

## Hedge Funds Attract Net Inflows of \$20bn in Q1 2017

Managers reverse five quarters of outflows in Q1, pushing industry AUM to \$3.35tn

The hedge fund industry saw net inflows totalling \$19.7bn in Q1 2017, ending five successive quarters of net outflows for the industry. The influx of investor capital, combined with a consistent run of positive performance for the industry, has seen total assets held by hedge funds grow by 3.2% in the first quarter of the year to hit a record \$3.35tn. All leading hedge fund strategies experienced a percentage increase in total assets and, notably, macro strategies funds attracted \$11.1bn of net inflows to expand beyond \$1tn in AUM (\$1,011bn) for the first time.

**For more information and analysis, see the full [Q1 2017 Hedge Fund Asset Flows](https://www.preqin.com/docs/reports/Preqin-Hedge-Fund-Asset-Flows-Q1-2017.pdf) here:**  
<https://www.preqin.com/docs/reports/Preqin-Hedge-Fund-Asset-Flows-Q1-2017.pdf>

### Key Q1 2017 Hedge Fund Asset Flow Facts:

- **Macro strategies funds and event driven strategies funds attracted the largest amount of new capital** during the quarter, recording net inflows of \$11.1bn and \$8.9bn respectively.
- With inflows of \$1.1bn, **the total assets held by niche strategies grew 10% to \$16bn**, the largest percentage increase of any strategy.
- Nearly half of all outflows (46%) in 2016 were from equity strategies, and that trend continued in Q1 2017 as **the strategy experienced \$10.0bn of investor redemptions**.
- **CTAs continue to attract new investor capital with inflows of \$7.2bn in Q1 2017** and, after inflows of \$25.5bn in 2016, now hold \$256bn in assets.
- North America-based hedge fund managers attracted the greatest amount of capital over Q1 2017 with net inflows of \$19.9bn; **Europe was the only region to lose assets over Q1 with net outflows of \$8.5bn**.
- Fifty-three percent of hedge funds that achieved a return of 5.00% or more during 2016 received investor inflows in Q1 2017, and **56% of funds that achieved an annualised three-year return of more than 5% saw inflows**. In contrast, only a fifth of vehicles that generated three-year returns of -5.00% years attracted inflows.
- All fund sizes were able to attract new capital in Q1 2017; **53% of funds between \$500mn and \$999mn saw inflows** while smaller funds were also successful: 47% of funds with less than \$100mn saw inflows with just 36% losing assets.

### Amy Bensted, Head of Hedge Fund Products:

“Five successive quarters of net outflows have been reversed in Q1 2017, as the industry recorded the largest quarterly influx of capital since Q2 2015. Along with the continued run of positive returns being made by most leading strategies, this has helped propel the industry to a record size.

2016 was undeniably a difficult year for the hedge fund industry, with net outflows reflecting a reduced appetite for the asset class from institutions following a sustained period of low returns to investors since 2014. However, following an extended run of improved performance since March 2016 – the 12-month return of hedge funds is 10.67% - investor sentiment seems to be improving in 2017, which is reflected by inflows over the start of the year.”

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# Q1 2017 HEDGE FUND ASSET FLOWS

We take a look at hedge fund asset flows in Q1 2017 by strategy, fund size, manager headquarters and performance.

Following five successive quarters of investor outflows from Q4 2015 and throughout 2016, 2017 has started on a more positive note with the industry experiencing a net inflow of \$19.7bn, the largest quarterly inflow since Q2 2015. The combination of positive inflows and performance gains has seen industry assets grow by 3.2% during the quarter, to \$3.35tn.

Macro and event driven strategies attracted the largest amount of new capital during the quarter, recording net inflows of \$11.1bn and \$8.9bn respectively. During 2016, equity strategies represented 46% of the total industry outflows, with the trend continuing during the quarter as the strategy experienced \$10.0bn of investor redemptions.

