Hedge funds well positioned for next 2 months: Eurekahedge

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Ankur Samtaney of Eurekahedge said redemptions situation has eased off and is not as bad as it was during the previous two months, when the industry saw outflows of almost about USD 100 billion. “Going forward, for the next two months, although the markets seem a little uncertain, I am sure hedge funds are well positioned for the uncertainty. So, I don’t anticipate too much of redemptions coming in for the next two months,” Samtaney said.

Here is a verbatim transcript of Ankur Samtaney’s exclusive on CNBC-TV18. Also watch the accompanying video.

Q: What do you expect to see between now and the end of the year from the hedge fund universe?

A: Seeing the way things have gone in the past, hedge fund managers have totally outperformed the markets, at least over the last two months. The last month, the MSCI World Index was down about 20% or so. Commodities were also down about 18% but hedge funds lost just about 5%.

Based on these kinds of movements, the movements in November for the month-to-date are still discouraging. But we do expect managers to make some gains at least off the commodity and currency markets. Shorting commodities and trades in favour of the yen and the US dollar can largely be fruitful.

Q: Specific to the emerging market hedge funds, there have been fears of large-scale annual redemptions kicking in. Are you seeing that as well?

A: Definitely. The emerging markets haven’t done as badly as the underlying markets. On an absolute basis, we have still seen losses, which to some extent explain the redemptions that we have seen. But on the whole, the emerging market Index is down about 20%, which is still largely outperforming the underlying equity markets.

In terms of redemptions, talking about India in particular, we’ve seen redemptions of about 20% for the year-to-date. But on the whole, the index is in line with the underlying markets, of about 50% down.

Q: I believe you track nearly 2,000 funds. You expect to see almost 700 go out of business by the end of the year. Is there any specific genre for these hedge funds and give us an idea of the size? Are they just margin players or are we talking about some substantial players as well?

A: In terms of hedge funds going bust, it is not exactly a scene of a lot of funds going out of the industry. There are funds that are losing money in terms of redemptions and losses. But there are as many new launches that we are seeing. Like for the first nine months of the year, we have seen almost 200 new launches, which is almost equal to the number of liquidation or fund closures that we have seen over here.

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In terms of strategies of fund closures, most of them would presumably be from long-shot equities, because that is one of the asset classes that has consistently taken a hit throughout the year.

Q: Do you get the sense that hedge funds are adequately provided in terms of cash for whatever redemption requests might come or do you think more cash headroom needs to be created before December 31?

A: Redemptions for the coming period will not be as bad as what we have seen over the last two months. The industry saw outflows of almost about USD 100 billion.

But going forward, for the next two months, although the markets seem a little uncertain, I am sure hedge funds are well positioned for the uncertainty. So, I don't anticipate too much of redemptions coming in for the next two months.

Particularly about cash levels, since redemptions are expected to be not as bad as the last two months, hedge funds are pretty much managing it well.

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