



Top 100 Performing Hedge Funds: April 2012 – March 2013

Interested in which strategies and regions have generated the best hedge fund returns over the last year? Joe Childs looks at the top performing hedge funds over the past 12 months.

A number of hedge fund managers have continued to deliver significant double-digit returns to their investors during the last year despite the industry experiencing a period widely regarded as underwhelming. In this article we look at the 100 funds that have stood out as a result of their performance over the last 12 months, providing an insight into the nature and characteristics of these funds.

In order to qualify for the list, funds must have reported net monthly returns for the period April 2012 to March 2013 and be at least \$100mn in size. Where the performance of multiple share classes of a fund features in Preqin's Hedge Fund Analyst, only the longest-running share class has been included. Similarly, only one fund per master-feeder structure features.

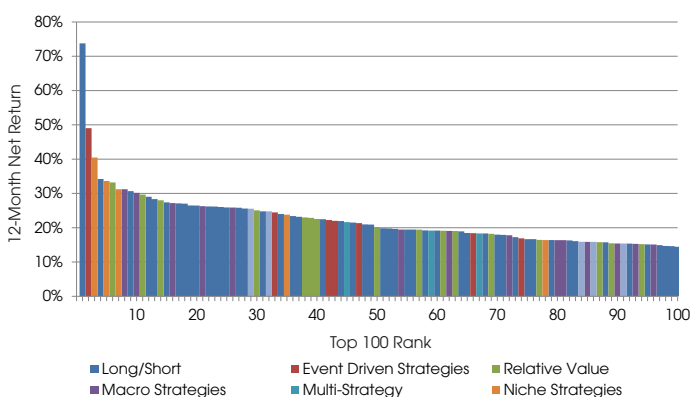
Fund Types & Strategies

Traditional single-manager hedge funds dominated Preqin's top performing funds over the last year, making up 85% of the list. This is larger than the proportion of these vehicles in the overall universe of funds (67%) but is perhaps unsurprising given that hedge funds, on the whole, posted better returns (+6.88%) than other fund types in the 12 months to March 2013.

As Fig. 1 shows, similar numbers of UCITS hedge funds (6%), CTAs (5%) and funds of hedge funds (4%) appear among the top performers. However, UCITS vehicles are generally placed higher on the list, with three funds (all of which provide investors with exposure to Asian markets) appearing in the top 50 and the highest ranked, Vitruvius Greater China Equity Portfolio, at number 12. Two of the five CTAs on the list feature in the top half.

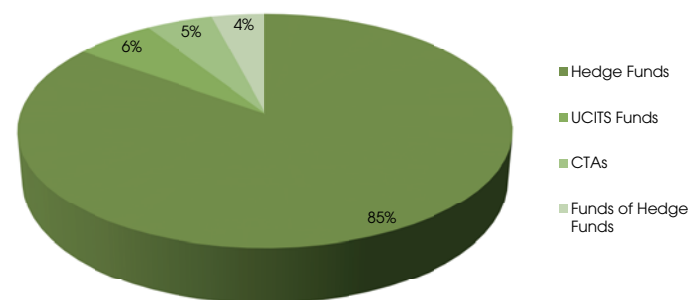
Funds of hedge funds appear lower down the list of top performers, with two SkyBridge Capital vehicles and one each belonging to

Fig. 2: Top 100 Performing Hedge Funds by Fund Strategy, April 2012 – March 2013



Source: Preqin Hedge Fund Analyst

Fig. 1: Breakdown of Top 100 Performing Hedge Funds by Fund Type



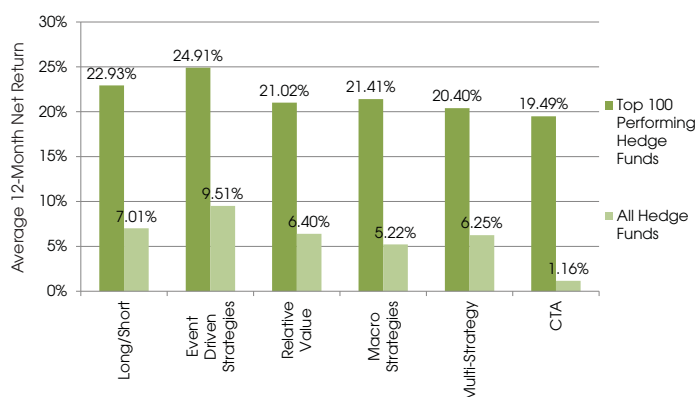
Source: Preqin Hedge Fund Analyst

Castle Alternative Invest and GL Funds ranked in the bottom half of these top performing funds. This is in spite of multi-manager funds, on the whole, posting superior returns (+5.10%) to CTAs (+1.16%) and UCITS funds (+3.93%) over the last year.

Fig. 2 depicts the top 100 performing funds, their 12-month cumulative returns and the primary strategy that each employs. Long/short funds feature heavily in the top 100, the strategy being used by half of all funds and evenly distributed to record an average position of 50. Sixteen relative value hedge funds make the strategy the second most common in this year's list, with three funds appearing in the top 15 and a further three in the bottom 15.

