

Hedge Fund Industry AUM Surpasses \$3.2tn in 2016

Robust performance brings total assets to \$3.22tn, despite outflows of more than \$100bn

Assets held by hedge funds globally reached a record \$3.22tn as of the end of November 2016, according to Preqin's 2017 Global Hedge Fund Report. Investor outflows through the year totalled \$102bn, and at the end of the year, a record 66% of hedge fund investors said their hedge fund portfolios had fallen short of their expectations. However, 2016 also marked the best performance year for the industry since 2013, posting gains of 7.40%. This offset net investor outflows to drive total industry AUM past \$3.2tn, a record high.

See the sample pages of the 2017 Preqin Global Hedge Fund Report [here](#)

Members of the press can request a complimentary copy of the report. Please email press@preqin.com for more details.

Key Findings from the 2017 Preqin Global Hedge Fund Report

- **Performance Highs:** The Preqin All-Strategies Hedge Fund benchmark gained 7.40% in 2016, exceeding 2015's return by over five percentage points. **Hedge funds recorded their best monthly return for over three years in March (+2.42%);** this started a run of positive performance that continued until September. **Hedge funds were in the black for nine months in total over 2016** and were able to capitalize on the volatility ensuing from events such as Brexit and the US election.
- **Investors Remain Sceptical:** Despite 2016 proving to be an improved year for hedge fund performance, **a net \$102bn in investor capital has been withdrawn from funds.** It is likely that this trend will continue into 2017: almost half (47%) of investors made at least one redemption in 2016, and the proportion of investors that intend to decrease their allocations to many strategies over the next 12 months exceeds the proportion that intend to increase them.
- **Outlook for 2017:** The year ahead looks likely to be shaped by the same broad factors that dominated 2016. Investor dissatisfaction with the asset class remains high, and **the pace of net withdrawals has been accelerating in successive quarters.** However, many fund managers feel confident that they will be able to sustain good performance in the months ahead, and both they and **investors expect 2017 returns to surpass 2016's.** It remains to be seen if this will serve to convince sceptical investors of the long-term benefits of remaining committed to the asset class.

Amy Bensted, Head of Hedge Fund Products:

"Hedge fund managers are likely to remember 2016 as a difficult year for the industry. Investor outflows started at the end of 2015 and continued across the year: in total, net investor redemptions exceeded \$100bn. Furthermore, some of the largest investors in the world are among those that have withdrawn capital from the industry, with the dual issues of performance and fees leading the concerns they have voiced.

However, it was not all bad news for the industry; hedge funds added their largest gains since 2011, which boosted assets under management to record levels. In addition, some strategies have largely been spared the wave of redemptions, with CTAs recording inflows of \$17bn as investors sought diversified and non-correlated products amid rising market volatility.

Looking ahead, 2017 does not seem likely to prove any less challenging for fund managers; hedge funds will need to continue to perform well in difficult markets, and address issues over fees in order to win back the growing group of investors sceptical of the value of the asset class."

Preqin is the leading source of information for the alternative assets industry, providing insight and analysis gathered by its global teams of dedicated researchers. Founded in 2003, the company is a frequent source of intelligence used in the global financial press, through its online databases, regular publications and bespoke data requests.

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