

## Asia Hedge Fund Industry Sees Less Launch Activity in Q3

### Asia-focused and -based hedge funds both see proportional launch figures fall, as fund managers turn towards a global focus

Preqin's quarterly update on the hedge fund industry tracks 118 hedge funds launched globally through Q3 2016. Among these, North America-based fund managers accounted for 76% of new launches, a 12-month high, while both Europe- and Asia-Pacific-based managers accounted for smaller proportions. Managers in Europe represent 20% of Q3 fund launches, down from 28% the previous quarter, while Asia-Pacific-based managers represent just 3% of new vehicles, a quarter of the proportion seen in Q3 2015. At the same time, the proportion of new funds launched that have a focus on the Asia-Pacific region fell from 9% in Q2 to just 1% in Q3, the lowest of any region. Funds with a global focus, however, accounted for 69% of new funds, up from 58% in Q2, while other regions stayed level.

Among leading hedge fund strategies, the level of new hedge funds launched which follow an equities strategy have fallen over the course of the year: 38% of funds launched in Q3 pursue this approach, the third consecutive quarterly decline for the strategy. Meanwhile, event driven strategies accounted for 21% of launch activity in the quarter, up from 12% in Q2. This growth in the level of event driven funds launched has been coupled with strong returns in 2016 so far; the Preqin All-Event Driven Strategies benchmark has returned 8.27% year-to-date.

#### Key Q3 Hedge Fund Launches and Searches Facts:

- **Fund Structures:** Single-manager hedge funds accounted for 86% of new funds launched in Q3 2016, up from 71% the previous quarter. Conversely, **UCITS and funds of hedge funds represented 7% and 3% of launch activity** respectively, less than half the levels seen in Q2.
- **Searches by Investor Location:** Preqin recorded 89 new fund searches through Q3, mainly from Europe- and North America-based investors. **Investors based in the Asia-Pacific region accounted for 14% of searches**, twice the proportion recorded the previous quarter.
- **Fund Searches by Strategy:** Long/short equity remains the most sought-after strategy in Q3, despite a fall in the proportion of investors searching for the strategy: **43% of fund searches issued in Q3 were for long/short equity, down from 56% in Q2**. Long/short credit and CTAs also saw declining search interest, as the proportion of overall search activity including these strategies fell by 19 and 9 percentage points respectively.

**To access further information and analysis, please see the full report below:**  
<https://www.Preqin.com/docs/quarterly/hf/Preqin-Quarterly-Hedge-Fund-Update-Q3-2016.pdf>

#### Comment:

“Although the largest proportions of both active funds and new fund launches continue to be those that pursue an equities strategy, there has been a continued decline in the proportion of fund launches using this strategy over the past three quarters. According to Preqin's latest survey of hedge fund managers in June 2016, the largest proportion expect equity strategies to be the worst performing through the year. Despite this, equities funds have registered the highest performance of any leading strategy in Q3 2016, which may spur increased fund launches in the coming quarters.

Overall, launch activity through the quarter has been dominated by funds run by North America-based managers, as well as funds with a global focus, while Europe- and Asia-Pacific-based firms have both accounted for a lower proportion of launch activity. On the part of Europe, this may in part be due to the uncertainty arising as a result of the unexpected Brexit decision in June, while in Asia cautious investor sentiment provides challenges for prospective new funds.”

**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:**

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