

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).

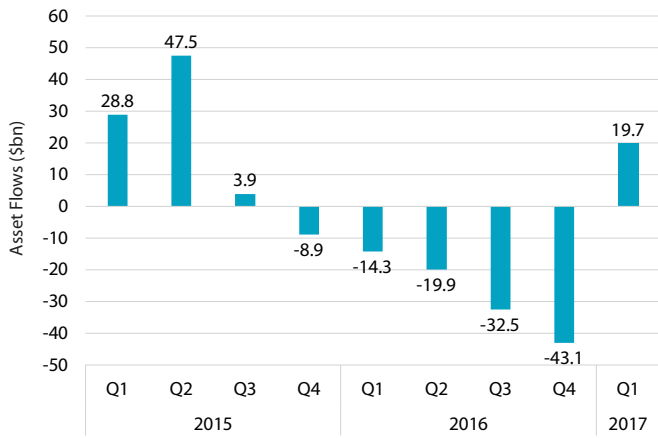
Fig. 1: Asset Flows by Strategy, 2015 - Q1 2017

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%
Industry Total	71.4	-34.2	-75.6	-109.8	19.7	3,351	3.2%

Source: Preqin Hedge Fund Online

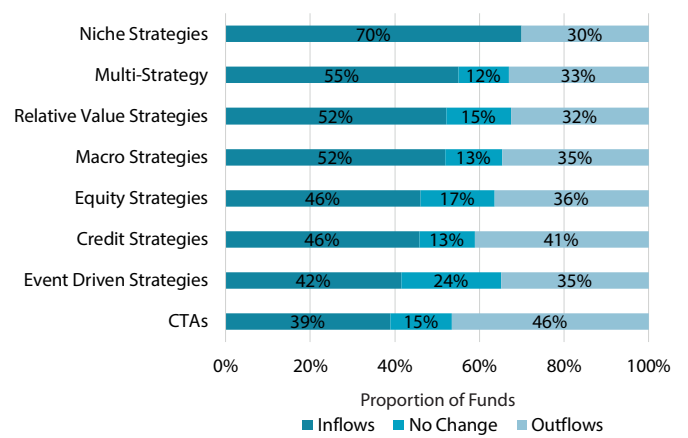
Preqin estimates industry asset flows from performance and asset growth information for over 14,000 hedge fund track records. Flows are estimated based on a sample of funds with available size and performance data scaled up based on the proportion of represented capital by strategy, headquarters location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

