are concerned, and we have seen the previous caginess around asset valuation disappear to an extent."

Tueta also attributed the higher volume to the continuous focus on portfolio clean-up. For this category of less liquid assets, the average price of completed trades dropped to 85% from 91% in February. Hedgebay believes that the higher volume shows a renewed determination among investors to clean their portfolios, in order to make the most of the burgeoning recovery of the hedge fund industry - which is most clearly demonstrated by strong asset flows in the primary market and the premium trading on the secondary.

"The premium trades, and those at close to NAV, are being closed by what we'd describe as the cash-raising investors on the secondary market. Many investors though are still focussed on getting rid of unwanted assets and starting again with a blank slate. In some cases in March we saw whole products, or even businesses being wound up on the secondary market. The volume of trades completed indicates that investors are especially determined to go forward with clean balance sheets, in order to take full advantage of the hedge fund market recovery. The process of an industry-wide clean up still has some way to go, but if the prevailing investor attitude of March continues, we may soon be at a stage when we can talk about investors tweaking their portfolios, rather than cleaning them".