

Hedge Fund Performance Loses Momentum in October

The industry recorded minimal gains of 0.01% through the month, following positive run through much of the year

The hedge fund industry saw its lengthy run of positive performance taper off in October, as funds recorded net returns of 0.01%. Most leading strategies recorded modest gains, with credit strategy funds returning 0.84%, and relative value funds returning 0.49%. However, equity and event driven strategy funds both saw losses, returning -0.27% and -0.26% respectively, contrasting with their position as the highest-performing leading strategies in September.

While most commingled hedge fund benchmarks were close to 0.00% in October, other fund types were underwater for the month. UCITS funds returned -0.15% for the month, while alternative mutual funds made more substantial losses of 1.40%. As a result, both fund types have recorded losses for the past 12 months, returning -0.23% and -0.93% respectively. CTAs, meanwhile, recorded their third consecutive month of losses, as they returned -1.74% in October. This run of negative performance has resulted in YTD losses of 0.86%, and 12-month losses of 0.47%.

Other Key Hedge Fund Performance Facts:

- **Longer Term Returns:** Although October does not maintain the momentum of positive performance that the industry has recorded since March, **hedge funds have still posted overall gains of 5.46% so far in 2016**, and 4.99% over the past 12 months. As long as no further losses are posted, 2016 will mark the highest performance year for the industry since 2013.
- **Performance by Region:** Hedge funds focused on North America and Europe both recorded losses in October, returning -0.76% and -0.39% respectively. Asia-Pacific-focused funds, however, made gains of 0.46%, while **emerging markets hedge funds returned 2.35% for the month**, far beyond any other region.
- **Discretionary Gains:** **Hedge funds using a discretionary trading methodology once again outperformed systematic funds**, as they made gains of 0.13% compared to the latter's -0.52% performance. In 2016 so far, discretionary funds have now returned 4.94%, compared to 3.34% for systematic funds.
- **Returns by Size*:** October performance shows little variance according to fund size, but it is notable that **emerging funds once again posted the highest returns, gaining 0.30%**. Small and medium hedge funds both saw losses, returning -0.04% and -0.03% respectively for the month.

To access further information and analysis, please see the factsheet below

Comment:

“Despite many hedge fund investors stating that they are dissatisfied with the returns of their hedge fund portfolios, the hedge fund industry over recent months has seen a period of positive performance unmatched since 2012-13. Unfortunately, in October this seems to have lost momentum, as the industry recorded near-flat performance. However, many strategies and geographies have continued to make modest gains through the month, and the industry as a whole has not lost ground. Provided they can hold these gains in the last two months of the year, hedge funds are on course to mark their highest performance year since 2013.

Among other fund structures, however, the overall picture is less positive. CTAs, alternative mutual funds and UCITS funds are all showing negative performance over the past 12 months, and recorded losses in October. CTAs in particular have experienced their third consecutive month of losses, and are currently on course to record lower performance in 2016 than they did in 2015.”

Amy Bensted – Head of Hedge Fund Products, Preqin

**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.

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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Preqin's October 2016 Hedge Fund Performance Benchmarks

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

	Oct-16	Sep-16	2016 YTD	12 Months
Hedge Funds	0.01	0.81	5.46	4.99
HF - Equity Strategies	-0.27	0.98	5.00	4.35
HF - Event Driven Strategies	-0.26	0.84	7.89	6.71
HF - Relative Value	0.49	0.49	3.31	3.54
HF - Macro Strategies	0.21	0.52	5.74	5.30
HF - Multi-Strategy	0.30	0.72	5.35	5.48
HF - Credit Strategies	0.84	0.75	7.03	6.35
Activist	0.28	0.88	6.94	6.81
Volatility	-0.18	0.27	5.78	5.69
Discretionary	0.13	0.76	4.94	4.51
Systematic	-0.52	0.55	3.34	3.59
HF - North America	-0.76	1.17	6.07	4.87
HF - Europe	-0.39	0.54	0.58	1.43
HF - Asia-Pacific	0.46	0.52	2.17	3.07
HF - Developed Markets	0.24	0.84	4.85	4.60
HF - Emerging Markets	2.35	0.68	11.23	11.06
HF - Emerging (Less than \$100mn)	0.30	0.96	6.17	5.80
HF - Small (\$100-499mn)	-0.04	0.81	4.50	4.16
HF - Medium (\$500-999mn)	-0.03	0.49	2.80	2.66
HF - Large (\$1bn or More)	0.08	0.56	2.73	2.32
Funds of Hedge Funds	0.11	0.31	-1.08	-1.21
FOHF - Equity Strategies	-0.17	0.55	-0.91	-1.22
FOHF - Macro Strategies	0.67	0.17	0.04	0.24
FOHF - Multi-Strategy	0.21	0.23	-1.28	-1.30
Funds of CTAs	-4.61	-0.08	-4.74	-4.14
FOHF - USD	-0.19	0.39	-1.05	-1.31
FOHF - EUR	-0.18	0.15	-3.18	-3.26
Alternative Mutual Funds	-1.40	0.13	0.84	-0.93
UCITS	-0.15	0.20	0.35	-0.23
UCITS - Equity Strategies	-0.40	0.44	-0.67	-0.98
UCITS - Relative Value	0.38	0.15	0.72	0.53
UCITS - Macro Strategies	0.30	-0.37	0.80	-0.41
UCITS - USD	-0.25	0.34	0.85	0.02
UCITS - EUR	-0.33	0.13	-0.44	-0.86
CTAs	-1.74	-0.36	-0.86	-0.47
Discretionary	1.53	0.29	3.85	4.71
Systematic	-2.65	-0.46	-2.11	-1.63
CTA - USD	-1.78	-0.29	-0.27	-0.01
CTA - EUR	-1.97	0.25	-7.02	-5.33

Source: Preqin Hedge Fund Online

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

2016 Preqin Alternative Assets Performance Monitor

The **2016 Preqin Alternative Assets Performance Monitor** provides unrivalled insight into the performance of alternative assets funds, analyzing performance data for over 22,900 funds. Bringing together extensive data from Preqin's industry-leading online products, the Alternative Assets Performance Monitor offers detailed statistics, league tables, charts and analysis of performance across the alternative assets industry.

To receive a complimentary press copy of the **2016 Preqin Alternative Assets Performance Monitor**, please email: press@preqin.com

