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Press Release

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Hedge Fund Returns See Wide Swings in Q1 2018

Credit funds are only leading strategy to record three months of gains, as industry loses momentum from Q4 2017

Hedge funds posted strong returns in Q4 2017, with performance of 3.02%. However, the opening quarter of 2018 has seen wide swings in monthly performance, and year-to-date gains stand at just 0.35% as of the end of March. Having seen widespread gains in January, almost all top-level strategies saw losses in February and March, including CTA funds which returned -5.49% and -0.86% respectively. Credit funds were the only leading strategy to see gains in all three months, and ended Q1 as the best-performing strategy with returns of 1.47%. Event driven funds and CTAs both saw net losses for the quarter, totalling 0.50% and 3.12% respectively. However, volatility in hedge fund performance is mirrored by losses on public markets: while the industry made overall gains of 0.35% in Q1, the S&P 500 saw losses of 1.22% in the same period. This does dampen momentum from the end of 2017, though, and 12-month returns for hedge funds have fallen back to 8.02%, compared to 11.78% for the S&P 500.

For more information and analysis, see the full *Preqin Quarterly Hedge Fund Update: Q1 2018* here: http://docs.preqin.com//quarterly/hf/Preqin-Quarterly-Hedge-Fund-Update-Q1-2018.pdf

Key Hedge Fund Performance Facts:

- Hedge funds returned 1.92% in January, but saw losses of 0.93% and 0.63% in February and March. **Q1 performance stands at 0.35% overall**.
- **Almost every strategy saw wide swings in monthly performance**. Having gained 3.40% in January, CTAs lost 5.49% in February and a further 0.86% in March.
- Credit strategies funds were the only leading strategy to record three months of positive performance, and had the **highest Q1 returns at 1.47%**.
- Despite widespread losses in February and March, **almost all top-level strategies made gains in Q1**. Only event driven strategies (-0.50%) and CTAs (-3.12%) saw net losses for the quarter.
- **The hedge fund industry also beat the S&P 500 PR Index**: Preqin's All-Strategies Hedge Fund benchmark gained 0.35%, while the S&P 500 returned -1.22% in Q1.
- However, depressed **performance in Q1 has eroded momentum from the end of 2017** – Q3 saw gains of 2.89%, and Q4 posted returns of 3.02%.
- This is turn has pushed **12-month performance back into single figures, standing at 8.02%** as of the end of March. This compares to 11.78% for the S&P 500 over the same period.

Amy Bensted, Head of Hedge Fund Products:

"A strong finish to 2017 gave hedge fund managers and investors increased confidence in the industry going into 2018. January's strong returns seemed to bear this out, but widespread losses in the following two months have brought Q1 to an uncertain close. Losses on US public markets, as well as high volatility and uncertainty in global markets have made for challenging conditions which have affected not just hedge funds but all investors. In fact, by posting positive performance for the quarter overall, hedge funds have beaten the S&P 500, and are proving their ability to offer absolute returns even in difficult circumstances.

What may be more troubling for investors is the disparity in returns. In particular, CTAs saw a net difference of almost nine percentage points between their January and February returns, while equity and macro strategies funds also saw wide swings. Investors indicated at the end of 2017 that they were looking to align their hedge fund portfolios more defensively, and many were subsequently seeking CTAs and macro funds. Such volatile performance is likely to deter some investors, so managers must look to re-establish the consistent positive performance they have enjoyed in the past year."

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