

# Hedge Fund Investors Retreat from Underperforming CTAs

**With CTAs underwater over the past 12 months, investor appetite for these funds has notably declined in 2017**

The *Preqin Quarterly Update: Hedge Funds, Q1 2017* finds that the ongoing performance difficulties experienced by CTAs in the current market are having a negative effect on investor demand. CTAs suffered losses of 0.30% in Q1 2017 and have returned -1.07% over the past 12 months; in contrast, the wider hedge fund industry recorded its best start to a year since 2013 and generated gains of 11.65% over the past 12 months. The sustained underperformance by CTAs has been noted and the proportion of total hedge fund investor searches issued for CTAs fell by more than a third in Q1 2017, dropping to 7% from 25% in Q4 2016. Despite this decline in investor appetite for CTAs, firms still see opportunity in the space; the proportion of fund launches accounted for by CTAs rose from 8% in Q4 2016 to 11% in Q1 2017.

**For more information and analysis, see the full *Preqin Quarterly Update: Hedge Funds, Q1 2017* here: <https://www.preqin.com/docs/quarterly/hf/Preqin-Quarterly-Hedge-Fund-Update-Q1-2017.pdf>**

## Other Key Q1 2017 CTAs Facts:

- **The Preqin All-Strategies CTA benchmark returned -0.30% in Q1 2017**, while 12-month performance is also underwater with losses of 1.08% over this period.
- **Discretionary CTAs generated gains of 0.12% through Q1 to drive 12-month returns to 6.18%**, but systematic CTAs have lost 3.28% over the past 12 months.
- In contrast to the Preqin All-Strategies CTA benchmark, **the Preqin All-Strategies Hedge Fund benchmark has returned 3.21% through Q1 2017**, taking 12-month gains to 11.65%.
- Over 12 months, **US-based ALPHA Z Futures Fund LLC is the top performing CTA fund with returns of 71.28%**, while second-ranked DeltaHedge VIXVOX Program has posted gains of 56.36%.
- Fund managers still see opportunities in the CTA space and **the proportion of launches accounted for by CTAs rose to 11% in Q1 2017, up from 8% in Q4 2016**.
- The proportion of **investor searches accounted for by CTAs declined from 25% in Q4 2016 to 7% in Q1 2017**, the biggest decrease of any strategy.
- **CTAs recorded inflows of \$25.5bn over 2016, with total assets rising by 12.3% to \$251bn**. No other top-level hedge fund strategy witnessed positive asset flows last year.

## Amy Bensted, Head of Hedge Fund Products:

“Despite the return to form of hedge funds in the past 12 months, investors remain cautious when it comes to this area of their portfolios. CTAs, in particular, may find fundraising increasingly difficult over the rest of 2017 if the reduced appetite indicated by the diminishing proportion of investor searches is not reversed.

Despite a successful 12 months in regards to fundraising, CTAs posted minimal gains in 2016 and lagged the wider hedge fund industry. The markets of early 2017 have proved equally tricky for CTAs to navigate, with the Preqin All-Strategies CTA benchmark underwater over Q1. However, despite challenges in both fundraising and performance in the CTA sector in 2017 fund managers continue to see opportunities in these strategies over the rest of the year. The proportion of new launches pursuing a CTA strategy saw growth from Q4 2016 to Q1 2017.”

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