

The Preqin Quarterly Update

Hedge Funds

Insight on the quarter from the leading provider of alternative assets data

Content Includes...

Performance Update

We analyze the performance of the hedge fund industry in Q2 2013.

Performance Benchmarks

We look at hedge fund performance benchmarks for Q2 2013.

Hedge Fund Launches

We examine hedge fund launches in Q2 2013, including a breakdown by structure, region and strategy.

Hedge Fund Managers

We review the top hedge fund managers and fund of hedge funds managers in the industry.

Investor Mandates

We provide a breakdown of the fund searches and mandates issued by investors in the last quarter.





Foreword

Thirteen proved to be an unlucky number for hedge funds in Q2 2013, as hedge funds' 12 month positive streak in terms of performance was brought to an abrupt halt with a monthly net return of -1.52% posted in June. Following on from the strong Q1 performance, when hedge funds were up 3.35% and funds of funds not far behind with Q1 returns of 3.16%, Q2 performance was looking to be equally buoyant until this disappointing June brought the quarter's performance down to 0.14% and -0.61% for hedge funds and funds of hedge funds respectively. The third quarter of this year could prove to be a decisive one for the industry; investors are still hungry for strong performance following weak returns in 2011 and the flat to negative performance in Q2 has dampened the year to date success of hedge funds. Investors and fund managers alike will be waiting to see improvement in July's figures in the hope that the industry can recover from the disappointment in June.

Three hundred funds have been launched so far in 2013. In Q2 2013, we have witnessed further growth in the proportion of event driven strategies coming into the market, as fund managers continue to see opportunities in this space. Conversely, launches in the CTA and macro strategy sector, the two worst performing strategies over 2013 so far, continue to slow.

Over 250 investors initiated searches for new funds in Q2. Long/short equity funds are most commonly being sought by institutional investors and we have also seen an increase in investors looking to invest through separately managed accounts to take advantage of the additional transparency, liquidity and control these structures can offer.

Preqin's Hedge Fund Online services generate the data points behind these reports, offering a wealth of individual firm and fund-level data, which is gathered through Preqin's direct contact with industry professionals from across the globe. We hope you find this report useful, and welcome any feedback you may have. For more information, please visit www.preqin.com or contact info@preqin.com.

2013 Preqin Investor Network Global Alternatives Report

The [2013 Preqin Investor Network Global Alternatives Report](#) is the most comprehensive review of the alternatives industry aimed exclusively at institutional investors ever undertaken. The report covers a wide range of topics, including asset allocation, fund selection and due diligence.

The 105-page [2013 Preqin Investor Network Global Alternatives Report](#) is freely accessible on Preqin's website.

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Performance Summary: Q2 2013

Hedge funds endured a disappointing Q2 2013, with single-manager hedge funds posting returns of 0.14% compared with 3.29% in Q1 (Fig.1). Funds of hedge funds, UCITS hedge funds and CTAs all suffered negative returns for the quarter, with all benchmarks recording returns of at least three percentage points less than their totals in Q1. Hedge funds recorded a 12th consecutive positive month following positive returns in April and May, but suffered a setback with -1.52% returns in June. Event driven was the best performing strategy, following on from a strong Q1, posting 2.30% in Q2 (Fig. 2). Relative value and long/short funds were also positive for the quarter, although the strong returns of 1.33% of long/short funds in May were more than wiped out by the -1.66% in June. Funds pursuing multi-strategy themes, macro strategies and CTAs all produced negative returns.

