Event Driven Managers See Signs of Rebound

By Lydia Tomkiw
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Negative investor sentiment and redemptions have plagued the event driven hedge fund strategy space this year, but now the segment is seeing an uptick in hiring for distribution roles and better performance, presenting a possible opening for a marketing rebound.

The event driven space saw a bump in distribution hiring in the third quarter, beating the previous two quarters combined, according to data from **Context Jensen Partners**, which tracked 231 marketing moves during the third quarter. There were 17 event driven fund hires during the third quarter compared to four during the second quarter.

"The challenging macroeconomic climate and market volatility has led to an increase in price dislocation and other event driven opportunities," said **Sasha Jensen**, CEO of Context Jensen Partners, in an email. "As some feel this trend towards greater volatility may continue for the foreseeable future… investors are eager to capitalize on these opportunities. As usually happens, an increase in attention from allocators on mandates increased hiring in investor relations departments to service investors/clients."

Firms that pushed the hiring charge included **Anchorage**, **AUG Asia** and **Toscafund**, according to Jensen.

Event driven strategies posted gains in October, with **HFR** attributing the performance to increased merger and acquisition activity, including high profile deals between AT&T and Time Warner and with **General Electric** and Baker Hughes.

Hedge Fund Distribution Hires by Strategy

Event driven strategies saw 17 marketing hires in the third quarter.

Q1 2016		Q2 2016		Q3 2016	
Strategy	Number of hires	Strategy	Number of hires	Strategy	Number of hires
Equity	61	Equity	37	Equity	46
Credit	42	Credit	52	Credit	28
Multi-Strat	33	Multi-Strat	30	Multi-Strat	24
Global Macro	26	Global Macro	28	Global Macro	10
CTA	16	CTA	10	CTA	8
Event Driven	10	Event Driven	4	Event Driven	17
Fund of Funds	23	Fund of Funds	8	Fund of Funds	6

Source: Context Jensen Partners

But with other merger and acquisition moves that have failed to materialize, including recent speculation over a possible purchase of **Twitter**, investors want to see evidence of longer term performance prospects, which still makes it a hard space to operate in, says **Kanwar Singh**, an analyst at **Hamersley Partners**, a third-party marketing firm.

"[A]re there sufficient arbitrage opportunities?" he says.

Event driven strategies have seen year to date returns of 6.13%, according to **eVestment**.

Despite stronger performance in 2016, many event driven funds are still dealing with asset outflows stemming from past poor performance. Overall, the hedge fund industry has seen net outflows of $29.2 billion so far this year, with event driven strategies a big contributor, including nearly $6 billion in outflows in the third quarter alone, according to data from eVestment.

"[A]sset flow decisions on the part of investors could have been made months ago and are hard to unwind once made. Event-driven funds looking to capitalize on their strong performance this year should be doing more in the marketing realm to attract assets from new investors and keep assets (and perhaps grow assets) from existing investors," said **Mark Scott**, a spokesperson for eVestment in an email.

That marketing push should start when performance takes a turn for the worse, to prevent what could be even greater outflows, says **Bob Callaghan**, partner at **Pursuit Capital Marketing**.

"When there's a redemption wave it's hard to stop it or plug that hole," he says. "If you're having a bad performance patch, you need to focus on your existing customer base so as not to lose them."

A further increase in marketing hires geared toward event driven strategies could be in the pipeline following the U.S. presidential election, with possible merger and acquisition activity in the healthcare and biotech sectors, which were anticipating greater regulation if Hillary Clinton had been elected.

"[W]ith a pro-business Trump, perhaps event driven funds see an opportunity to advertise their differentiated source of alpha," said **Mohammad Hassan**, a senior analyst for **Eurekahedge** in an email to FundFire.