

## European Hedge Fund Market Contracts in 2016

### Assets under management held by managers in Europe decrease, as investors continue to redeem capital from the asset class

The hedge fund industry faces a challenging environment in Europe, with overall assets under management declining in 2016, and net asset outflows continuing through Q1 2017. As of the end of 2015, hedge fund managers in the region held \$674bn in AUM; this declined to \$657bn a year later. At the same time, investor outflows from Europe-based fund managers totalled \$35bn, with a further \$9bn in net outflows recorded in Q1 2017. However, performance among Europe hedge funds has shown signs of recovery from difficulties seen in late 2015 and early 2016. In the 12 months to the end of May 2017, funds in the region recorded 11 months of positive returns, and made overall gains of 10.28%.

**For more information and analysis, see the full *Hedge Funds in Europe Report* here:**

<https://www.preqin.com/docs/reports/Preqin-Special-Report-Hedge-Funds-in-Europe-June-2017.pdf>

#### Other Key Hedge Funds in Europe Facts:

- Traditional single-manager commingled vehicles represent less than half (47%) of all hedge funds in Europe, with **UCITS funds accounting for over a quarter (26%)**.
- Of Europe-based investors, **private sector pension funds account for the largest proportion (21%) of capital invested**, with insurance companies committing a fifth of all capital.
- **The UK hedge fund industry is the largest in Europe with \$472bn in AUM**, 47% of the assets held by managers based in the region.
- **The three-year annualized return of all UK-based hedge funds stands at 3.08%** as of the end of March, on par with the Preqin Europe Hedge Fund benchmark (+3.11%).
- Switzerland is the second most prominent European market after the UK. There are 241 active hedge fund investors, 123 hedge fund managers and 55 fund of hedge fund managers based in the country.
- Sweden-based investors have the highest mean current allocation to hedge funds of any European country, with **institutions committing 13.4% of their AUM to the industry**, above the Europe-based average of 10.3%.
- Of the ten European countries featured in Preqin's report, **Spain-based hedge funds charge the lowest average performance fee (16.55%)**.
- **Over half (56%) of Europe-based UCITS funds are domiciled in Luxembourg.**

#### Amy Bensted, Head of Hedge Fund Products:

"Europe is the second largest market for hedge funds globally, accounting for approximately a fifth of all hedge fund assets under management. The region has undergone significant change in recent years; new regulatory developments in the aftermath of the Global Financial Crisis, particularly the introduction of the AIFMD, have affected how fund managers operate and market their funds to investors.

Further uncertainty surrounding the long-term prospects for the European economy, and the potential impact of Britain's exit from the European Union on the financial services sector, also raise the prospect of significant developments in the years ahead. However, the region remains a major centre for the industry, with mature and diverse markets. As such, although it has faced short-term difficulties, the longer term outlook for Europe is still one of growth and development."

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