

Hedge funds post modest gains in December, say index providers

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Two of the six strategies covered by Dow Jones Hedge Fund Indexes posted net-of-fees gains in December, and four of the six were up in the fourth quarter of 2007, periods during which US and international equities lost ground.

Equity long/short and equity market neutral gained 1.64 and 1.02 per cent respectively in December, while the other strategies tracked by Dow Jones experienced declines ranging from 0.20 per cent for convertible arbitrage to 0.82 per cent for distressed securities.

In the final quarter of the year equity long/short gained 3.17 per cent and equity market neutral 1.90 per cent, while merger arbitrage (0.92 per cent) and convertible arbitrage (0.05 per cent) also posted modest gains.

Dow Jones says the year was kind to equity long/short and merger arbitrage strategies, enjoyed with double-digit gains of 19.79 and 16.12 per cent in 2007. Event-driven finished the year up 5.58 per cent, while convertible arbitrage and equity market neutral delivered with 2.63 and 1.54 per cent respectively.

Distressed securities ended the year with totally flat performance, with decent returns in the first half of the year completely reversed by declines of 3.97 and 2.56 per cent in the third and fourth quarters respectively.

The Dow Jones Hedge Fund Strategy Benchmarks figures for December are based on daily estimates net of fees. Final performance figures are scheduled to be published toward the end of this month.

Singapore-based hedge fund research firm EurekaHedge says its Hedge Fund Index gained 0.9 per cent in December, bringing returns for 2007 to a healthy 13.6 per cent. The main contributors were CTA/managed futures and macro funds, which finished the month up by 1.8 per cent and 1.2 per cent respectively, making some of their gains from the surge in prices of oil (up 8.6 per cent) and precious metals (gold and silver rose by more than 7 per cent).

Long/short players finished the month up 0.8 per cent, benefiting mainly from short positions amid high volatility across equities, with the MSCI World Index finishing the month down 1.3 per cent. Emerging market-focused managers returned 1.6 per cent, benefiting partly from equities in Russia (up 3.9 per cent) and emerging Asia, as the Shanghai Composite Index ended the month up 8 per cent, while Indian stocks rose by 4.7 per cent.

North American managers were up by 0.7 per cent despite persisting fears of a US economic slowdown and the attendant investor risk aversion. Eurekahedge says this was partly down to the outstanding performance of CTAs in the region, which returned 3.2 per cent. European managers finished the month down by a bare 0.3 per cent, while Japanese managers averaged a decline of 1.2 per cent, the result of factors such as poor earnings in the financial sector.

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