Fig. 4 shows that all fund sizes were able to attract new capital in the first three months of 2017 with more funds seeing inflows than outflows across each category. Of all fund size categories, the largest proportion (53%) of funds that received inflows were mid-sized (\$500-900mn). Smaller funds were also successful during the quarter: 47% of funds with less than \$100mn were able to attract new capital.

Fund managers headquartered in North America attracted the greatest amount of capital over Q1 2017, with net inflows of \$19.9bn, although this is equivalent to just 1% of North American industry assets. In contrast, Europe was the only region to lose assets over Q1 2017 (-\$8.5bn), the continent's fourth successive quarter of outflows. However, over Q1 2017, more Europe-headquartered vehicles saw inflows than outflows – indicating that a smaller pool of managers may have experienced significant outflows in the quarter – while the reverse occurred in North America (Fig. 5). Furthermore, on the back of recent strong performance, the majority of funds in both Asia-Pacific and Rest of World saw inflows over the first quarter of 2017.

Past performance continues to be a strong indicator of the likelihood of attracting new capital, with 53% of funds that achieved a return of 5.00% or greater during 2016 receiving investor inflows in Q1 2017 (Fig. 7). This correlation is even more apparent when looking at the longer timeframe of three-year track records: 56% of funds that have achieved an annualized three-year return of more than 5.00% subsequently experienced a positive net inflow during Q1 2017 (Fig. 9).

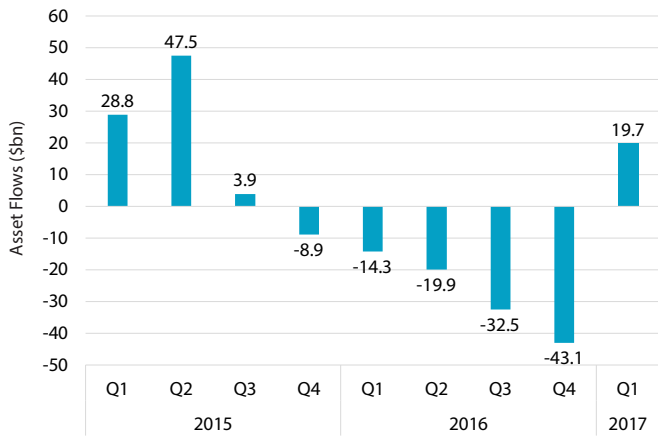
Fig. 1: Asset Flows by Strategy, 2015 - Q1 2017

Strategy	2015 Asset Flows (\$bn)	H1 2016 Asset Flows (\$bn)	H2 2016 Asset Flows (\$bn)	2016 Asset Flows (\$bn)	Q1 2017 Asset Flows (\$bn)	Q1 2017 AUM (\$bn)	Percentage Change in AUM - 2017 YTD
CTAs	24.6	16.6	8.9	25.5	7.2	256	2.1%
Credit Strategies	4.2	-26.2	-2.0	-28.2	3.1	247	4.4%
Equity Strategies	60.3	-25.2	-25.1	-50.3	-10.0	848	3.0%
Event Driven Strategies	-1.8	0.7	-3.6	-2.9	8.9	189	7.2%
Macro Strategies	-25.8	-11.3	5.4	-5.9	11.1	1,011	3.3%
Multi-Strategy	27.5	11.2	-33.7	-22.5	-2.3	436	2.6%
Niche Strategies	1.3	-1.7	1.0	-0.8	1.1	16	10.0%
Relative Value Strategies	-18.8	1.7	-26.5	-24.7	0.6	347	1.8%
<b>Industry Total</b>	<b>71.4</b>	<b>-34.2</b>	<b>-75.6</b>	<b>-109.8</b>	<b>19.7</b>	<b>3,351</b>	<b>3.2%</b>

