

Institutional Investors Active in CTA Funds Have More than Doubled Since 2008

This is coupled with the largest number of CTA launches in a single year in 2011

There are now 713 global institutional investors with an active CTA portfolio, a significant increase on 2011, when the number stood at 504, and 2008, when just 331 had CTA funds in their holdings. Preqin has conducted in-depth analysis of the CTA industry using its market leading Hedge Fund Investor Profiles database and newly launched Hedge Fund Analyst product.

Other Key Facts:

- 42% of funds of funds invest in CTAs. Public pension funds also show a strong appetite for CTA vehicles, with 25% having a preference for such funds.
- 1,298 funds pursue a managed futures theme, with 62% managed from North America, 32% from Europe and 6% from Asia and Rest of World.
- The largest number of CTA launches was noted in 2011. 165 managed futures programs tracked by Preqin were launched last year. Spikes in CTA launches tend to follow years of positive performance for the industry, with large increases witnessed in 2004 (after producing returns of 27.19% in 2003) and 2009 (after posting returns of 19.11% in 2008).
- CTAs have returned 2.00% YTD and 0.35% annualized over the last 12 months compared to 6.32% and 8.02% respectively for the wider hedge fund industry.
- Despite muted performance over the past couple of years, CTAs have proven themselves strong performers over longer time frames (posting returns of 8.98% annualized over five years compared to 6.35% returned annually by hedge funds over the same time frame).
- CTA returns also exhibit neutral or negative correlation to equity market returns, as monitored by the S&P 500, and have proven to be good sources of “crisis alpha” in periods where both hedge funds and the wider equity markets are performing negatively.

For more information, please see the full report:

http://www.preqin.com/docs/newsletters/HF/Hedge_Fund_Spotlight_November_2012.pdf

Comment:

“CTA/managed futures have often been regarded as an “all-weather” investment choice, with historical performance characteristics that make the strategy highly relevant during periods of relatively low returns and generally rising asset class correlations. Year on year, more investors are adding CTAs to their portfolios of alternative asset funds in order to tap into this diversified liquid source of alpha. Correspondingly, more managed futures vehicles are being launched in order to cater to the growing interest in the strategy. Despite recent disappointing performance by CTA vehicles, investor interest in the strategy continues unabated with 14% of fund searches initiated in October 2012 including a managed future mandate.”

Amy Bensted, Head of Hedge Fund Products

For more information and analysis, please see the latest Hedge Fund Spotlight:

http://www.preqin.com/docs/newsletters/HF/Hedge_Fund_Spotlight_November_2012.pdf

Note to Editors:

- Preqin is spelled without the letter ‘U’ after the ‘Q’, the company name being an amalgamation of the former name, Private Equity Intelligence.

About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

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