

Welcome to the latest edition of Hedge Fund Spotlight, the monthly newsletter from Preqin providing insights into the hedge fund industry, including information on investors, funds, performance and more. Hedge Fund Spotlight uses information from our online product Hedge Fund Online, which includes Hedge Fund Investor Profiles and Hedge Fund Analyst.

September 2015
Volume 7 - Issue 7

FEATURED PUBLICATION:

2015 Preqin Alternative Assets Performance Monitor



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Hedge Fund Spotlight

September 2015

Feature Article

Is Bigger Always Best? A Closer Look at Effect of Size on Hedge Fund Industry

Using Preqin's new fund size benchmarks on [Hedge Fund Analyst](#), together with the results of our interviews with approximately 300 hedge fund managers, we analyze the effect that fund size has on the overall hedge fund industry by looking at performance, terms and conditions, and the fund sizes institutional investors are looking for.

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On the Network This Month

In this feature, we examine the activity of the investors on Preqin Investor Network to see which fund types, strategies and regions are of current importance to investors, as well as which institutional investor types have been proactively looking at funds in August.

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You can download all the data in this month's Spotlight in Excel.

Wherever you see this symbol, the data is available for free download on Excel. Just click on the symbol and your download will begin automatically. You are welcome to use the data in any presentations you are preparing; please cite Preqin as the source.

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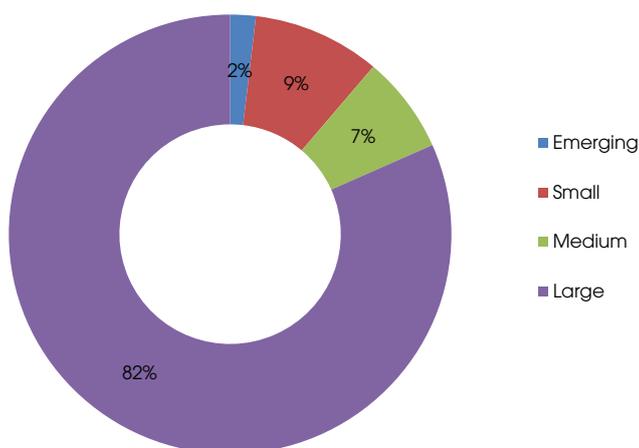
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Is Bigger Always Best? A Closer Look at Effect of Size on Hedge Fund Industry

Using Prequin’s new fund size benchmarks on [Hedge Fund Analyst](#), together with the results of our interviews with approximately 300 hedge fund managers, we analyze the effect that fund size has on the overall hedge fund industry by looking at performance, terms and conditions, and the fund sizes institutional investors are looking for.

Fig. 1: Hedge Funds: Proportion of Institutional Capital Invested in Each Fund Size Category



Source: Prequin Fund Manager Survey, June 2015 and Prequin Hedge Fund Analyst

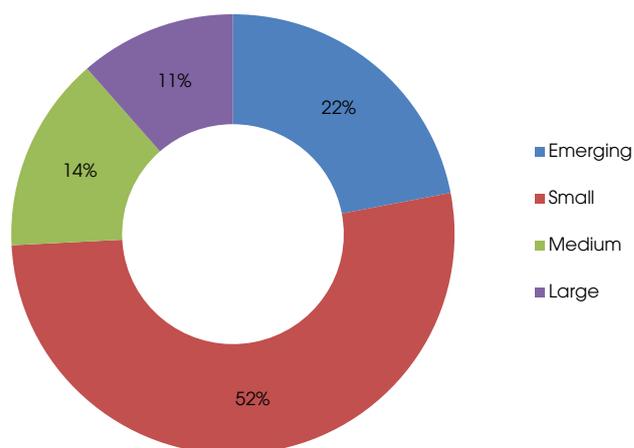
Fund Size Category Definition

Category	Fund Size
Emerging	Less than \$100mn
Small	\$100-499mn
Medium	\$500-999mn
Large	\$1bn or More

In July, Prequin added a new series of benchmarks to our [Hedge Fund Analyst](#) online service. These benchmarks, which assess the performance of hedge funds based on the size of the fund, can be used in tandem with our strategy, regional, structural and currency benchmarks. Following the launch of these benchmarks, Prequin has turned its attention to the effect of size on the industry, as we take a look at what size funds institutional investors look for, provide a breakdown of the industry by size and look at how the performance of hedge funds varies by fund size. The results found in this study are based on Prequin’s award-winning Hedge Fund Online service and June interviews with approximately 300 hedge fund managers.

Prequin’s [Hedge Fund Manager Outlook](#) recently revealed that 66% of capital in the industry today is sourced from institutional investors. As shown in Fig. 1, over four-fifths of institutional capital is invested in hedge funds which have at least \$1bn in assets under management (AUM). Although the large majority of institutional capital is concentrated in the largest funds, investors retain an appetite for smaller funds. Fig. 2 shows the breakdown of investors by their minimum AUM requirements of hedge funds before they will consider investing in them. Just 11% of investors will consider investing exclusively in funds with more than \$1bn in AUM. Although

Fig. 2: Breakdown of Hedge Fund Investor Universe by Minimum AUM Requirements



Source: Prequin Fund Manager Survey, June 2015 and Prequin Hedge Fund Analyst

a relatively small proportion (22%) will consider investing in funds with less than \$100mn in AUM, over half (52%) have a minimum requirement that lies between \$101mn and \$499mn.

Looking at the minimum AUM requirements by investor type (Fig. 3), again, excluding funds of hedge funds, it is private wealth organizations or those institutions that have larger or more sophisticated hedge fund portfolios that are most likely to invest in smaller funds. Fifty percent of wealth managers and 38% of both endowments and family offices will consider investment in the smallest funds (those with less than \$100mn in AUM). In contrast, only 6% and 7% of private sector pension funds and foundations respectively will consider emerging funds, in terms of minimum AUM.

These results suggest that even though institutional investors are putting large amounts of capital to work in the biggest funds in the industry, a smaller investment in smaller funds is still a common option for many investors.

Large Funds Have the Most Attractive Risk/Return Profile

With over 80% of all institutional capital invested in funds with more than \$1bn in AUM, it is important to assess how these funds are faring in terms of performance. When looking at returns on a risk-adjusted basis, funds with more than \$1bn in AUM have produced the highest three-year annualized return (as of 30 June 2015) with the lowest volatility (Fig. 5). Funds with less than \$100mn in AUM, in contrast, have produced the lowest three-year annualized returns (as of 30 June 2015) with the highest level of volatility. The rolling three-year Sharpe ratio of all hedge funds, regardless of size, has been increasing since mid-2014 (Fig. 4). As of June 2015, large



funds, those with more than \$1bn in assets, have the highest three-year Sharpe ratio (2.84), its highest over the period examined. In fact, large funds have shown the best performance over the past 12 months (to June 2015), which has led to their rolling three-year Sharpe ratio to overtake that of small and medium sized funds.

When looking at funds in the range of \$100-999mn, it is those in the first part of this group that exhibit the more attractive risk-adjusted returns. Funds of \$100-499mn exhibit higher three-year annualized returns (+10.05% to 30 June 2015) with a comparable level of volatility to funds in the range \$500-999mn.

