

Dow Jones sees most hedge fund strategies regain ground in May

13.06.08

Five of the six hedge fund strategies covered by Dow Jones Hedge Fund Indexes posted net-of-fees gains in May. With net-of-fees gains of 1.58 per cent for the month, event-driven remains the best-performing strategy for the year with a return so far of 2.86 per cent.

Equity long/short improved its standing among the strategies with a strong performance during the month May, posting a return of 5.18 per cent, and ranking second on a year-to-date basis with a 2.11 per cent return.

Merger arbitrage rounded out the top three, finishing the month with a respectable gain of 1.68 per cent and pushing its performance for the first five months of the year to 1.46 per cent.

The bottom three strategies were nearly flat for the month. Equity market neutral posted the only loss for the month with a decline of 0.07 per cent, pushing its 2008 deficit to 0.54 per cent.

Distressed securities and convertible arbitrage both posted small net-of-fee gains, but remain distant laggards from the other strategies with losses so far in 2008 of 3.72 per cent and 5.93 per cent respectively.

The May figures for the Dow Jones Hedge Fund Strategy Benchmarks are based on daily estimates net of fees. Final performance figures for the month will be available toward the end of June.

The Eurekahedge Hedge Fund Index returned an estimated 2.1 per cent in May, despite persistent inflationary concerns in the underlying markets. Managers across most regions made healthy gains from equities (2.5 per cent), both on the long and short books, as suggested by the month's 1.1 per cent return for the MSCI World Index.

Trend-following strategies such as CTA/managed futures and macro also fared impressively, both gaining 1.9 per cent and largely benefiting from the surge in the price of crude oil, among other commodities, while shorting currencies such as the euro and yen against the US dollar also proved profitable.

All regions - with the notable exception of Asia ex-Japan - turned in impressive gains during the month, with Eastern Europe and Russia (8 per cent) and Latin America (2.9 per cent) recording the best returns as they benefitted from factors including exposure to equities in their respective regions.

MSCI's Eastern Europe index rose 12.7 per cent, while its Latin American index returned 9.1 per cent during the month. Equities in both regions received strong support from rallying commodities, while Fitch's upgrade of Brazil to investment grade also boosted the latter.

In the developed markets, North American and European managers registered returns averaging 2.5 and 2.7 per cent respectively, making decent gains from regional equities, currencies and commodities. Japanese managers achieved gains of 2.7 per cent for the month, compared with an increase of 3.6 per cent in the Topix index. Exposure to small and mid-caps, the outperformers in May, accounted for a portion of the month's gains.

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