

# Hedge Fund Alert

THE WEEKLY UPDATE ON FUND MANAGEMENT INTELLIGENCE

## Administration Exec Snares Asset Forecast

Flash back, if you will, to the end of 2021.

The global pandemic had raged for a second year. Supply-chain snarls persisted. Inflation had been rising for months. On Ukraine's border, Russia had amassed more than 100,000 troops.

And yet financial markets mainly displayed a collective shrug. The S&P 500 Total Return Index shot up 4.5% that December, capping a remarkable 27.6% gain for the year. Digital-asset investors had reason to remain giddy, with the HFR Cryptocurrency Index up 240.6% on the year despite some worrisome signs.

Respondents to **Hedge Fund Alert's** annual outlook survey late that year could be forgiven for feeling positive, with the 86 participants projecting, on average, that total industry assets would grow by 9.6% in 2022.

Then there's **Anthony Mascia**, who went deep against the grain in predicting a 7.3% decrease in assets. That pick made Mascia – a co-founder and partner of New York-based **Essential Fund Services International**, which provides hedge fund managers and other investment firms with a range of fund-administration services – the winner of the newsletter's yearly asset-projection competition.

The industry had \$3.4 trillion under management entering December, down 6% from \$3.62 trillion at yearend 2021, according to the latest figures by **Nasdaq eVestment**. Nearly nine out of 10 survey-takers had expected assets to increase last year.

A former commodity trader who was a member of the **New York Board of Trade**, Mascia likes to pay attention to supply and demand in every aspect of life.

“To me the economy felt overbought, and things didn't feel like they were going to get any stronger in 2022. Hence the roughly 20% drop in the markets,” he noted. “We have been living in a 0% interest rate environment for many years now, and that was going to have to change. I thought people were going to be concerned about the global economy and would want to take some money off the table.”

Mascia has a more positive outlook for industry assets in 2023, predicting a 7.8% jump. That is more than the 4.9% increase projected by the 91 respondents in the latest survey.

“I actually believe the hedge fund space will start to get its groove back in 2023,” he said. “It's been playing second to the private equity world for a number of years now. That doesn't mean assets will increase in 2023, but may in 2024 because we will see some good returns out of hedge fund managers.”

In 2021, industry assets increased 7.7%, close to the 8.9% predicted by that year's prescient Hedge Fund Alert poll takers. The \$3.62 trillion in industry assets at yearend 2021 was the most on record by eVestment.

After sinking to \$1.41 trillion during the financial crisis in 2008, hedge fund assets had gained every year through 2017 – including double-digit increases of 12% in 2012 and 17% in 2013 – before the industry contracted by 2.7% in 2018. ■