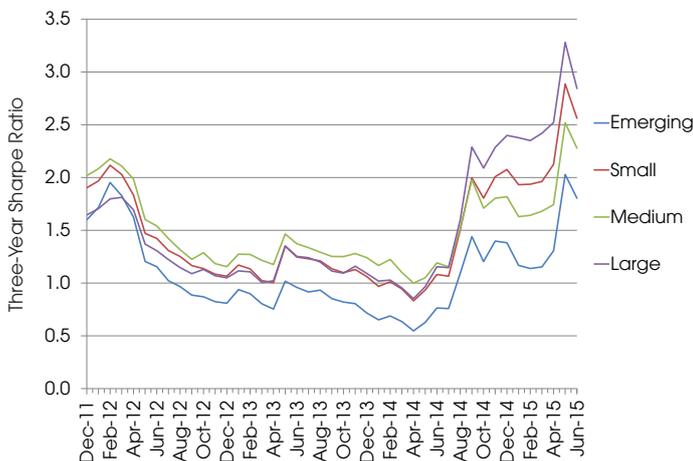
Large funds have built up assets over many years; the average track record of a fund with assets of \$1bn or more is 12 years. These funds were able to distinguish themselves from their peers when they were smaller, in terms of better returns, which investors rewarded with capital commitments. Therefore, in the larger fund groups there has been selection for the better performing funds on an absolute and risk-adjusted basis, a reason why this group as a whole performs better than their smaller counterparts.

Smaller Funds Can Offer More Favourable Terms and Conditions

If the largest funds are currently offering better risk-adjusted returns than funds with less than \$1bn in AUM, why are investors continuing to consider investment in smaller funds? As shown in Fig. 6, the distribution of 12-month returns of large funds is more concentrated, with 50% of funds exhibiting returns between 1.88% and 11.74% over the 12-month period to June 2015. In contrast, small funds show a greater dispersion of returns with both greater minima and maxima. Therefore, in the smaller categories there will be a large number of new funds, some of which will underperform and potentially liquidate as they fail to meet expected return requirements. Although some smaller funds will underperform, there are also funds distinguishing themselves through better performance compared to funds of all sizes (Fig. 5).

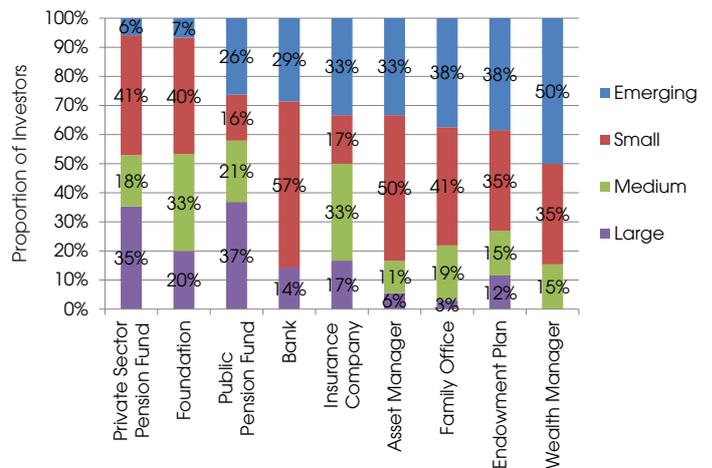
Owing to their strong risk-adjusted returns, longer track records and greater investor appetite for larger funds, these vehicles can demand higher management and performance fees (Fig. 7). In addition, a larger proportion of these funds are closed to new investment as they are at full capacity. Smaller funds, those with less than \$500mn in assets, also typically charge lower fees and a

Fig. 4: Hedge Funds: Rolling Three-Year Sharpe Ratio by Fund Size



Source: Preqin Hedge Fund Analyst

Fig. 3: Breakdown of Minimum AUM Requirements by Hedge Fund Investor Type



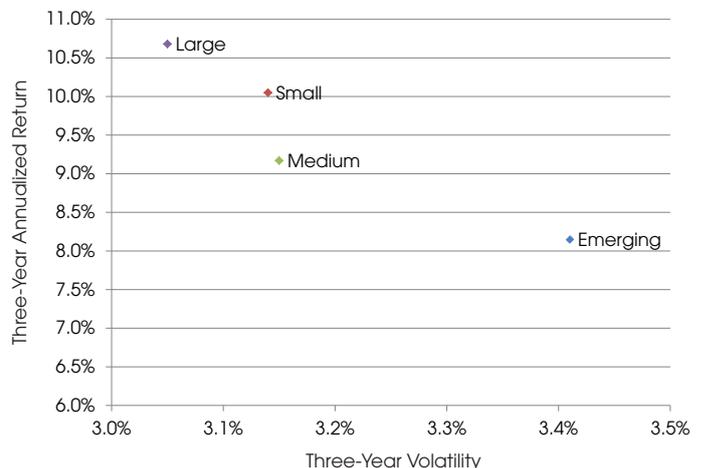
Source: Preqin Fund Manager Survey, June 2015 and Preqin Hedge Fund Analyst

greater proportion are open to investment (Fig. 7). Therefore when investing in smaller funds, investors will be trying to pinpoint those funds that are outperforming their peers and also invest in funds that may have lower fees than their larger counterparts. As an early investor in a fund, an institution may retain these favourable terms and conditions if the fund grows due to its success.

Outlook

The hedge fund industry has continued to grow over the first half of 2015. Today Preqin estimates that industry assets have surpassed \$3.1tn and institutional capital accounts for almost two-thirds of this sum. The bulk of this institutional capital is invested in the largest funds (more than \$1bn in AUM). In total, this group represents 9% of all funds in the hedge fund industry today; therefore a large amount of capital is invested in a relatively concentrated group of funds. Currently this capital is well invested: as of 30 June 2015, funds with more than \$1bn in assets have the highest three-year returns and the lowest volatility. However, investors retain an interest in smaller funds, with nearly three-quarters of institutional investors stating a minimum AUM requirement of less than \$500mn.

Fig. 5: Risk/Return Profile of Hedge Funds by Fund Size (As at June 2015)

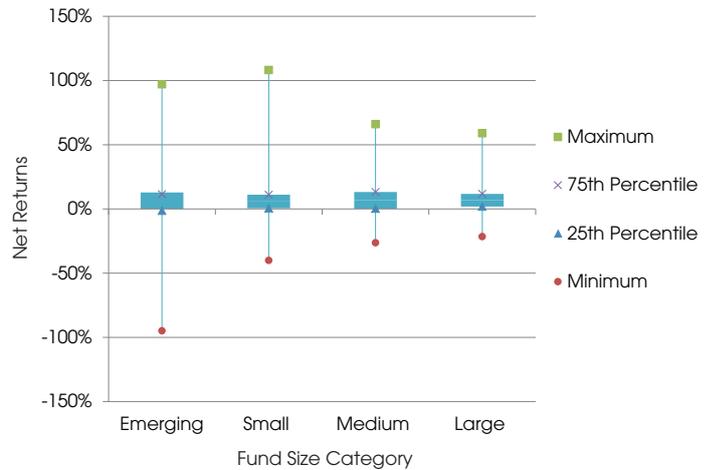


Source: Preqin Hedge Fund Analyst



These investors can access funds that have the potential to generate the highest returns, which often come with a lower level of fees. Fundraising is competitive in the smaller fund groups; Preqin estimates that about 85% of all funds in the industry today have less than \$500mn in AUM. For investors it is a challenge to identify small funds that can meet their long-term, risk-adjusted return objectives. For fund managers it may be difficult to stand out from the crowd. It is important for managers navigating the difficult fundraising environment of 2015 to understand the varying levels of competition among funds of different sizes and the levels of appetite seen among investors for different sizes of fund.

