Fordham University
Alternative Investments Club

January 2017 AIC Research Update

Hedge Funds

In January, Hedge Funds overall rose 1.43%, based on the Preqin composite index. Since it was the first month of the new year, YTD returns are the same. The investment strategy with the highest returns for the month was the equity strategy, which grew 1.92%. This strategy focuses more on picking individual companies rather than depending on macroeconomic conditions or other special situations. The weakest performer was the macro strategy, which grew a mere 0.42%. This strategy bets on macroeconomic trends and is less correlated with equity markets. The industry is facing a difficult period of outflows and in January investor pulled out roughly $5.2 billion. This follows $100 billion of outflows from hedge funds in 2016, the highest number since the financial crisis.

For more hedge funds data: Preqin

Private Equity

The Red Rocks Global Listed Private Equity index (GLPE) yielded a 3.66% return in the month of January, up 0.79% from the month prior. This represents the single highest monthly return since this past July, indicating strong optimism for the private equity industry moving forward in 2017. On a side note, there are 164 first time funds active in the market, collectively searching for around $197B in commitments. This combined with further observation of existing funds has shown that most funds are open to investments mainly from developed regions, and are not too interested in capital from the developing world (Preqin).

For more private equity data: Alps Red Rocks PE

Real Estate

The FTSE NAREIT Composite Index had a monthly and YTD return of 0.25% in January 2017. By the end of 2016, the market saw decreasing supply which led to higher prices in the commercial market but more so in the housing market. Some of the change had to do with a decrease in the supply of labor (thus increasing the price), which extended project timelines. Median sale prices of homes increased about 7.1% in January, making it even harder to buy homes. On top of that, the effects of rising rates increased the borrowing cost (mortgages) of buying a home.

For more real estate data: FTSE EPRA/NAREIT

Commodities (Agriculture, Metals, Oil)

In the month of January, crude oil prices traded with low volatility and edged to a lower range as investors weighed the signs of increasing US output against cutback by OPEC. Natural gas had a harsher start to 2017 than normal with warmer than usual North American weather for late January/early February slowing heating demand. Gold rose despite a falling US dollar and is perceived as a safe haven against economic risks due to the uncertainty surrounding the trajectory of President Trump's policies. Corn, wheat, and soybeans increased within 1-3% range in January.

For more commodities data: DBIQ Optimum Yield Diversified Commodity Index

Equities

In January, the S&P 500 Total Return Index was up by 1.79%. Politics proved to be a stronger influence on markets than economic indicators. US Equities were the highlight of the month with continuing optimism over tax reform and increased infrastructure spending from the new administration. The S&P 500 and the Dow Jones reached all-time highs with the blue-chip index surpassing the 20,000 level for the first time. The VIX Short-Term futures ETF declined by almost 24% in January, but moved up towards the end of the month after risks arose due to controversial campaign trail pledges by President Trump starting to gain traction.

For more equities data: S&P 500

Fixed Income

The BAML Corporate Bond Index had a 0.25% return in January. This somewhat poor performance can be partially attributed to an extraordinarily bull equities market, which has caused some investors to chase higher returns. However, there are still investors who are looking to invest in bonds due to uncertainty in Europe, specifically the unrest surrounding the support of France's anti-EU presidential candidate and some uncertainty around the new government in the US.

For more fixed income data: BofA Merrill Lynch Corporate Bond Index