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Long/short equity investor interest drops during Q1

by *Jasmin Leitner* - 27 February, 2014

Keywords: [Search](#), [Strategy](#),

Interest in long/short equity strategies has more than halved during Q1 2014 compared to the final six months of 2013 as investors diversify their focus, research by VantagePoint Alternative Investments has found.

The boutique third party fund placement group notes that just 16.2% of investors have expressed an interest in the strategy this year so far, compared with a third in H2 2013, with equity market neutral, macro and multi-strategy funds seeing an uptick in requests instead.

VantagePoint’s report highlights that distressed strategies are also garnering more interest, with 11.3% investors requesting the strategy in Q1 versus 7.2% over the last half of 2013.

“While the second half of 2013 was dominated by requests for long/short equity and equity event driven, strategy interest in

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early 2014 have been more diversified,” the report noted.

“We have seen people increasing their searches for equity market neutral, macro, and multi-strategy funds in the beginning of this year.”

It added: “Distressed has also been a key focus for certain investors who are looking to capitalise on European and emerging markets volatility. We have also seen a slight uptick in relative value strategies as investors shy away from major directional bets.”

Research released on Thursday by BlackRock Alternative Advisors also indicates that hedge funds can expect a new wave of institutional money this year on the back of strong industry performance. A survey of 87 the world’s largest investors, with AuM of \$6trn, found a net 15% would be increasing their hedge fund spend in 2014.

“For many years, people saw hedge funds as homogenous, high risk and high return investments comparable with risky asset classes like equities, but this view has changed,” Mark Woolley, head of European and Asian hedge fund research, noted.

“Many institutional investors are using hedge funds as sources of differentiated risk exposure and returns that are uncorrelated to traditional markets,” Woolley said, adding that they see good opportunities in direct lending, arbitrage strategies, long/short equities and distressed debt.

Figures from data provider eVestment show that investors have favoured equity over credit strategies for the last four months, adding an estimated \$13.8bn to the space at the start of 2014.

Distressed strategies attracted \$430m in January; equity market neutral funds saw inflows of \$130m while event driven funds saw their largest monthly inflow in three years, attracting \$5.1bn during the month.

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