Despite delivering lower performance (+5.22%) in comparison to other strategies over the last year (see Fig. 3), macro funds make up 14% of the list of top performers. This indicates that

Fig. 3: Top 100 Performing Hedge Funds vs. All Hedge Funds, April 2012 – March 2013



Source: Preqin Hedge Fund Analyst



Fig. 4: Top 10 Performing Hedge Funds (\$100mn+), April 2012-March 2013

Fund	Inception Date	Core Strategy	Net Return
Thai Focused Equity Fund	21-Oct-97	Long/Short	73.76%
Hildene Opportunities Fund, LP	01-May-08	Event Driven	49.02%
PCM Provident MBS Fund LP	01-Feb-12	Mortgage-Backed Securities	40.47%
Vertex Managed Value Portfolio - Class A	03-Apr-98	Long/Short	34.21%
Chenavari - Toro Capital I A - Class D - £	09-Jun-09	Asset-Backed Lending Strategies, Mortgage-Backed Securities	33.63%
Barnegat Fund - Series B	01-Jan-01	Relative Value	33.21%
Metacapital Mortgage Opportunities Fund	25-Jul-08	Mortgage-Backed Securities	31.23%
400 Capital Credit Opportunities Fund LP	01-Jun-09	Macro	31.23%
Senvest Partners LP	10-Apr-97	Long/Short	30.67%
Brasil Capital FIC FIA	13-Oct-08	Macro	30.16%

Source: Preqin Hedge Fund Analyst

the most skilful managers have used difficult macro conditions to their advantage, generating significant gains for investors despite continued political and economic uncertainty in major markets.

In contrast, the recent strong performance of event driven funds (+9.51% in the 12 months to March 2013) has not translated to significant representation in the list of top performers. Seven funds pursuing this strategy appear in the list of 100 funds with an average ranking of 44. However, the second most successful fund over the last 12 months is the Hildene Opportunities Fund, a \$371mn vehicle targeting opportunities within the distressed structured finance market.

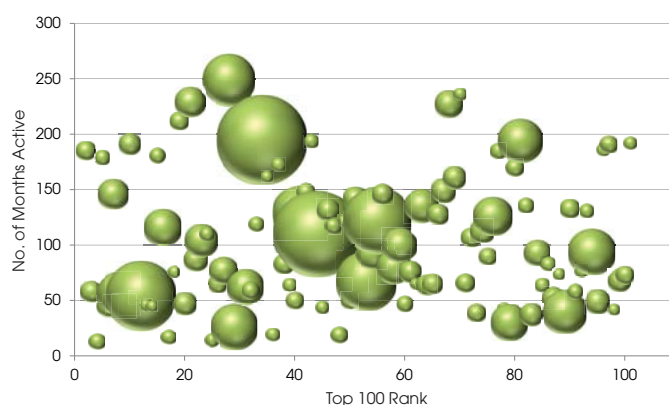
Managed futures funds and CTAs have experienced a comparatively poor period, but five such vehicles appear among the top performers. The highest ranked of these, at number 29, is Crabel Capital Management's Multi-Product fund. Three multi-strategy funds appear in the top 100 and one of these, SkyBridge Capital's \$617mn Legion Strategies, is a fund of funds.

Outside of the main hedge fund strategies, few funds employing other strategies feature as a top performer. However, three of the five funds using niche strategies qualify for the top 10, posting net returns in excess of 30% over the last year. As Fig. 4 shows, these funds, managed by Provident Advisors, Chenavari Investment Managers and Metacapital Management, focus on mortgage-backed securities and asset-backed lending.

The gains posted by the top performing funds serve as a reminder to hedge fund investors of the potential for outsized returns, even in periods when wider performance may be disappointing. Fig. 3 provides a comparison of industry performance and the performance of the top 100 funds. It illustrates the wide gap in average returns gained between participating in an average fund and an outperformer, indicating the importance to investors of identifying managers most likely to deliver superior returns.

Long/short hedge funds made gains of 7% between April 2012 and March 2013, but between the 50 top performing long/short funds an average return of almost 23% was achieved. Though there are fewer of them, the advantages of investing with a top performing CTA or macro manager are even more pronounced. Preqin's macro strategies benchmark shows that a rise of just over 5% was posted during the 12 months to March, while the 14 macro

Fig. 5: Age & Size of Top 100 Performing Hedge Funds, April 2012 - March 2013



Source: Preqin Hedge Fund Analyst

funds appearing in our top 100 performing hedge funds averaged more than 21%. The average CTA has struggled to deliver positive returns over the last year and has achieved little more than a 1% increase for investors. The difficult climate for CTAs is reflected in the small number appearing in the top 100; however, these five vehicles averaged a net return of close to 20% over the last 12 months.

Fund Size & Age

Although many investors look to allocate to funds that may not be the top performers but can offer better risk-adjusted returns with lower volatility than these top 100, there will always be investors keen to invest in the funds producing the best returns. For these investors identifying the top funds in advance is incredibly difficult. Fig. 5 depicts the top 100 performing funds according to the length of time since inception and the current size. The age of funds in the best performer list ranges from PCM Provident MBS Fund LP, which was launched in February 2012, to Odey Asset Management's Odey European Inc, which launched in 1992.

