Hedge funds still suffer negative cash flow

By Editor Test *Mon, Dec 17, 2012*

Regarding the 'fiscal cliff,' 43.8% of hedge fund managers recommend some tax increases coupled with large spending cuts, according to BarclayHedge and TrimTabs Investment Research.

Hedge fund investors redeemed a net $10.8 billion (0.6% of assets) in October, reversing a combined $9.8 billion inflow for August and September, according to BarclayHedge and TrimTabs Investment Research.

Based on data from 3,040 funds, the *TrimTabs/BarclayHedge Hedge Fund Flow Report* estimated industry assets at $1.8 trillion in October, down 26.1% from the June 2008 peak of $2.4 trillion.

"From a cash-flow standpoint, the hedge fund industry has been losing ground for the past year," said Sol Waksman, founder and president of BarclayHedge. "October's redemptions pushed year-to-date outflows to $13.7 billion and 12-month outflows to $22.9 billion."

The November 2012 TrimTabs/BarclayHedge Survey of Hedge Fund Managers found that fund managers' bearish sentiment on the S&P 500 had reached a 12-month high, just a month after bearishness dipped to a 12-month low.

Conducted in mid-November, the survey of 89 hedge fund managers also sought their views on the impending "fiscal cliff." About three-quarters recommend a combination of lower spending and higher taxes, and the largest segment, 43.8%, urged some tax increases coupled with larger spending cuts.

Though the flow picture worsened in October, hedge fund investors reaped a net 0.21% gain in October while the S&P 500 Index fell 1.98%, TrimTabs and BarclayHedge reported.

During the past 12 months, the top 10% performing funds took in $4.8 billion and posted a median gain of 23.5%, beating a 15.9% increase in the S&P 500. The worst 10% performing hedge funds experienced outflows of $6.3 billion with a median 11.2% loss, underperforming the industry by 1,543 basis points. The top 40% of hedge fund performers had outflows of $3.0 billion while the bottom 40% saw outflows of $25.2 billion.

TrimTabs and BarclayHedge reported that the hedge fund industry gained 6.1% year-to-date while the S&P 500 Index rose 12.3%, and earned 4.2% over the past 12 months while the S&P rose 15.9%

The *Hedge Fund Flow Report* noted that over the past 12 months, the top three hedge fund strategies (Fixed Income, Multi-Strategy, and Macro) took in $43.6 billion while the bottom 10 strategies gave up $64.8 billion, yielding a net outflow of $21.1 billion.

Equity-related hedge funds continued to underperform the S&P 500 over the past 12 months, Mirochnik said. Equity Long Bias, the best-performing stock-based strategy of the bunch, returned 4.8% from November 2011 through October 2012, lagging the S&P 500 by 1,112 basis points in the same time.

Of the eight global categories tracked by BarclayHedge and TrimTabs, funds based in China/Hong Kong topped the October performance list at 1.6% while Japan-based funds fared worst at -0.6%. Latin America funds had the worst outflows at 17.1% of assets in October, 26.4% y-t-d, and 29.1% over the past year, despite posting gains in all three time horizons.