

Hedge funds down in June but not out

By Darren Stubing on Thursday, July 17, 2008

In a month which saw the Morgan Stanley World Index down by a colossal 8.1 per cent, hedge funds saw a decline of just 0.5 per cent, a comparatively good result.

As with the traditional managers, long strategies in equities were hit hard.

However, these were balanced again by exposure to commodities, together with currency movements for those shorting the dollar. For the year to date, the Eureka Hedge Fund Index is flat.

North American and European focused hedge funds performed relatively well, finishing June down just 0.1 per cent and 0.2 per cent respectively, based on the Fund Index, with those gaining benefiting from short strategies and commodity exposure.

Once again, Asian hedge funds had a difficult month, falling by 3.6 per cent. Sell-offs across stock markets hit fund valuations. Asia ex-Japan-focused allocations were down by 4.4 per cent, as both China and India fell in the month by double-digit figures. The Asia, excluding Japan, is down by a substantial 12 per cent for the year to date. Developed economies such as Hong Kong, Australia and New Zealand also fell sharply in the months.

Bonds and fixed income funds achieved a mixed performance in June, reflecting the twin factors of inflationary pressures and equity declines on the bond markets.

Treasury yields in the US rose in the first half of the month but then declined on the decreased likelihood of an interest rate increase.

The yield on the US 10-year Treasury note was down by seven basis points for the month.

Commodity focused hedge funds performed well in the month as energy prices rose significantly on the back of supply issues, tension in the Middle East, and a weaker US dollar. Other commodities such as grains also had a strong month. Precious metals like gold and silver rose by four per cent each.

For the first half of 2008, commodity trading head funds and futures were the clear winner, rising by nearly 14 per cent.

Copyright © 2008 Emirates Business24|7