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Press Release **16th July 2014**

Hedge Funds Return to Form in Q2 2014 Following Worst Start to a Year Since 2008

Hedge funds post average Q2 2014 returns of 2.51% compared to the 1.30% average returns seen throughout the first quarter

Improved performance in May and June has provided a more positive outlook for the hedge fund industry following the worst start to a year since 2008. Second quarter performance was almost twice as strong on average compared to Q1 2014, taking year-to-date (YTD) returns to 3.86%. The hedge fund benchmark is behind the 4.28% YTD returns as of the end of Q2 2013, and investors may be expressing concerns that three of the six months in 2014 so far have seen negative average returns.

Other Key Facts:

- **Event Driven Strategies** continue to lead the way with 5.24% returns on average for 2014 YTD. Event driven strategies were included in 20% of investor searches in Q2, making it the second most searched for fund type after long/short equity.
- **Macro Strategies** recovered from a poor Q1 to be the top performing strategy benchmark in Q2, with average returns of 2.80%. This is the first time the benchmark has been the top performing strategy since Q3 2011.
- **CTAs** represented just 1% of all fund launches in Q2 2014, and the proportion of investor searches including these funds was down from 16% in Q1 to 10% in Q2 following sustained poor performance. However, CTAs performed better in Q2 2014 with three positive months and average returns of 2.15%.
- After being the worst performing regional benchmark in Q1, **Emerging Markets** was the best performing region in Q2 with average returns of 4.33%.
- **North America** is the leading regional benchmark YTD (+6.02%) following further strong performance in Q2 (+2.95%). Sixty-six percent of all fund launches and 46% of all investor searches during the quarter were from firms based in North America.
- Despite good performance in Q1, **Europe** was the worst performing regional benchmark in Q2 with funds focused on the region posting an average of 0.50%.
- There was an increased proportion of investors searching for **Funds of Hedge Funds** in Q2 2014; 29% of searches included commingled funds of hedge funds (up from 21% in Q1) and 10% were targeting managed account funds of hedge funds.

For more information and analysis, please see the full report below:
https://www.preqin.com/docs/quarterly/hf/Preqin-Quarterly-Hedge-Fund-Update-Q2-2014.pdf

Comment:

"Hedge funds had a tricky start to the year with performance in Q1 2014 representing the worst start to a year since 2008. Preqin's all regions and strategies hedge fund benchmark was also in the red for April. Positive returns in May and June, however, have improved the overall picture and taken benchmark year-to-date returns to 3.86%. This is noticeably behind the 4.28% recorded by the hedge fund benchmark at the same stage last year, and managers will be looking to build on this so they can post more encouraging returns in the second half of 2014.

Despite the relatively volatile start to the year, investors are continuing to allocate to hedge funds and a healthy number of new searches and mandates were issued during the second quarter. Hedge fund managers will be

hoping to build on more encouraging performance in May and June in order to continue attracting inflows from the institutional community. With emerging markets and macro strategy funds posting some of the strongest returns throughout the second quarter, it will be interesting to see if managers of these vehicles can continue to outperform the likes of event driven strategies and the North America market going forward."

Amy Bensted – Head of Hedge Fund Products, Preqin

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

Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q'.

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