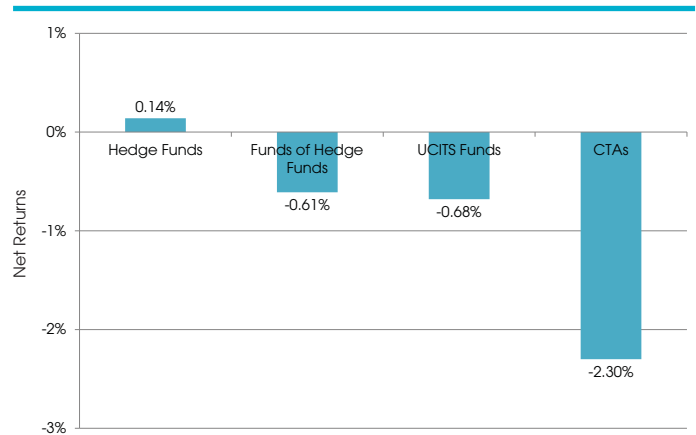
Asia-Pacific-focused hedge funds have been the best performing funds so far in 2013 with cumulative returns of 7.51%, although these funds suffered a 1.72% loss in June. North America-focused and Europe-focused funds were best performing in Q2 2013, up 1.48% and 1.37% respectively, while emerging markets-focused funds fared worst, with a decline of 1.58% (Fig. 3). Hedge funds again underperformed compared to the S&P 500 index in Q2 and they trail the index by 8% over the past 12 months (Fig. 4).

Fig. 2: Net Returns of Single-Manager Hedge Funds by Strategy

| April 2013 | May 2013 | June 2013 | Q2 2013 | Q1 2013 |
|---------------------------|---------------------------|----------------------------|----------------------------|---------------------------|
| Event Driven 1.14% | Event Driven 2.02% | Relative Value -0.59% | Event Driven 2.30% | Event Driven 4.17% |
| CTAs 0.98% | Long/Short 1.33% | Event Driven -0.85% | Relative Value 0.82% | Long/Short 4.15% |
| Relative Value 0.94% | Multi-Strategy 0.85% | CTAs -1.26% | Long/Short 0.32% | Relative Value 2.56% |
| Long/Short 0.68% | Relative Value 0.47% | Multi-Strategy -1.49% | Multi-Strategy -0.26% | Multi-Strategy 2.13% |
| Multi-Strategy 0.39% | Macro Strategies 0.06% | Macro Strategies -1.51% | Macro Strategies -1.42% | CTAs 1.24% |
| Macro Strategies 0.02% | CTAs -2.02% | Long/Short -1.66% | CTAs -2.30% | Macro Strategies 1.14% |

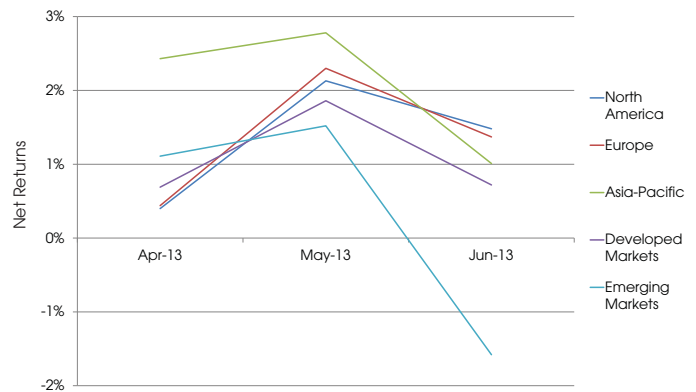
Source: Preqin Hedge Fund Analyst

Fig. 1: Net Returns of Hedge Funds by Structure, Q2 2013



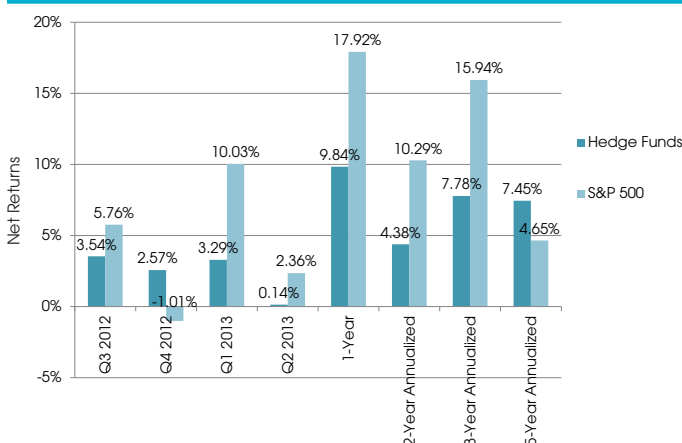
Source: Preqin Hedge Fund Analyst

Fig. 3: Cumulative Net Returns of Hedge Funds by Geographic Focus, Q2 2013



Source: Preqin Hedge Fund Analyst

Fig. 4: Performance of Hedge Funds vs. S&P 500



Source: Preqin Hedge Fund Analyst

Preqin's Hedge Fund Analyst offers access to fund-by-fund and industry level performance data for over 6,000 funds and share classes, providing a true market overview.