Within the top 100, there is little correlation between the age of funds and their performance over the last year, with length of activity in the top 10 alone ranging from 13 months to almost 16



years. However, there is evidence that more established funds have been more successful recently than newer funds. One-third of the top performing funds have been operating for three to six years and 60% have been active for more than six years.

It is also difficult to discern a relationship between the size of funds and their performance over the last year. The list features funds such as Pines Edge Value Investors Fund, with just over \$100mn under management, and Third Point Offshore, which has assets exceeding \$6bn. As Fig. 5 shows, the largest funds are primarily concentrated around the middle of the list, with the average size of funds ranked 31-40 and 51-60 exceeding \$1bn. In contrast, the average fund size among the top 10 funds is \$463mn and funds ranked 11-20 are on average \$710mn in size. However, the lower part of the list is predominantly made up of funds that are less than \$500mn in size, with funds ranked 61-100 averaging \$432mn in assets under management.

Fund Managers

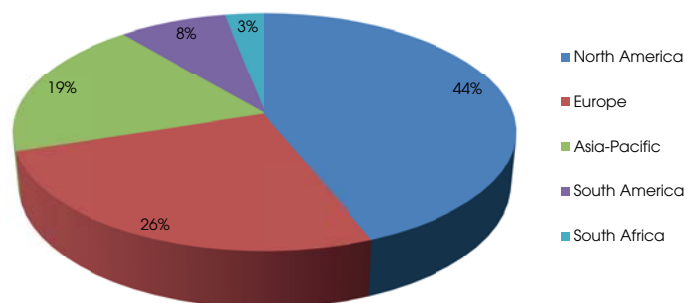
Firms based in North America feature most prominently on the list of top performing funds. As Fig. 6 indicates, 44% of the funds are managed by firms based in the region, with the majority of these located in the US. Funds managed by Canadian firms Vertex One Asset Management and Friedberg Mercantile Group make up the remainder of funds managed by North America-based firms.

More than a quarter of the funds are managed by Europe-based firms and the majority of these (20) are based in London. Managers in Switzerland, Denmark, Sweden and Spain make up the rest of the Europe-based contingent. Almost one-fifth of the top 100 performing funds are managed by firms in the Asia-Pacific region. Eight are based in Australia, a further eight in Hong Kong, two in Singapore and one in China.

Brazil is home to all of the top 100 funds managed by South America-based firms on the list and Sao Paulo-based managers Credit Suisse Hedging-Griffo and Brasil Capital have several representative funds. South Africa's 36One Asset Management, Peregrine Capital and Bateleur Capital each manage a fund that has produced outsized returns in the last 12 months.

Pine River Capital Management is the most commonly appearing manager on the list of best performing hedge funds. The \$14bn Minnesota-based firm has five funds that feature, delivering net returns of 15-30% over the last 12 months. Credit Suisse Hedging-Griffo and Taiyo Pacific Partners each manage three of the 100 top performing funds. The US-based Taiyo Pacific Partners takes an activist approach to opportunities in Asia, with a particular focus on Japan.

Fig. 6: Breakdown of Top 100 Performing Hedge Funds by Fund Manager Location, April 2012 - March 2013



Source: Preqin Hedge Fund Analyst

Summary

Preqin tracks performance for over 5,000 hedge funds, and accredited investors interested in accessing information on recent hedge fund performance can now utilize [Preqin Investor Network](#), a complimentary service which has recently been updated to contain exclusive information on hedge funds, including market benchmarks and fund terms. When looking at the biggest winners (those funds over \$100mn which have produced the highest returns over the 12-month period April 2012 – March 2013), we have seen that there are a variety of fund types, strategies, sizes, ages and regions which make up this elite group of hedge funds.

However, over this period, single-manager hedge funds were the best performers, with long/short strategies forming over half of the peer group of funds with the highest returns. Although this 12-month period has been disappointing for macro funds as a whole, the managers that proved their worth and generated a top 100 return did over four times better than the average of all other macro funds in the industry. North America-based fund managers featured most heavily in the top 100 list, with Asia-Pacific managers also making up a large proportion (19%) of these funds, higher than their proportional representation in the industry as a whole. Although emerging fund managers are often cited as offering the potential for the best returns, the Preqin top 100 list reveals that 90% of the funds which performed the best over the past year have a three-year track record or greater, suggesting that over the past 12 months at least, this theory may not always hold true.

Data Source:

Interested in accessing details on the top performing hedge funds? Preqin tracks over 9,500 active hedge funds open for investment, including detailed information on their performance. Investors can access key details of all hedge funds looking for investor capital for free on [Preqin Investor Network](#), including their strategies, geographic foci and the key people to contact.

Preqin also tracks fund-by-fund and industry level fund terms and conditions data for over 5,500 hedge funds. View management and performance fees as well as any associated hurdle rates or high watermarks via [Preqin Investor Network](#) and view the liquidity and redemption terms, such as lock-up periods, notice periods and redemption fees via [Hedge Fund Analyst](#).

For more information, or to arrange a demonstration, please visit: www.preqin.com/hedge