Fig. 6: Dispersion of Hedge Fund Returns by Fund Size



Source: Preqin Hedge Fund Analyst

Fig. 7: Hedge Funds Open to Investment and Mean Terms and Conditions by Fund Size

Fund Size	Proportion of Funds Open to Investment	Mean Management Fee (%)	Mean Performance Fee (%)	Mean Lock-up Period (Months)	Mean Redemption Frequency (Days)
Emerging	95%	1.55	18.84	12.7	51
Small	92%	1.59	19.32	14.3	65
Medium	84%	1.62	19.73	14.6	73
Large	82%	1.63	19.70	14.5	104

Source: Preqin Hedge Fund Analyst

Data Source

Preqin's **Hedge Fund Analyst** contains fund-by-fund and industry level performance data for more than 12,000 funds, with 8,200 reporting monthly returns, providing you with a true market overview. Compare funds to specific segments of the market, including by strategy, fund structure, geography and now also by fund size classification, using the fully customizable benchmarks function.

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Kenneth Musick, SIO
Teachers' Retirement System of the State of Illinois

Ken is leading Absolute Return and Diversifying Strategies for the \$40 billion Teacher's Retirement System. He is primarily responsible for developing investment strategy and policy for absolute return strategies.



Howard Leedham MBE, CEO
Dalma Capital

Howard is one of the pioneers of hedge fund management in the UAE. From setting up the first hedge fund in the DIFC, Howard Leedham heads the Dalma Capital Global Platform for managing various fund types including Private Equity, Hedge Funds, Fund of Funds, Venture Capital Funds and Shariah Compliant Funds.



Hala Fadel, Partner
Leap Ventures

Hala is a portfolio manager for European Equities at Comgest, a €16bn equities fund. She is also an angel investor in start-up companies in the Middle East and Europe. The four Leap partners have founded and scaled eight companies leading to over US\$2 billion in exits, varying from trade sales, to private equity sales to IPOs.



Roy Sher, Founder & Managing Partner
ISAM

Roy Sher is a member of the ISAM Systematic Investment Committee and of the ISAM Executive Committee. He is the CIO of ISAM Multi-Strategy. He also performs a risk oversight function for ISAM Systematic.

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Editor's View - Industry News

In this month's Industry News, we look at the hedge fund allocations of private and public sector pension funds, the key performers this month in both the emerging and large fund categories, and notable fund launches over August.

Preqin's recent [Hedge Fund Manager Outlook](#) found that, according to fund managers, private sector pension funds have been the most active institutions in increasing investment in hedge funds over the first half of 2015. To a lesser extent, public pension funds have been increasing their investment in hedge funds: 26% of hedge fund managers with funding from these retirement schemes reported higher inflows over the first half of the year from this group, compared to 6% that reported the opposite.

One such public pension fund, [San Mateo County Employees' Retirement Association \(SamCERA\)](#) has increased its combined target hedge fund allocation from 9% of assets under management (AUM) to 11%. The California-based pension fund is currently conducting due diligence on a number of funds. SamCERA currently holds three multi-strategy, single-manager hedge funds in its investment portfolio and has an allocation to the asset class of approximately \$260mn.

Canada-based public pension fund [OPTrust](#) is looking to commit approximately CAD 100mn across multiple hedge fund strategies in the next 12 months. The pension fund seeks direct single-manager funds that can provide exposure to managed futures, Asia multi-strategy or global event driven.

Notable Performance

Of the emerging funds (less than \$100mn in AUM) launched in 2015, [Rcube Systematic Alpha Fund](#) has one of the highest monthly net returns for July 2015, posting 6.71%. The fund employs a systematic managed futures strategy.

Of the large funds (over \$1bn in AUM) [Golden China Master Fund](#) has reported an annualized three-year return (as at 31 August 2015) of 31.10%, more than four times the 7.72% of the Preqin All-Strategies Hedge Fund benchmark. The fund's strategy is long/short equity with a long bias, investing in companies that derive most of their revenues from China.

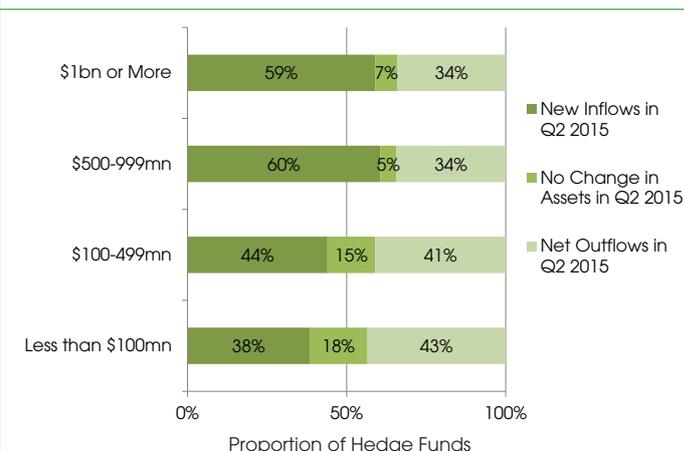
New Fund Launches

Launched on 10 August 2015, [VL China Fund](#) is an event driven hedge fund. The fund will invest in a diversified portfolio of companies whose primary business focus is on China. The fund is managed by [VL Asset Management](#), which manages one other fund, [VL Champion Fund](#), which has posted an annualized three-year return of 14.53% as of July 2015.

Newly established [Anato Investment Group](#) launched its maiden fund, [Anato Opportunity Fund](#), on 1 August 2015. With 2/20 fees and a minimum investment of \$2mn, the fund will invest in residential and commercial mortgage-backed securities that are distressed. Anato plans on giving one-fifth of its proceeds to charity once the fund has reached \$25mn in AUM.

Hedge Fund Asset Flows by Fund Size

Chart of the Month: Hedge Fund Asset Flows over Q2 2015 by Fund Size



Source: Preqin Hedge Fund Analyst

Our Chart of the Month is taken from the [Preqin Special Report: Hedge Fund Manager Outlook](#), released in August 2015. The report takes a closer look at hedge fund managers' views on the first half of 2015 and the outlook for the rest of the year based on Preqin's surveys with approximately 300 fund managers and data taken from Preqin's [Hedge Fund Online](#). The chart takes a closer look at asset flows in the first half of the year, based on fund size. As our feature article shows, over 80% of institutional capital is currently invested in funds with more than \$1bn in assets under management. These large funds have continued to be successful in Q2 2015, with 59% of funds in this group seeing inflows, compared to 34% that suffered outflows. On the other end of the spectrum, the smallest funds (those with less than \$100mn in assets) have had a difficult second quarter. Thirty-eight percent of funds gained net positive capital flows; however, a larger proportion (43%) witnessed outflows.