Compare funds to specific segments of the market, including by strategy, fund structure, geography and more, using the Custom Benchmarks feature.

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* Please note, all performance information includes preliminary data for June 2013 based upon net returns reported to Preqin in early July 2013. Although stated trends and comparisons are not expected to alter significantly, final benchmark values are subject to change.



Performance Benchmarks: Q2 2013

Fig. 1: Summary of Preliminary June 2013 Performance Benchmarks (Net Return, %)

| | April | May | June | Q2 2013 | Annualized 3 Years |
|--|-------------|--------------|--------------|--------------|--------------------|
| Hedge Funds (All Strategies & Regions) | 0.65 | 1.02 | -1.52 | 0.14 | 7.78 |
| Long/Short | 0.68 | 1.33 | -1.66 | 0.32 | 7.91 |
| Event Driven Strategies | 1.14 | 2.02 | -0.85 | 2.30 | 9.58 |
| Relative Value | 0.94 | 0.47 | -0.59 | 0.82 | 7.33 |
| Macro Strategies | 0.02 | 0.06 | -1.51 | -1.42 | 6.29 |
| Multi-Strategy | 0.39 | 0.85 | -1.49 | -0.26 | 7.03 |
| North America | 0.40 | 1.73 | -0.64 | 1.48 | 11.65 |
| Europe | 0.44 | 1.86 | -0.92 | 1.37 | 6.17 |
| Asia-Pacific | 2.43 | 0.35 | -1.72 | 1.01 | 8.93 |
| Emerging Markets | 1.11 | 0.41 | -3.06 | -1.58 | 6.62 |
| Developed Markets | 0.69 | 1.17 | -1.13 | 0.72 | 7.18 |
| USD | 0.75 | 1.08 | -1.48 | 0.33 | 8.26 |
| EUR | 0.36 | 0.87 | -1.21 | 0.01 | 4.22 |
| JPY | 6.41 | -0.20 | 0.45 | 6.67 | 10.49 |
| GBP | -0.61 | 0.68 | -0.46 | -0.39 | 2.59 |
| BRL | 0.50 | -0.14 | -2.01 | -1.65 | 10.38 |
| Funds of Hedge Funds (All Strategies & Regions) | 0.67 | 0.72 | -1.98 | -0.61 | 3.21 |
| Long/Short | 0.64 | 1.28 | -2.08 | -0.19 | 3.46 |
| Multi-Strategy | 0.78 | 0.61 | -1.55 | -0.17 | 3.14 |
| USD | 0.73 | 0.69 | -2.35 | -0.97 | 3.29 |
| EUR | 0.75 | 0.50 | -2.74 | -1.52 | 1.07 |
| UCITS Hedge Funds (All Strategies & Regions) | 0.62 | 0.47 | -1.75 | -0.68 | 2.90 |
| Long/Short | 0.75 | 1.01 | -2.08 | -0.36 | 4.36 |
| Relative Value | 0.30 | 0.51 | 0.16 | 0.97 | 1.94 |
| Macro Strategies | 0.31 | -0.76 | -2.42 | -2.87 | 1.01 |
| USD | 0.63 | 0.36 | -2.53 | -1.56 | 3.03 |
| EUR | 0.73 | 0.60 | -2.09 | -0.78 | 2.09 |
| CTAs (All Strategies & Regions) | 0.98 | -2.02 | -1.26 | -2.30 | 3.58 |
| USD | 1.12 | -2.29 | -0.85 | -2.03 | 3.76 |
| EUR | 1.41 | -2.63 | -2.55 | -3.77 | 0.22 |

Source: Preqin Hedge Fund Analyst

* Please note, all performance information includes preliminary data for June 2013 based upon net returns reported to Preqin in early July 2013. Although stated trends and comparisons are not expected to alter significantly, final benchmark values are subject to change.

