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24 JAN 2024 Nye Longman

London FoHF seeks early stage managers amid strong gains

Headstart beats peers with gains of over 20% in three out of four years

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Headstart Advisers is looking to allocate to emerging hedge funds amid strong performance for the London-based FoHF.

Headstart's flagship gained 3.4% in December, putting it up 20.3% for the year and well ahead of peers in recent years. This came after returning 20.6% in 2022, 11.9% in 2021 and 20.8% in 2020.

The \$132m firm is looking to allocate to young hedge funds that can provide capacity rights, fee discounts and have founders' share classes still available, Headstart CIO Najy Nasser told With Intelligence.

"Looking back at over 20 years in business, we will typically go with a newly launched manager that we know from elsewhere – perhaps we know them from their pedigree at a multi-strat or have dealt with them at their previous firm before they spin out," he added.

Headstart's new launches and early-stage manager allocations have the potential to become core holdings but alongside uncorrelated returns they must be able to consistently demonstrate strong liquidity, risk and portfolio construction, as well as identifiable and repeatable processes.

Running its FoHF out of London since 1999 has allowed Headstart to build a network providing preferential access to new launches and blue-chip managers.

"We like to think we are the first to get the call from top prime brokers when they have a new launch. Headstart has been able to get in early into some real household name hedge funds with significant performance and management fee discounts that nobody would be able to get now," Nasser said.

While the firm is open to new hedge funds of most strategies, its 30-35-strong portfolio has recently been focused on arbitrage, tight-net long/short equity, and global macro – as well as long volatility for downside protection.

Headstart tends to shy away from sector and country specialists, as well as crypto hedge funds and some emerging markets.

Alongside its new launch holdings and core blue-chip hedge funds portfolio, Headstart also makes opportunistic allocations where it sees short to medium-term themes playing

out.

Funds of hedge funds tracked by With Intelligence were up 6% in 2023, after losing 1.4% the previous year.