

Hedge Funds Mark Highest Quarterly Performance for Three Years in Q3

Seven consecutive months of hedge fund gains see returns of 4.06% in Q3, and take 2016 YTD performance to 5.41%

The Preqin All-Strategies Hedge Fund benchmark recorded gains of 0.91% in September, marking the seventh successive month of positive performance as the industry delivered returns of 4.06% through the third quarter. These gains mark an improvement from both Q2 and Q1, in which they posted returns of 2.13% and -0.81% respectively. Furthermore, it represents the best quarterly performance since Q1 2013, when the industry returned 4.10%. In 2016 YTD, hedge funds have posted total gains of 5.41% despite suffering losses at the beginning of the year.

All leading hedge fund strategies posted gains through Q3, with macro strategies representing the lowest quarterly gains (+1.94%), and equity strategies posting the highest returns (+5.18%). Event driven strategies returned 4.59% in Q3 to take their 2016 YTD performance to 7.90%, the highest of any strategy. By contrast, relative value strategy funds posted year-to-date gains of 3.11%, the lowest of any strategy. Credit and macro strategies are the only leading funds to have posted gains in all three quarters through 2016, and have returned 5.85% and 5.27% YTD respectively.

Other Key Hedge Fund Performance Facts:

- **Activists See Strong Q3: Activist funds generated robust returns of 5.49% in Q3**, taking 2016 YTD performance to 5.95%. Volatility trading funds posted gains of 2.18% over the third quarter of 2016 and have added 6.74% through the year so far.
- **Performance by Region: North America-focused hedge funds delivered the highest returns of any region in Q3 (+5.14%). Emerging markets-focused funds have the best performance of any region in 2016 YTD, with returns of 8.87%**; Europe-focused funds have posted 1.32% in 2016 YTD, the lowest of any region.
- **CTAs Falter: CTAs have failed to maintain the momentum** they generated in the first half of 2016, and have posted overall losses of 1.82% in Q3. This sees 2016 YTD returns fall to 0.97%, and 12-month performance dip to 0.22%.
- **Smallest Funds Make Gains: Emerging hedge funds* saw the greatest returns of any size classification in Q3**, generating 4.27%, while large hedge funds saw the smallest gains (+2.94%). Across the year so far, emerging funds lead the way with returns of 6.04%, while large hedge funds have posted gains of 2.27%.
- **Discretionary Funds Win Out: Although discretionary funds suffered losses in Q1 (-1.58%), returns of 4.52% in Q3 have taken 2016 YTD performance to 4.85%**. In contrast, systematic funds posted far smaller gains of 1.65% through Q3, and their performance through the year so far stands at 3.81%.

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

Comment:

“Hedge funds have delivered consistent positive returns over the past seven months, marking the Preqin All-Strategies Hedge Fund benchmark’s longest successive run of monthly gains since 2012-2013. In the current environment, in which an unprecedented proportion (79%) of investors stated to Preqin in June that they were dissatisfied with the performance of their hedge fund portfolios over the past 12 months, fund managers and investors alike will welcome this run of solid returns.

Within the universe of 22,810 funds open to investment, it has been the smallest funds – those with less than \$100mn in assets - that have had the most success in terms of performance in 2016. With a large proportion of inflows over the last few years going to the largest managers in the hedge fund industry, we may see investors look towards the smaller end of the spectrum in their search for hedge fund returns going forward.”

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

For more information, please contact: Amy Bensted +44 (0)20 3207 0230 or abensted@preqin.com

For general press enquiries, please contact: William Clarke +44 (0)20 3207 0265 or press@preqin.com

Preqin's September 2016 Hedge Fund Performance Benchmarks

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

	Sep-16	Q3 2016	2016 YTD	12 Months
Hedge Funds	0.91	4.06	5.41	6.97
HF - Equity Strategies	1.16	5.18	5.38	7.71
HF - Event Driven Strategies	0.88	4.59	7.90	8.39
HF - Relative Value	0.63	2.37	3.11	4.43
HF - Macro Strategies	0.65	1.94	5.27	5.61
HF - Multi-Strategy	0.29	2.65	4.27	5.55
HF - Credit Strategies	0.59	3.35	5.85	5.77
Activist	0.67	5.49	5.95	8.38
Volatility	0.96	2.18	6.74	8.90
Discretionary	0.97	4.52	4.85	6.46
Systematic	0.41	1.65	3.81	5.45
HF - North America	1.53	5.14	7.20	8.09
HF - Europe	0.84	3.82	1.32	3.68
HF - Asia-Pacific	0.39	3.77	1.40	5.30
HF - Developed Markets	0.79	3.86	4.43	5.34
HF - Emerging Markets	0.76	4.64	8.87	11.14
HF - Emerging (Less Than \$100mn)	1.10	4.27	6.04	7.96
HF - Small (\$100mn-\$499mn)	0.68	4.06	4.32	5.73
HF - Medium (\$500mn-\$999mn)	0.68	3.90	3.25	4.38
HF - Large (\$1bn plus)	0.46	2.94	2.27	2.76
Funds of Hedge Funds	0.11	1.90	-1.38	-0.64
FOHF - Equity Strategies	0.56	3.35	-0.71	1.09
FOHF - Multi-Strategy	-0.04	1.50	-1.81	-1.31
Funds of CTAs	0.39	-1.54	0.36	-1.43
FOHF - USD	0.51	2.45	-0.72	-0.17
FOHF - EUR	-0.10	1.28	-3.25	-2.58
Alternative Mutual Funds	-0.27	0.96	1.37	1.49
UCITS	0.09	2.16	0.20	1.50
UCITS - Equity Strategies	0.33	3.26	-0.37	1.73
UCITS - Relative Value	-0.48	0.76	-0.08	0.57
UCITS - Macro Strategies	-0.49	0.96	-0.83	-0.52
UCITS - USD	0.51	2.94	1.30	2.58
UCITS - EUR	0.01	1.76	-0.50	0.94
CTAs	-0.28	-1.82	0.97	0.22
Discretionary	-0.07	-1.24	0.66	1.86
Systematic	-0.21	-2.25	1.00	0.10
CTA - USD	-0.27	-1.86	1.62	0.65
CTA - EUR	0.58	-2.06	-4.89	-3.64

Source: Preqin Hedge Fund Online

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

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