

Long/Short Hedge Funds Outperform Other Strategies in Q1 2013

Long/short hedge funds are the top performing strategy in the first quarter of 2013, with cumulative net returns of 4.43%

Preqin's April edition of Hedge Fund Spotlight reveals that long/short hedge funds outperformed all other strategies in Q1 2013. Long/short equity is also the most commonly sought-after single strategy by institutional investors, with 43% of investors that are planning on making new allocations to hedge funds in the next 12 months favouring this strategy.

Macro strategies hedge funds posted returns of only 1.17% in Q1 2013, and fund launches for this type decreased from 32% of all hedge funds in Q4 2012 to 14% in Q1 2013. However, investor appetite for macro funds is at its highest level since Q2 2012, with 29% of investors indicating that they are seeking macro hedge funds, compared to 37% of investors in Q2 2012.

Other Key Facts:

- Long/short equity funds account for 58% of all hedge fund launches in Q1 2013, significantly higher than the 36% of hedge fund launches which were represented by the long/short strategy in Q1 2012.
- CTAs were the worst performing hedge funds in Q1 2013, with net returns of 0.21%; investor appetite for this strategy has fallen from 25% of searches issued in Q2 2012 to 17% in Q1 2013.
- Event driven strategies posted the highest rate of cumulative returns over the last 12 months, at 9.44%. Funds focusing on event driven strategies represent 11% of hedge funds launched in Q1 2013, compared to 1% in Q4 2012.
- However, investor appetite for the relatively illiquid event driven strategies funds has declined, with 18% of investors that initiated a mandate in Q1 2013 targeting this strategy, compared to 27% of investors in Q2 2012.
- 28% of funds launched in Q1 are managed by first-time fund managers.
- Investors show increased appetite for alternatives to the traditional commingled offshore products, with 14% of investor searches including a UCITS-compliant hedge fund component, compared to 7% in 2012.
- North America-based fund managers account for 81% of all launches in the quarter.
- European launches represent just 12% of new hedge funds, possibly as managers wait to launch until after the July AIFMD deadline.
- Funds of hedge funds posted 3.16% in Q1 2013, representing the highest net quarterly return for these vehicles since Q1 2012. Single-manager hedge funds posted 3.35% in Q1 2013.

To read the full report, please visit:

http://www.preqin.com/docs/newsletters/HF/Hedge_Fund_Spotlight_April_2013.pdf

Comment:

"The hedge fund industry saw a broad base of positive returns posted during the first quarter of 2013. The average hedge fund closed the first quarter of the year up 3.35% after long/short and event driven strategies enjoyed particularly promising periods.

Liquid strategies trading on equities, notably long/short equity, are increasingly being sought by institutional investors looking to take advantage of the current market rally. As Preqin's fund launch data demonstrates, long/short strategies represent well over half of known hedge fund launches in the first quarter of 2013; therefore investors targeting this strategy will have a wide choice of funds, both established and emerging, to fill these open mandates."

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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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