

Positive Hedge Fund Flows Continue in Q3 2017

Equity strategies hedge funds see reversal of fortune, recording net inflows of \$1.3bn

Hedge funds recorded positive net asset inflows of \$19.2bn in Q3 2017, bringing year-to-date net inflows to \$43.9bn. Credit strategies and multi-strategy funds experienced the greatest net inflows of \$13.9bn and \$13.3bn, respectively, while equity strategies saw net inflows of \$1.3bn in Q3, ending a run of six successive quarters of outflows. However, macro strategies, CTAs and relative value strategies all saw net outflows in Q3, and overall just 37% of hedge funds saw net inflows in Q3, while 44% saw net outflows.

For more information and analysis, see the full Q3 2017 Hedge Fund Asset Flows here:

<https://www.preqin.com/docs/reports/Preqin-Hedge-Fund-Asset-Flows-Q3-2017.pdf>

Key Q3 Hedge Fund Asset Flow Facts:

- **Hedge funds recorded net asset inflows of \$19.2bn in Q3**, bringing year-to-date inflows to \$43.9bn.
- The recent inflows combined with generally improved performance has seen total industry assets increase by 7.4% since the start of 2017; **industry assets stand at \$3.4tn as at Q3 2017**.
- **Credit strategies and multi-strategy funds experienced the greatest net inflows in the quarter**, gaining \$13.9bn and \$13.3bn respectively.
- **Equity strategies saw inflows of \$1.3bn, ending a run of six successive quarters of outflows**. However, just 40% of equity strategy funds experienced inflows, while 43% saw outflows.
- By contrast, **CTAs and macro strategies saw outflows of \$4.0bn and \$8.5bn**; this represents the first time CTAs have seen net outflows since Q4 2016.
- While Europe-based fund managers saw the greatest net inflows for Q3 (+\$17.0bn), **North America-based firms recorded net outflows of \$8.9bn – the first quarterly net outflow for the region in 2017**.
- Past performance can indicate direction of asset flows. Forty-seven percent of funds with returns greater than 5.00% in H1 2017 saw net inflows in Q3. In contrast, 58% of funds that returned less than -5.00% saw outflows.

Amy Bensted, Head of Hedge Fund Products:

“After five consecutive quarters of net outflows for the hedge fund industry from Q4 2015 to Q4 2016, asset raising has picked up in 2017, with three quarters of net inflows recorded since the start of the year. Stronger performance from the industry has bolstered investor confidence in the asset class, benefiting some managers across all strategies. Hedge funds pursuing an equities strategy in particular have seen a reversal of fortune in Q3 2017, recording net inflows for the first time in six quarters. In contrast, though, CTAs have seen their first quarterly net outflows since Q4 2016, despite being the only leading strategy to record positive net flows across both 2015 and 2016 as a whole.

However, overall net inflows for the industry are not benefitting all fund managers equally, and less than half of hedge funds in each leading strategy reported net inflows in Q3. Although investors seem to be regaining some confidence in the asset class, there are signs that they are seeking to rebalance or adjust their portfolios more selectively. Nevertheless, each quarter of 2017 so far has seen net inflows of capital, with Q3 inflows nearly matching the strong asset raising seen in Q1, and there is room for optimism over the continued resurgence of the hedge fund industry.”

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