

## Hedge Fund Performance Could Be on Track to Match Returns in 2012

**Hedge funds post year-to-date returns of 7.17% as of the end of Q3, broadly in line with the 7.37% posted by hedge funds as of September 2012**

New research released in Preqin Quarterly Update: Hedge Funds, Q3 2013 reveals that Q3 overall was a good quarter for hedge fund performance, with figures posted in July and September 2013 representing two of the three strongest months for returns from hedge funds in 2013 so far. Hedge funds posted net gains of 3.24% in Q3 2013, taking the overall benchmark to 7.17% for the year, just short of the 7.37% hedge funds had posted in 2012 as of September that year, indicating 2013 could be set to match 2012.

Research released in Preqin Investor Outlook: Alternative Assets, H2 2013 shows that investor sentiment towards hedge fund performance has improved over the past 12 months; the proportion of investors stating that hedge fund returns have fallen short of expectations has dropped from 41% in H2 2012 to 26% as of H2 2013.

### Other Key Facts:

- CTAs have continued to struggle in Q3 2013, with returns of -1.63% for the quarter and -2.46% for 2013 YTD. Additionally, Preqin has observed a reduction in the proportion of hedge fund investors issuing new searches for CTAs, down from 12% in Q2 2013 to 9% in Q3.
- Hedge fund managers are seeing fewer opportunities in the commodities sector as a whole, with CTA launches representing only 4% of all hedge fund launches in Q3, a decrease from 8% in Q2; there have also been some notable closures of commodity fund groups over the past few months.
- Despite continued uncertainty over the AIFMD, 23% of all hedge funds launched in Q3 2013 are managed by Europe-based firms, up from 12% and 19% of new launches in Q1 and Q2 respectively.
- However, there has been a reduction in UCITS funds coming to market, with these funds representing 4% of all fund launches in Q3 2013, a drop from 9% in Q2.
- Event driven funds have been the top performing strategy in the quarter, posting returns of 4.01% in Q3. Returns for event driven funds in 2013 could eclipse those in 2012, with the strategy already up 10.85% in 2013 YTD, versus 8.03% for the same period in 2012.
- The strong performance of event driven funds over the past year is finally attracting investor interest, with 22% of investor searches issued in 2013 targeting the strategy up from 14% in Q2.
- 55% of investor searches issued in Q3 2013 contained a long/short component compared to 47% in Q2, demonstrating increasing investor interest in long/short equity.

**For more information and analysis, please see**

[https://www.preqin.com/docs/quarterly/hf/Preqin\\_Quarterly\\_Hedge\\_Fund\\_Update\\_Q3\\_2013.pdf](https://www.preqin.com/docs/quarterly/hf/Preqin_Quarterly_Hedge_Fund_Update_Q3_2013.pdf)

### Comment:

“This quarter has been one of mixed fortunes for the hedge fund industry; however, despite returns in most hedge fund strategies being in the red for August, both July and September were strong months for hedge fund performance, bringing the overall hedge fund benchmark for 2013 to date to 7.17%.

However, performance is seen as both the key issue in the industry and a key factor assessed by institutional investors when looking at hedge funds in H2 2013. Funds that have performed particularly well in 2013, notably event driven strategies, are increasingly being sought by investors, whereas those that have been underperforming, such as CTAs, are losing investor interest. If Q4 can continue in the same vein as Q3, we would expect investors to continue to exhibit increased satisfaction and confidence with the performance of hedge funds as a whole; this could lead to further growth in the industry as more assets flow into these funds.”

### Amy Bensted, Head of Hedge Funds Products

**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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