Also newly established, [Cat Rock Capital](#) launched its maiden fund, [Cat Rock Capital Partners](#), on 1 August 2015. The fund is a long/short equity vehicle that focuses on investment opportunities in the industrials, media and technology sectors. The fund will primarily invest in long and short global public equity securities. The fund is structured as a master feeder with a Delaware-domiciled onshore feeder fund and a Cayman Islands-domiciled offshore feeder fund.

Do you have any news you would like to share with the readers of Spotlight?

Send your updates to spotlight@preqin.com and we will endeavour to publish them in the next issue.



A comprehensive guide to the performance of alternative assets

The [2015 Preqin Alternative Assets Performance Monitor](#) provides unrivalled insight into the performance of alternative assets funds, analyzing performance data for over 20,500 funds.

This year's new and expanded edition includes:

- Top performing funds, most consistent managers and 'funds to watch'
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- Analysis of funds across different strategies and geographies by vintage year
- Public Market Equivalents (PME) – compare private equity performance relative to public markets
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More from Preqin: New Hedge Fund Research

In addition to our monthly Spotlight newsletters and publications, Preqin also publishes special reports and daily blogs covering all alternative asset classes. Read on to see what's new from Preqin this month in the hedge fund universe.

Blog of the Month

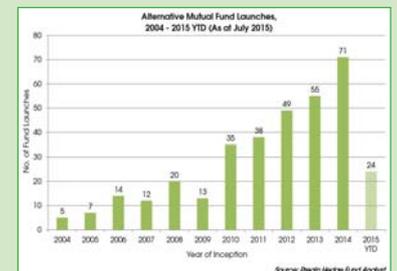
[Alternative Mutual Fund Launches on the Rise over Recent Years – August 2015](#)



Alternative mutual funds are 1940 Act products that utilize hedge-like strategies while offering daily redemptions and increased transparency alongside the fee structure of a traditional mutual fund. These funds have seen a surge in activity over recent years; Preqin's June issue of [Hedge Fund Spotlight](#) revealed that the number of annual fund launches has increased dramatically, from 13 in 2009 to 71 in 2014...

[Click here](#) to read the full blog by [Samuel McKenzie](#).

To view the full archive of the Preqin blog, please visit: www.preqin.com/blog



More New Research

[2015 Preqin Alternative Assets Performance Monitor](#)



The [2015 Preqin Alternative Assets Performance Monitor](#) provides unrivalled insight into the performance of alternative assets funds, analyzing performance data for over 20,500 funds. Bringing together extensive data from Preqin's industry-leading online products, the Performance Monitor offers detailed statistics, league tables, charts and analysis of performance across the alternative assets industry.

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[Preqin Special Report: Hedge Fund Manager Outlook](#)



This report features the results of our recent survey of over 150 hedge fund managers worldwide on their views, concerns and future plans. Plus, we look at hedge fund asset flows in H1 2015 by strategy, fund manager headquarters and fund size.

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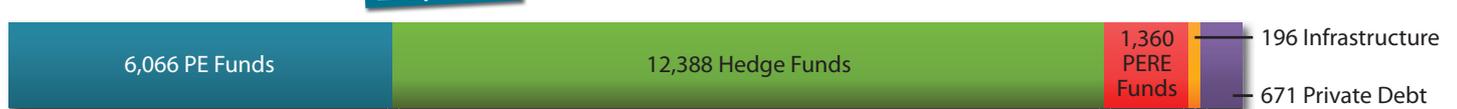
Fund Coverage: **44,856** Funds



Firm Coverage: **21,354** Firms



Performance Coverage: **20,681** Funds (IRR Data for 6,140 Funds and Cash Flow Data for 2,948 Funds)



Fundraising Coverage: **17,540** Funds Open for Investment/Launching Soon
Including 2,599 Closed-Ended Funds in Market and 343 Announced or Expected Funds



Deals Coverage: **144,046** Deals Covered; All New Deals Tracked



Investor Coverage: **13,368** Institutional Investors Monitored,
Including 9,340 Verified Active**** in Alternatives and 98,314 LP Commitments to Partnerships



Alternatives Investment Consultant Coverage: **507** Consultants Tracked

Fund Terms Coverage: Analysis Based on Data for Around **12,660** Funds

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*Private Equity includes buyout, venture capital, distressed, growth, natural resources and mezzanine funds.

**Buyout deals: Preqin tracks private equity-backed buyout deals globally, including LBOs, growth capital, public-to-private deals, and recapitalizations. Our coverage does not include private debt and mezzanine deals.

***Venture capital deals: Preqin tracks cash-for-equity investments by professional venture capital firms in companies globally across all venture capital stages, from seed to expansion phase. The deals figures provided by Preqin are based on announced venture capital rounds when the capital is committed to a company.

****Preqin contacts investors directly to ensure their alternatives programs are active. We emphasize active investors, but clients can also view profiles for investors no longer investing or with programs on hold.

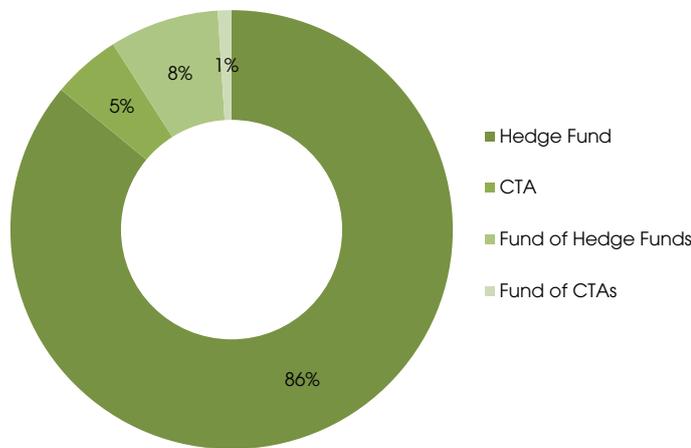


On the Network This Month: What Are Investors Searching For?

In this feature, we examine the activity of the investors on [Preqin Investor Network](#) to see which fund types, strategies and regions are of current importance to investors, as well as which institutional investor types have been proactively looking at funds in September.

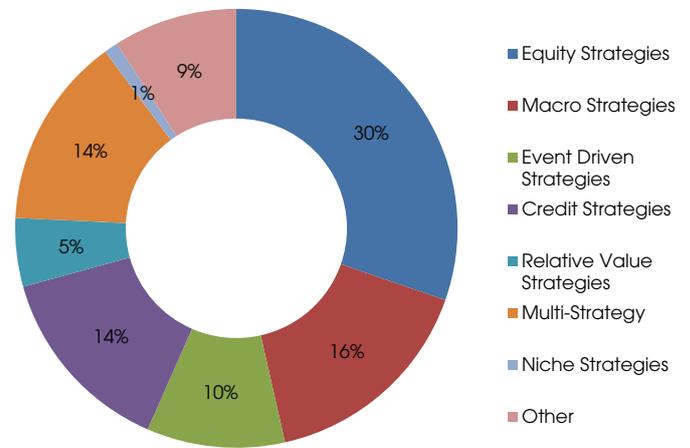
Preqin Investor Network is a unique system designed to help investors source and connect with alternative fund managers. Currently over 7,100 individuals at more than 3,700 institutional investor firms are using the Network to find and reach out to the 16,000 alternative investment funds open for investment. If you would like to find out more, please email: pin.info@preqin.com.

