

Hedge Fund Industry Sees Net Outflows of \$34bn through H1 2016

Total assets under management in the hedge fund sector declines by 1.1% to \$3.1tn

Using data from its Hedge Fund Online product, Preqin estimates that there were net outflows of \$34bn over the first half of 2016; the majority of outflows (\$20bn) occurred in Q2 2016. As a result, as of 30th June 2016 the hedge fund industry represented a total of \$3.11tn in assets under management, down from \$3.14tn at the end of 2015.

Among leading hedge fund strategies, credit and equity strategy funds suffered the greatest outflows in H1, totalling \$26bn and \$25bn respectively. By contrast, CTAs increased their AUM by 11% over the first half of the year, recording the greatest inflows of any strategy (\$17bn). Additionally, a surge of investor capital committed to multi-strategy funds in Q1 helped the strategy offset small net outflows in Q2, to register overall H1 inflows of \$11bn.

Other Key H1 2016 Asset Flow Facts:

- **Investor Appetite:** 17% of investors plan to increase their exposure to discretionary CTAs in H2 2016, the highest proportion of any strategy, while just 3% plan to invest more in event driven strategies and funds of hedge funds. Only 9% of investors plan to cut their exposure to activist funds, the lowest of any strategy.
- **Impact of 2015 Performance:** Those funds that performed better in 2015 were more likely to see inflows in Q2 2016; 43% of funds that made gains of more than 5.00% in 2015 recorded Q2 inflows, compared to less than a quarter (23%) of those that suffered losses of 5.00% or more through the year.
- **Asset Flows by Fund Size:** A higher proportion of hedge funds larger than \$1bn recorded inflows (35%), than those smaller funds (32%). However, a higher proportion of larger funds also recorded outflows, with 44% recording losses compared to 40% of smaller funds.
- **Asset Flows by Location:** The greatest proportion of funds based in Europe saw inflows over Q2, with 35% seeing net inflows and 38% recording outflows. In contrast, only a quarter of firms based in North America registered inflows, while 44% saw net outflows of investor capital.

To access further information and analysis, please see the full report below:

<https://www.preqin.com/docs/newsletters/hf/Preqin-Hedge-Fund-Spotlight-August-2016.pdf>

Comment:

“Growing concern from investors regarding the recent performance of the hedge fund sector has manifested as two consecutive quarters of net outflows, taking the total size of the industry to approximately \$3.1tn as of the end of H1 2016. Despite most leading hedge fund strategies witnessing outflows over the course of the first half of 2016, there were some bright spots, notably CTAs and multi-strategy funds, indicating that investors are seeing value in some areas of their hedge fund holdings in 2016.

Performance, along with fees, looks set to be a key driver of change in the industry over the rest of 2016. Managers will be hoping that the recent run of better performance from March - July 2016 may help win back the favour of investors, and help the industry gain fresh capital inflows in the second half of the year.”

Amy Bensted – Head of Hedge Fund Products, Preqin

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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