Source: Preqin Hedge Fund Online

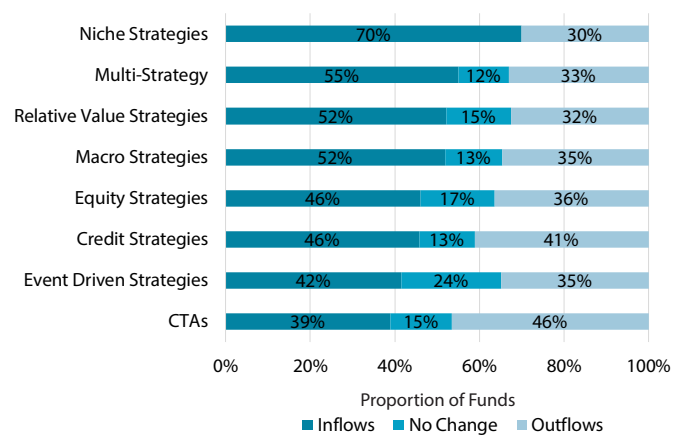
Preqin estimates industry asset flows from performance and asset growth information for over 14,000 hedge fund track records. Flows are estimated based on a sample of funds with available size and performance data scaled up based on the proportion of represented capital by strategy, headquarters location and fund classification.

Fig. 2: Asset Flows, Q1 2015 - Q1 2017



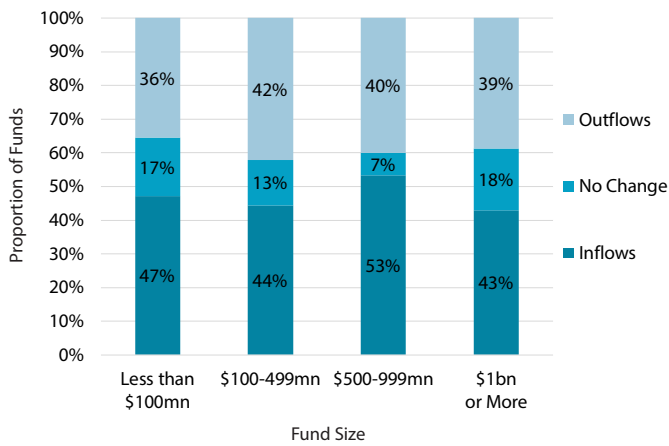
Source: Preqin Hedge Fund Online

Fig. 3: Asset Flows over Q1 2017 by Core Strategy



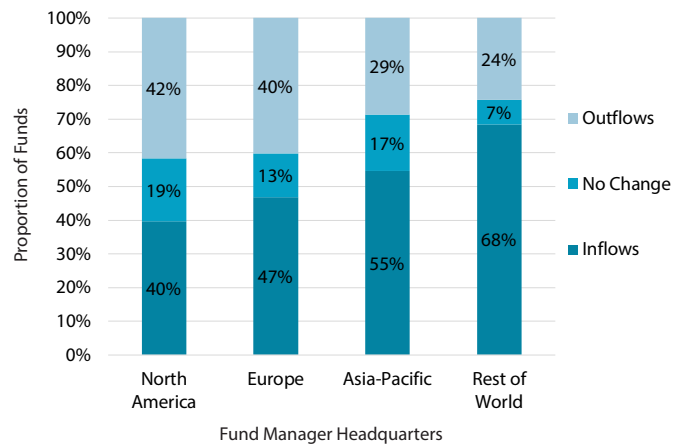
Source: Preqin Hedge Fund Online

Fig. 4: Asset Flows over Q1 2017 by Fund Size



Source: Preqin Hedge Fund Online

Fig. 5: Asset Flows over Q1 2017 by Fund Manager Headquarters



Source: Preqin Hedge Fund Online

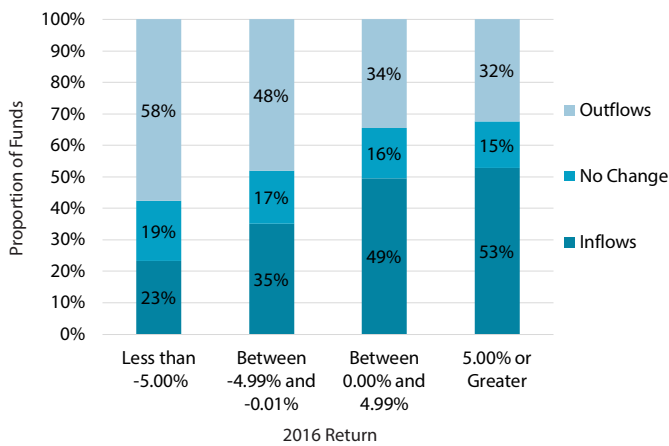