Fig. 1: Breakdown of Hedge Funds Reviewed by Investors on Preqin Investor Network by Fund Type, August 2015



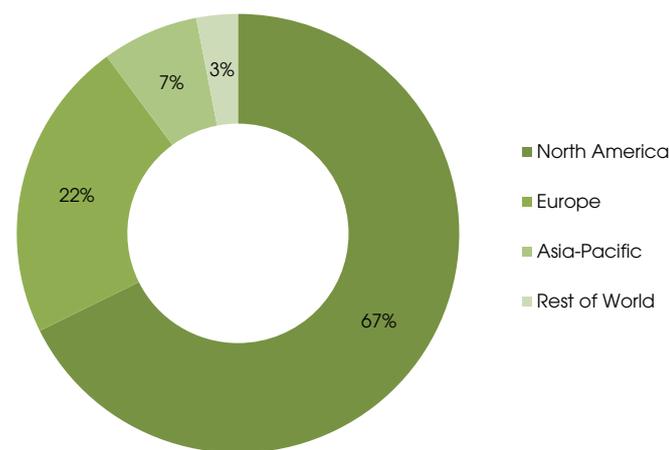
Source: Preqin Investor Network

Fig. 2: Breakdown of Hedge Funds Reviewed by Investors on Preqin Investor Network by Core Strategy, August 2015



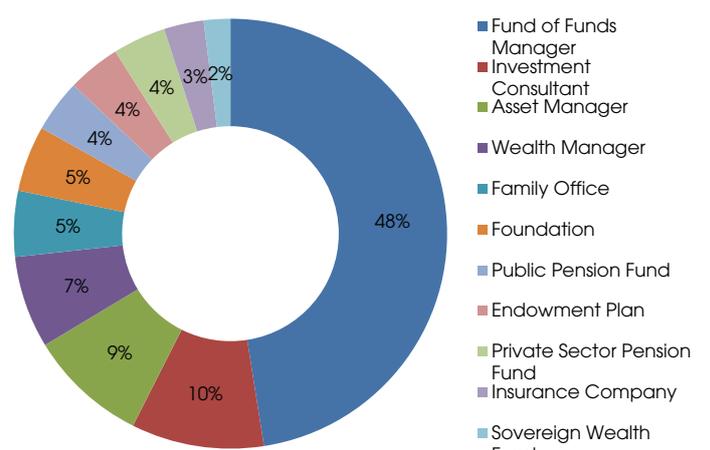
Source: Preqin Investor Network

Fig. 3: Breakdown of Hedge Funds Reviewed by Investors on Preqin Investor Network by Geographic Headquarters, August 2015



Source: Preqin Investor Network

Fig. 4: Breakdown of Investors Searching for Hedge Funds on Preqin Investor Network by Type, August 2015



Source: Preqin Investor Network

In Numbers: On the Network This Month

13,985 The total number of hedge funds currently available to review on Preqin Investor Network (as of 9 September 2015).

182 The number of hedge funds added to the Network in August 2015.

\$970mn The average size of hedge funds reviewed on Preqin Investor Network in August 2015.

Some of the largest hedge funds have signed up to share more information with the Network's investors. Would you like to join them and have investors contacting you for more information? Email us at: pin.info@preqin.com.



Preqin Performance Benchmarks

August 2015

Fig. 1: Summary of Preliminary August 2015 Performance Benchmarks (Net Return, %)*

Benchmark Name	Aug-15	Jul-15	2015 YTD	12 Months
Hedge Funds	-1.88	-0.45	1.96	1.41
HF - Equity Strategies	-3.08	-1.15	1.07	-0.16
HF - Event Driven Strategies	-1.73	-0.60	0.90	-2.16
HF - Relative Value	0.13	0.50	4.53	5.25
HF - Macro Strategies	0.59	0.56	3.72	5.81
HF - Multi-Strategy	-2.00	0.14	2.20	2.65
HF - Credit Strategies	-0.71	0.12	2.33	2.19
Activist	-3.41	-1.18	2.37	2.67
Volatility	0.41	0.51	4.41	3.71
Discretionary	-2.16	-0.19	2.49	2.09
Systematic	-0.13	0.86	5.35	6.55
HF - North America	-1.75	-0.48	1.78	1.30
HF - Europe	-0.78	0.85	4.33	4.37
HF - Asia-Pacific	-3.68	-1.98	4.05	5.35
HF - Developed Markets	0.66	0.34	4.65	6.40
HF - Emerging Markets	-3.42	-0.88	-0.27	-2.99
HF - USD	-2.03	-0.95	1.20	0.40
HF - EUR	-0.40	0.10	2.76	1.78
HF - GBP	-1.35	-0.19	0.53	0.02
HF - JPY	0.90	0.49	6.24	9.87
HF - BRL	-1.83	0.71	3.67	3.07
Funds of Hedge Funds	-1.75	0.36	1.71	2.65
FOHF - Equity Strategies	-3.08	0.04	1.54	2.29
FOHF - Macro Strategies	-1.10	0.67	1.88	3.15
FOHF - Multi-Strategy	-0.91	0.55	2.58	3.65
Funds of CTAs	-4.87	3.52	-5.01	8.23
FOHF - USD	-2.13	0.19	0.98	1.08
FOHF - EUR	-1.97	0.38	1.53	2.21
Alternative Mutual Funds	-2.90	0.12	-2.81	-3.53
UCITS	-2.53	0.10	0.30	-0.25
UCITS - Equity Strategies	-3.37	-0.05	1.21	0.51
UCITS - Relative Value	-0.63	0.27	1.23	0.90
UCITS - Macro Strategies	-1.83	0.20	-0.96	-0.88
UCITS - USD	-3.45	-0.70	-1.97	-3.75
UCITS - EUR	-2.44	0.43	1.37	1.41
CTAs	-2.07	1.21	-0.49	5.05
Discretionary	-0.94	-0.38	-0.89	-6.21
Systematic	-2.14	1.07	-1.60	5.92
CTA - USD	-2.16	1.09	-1.11	3.91
CTA - EUR	-3.78	3.41	0.31	8.82

* Please note, all performance information includes preliminary data for August 2015 based upon net returns reported to Preqin in early September 2015. Although stated trends and comparisons are not expected to alter significantly, final benchmark values are subject to change.

Source: Preqin Hedge Fund Analyst

August marked the third consecutive month in which hedge funds have generated negative returns, with the Preqin All-Strategies Hedge Fund benchmark down 1.88%, its lowest monthly return since May 2012.

Equity strategies were the worst performing strategy, posting their lowest returns since May 2012 (-3.08%). Macro strategies were the top performers, generating their highest return since November 2014 (+0.59); the strategy is also the top performing over the longer term with a 12-month figure of 5.81%. Relative value strategies are the current top performers for 2015 YTD (+4.53%), experiencing only one negative monthly return in 2015. Developed markets was the only region to generate positive returns (+0.66%); all other regions posted returns in negative territory. August marked alternative mutual funds' fifth month in the red this year, further compounding the structure's performance difficulties in 2015. As shown in Fig. 2, alternative mutual funds have made a net loss of -2.81% year-to-date, compared to UCITS' small gain of 0.30%.

