

Hedge Fund Inflows See a Slowdown in Q2 2017

CTAs attract the greatest inflows while equity strategies continue to see outflows

Hedge funds recorded positive net asset inflows totalling \$5.0bn in Q2 2017, bringing total H1 2017 asset flows to \$24.7bn. This marks a distinct contrast with 2016, which saw net industry outflows of \$110bn across the year, although Q2 inflows do not approach the \$19.7bn seen in Q1. With performance remaining robust in the second quarter, hedge fund industry assets under management grew to a record \$3.38tn, a 4.1% increase from the beginning of 2017. However, capital flows were not even across the industry: while CTAs saw the greatest net inflows of \$10.4bn in Q2, equity strategies funds recorded their sixth consecutive quarter of outflows, totalling \$12.4bn.

For more information and analysis, see the full [Q2 2017 Hedge Fund Asset Flows factsheet here:](https://www.preqin.com/docs/reports/Preqin-Hedge-Fund-Asset-Flows-Q2-2017.pdf)
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Key Hedge Fund Asset Flows Facts:

- The **hedge fund industry recorded net inflows of \$5.0bn in Q2 2017**, bringing H1 net inflows to \$24.7bn.
- **CTA strategy funds brought in the largest amount of capital**, recording net inflows of \$10.4bn.
- By contrast, equity strategies funds saw net outflows of \$12.4bn, while **credit strategies funds saw outflows of \$12.6bn**.
- However, only **39% of CTA vehicles experienced net inflows**. Almost half (47%) of CTA funds saw outflows this quarter, the largest proportion.
- In fact, aside from niche strategies **at least 38% of funds of each leading strategy saw net outflows in Q2**.
- Asset flows also saw splits by geographic regions: hedge funds operated by **Europe- and North America-based managers saw inflows of \$12.6bn and \$10.3bn respectively**. However, Asia-Pacific- and Rest of World-based vehicles saw outflows of \$15bn and \$3.4bn respectively.
- There remains a strong correlation between past fund performance and inflows. **Forty-six percent of hedge funds with a 5.00% or greater three-year annualized return to the end of 2016 saw inflows in Q2**.
- At the other end of the scale, **61% of funds with three-year annualized returns of -5.00% or less saw outflows this quarter**.

Amy Bensted, Head of Hedge Fund Products:

“The hedge fund industry has recorded its second consecutive quarter of net asset inflows in Q2, reinforcing a departure from the five consecutive quarters of outflows recorded in Q4 2015 – Q4 2016. This might be taken as an encouraging sign that investor sentiment towards the industry is starting to thaw, and that dissatisfaction is reducing in the face of consistent positive performance.

However, even though the level of net asset flows remains positive over the second quarter of the year, it was smaller than in Q1 2017, and many managers are still seeing net capital outflows from their funds. Even among funds with robust long-term performance, significant proportions report that investors are removing capital from their vehicles. This may indicate that while investor confidence in hedge funds is returning, institutions are consolidating capital around a smaller number of fund manager relationships.”

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