

## Hedge Funds Start 2014 in the Red

### January losses largely driven by long/short funds which were down 0.47% for the month

According to Preqin's Hedge Fund Analyst, hedge funds made a loss of 0.17% in January 2014, the benchmark's first month in negative territory since August 2013. The decline in equity markets led to negative returns posted by long/short funds; however these funds did outperform the S&P 500 Index, which was down more than 3.5% for the month. The best performing hedge fund strategies for January were relative value and event driven strategies, with these benchmarks up 0.77% and 0.66% respectively.

#### Other Key Facts:

- Relative value was the top performing strategy benchmark in January 2014, as a result of strong gains posted by fixed income arbitrage (+1.60%) and relative value arbitrage (+1.43%) strategies.
- Long/short was the worst performing strategy category, as a result of losses posted by long/short equity (-0.28%) and long bias (-1.45%) funds.
- Macro strategies posted similar returns to the overall hedge fund benchmark (-0.15%).
- CTAs were back in the red in January following three months of positive performance, with returns of -1.08%, taking 12-month returns to -2.59%.
- Europe was the top performing regional benchmark with funds focused on the region returning 0.65%, marginally ahead of North America-focused funds (+0.55%).
- Funds focused on emerging markets suffered notable losses, with average returns of -2.27%, and there were also negative monthly returns for funds focused on Asia-Pacific (-0.51%).
- UCITS funds also posted losses in January with the average UCITS fund down 0.41%, as a result of negative returns posted by long/short (-0.76%) and macro funds (-0.12%).
- Funds of hedge funds again underperformed compared to the overall hedge fund benchmark, with average returns of -0.57%.

**Please see the factsheet that follows for the complete Preqin Hedge Fund Performance Benchmarks**

#### Comment:

"Following encouraging performance in 2013 which led to record levels of investor satisfaction, hedge funds have made a disappointing start to 2014. The Preqin Hedge Fund Index, a benchmark of average hedge fund returns, was down 0.17% in January as long/short funds mirrored losses in major equity markets. Relative value and event driven strategies funds managed to post positive performance for the month, and there were marginal losses for macro strategies. However, CTAs again disappointed in January, with these funds unable to build on three consecutive months of positive performance from October-December 2013.

The problems for emerging market-focused hedge funds continued into 2014, after being the worst performing regional benchmark in 2013; these funds made an average loss of 2.27% in January. Asia-Pacific-focused funds also suffered negative returns for the month as a result of losses made by equity-focused funds, whilst the hopes many have placed on resurgence in European funds in 2014 look well founded after Europe was the best performing regional benchmark with returns of 0.65%."

**Amy Bensted, Head of Hedge Fund Products - Preqin**

**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.

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# Preqin's Hedge Fund January 2014 Performance Benchmarks

Summary of Preliminary January 2014 Performance Benchmarks (Net Return, %)\*

	January	December	Last 12 Months	Annualized 3 Years
<b>Hedge Funds (All Strategies &amp; Regions)</b>	<b>-0.17</b>	<b>1.02</b>	<b>8.29</b>	<b>6.04</b>
Long/Short	-0.47	1.13	10.18	6.05
Event Driven Strategies	0.66	1.48	13.86	8.03
Relative Value	0.77	0.60	7.22	6.50
Macro Strategies	-0.15	0.49	1.13	4.11
Multi-Strategy	-0.23	1.08	6.23	6.07
North America	0.55	1.51	14.05	9.31
Europe	0.65	1.07	11.75	6.14
Asia-Pacific	-0.51	0.96	12.39	6.84
Emerging Markets	-2.27	0.66	0.94	3.73
Developed Markets	1.01	0.73	11.54	8.47
USD	-0.11	1.07	8.50	6.28
EUR	0.34	0.61	6.56	3.55
JPY	-0.18	1.95	19.98	9.24
GBP	-0.17	0.30	1.72	1.64
BRL	-1.80	0.54	2.06	8.19
<b>Funds of Hedge Funds (All Strategies &amp; Regions)</b>	<b>-0.57</b>	<b>1.00</b>	<b>5.45</b>	<b>2.66</b>
Long/Short	-0.57	1.18	8.47	3.56
Multi-Strategy	-0.48	1.02	5.43	2.73
Macro	-1.27	0.47	-1.95	-0.89
USD	-0.72	1.00	5.40	2.55
EUR	-0.92	0.90	4.03	0.83
<b>UCITS Hedge Funds (All Strategies &amp; Regions)</b>	<b>-0.41</b>	<b>0.52</b>	<b>4.21</b>	<b>2.36</b>
Long/Short	-0.76	0.73	7.50	3.87
Relative Value	0.00	0.24	2.47	1.27
Macro Strategies	-0.12	0.12	-1.15	0.51
USD	-1.15	0.59	2.68	1.70
EUR	-0.13	0.38	4.65	2.26
<b>CTAs (All Strategies &amp; Regions)</b>	<b>-1.08</b>	<b>0.61</b>	<b>-2.59</b>	<b>0.54</b>
USD	-1.12	0.80	-2.35	0.34
EUR	-1.88	0.14	-6.37	-2.61

Source: Preqin Hedge Fund Analyst

\* Please note, all performance information includes preliminary data for January 2014 based on net returns reported to Preqin in early February 2014. Although stated trends and comparisons are not expected to alter significantly, final benchmark values are subject to change.

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