Fig. 2: Performance of Alternative Mutual Funds vs. UCITS Hedge Funds



Source: Preqin Hedge Fund Analyst

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In Focus: Investor Attitudes towards AIFMD

In an extract from the [Preqin Investor Outlook: Alternative Assets, H2 2015](#), we take a look at the reactions of hedge fund investors towards the AIFMD, based on the results of our surveys with over 190 institutions.

Investor dissatisfaction with the 12-month returns of hedge funds is at its highest level since Preqin started tracking this information. With such high levels of investors disappointed with the performance of the sector over the past year, it is perhaps unsurprising that hedge fund performance is the foremost concern among hedge fund investors for the rest of 2015 (Fig. 1). Since the last Preqin study of institutional investors in December 2014, we have seen an increase in the proportion of investors stating that performance is the key issue in the industry, up from 33% at the end of 2014 to 44% as of June 2015.

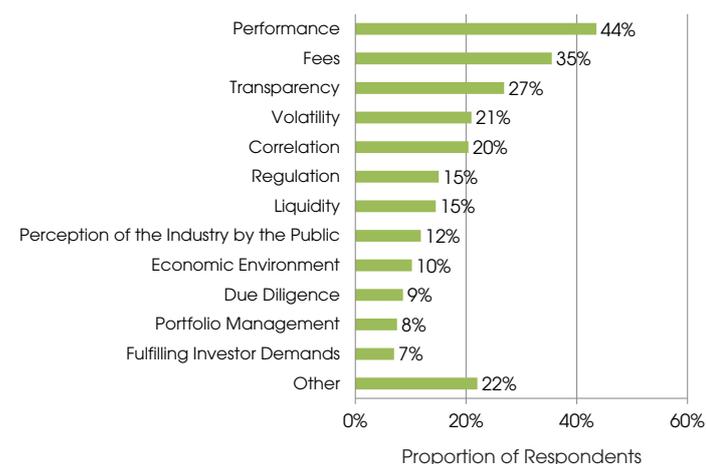
The hedge fund industry has become increasingly regulated over recent years and investors, as participants in the sector continue to be impacted by its effects. Fifteen percent of the survey participants noted it as a key issue facing the industry over the rest of the year, an increase from the 6% that echoed this view when interviewed by Preqin in December 2014. The Alternative Investment Fund Managers Directive (AIFMD) has been one of the more prominent pieces of legislation introduced to the hedge fund industry. Despite the regulation passing its two-year anniversary of implementation in July, there is still a great deal of uncertainty surrounding the effect of the AIFMD on the industry among institutional investors. Nearly half (49%) of the surveyed institutions are unsure of the impact of the AIFMD on the hedge fund sector (Fig. 2).

Written into national law in July 2013, the AIFMD is still in its infancy and many investors may not yet have felt the effects of the new regulations upon their choice of fund manager. It appears as though a large proportion of hedge fund investors are yet to determine whether the directive is beneficial to the industry or will disrupt their investment objectives.

Twenty-eight percent of investors believe the AIFMD will be good for the industry and half of these investors argued that the directive will provide greater transparency on hedge funds. Thirty-five percent of these investors believe that the AIFMD provides additional levels of protection for the investor, while 12% suggested it produces a better quality of alternative fund.

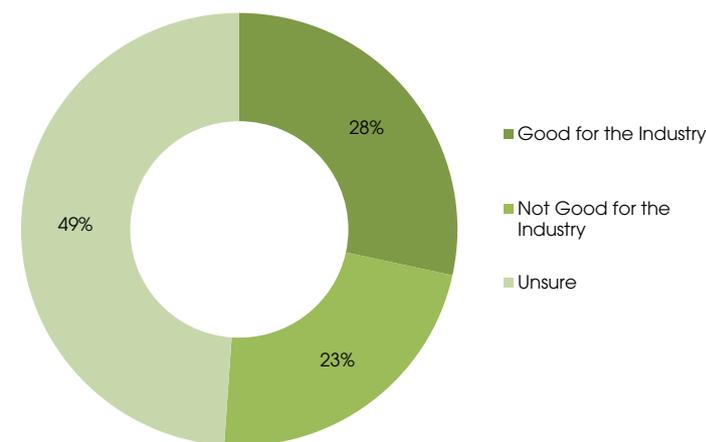
There remains negativity surrounding the impact of the AIFMD on the hedge fund industry; 23% of hedge fund investors feel the AIFMD is not good for the industry. Among this group of investors, a significant proportion (57%) believe that the AIFMD is an unnecessary regulation to protect qualified investors, while a further 24% stated that the directive has led to reduced choice as an investor.

Fig. 1: Key Issues Facing the Hedge Fund Industry in H2 2015 According to Institutional Investors



Source: Preqin Investor Outlook: Alternative Assets, H2 2015

Fig. 2: Institutional Investors' Views on Whether the AIFMD Regulation is Good for the Hedge Fund Industry



Source: Preqin Investor Outlook: Alternative Assets, H2 2015

Fig. 3: Institutional Outlook on the Benefits and Disadvantages of the AIFMD

Why the AIFMD is Positive for the Industry	Why the AIFMD is Negative for the Industry
Will lead to more transparency (50%)	It is unnecessary regulation (57%)
It provides extra levels of protection for investors (35%)	Will lead to less choice for investors (24%)
Will lead to better quality of funds (12%)	Will lead to higher fees (14%)

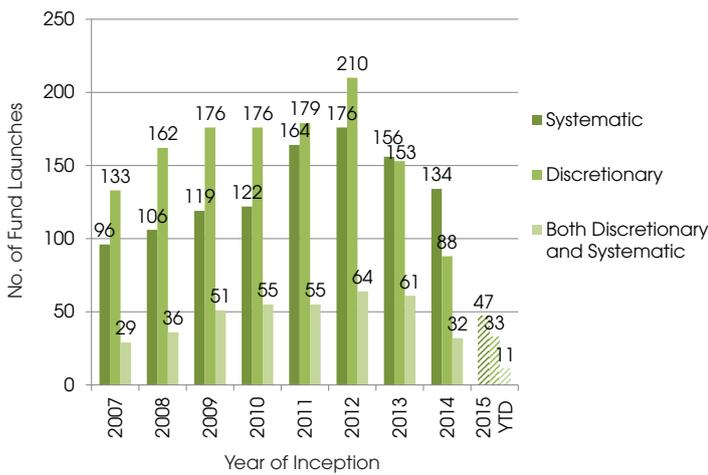
Source: Preqin Investor Outlook: Alternative Assets, H2 2015



In Focus: Discretionary vs. Systematic Trading Styles

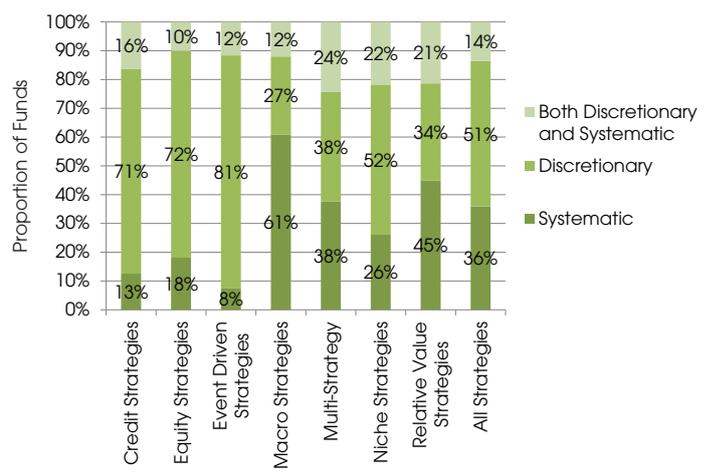
We take a look at the composition of the hedge fund industry in terms of trading style, as well as comparing the net returns and volatility of the different styles.