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



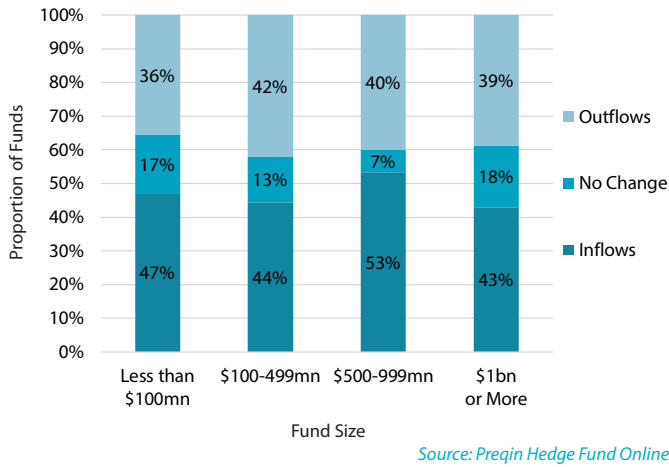
Source: Preqin Hedge Fund Online

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



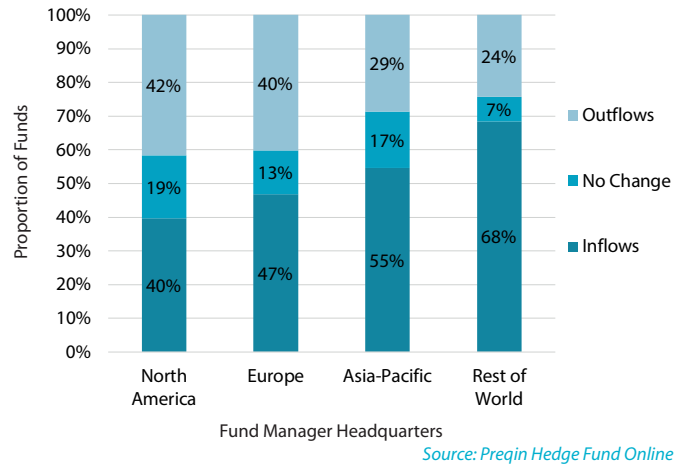
Source: Preqin Hedge Fund Online

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

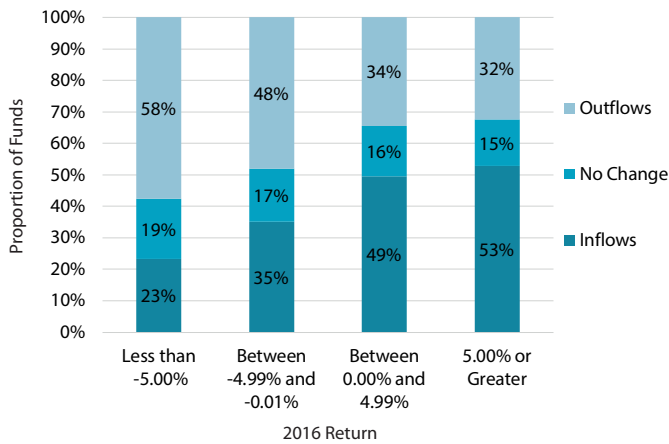
Fig. 6: Asset Flows by Fund Manager Headquarters, 2015 - Q1 2017

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

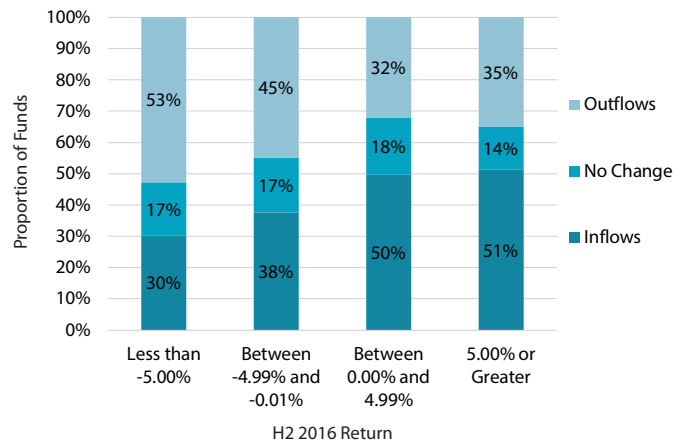
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Fig. 7: Asset Flows over Q1 2017 by 2016 Performance



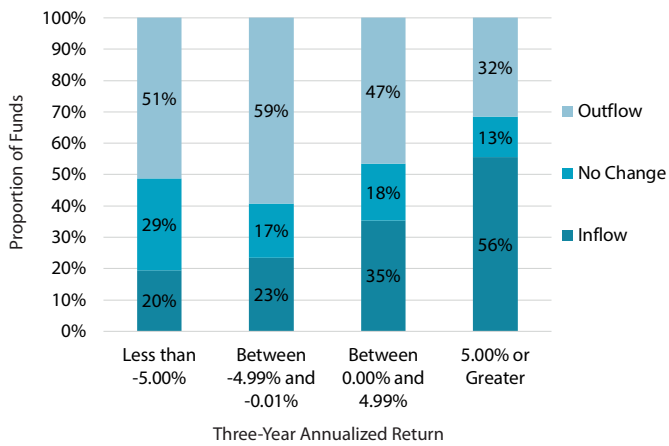
Source: Preqin Hedge Fund Online

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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