

Hedge Fund Performance: Behind the Headline Numbers

The 2016 Preqin Alternative Assets Performance Monitor examines the performance of the hedge fund industry over the past 12 months

Preqin's recent surveys of hedge fund managers and institutional investors finds that both groups feel performance is one of the key drivers of change in the industry at present; following returns of 1.97% in 2015, hedge funds posted overall gains of 1.09% through H1 2016, considerably below the double-digit figures seen in 2009-2013. However, beyond the modest gains of the Preqin All-Strategies Hedge Fund benchmark there are some strategies and geographies which have recorded substantial returns. Macro strategies are the highest performing top-level strategy in the past 12 months (+3.14%), followed by CTAs (+2.49%) – every CTA sub-strategy tracked by Preqin has made gains over the past year, with counter-trend CTAs (+7.11%) seeing the highest returns of any sub-strategy.

Within different hedge fund strategies, there can be a broad variance in the performance of different vehicles, as seen in the interquartile ranges of returns for each top-level strategy. While equity strategies funds have the lowest overall 12-month performance (-4.31%), they also have the largest interquartile range, between 3.32% and -12.16%. Credit strategies funds, while not having the highest 12-month returns, do have the smallest interquartile range, between 4.13% and -2.75%. With over 15,000 active hedge funds currently open to investment, it highlights the difficulties faced by investors in identifying better-performing funds.

Other Key 2016 Alternative Assets Performance Monitor Findings:

- **Geographic Focus:** **Emerging markets and Latin America are the only geographies to record positive performance** in the 12 months to June 2016, with funds focused on these regions returning 1.46% and 11.03% respectively. Conversely, funds focused on Asian emerging markets recorded losses of 8.26%, the lowest of any geography.
- **Downside Protection:** The average monthly Value at Risk (VaR), representing **the proportion of capital an investor might lose each month, remains lower for hedge fund investors than for those in public markets.** Equity strategies have an average monthly VaR of 6.16% over the last 10 years, while among credit strategies it stands at just 2.37%. In contrast, the S&P 500 has an average monthly VaR of 8.20%.
- **Largest Fund Managers:** Despite some recent performance concerns, **Bridgewater Associates remains the largest hedge fund manager globally, with \$147bn in assets under management.** There are currently 668 firms worldwide which manage \$1bn or more in assets.
- **League Tables:** As well as ranking those hedge funds which have offered the greatest returns over the past 12 months, **Preqin has also compiled league tables of those funds in each top-level strategy which have consistently offered their investors superior returns and lower volatility** over the past three and five years.

To access further information and analysis, please see the sample pages below:

<https://www.preqin.com/docs/samples/2016-Preqin-Alternative-Assets-Performance-Monitor-Sample-Pages.pdf>

If you are a member of the financial press and would like to register for an advance copy of the 2016 Preqin Alternative Assets Performance Monitor, please email press@preqin.com

Comment:

"With recent returns lower than investors have come to expect, the performance of the hedge fund industry is under increasing scrutiny. Both fund managers and investors have identified performance as a key issue in the hedge fund industry today and one which is driving change in the sector.

Although overall investor sentiment for the asset class is at a historically low ebb, there remain sectors of the industry which offer investors good returns on their investment. However, the proliferation of funds in recent years, as well as the wide dispersion between the best performing strategies and between individual managers in the industry today, mean that investors are finding it more difficult to pinpoint the good investment opportunities in the current environment."

Amy Bensted – Head of Hedge Fund Products, Preqin

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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.

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin's services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: www.preqin.com

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