Fig. 1: Breakdown of Annual Hedge Fund Launches by Trading Style



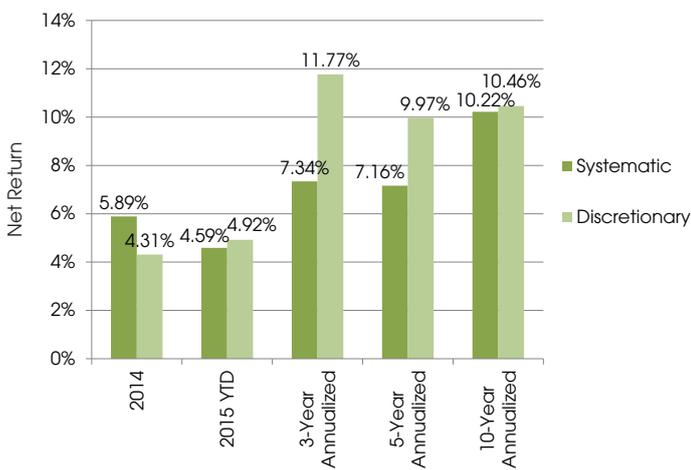
Source: Preqin Hedge Fund Analyst

Fig. 2: Breakdown of Active Hedge Funds by Primary Strategy and Trading Style



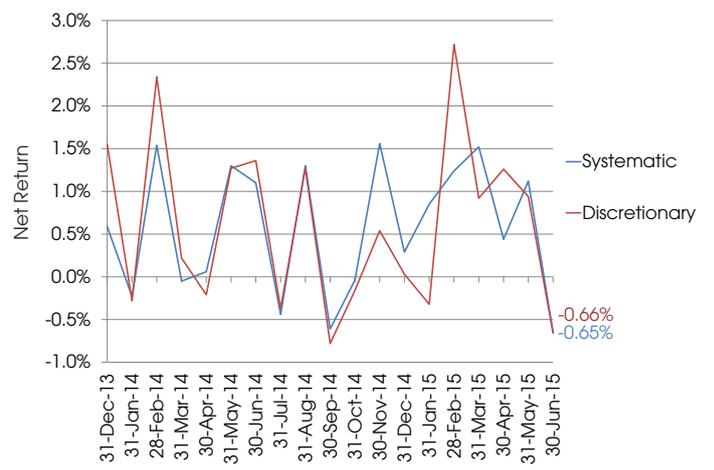
Source: Preqin Hedge Fund Analyst

Fig. 3: Hedge Fund Performance: Discretionary vs. Systematic (As of 30 June 2015)



Source: Preqin Hedge Fund Analyst

Fig. 4: Monthly Net Returns: Discretionary vs. Systematic Hedge Funds



Source: Preqin Hedge Fund Analyst

Data Source

Preqin's **Hedge Fund Analyst** can help you find out more about the trading methodologies used by hedge fund managers.

Our fully customizable benchmarks will allow you to compare performance, volatility and other return metrics across all leading trading styles.

For more information, or to arrange a demonstration, please visit:

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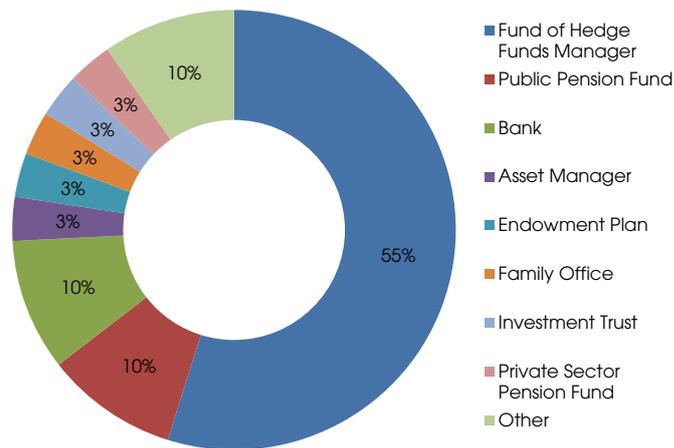
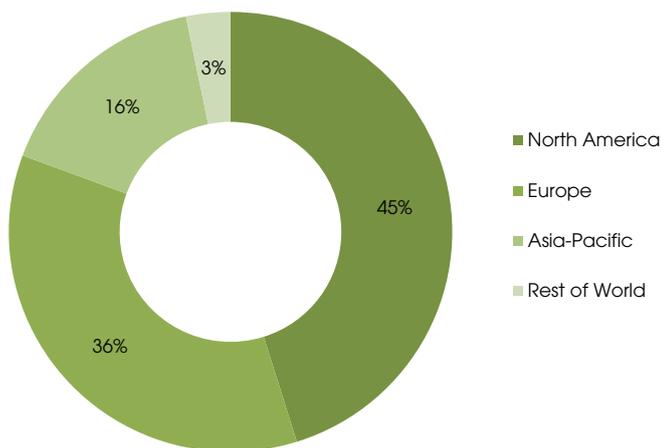


Fund Searches and Mandates

We look at the strategies and regions hedge fund investors plan to target in the year ahead, as well as which investors are planning new investments.

Fig. 1: Breakdown of Hedge Fund Searches Issued by Investor Location, August 2015

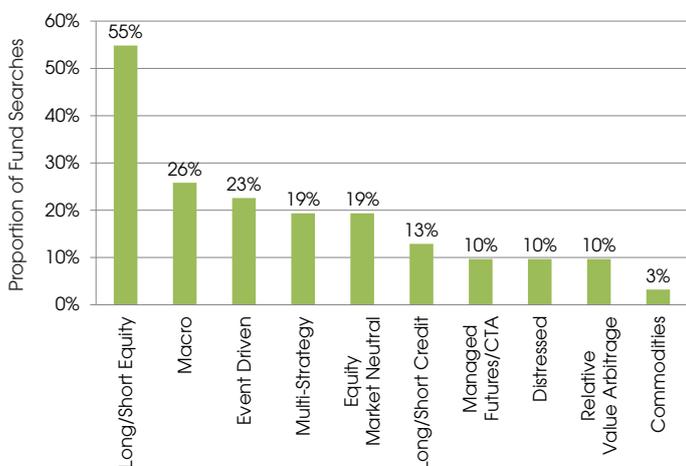
Fig. 2: Breakdown of Hedge Fund Searches Issued by Investor Type, August 2015



Source: Preqin Hedge Fund Investor Profiles

Source: Preqin Hedge Fund Investor Profiles

Fig. 3: Hedge Fund Searches Issued by Strategy, August 2015



Source: Preqin Hedge Fund Investor Profiles

Subscriber Quicklink

Subscribers can click [here](#) to view detailed profiles of 358 institutional investors in hedge funds searching for new investments via the **Fund Searches and Mandates** feature on Preqin's **Hedge Fund Investor Profiles**.