Fig. 6: Asset Flows by Fund Manager Headquarters, 2015 - Q1 2017

Fund Manager Headquarters	2015 Asset Flows (\$bn)	H1 2016 Asset Flows (\$bn)	H2 2016 Asset Flows (\$bn)	2016 Asset Flows (\$bn)	Q1 2017 Asset Flows (\$bn)	Q1 2017 AUM (\$bn)	Percentage Change in AUM - 2017 YTD
North America	79.6	-12.8	-43.0	-55.7	19.9	2,490	3.0%
Europe	31.7	-2.4	-32.9	-35.4	-8.5	663	1.0%
Asia-Pacific	-1.3	-17.7	-0.6	-18.3	2.2	148	9.3%

Source: Preqin Hedge Fund Online

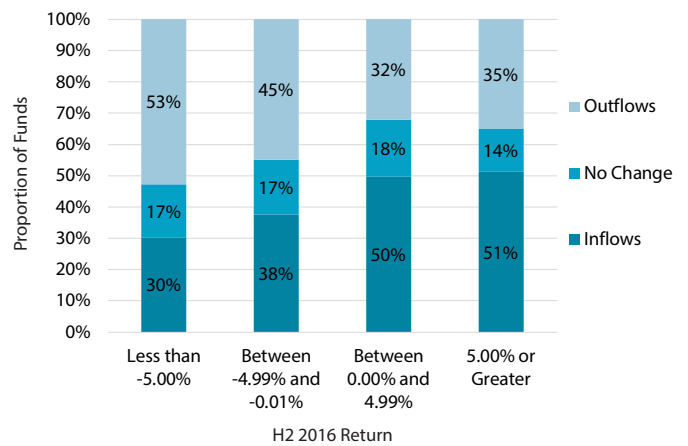
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**Fig. 7: Asset Flows over Q1 2017 by 2016 Performance**



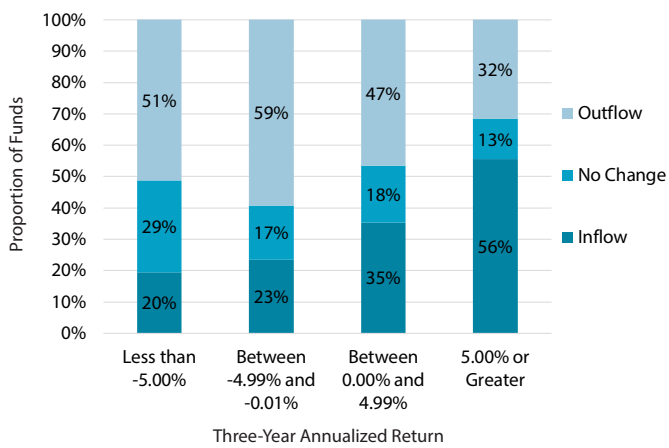
Source: Preqin Hedge Fund Online

**Fig. 8: Asset Flows over Q1 2017 by H2 2016 Performance**



Source: Preqin Hedge Fund Online

**Fig. 9: Asset Flows over Q1 2017 by Three-Year Annualized Return**



Source: Preqin Hedge Fund Online

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