Preqin's [Hedge Fund Analyst](#) features fund-level performance data for over 6,000 hedge funds.

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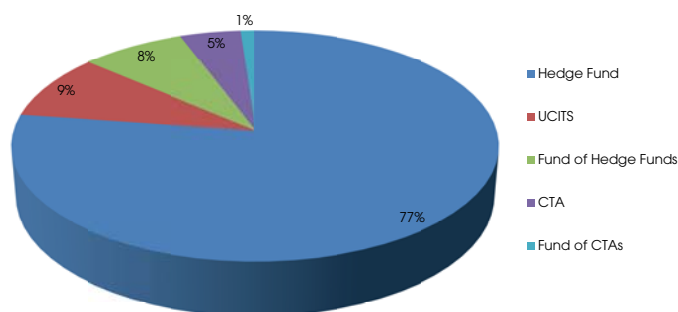


Hedge Fund Launches in Q2 2013

Event driven launches represented 19% of all hedge fund launches in Q2 2013, an increase compared to 12% in Q1 2013 and 9% in Q4 2012 (Fig. 3). The proportion of funds launched with a long/short strategy has remained relatively constant over the past three quarters, while the proportion of global macro funds launched has been decreasing over the same period.

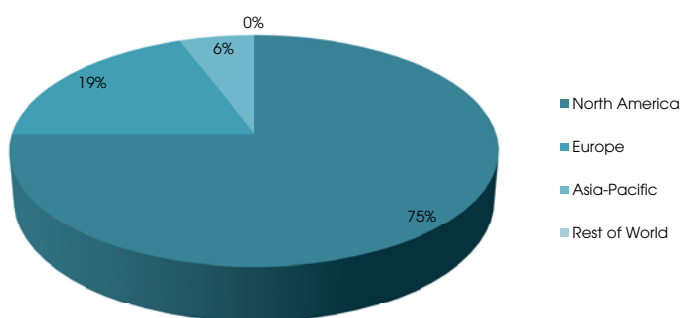
North America-focused fund launches represented a smaller proportion of hedge fund launches in Q2 2013 compared to Q1 2013, dropping from 28% to 9%, while sentiment in the eurozone has improved, with the proportion of Europe-focused funds increasing from just 2% of launches in Q1 to 16% in Q2 (Fig. 4). Europe-based firms also represent a greater proportion of fund launches this quarter, up to 19% from 12% in Q1 (Fig. 2). Single-manager hedge funds continue to dominate fund launches, representing 77% of all launches in Q2 2013, although the proportion of hedge funds being launched that are UCITS-compliant has increased from 5% in Q1 to 9% in Q2 (Fig. 1).