Preqin tracks the future investment plans of investors in hedge funds, allowing subscribers to source investors actively seeking to invest capital in new hedge fund investments.

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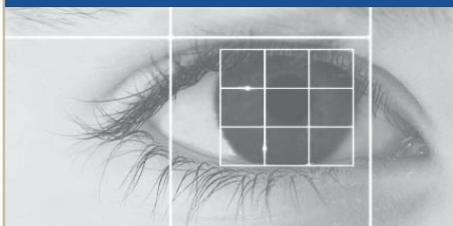
Fig. 4: Examples of Fund Searches Issued in August 2015

Investor	Investor Type	Location	Fund Search Details
Kentucky Retirement Systems	Public Pension Fund	US	Kentucky Retirement Systems is planning to redeem from one or two of the funds of hedge funds it is currently invested in and reallocate this capital, in the region of \$500mn, to approximately eight or nine single-manager funds. The pension fund is looking to gain exposure to various strategies including long/short equity, macro, multi-strategy and event driven.
Securities & Investment Company	Investment Bank	Bahrain	Securities & Investment Company (SICO) expects to add one or two new hedge funds to its portfolio over the next 12 months. The investment bank will consider investing in a variety of strategies, most notably macro, long/short equity, activist and event driven. SICO seeks global hedge fund exposure and will commit approximately \$5mn in capital to the asset class. The investment bank prefers to invest in funds with higher liquidity terms.
Hedge Invest	Fund of Hedge Funds Manager	Italy	Hedge Invest is likely to allocate capital to 10 new fund managers over the coming 12 months. The fund of hedge funds manager is looking to invest in both Europe and North America and will maintain its focus on long/short equity and event driven strategies. Hedge Invest will initially commit \$4-5mn in capital when investing in a new fund. The firm will typically invest in managers that hold at least \$100mn in assets under management.

Source: Preqin Hedge Fund Investor Profiles

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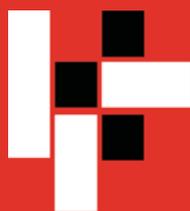
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Conferences Spotlight

Conference	Dates	Location	Organizer	Discount Code
21st Annual Alpha Hedge West Conference	27 - 29 September 2015	San Francisco, CA	IMN	-
Quant Invest 2015	29 - 30 September 2015	London	Terrapinn	-
UCITS & AIFMD Conference London 2015	30 September - 2 October 2015	London	Informa	15% Discount - FKW52964PQ
Liquid Alternative Strategies East	5 - 6 October 2015	New York	IIR USA	-
NAIC's 45th Annual Meeting & Convention	5 - 6 October 2015	New York	NAIC	-
World Commodities Week 2015	21 - 22 October 2015	London	Terrapinn	-
Hedge Fund Startup Forum Zurich	22 October 2015	Zurich	Informa	-
Cap Intro: Credit Fixed Income Alternative Investing	26 October 2015	New York	Catalyst Financial Partners	-
Family Office & Private Wealth Management Forum – West	28 - 30 October 2015	Napa, CA	Opal Finance Group	-
The 7th Annual Women's Alternative Investment Summit (WAIS)	5 November 2015	New York	Falk Marques Group	-
Middle Eastern Family Office Symposium	11 - 12 November 2015	Dubai	Opal Finance Group	-
Quant World Canada 2015	12 November 2015	Toronto, ON	Terrapinn	-
Endowment & Foundations Forum	16 - 18 November 2015	Boston, MA	Opal Finance Group	-
AIMA Alternative Investment Summit	16 - 17 November 2015	Dubai	AIMA	-
America's Family Office Forum	18 - 19 November 2015	Miami, FL	Terrapinn	-
Wealth Management Americas	18 - 19 November 2015	Miami, FL	Terrapinn	-
Alternative Investing Summit	9 - 11 December 2015	Dana Point, CA	Opal Finance Group	-
Emerging Manager Forum	10 December 2015	Miami, FL	CTA Expo	-

Alpha Hedge West

Date: 27 - 29 September 2015

Information: <http://www.imn.org/investment-management/conference/Alpha-Hedge-West-2015/>

Location: Palm Beach, FL

Organizer: IMN & CHFA

IMN's Alpha Hedge West will focus on key innovative approaches taken by established and emerging fund managers. Along with influential asset allocators and regulatory bodies, the event will serve as a meeting place for industry participants to explore new allocation strategies and look towards the future of hedge fund investing.

UCITS & AIFMD London 2015

Date: 30 September - 2 October 2015

Information: <http://www.iiribcfinance.com/FKW52964PQL>

Location: Central London

Discount Code: FKW52964PQ

Organizer: IBC Conferences

With over 30 speakers from a wide range of international asset managers, regulators and distribution & product specialists, UCITS & AIFMD London 2015 promises to provide you and your business with the latest thinking around product design and governance as well as new strategies for increasing your assets under management.



Liquid Alternatives Strategies East

Date: 5 - 6 October 2015

Information: <http://www.iirusa.com/LiquidAltsEast/home.xml>

Location: New York, NY

Organizer: IBC Conferences

Capitalize on the Convergence of Traditional and Alternative Investments

The 5th Liquid Alternative Strategies event will bring investors, financial advisors, product platforms, and distributors together to capitalize on the retail market's growing demand for alternative strategy mutual fund products.

World Commodities Week 2015

Date: 21 - 22 October 2015

Information: www.terrapinn.com/commodities

Location: Jumeirah Carlton, London

Organizer: Terrapinn

The World Commodities Week will provide 250+ attendees from across Europe with the opportunity to hear from investors, portfolio managers, consultants, producers and trading houses and take an in depth look into commodity specific and regional focused sessions.

The 7th Annual Women's Alternative Investment Summit (WAIS)

Date: 5 - 6 November 2015

Information: www.womensalternativesummit.com

Location: The Pierre New York, NY

Organizer: Falk Marques Group

The 7th annual Women's Alternative Investment Summit will bring together an influential group of more than 400 senior-level women — fund managers, institutional investors, and advisors to the industry — across the spectrum of alternatives to build trusted networks and engage in candid discussions about alternative investments in an emerging new world.

Quant World Canada 2015

Date: 12 November 2015

Information: www.terrapinn.com/quantworld15

Location: One King West, Toronto, ON,
Canada

Organizer: Terrapinn, Inc.

Quant World Canada is Canada's leading conference on quantitative investing, big data and automated trading. Explore new trends in quantitative strategy, asset allocation, portfolio construction and risk management with dynamic formats including roundtables, panels, inspiring sessions, 1-2-1 partnering and Speed Networking. Register now for the lowest price!