

Fund Managers Optimistic about Hedge Fund Industry

Fewer fund managers are reporting an increase in fundraising challenges

2017 saw a return of net inflows to the hedge fund industry, alongside improved performance which helped push total assets under management to a new high of \$3.6tn. The improved hedge fund environment was reflected in the results of the Preqin's year-end survey of hedge fund managers*. Thirty-one percent of managers reported that the fundraising environment had become more challenging in the past 12 months, a significant drop from 47% that said the same in November 2016. At the same time, greater proportions of managers reported that their hedge funds had met or exceeded their performance goals in 2017 compared to the year before. When looking at the causes of improved performance, the greatest proportion of fund managers cited the Trump administration, both due to the "Trump Bump" – the US market rally in the immediate aftermath of the presidential elections at the end of 2016 – as well as tax reform proposals passed in December 2017.

For more information and analysis, see the full *H1 2018 Hedge Fund Manager Outlook* here:
<http://docs.preqin.com/reports/Preqin-Special-Report-Hedge-Fund-Manager-Outlook-H1-2018.pdf>

Key Hedge Fund Manager Outlook Facts:

- **Two out of three hedge fund managers (67%) saw their AUM grow through 2017.**
- The majority (64%) of fund managers are confident that industry assets will continue to grow over 2018.
- Almost **three-quarters (74%) of managers met or exceeded their performance goals in 2017.** This is up from 60% that said the same at the end of 2016.
- **The Trump administration was cited by the largest proportions of fund managers as promoting better performance,** through the "Trump Bump" in US equities markets (61%) and US tax reform proposals (44%).
- Thirty-five percent, meanwhile, said **low volatility in equity markets had the largest negative impact on performance.**
- Twenty-eight percent of managers predict that the **2018 Preqin All-Strategies Hedge Fund Benchmark will fall short of 2017 returns,** while 48% predict that it will surpass or equal 2017.

Amy Bensted, Head of Hedge Fund Products:

"Following a strong 2017 in which the hedge funds recorded net positive investor flows, experienced double-digit performance and saw a growth in AUM, the fund managers surveyed by Preqin are feeling more positive about the hedge fund industry. Hedge fund managers are confident that this growth in AUM will continue over 2018; 64% of respondents expect industry AUM to grow over the course of the year

Fund managers felt that the biggest driver of performance gains was President Trump, both in the first half of 2017 due to the 'Trump Bump' in the immediate aftermath of the November 2016 election and then again in the second half of the year due to the president's reform proposals, particularly the 'Tax Law and Jobs Act' passed in December 2017. The low levels of equity market volatility was reported as creating the largest headwinds to returns in 2017. With markets proving choppier in 2018, this could signal an improved environment for hedge funds – despite fund managers finding the market volatility challenging in February."

**Results from a survey of 360 hedge fund managers conducted in November 2017.*

Preqin is the leading source of information for the alternative assets industry, providing insight and analysis gathered by its global teams of dedicated researchers. Founded in 2003, the company is a frequent source of intelligence used in the global financial press, through its online databases, regular publications and bespoke data requests.

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