Fig. 1: Breakdown of Hedge Fund Launches in Q2 2013 by Structure



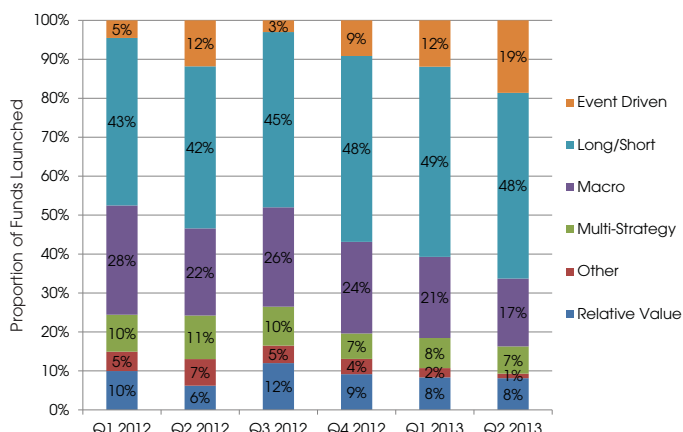
Source: Preqin Hedge Fund Analyst

Fig. 2: Breakdown of Hedge Fund Launches in Q2 2013 by Geographic Location



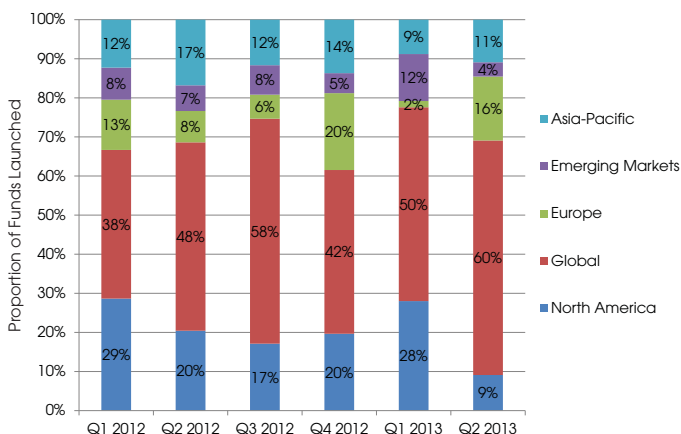
Source: Preqin Hedge Fund Analyst

Fig. 3: Breakdown of Hedge Fund Launches by Top Level Strategy, Q1 2012 – Q2 2013



Source: Preqin Hedge Fund Analyst

Fig. 4: Breakdown of Hedge Fund Launches by Geographic Focus, Q1 2012 – Q2 2013



Source: Preqin Hedge Fund Analyst

Preqin's **Hedge Fund Analyst** features up-to-date, in-depth profiles on over 12,000 hedge funds globally, including performance metrics, fund terms and conditions, investment preferences, domiciles and more.

View information about specific hedge funds and analyze industry overview statistics of the current fund universe.

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Largest Hedge Fund Managers League Tables

Fig 1: Top 20 Hedge Fund Managers Globally by Assets under Management

| Manager | Location | Assets under Management |
|--|----------|----------------------------------|
| Bridgewater Associates | US | \$151.5 bn as at 30 April 2013 |
| Man Group | UK | \$40.4 bn as at 31 March 2013 |
| Brevan Howard Asset Management | UK | \$40.0 bn as at 30 April 2013 |
| Och-Ziff Capital Management | US | \$35.6 bn as at 1 May 2013 |
| BlueCrest Capital | UK | \$35.3 bn as at 31 December 2012 |
| Baupost Group | US | \$28.1 bn as at 31 December 2012 |
| Standard Life Investments | UK | \$27.2 bn as at 30 April 2013 |
| BlackRock Proprietary Alpha Strategies | US | \$26.9 bn as at 30 June 2012 |
| Winton Capital Management | UK | \$25.2 bn as at 31 May 2013 |
| AQR Capital Management | US | \$24.9 bn as at 31 December 2012 |
| Renaissance Technologies | US | \$24.3 bn as at 31 May 2013 |
| Angelo, Gordon & Co | US | \$24.0 bn as at 31 March 2013 |
| Elliott Management | US | \$21.6 bn as at 31 December 2012 |
| Brummer & Partners | Sweden | \$21.0 bn as at 31 March 2013 |
| D. E. Shaw & Co | US | \$20.6 bn as at 1 January 2013 |
| Davidson Kempner Capital Management | US | \$20.0 bn as at 31 March 2013 |
| GAM | UK | \$19.6 bn as at 31 December 2012 |
| King Street Capital Management | US | \$18.6 bn as at 31 March 2013 |
| Farallon Capital Management | US | \$18.4 bn as at 31 December 2012 |
| Viking Global Investors | US | \$18.2 bn as at 31 December 2012 |

