

## Hedge Funds Mark Fifth Consecutive Month of Gains in July

### Overall industry returns of 2.17% mark return to positive 12-month performance

The hedge fund industry posted overall returns of 2.17% in July, marking the largest cumulative period of positive performance since May 2013, with the industry returning 6.96% since the beginning of March. As a result, 2016 YTD returns now stand at 3.67%, and 12-month performance has returned to positive territory for the first time since December, at 1.58%. All leading strategies posted positive returns for the month, with equity strategies (+2.78%) and event driven strategies (+2.71%) in particular making gains. For 2016 so far, event driven strategies (+6.13%) and macro strategies (+4.57%) have the highest performance, with equity strategies (-0.12%) being the only fund type which is still showing negative 12-month returns.

In the wake of Britain's vote to leave the EU, 31% of hedge fund managers surveyed by Preqin stated that they expected Brexit to have a positive impact on performance. In July, European hedge funds recorded gains of 2.00%, the highest monthly performance in over a year, but lower than seen for funds in North America and Asia-Pacific, which returned 2.68% and 2.26% respectively. Europe is also the only region which is still showing losses in 2016 YTD, at -0.49%, while Asia-Pacific funds have made gains of 0.17%, and North America performance stands at 4.85%.

#### Other Hedge Fund Performance Facts:

- **Returns by Size:** Hedge funds less than \$100mn saw the highest July performance of any size classification\*, at 2.24%, and have the highest YTD returns of 4.10%. Large hedge funds of \$1bn or more saw the lowest returns in July, at 1.28%, and their gains of 0.54% in 2016 YTD are the lowest of any size.
- **CTA Performance:** CTA funds followed June's gains of 2.22% by returning 0.30% in July, taking 2016 YTD performance to 2.94%. This is only the second time CTAs have recorded two consecutive months of positive returns since March 2015.
- **Volatility and Activist Funds:** Activist hedge funds posted returns of 3.67% in July, their highest performance since February 2012. Hedge funds using a volatility-based trading method returned 1.59% for the month, their sixth consecutive month of gains.
- **Funds of Hedge Funds:** Despite making gains of 1.16% in July, funds of hedge funds are still recording losses of 2.10% for the year so far. This is the first time funds of hedge funds have recorded monthly performance of more than 1.00% since February 2015.
- **Liquid Alternatives:** Both alternative mutual and UCITS funds recorded positive performance in July, of 1.07% and 1.60% respectively. However, while alternative mutual funds are now posting YTD gains of 1.96%, UCITS funds are still showing losses, at -0.38%.

#### Comment:

"After a difficult start at the beginning of the year, 2016 has now proved to be a positive year for hedge fund performance, with July marking the fifth straight month of industry gains. The strong returns in July have overcome losses incurred in the latter part of 2015; 12-month performance has returned to positive territory for the first time this year.

The opinion of hedge fund managers was divided on the issue of Brexit; in turn some funds have made successful gains or lost considerably on the outcome. However, the broader hedge fund industry in Europe seems to have taken some advantage of the opportunities offered in the wake of the vote. Although returns do not match those seen in North America, this still marks the best performance month for the region since February 2015."

Amy Bensted – Head of Hedge Fund Products, Preqin

**To view the full July 2016 hedge fund benchmarks, please see the factsheet that follows:**

\* Preqin size classifications: Emerging (less than \$100mn); Small (\$100-499mn); Medium (\$500-999mn); Large (\$1bn plus)

**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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# Preqin's July 2016 Hedge Fund Performance Benchmarks

Summary of Preliminary July 2016 Performance Benchmarks (Net Return, %)\*

	Jul-16	Jun-16	2016 YTD	12 Months
<b>Hedge Funds</b>	<b>2.17</b>	<b>0.14</b>	<b>3.67</b>	<b>1.58</b>
HF - Equity Strategies	2.78	-0.27	3.20	-0.12
HF - Event Driven Strategies	2.71	0.64	6.13	2.43
HF - Relative Value Strategies	0.88	-0.17	1.67	2.22
HF - Macro Strategies	1.18	1.20	4.57	3.87
HF - Multi-Strategy	1.57	0.72	3.54	2.28
HF - Credit Strategies	1.47	0.33	3.99	3.08
Activist	3.67	0.16	4.13	0.68
Volatility	1.59	1.57	5.93	7.02
Discretionary	2.74	-0.41	3.12	0.50
Systematic	1.64	1.34	3.90	4.18
HF - North America	2.68	-0.08	4.85	1.51
HF - Europe	2.00	-1.69	-0.49	-0.10
HF - Asia-Pacific	2.26	-0.52	0.17	-0.18
HF - Developed Markets	1.03	-0.90	0.68	-0.64
HF - Emerging Markets	2.74	1.44	6.78	5.04
HF - Emerging (Less than \$100mn)	2.24	0.34	4.10	2.13
HF - Small (\$100-499mn)	2.16	-0.34	2.31	0.39
HF - Medium (\$500-999mn)	1.84	-0.37	1.21	-0.83
HF - Large (\$1bn or More)	1.28	-0.11	0.54	-1.64
<b>Funds of Hedge Funds</b>	<b>1.16</b>	<b>-0.72</b>	<b>-2.10</b>	<b>-4.53</b>
FOHF - Equity Strategies	1.31	-1.15	-2.49	-5.67
FOHF - Multi-Strategy	1.18	-0.64	-2.14	-4.45
Funds of CTAs	1.44	3.93	4.21	-0.54
FOHF - USD	1.47	-0.74	-1.67	-4.63
FOHF - EUR	-0.42	-1.04	-4.83	-7.32
<b>Alternative Mutual Funds</b>	<b>1.07</b>	<b>0.05</b>	<b>1.96</b>	<b>-1.36</b>
<b>UCITS</b>	<b>1.60</b>	<b>-0.89</b>	<b>-0.38</b>	<b>-2.72</b>
UCITS - Equity Strategies	2.32	-1.32	-1.09	-3.93
UCITS - Relative Value	1.13	-0.71	0.37	-0.24
UCITS - Macro Strategies	0.86	-0.77	-1.00	-3.83
UCITS - USD	2.13	-0.96	0.41	-2.69
UCITS - EUR	1.45	-1.13	-0.82	-2.92
<b>CTAs</b>	<b>0.30</b>	<b>2.15</b>	<b>2.94</b>	<b>1.07</b>
Discretionary	-1.37	1.34	0.64	0.52
Systematic	0.28	2.78	3.56	1.42
CTA - USD	0.26	2.28	3.56	1.42
CTA - EUR	0.97	1.16	-2.63	-3.61

Source: Preqin Hedge Fund Online

\* Please note, all performance information includes preliminary data for July 2016 based on net returns reported to Preqin in early August 2016. Although stated trends and comparisons are not expected to alter significantly, final benchmark values are subject to change.

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