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Discounted Hedge Fund Assets Rise In Q1

Negative market sentiment and the need for liquidity has seen the pricing of hedge fund shares plummet over the past six months, according to a new report.

The latest figures from secondary hedge fund market provider Hedgebay Trading Corp., which matches buyers and sellers of hedge fund interests and other illiquid alternative investment assets, show that despite a 20% year over year increase in trading of hedge fund assets through March 31, not one trade occurred at, or above, net asset value. This compares with over 92% of trades occurring at NAV, or higher, in 2003, a massive decline in just five years.

Elias Tueta, Hedgebay's co-founder, said that the real issue in terms of demand is not the availability of cash, but rather the lack of conviction investors have about the state of the markets. He said this phenomenon can be broken down further into two categories: performance and risk.

“Investors are trying to sort out which strategies will succeed in the short to medium term and to anticipate any liabilities - either in the form of further redemptions or possible capital calls from private equity commitments. Given the current level of volatility, these are incredibly difficult calls to make.”

Notwithstanding the general negative sentiment in the investment universe, Tueta said bottom selling hasn't occurred yet and he does not believe a bottom has been put in on the markets or for prices of shares in the hedge fund secondary market.

“There have been no fire sales yet which leads me to believe that there will be a new low at some point in the future,” he said. “A bounce in the market, like the one we experienced in March, might be a golden opportunity to monetize positions. Investors who share this expectation should have limited sensitivity to pricing, as the pricing environment is likely to get worse before it gets better.”

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