Source: Preqin Hedge Fund Analyst

Fig. 2: Top 20 Fund of Hedge Funds Managers Globally by Assets under Management

| Manager | Location | Assets under Management |
|--|-------------|----------------------------------|
| Blackstone Alternative Asset Management | US | \$47.0 bn as at 31 March 2013 |
| UBS Alternative Investment Solutions | US | \$25.7 bn as at 1 April 2013 |
| HSBC Alternative Investments | UK | \$25.1 bn as at 31 December 2012 |
| Permal Group | US | \$23.5 bn as at 31 March 2013 |
| GSAM | US | \$22.9 bn as at 31 December 2012 |
| Grosvenor Capital Management | US | \$22.6 bn as at 31 March 2013 |
| BlackRock Alternative Advisors | US | \$17.1 bn as at 31 December 2012 |
| Financial Risk Management (FRM) | UK | \$15.5 bn as at 31 March 2013 |
| Mesirow Advanced Strategies | US | \$13.4 bn as at 31 March 2013 |
| UBP Alternative Investments | Switzerland | \$11.7 bn as at 31 March 2013 |
| Aurora Investment Management | US | \$10.0 bn as at 1 June 2013 |
| Morgan Stanley Alternative Investment Partners | US | \$9.9 bn as at 31 March 2013 |
| K2 Advisors | US | \$9.6 bn as at 31 March 2013 |
| Lyxor Asset Management | France | \$9.6 bn as at 31 December 2012 |
| JP Morgan Alternative Asset Management | US | \$9.5 bn as at 31 March 2013 |
| Aetos Capital | US | \$9.4 bn as at 31 March 2013 |
| Prisma Capital Partners | US | \$8.9 bn as at 31 March 2013 |
| Rock Creek Group | US | \$8.5 bn as at 31 March 2013 |
| Meritage Group | US | \$8.0 bn as at 31 March 2013 |
| EnTrust Capital | US | \$7.8 bn as at 31 March 2013 |

Source: Preqin Hedge Fund Analyst

Preqin's [Hedge Fund Analyst](#) features detailed profiles on over 5,700 hedge fund managers globally, including strategy and industry preferences, key contact information, individual fund performance and more. For more information, or to register for a demonstration, please visit: www.preqin.com/hfa

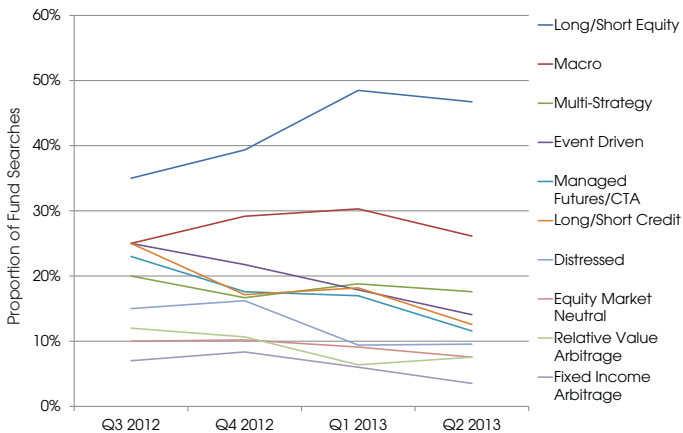


Institutional Investor Hedge Fund Searches: Q2 2013 Round-Up

Long/short equity continues to be the most commonly sought strategy by institutional investors in hedge funds. The long/short sector has been boosted by positive performance in 2013 and 47% of investor searches in Q2 2013 include a long/short equity component (Fig. 1). Interest in event driven, managed futures/CTA and long/short credit strategies has decreased, with all three strategies showing a five percentage point reduction from Q1 in their Q2 proportions (Fig. 2).

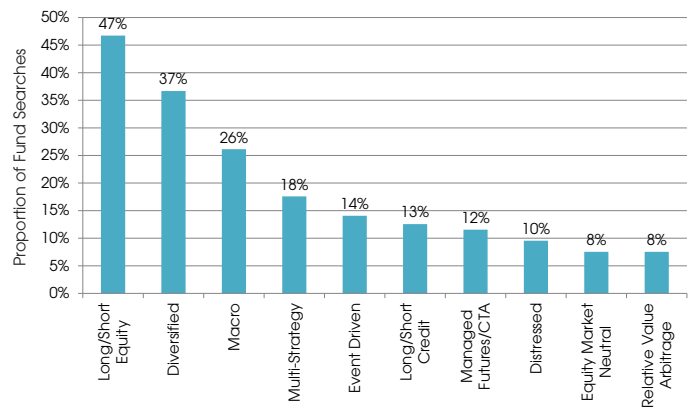
Interest in funds of hedge funds has declined in the second quarter with less than a third (29%) of all investors targeting new investments in the multi-manager space (Fig. 3). Interest in UCITS-compliant hedge funds has also slowed, representing 9% of searches in Q2 compared with 14% in Q1; however, demand for direct managed accounts has increased, up from 17% in Q1 to 20% in Q2. Fund of hedge funds managers have been the most active in seeking new investments, representing almost half (49%) of all searches in Q2, while the proportional breakdown of other institutional investor groups has remained similar to searches initiated in Q1 (Fig. 4).

Fig. 2: Changing Investor Appetite for Top 10 Strategies Sought, Q3 2012 - Q2 2013



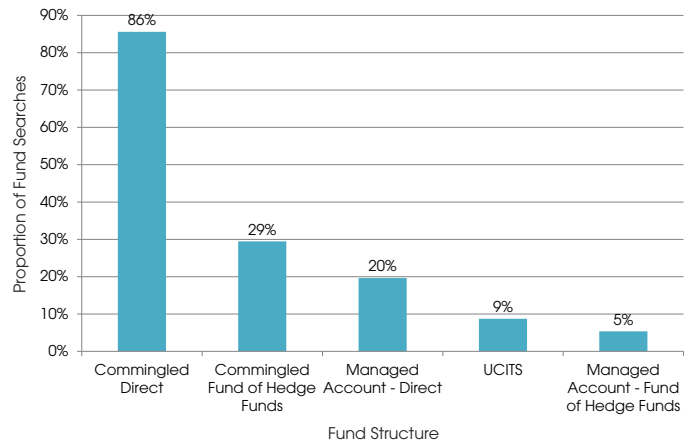
Source: Preqin Hedge Fund Investor Profiles

Fig. 1: Hedge Fund Strategies Sought by Investors over the Next 12 Months



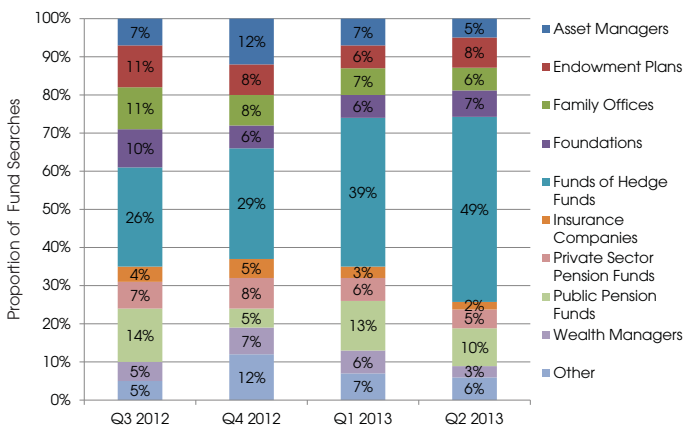
Source: Preqin Hedge Fund Investor Profiles

Fig. 3: Hedge Fund Structures Sought by Investors over the Next 12 Months



Source: Preqin Hedge Fund Investor Profiles

Fig. 4: Breakdown of Fund Searches Initiated by Investor Type, Q3 2012 - Q2 2013



Source: Preqin Hedge Fund Investor Profiles

Preqin's **Hedge Fund Investor Profiles** contains detailed information for over 4,200 active hedge fund investors worldwide and features key information on investors' preferences, key contact details, plans for the next 12 months, and more.

The **Future Fund Searches and Mandates** feature is the perfect tool to pinpoint those institutions that are seeking new hedge funds for investment now. Search for potential new investors by their current investment searches and mandates, including fund structure, fund strategy and regional preferences.

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Benchmark performance

Identify which fund managers have the best track records with fully customizable performance benchmarks and view performance details on individual named funds and share classes.

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