

INDUSTRY NEWS

After a difficult month for hedge funds, we take a closer look at those funds that beat the market in February 2018, as well as examining investor searches initiated in the first quarter of the year.

RELATIVE VALUE FUNDS POST POSITIVE GAINS IN A CHALLENGING FEBRUARY

Relative value funds posted the highest returns in February 2018: the Preqin All-Relative Value Strategies benchmark added 0.91% over the course of the month, compared to the 0.80% loss of the wider All-Strategies Hedge Fund benchmark over the same period. Among these funds is [Aegea Absolute Return Fund Series Two](#), a volatility arbitrage strategy designed to systematically exploit the structural mispricing of S&P 500 Index option volatility and skew, while effectively mitigating the risks inherent to such strategies. The fund, managed by Chicago-based [Aegea Capital Management](#), added 38.67% in February, one of the highest returns Preqin recorded over a month which proved challenging for many other funds.

Another fund that bucked the wider trend was [True Partner Fund](#), a \$115mn relative value arbitrage fund which made gains of 21.44% in February, its highest monthly return since its inception in July 2013. [Caymus Energy Fund](#), which pursues an equity-market-neutral approach, also posted its best monthly gain (+10.51%) in February 2018 from across its entire 18-year track record.

INVESTOR SEARCHES ISSUED IN Q1 2018

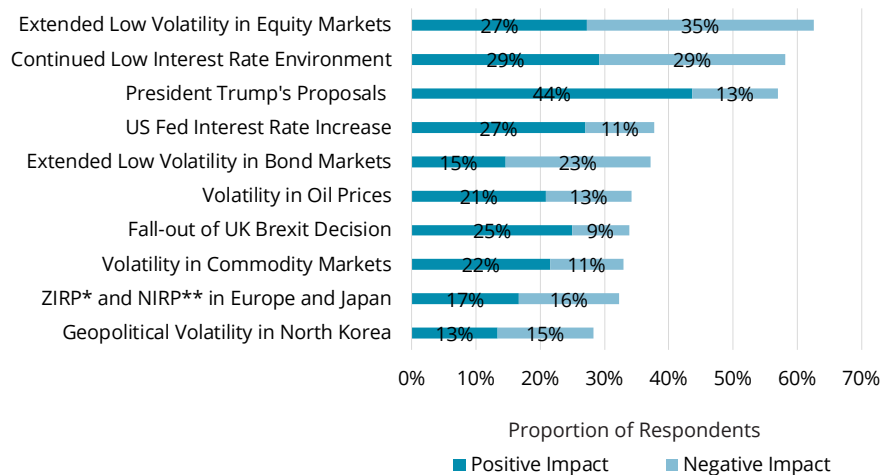
Our feature article examines the universe of institutional investors active in hedge funds today (see page 3). Preqin tracks almost 5,300 such institutions and, through our daily conversations with key decision-makers in these groups, we are the first to know when they plan to make fresh investments in hedge funds. The investors tracked by Preqin are currently searching for 1,000+ new hedge funds collectively. Among these is [Cathay Life Insurance](#), a

*Zero Interest Rate Policy
**Negative Interest Rate Policy

CHART OF THE MONTH



Fund Manager Views on the Key Factors that Impacted Hedge Fund Performance in H2 2017



Source: Preqin Fund Manager Survey, November 2017

In November 2017 we surveyed 360 hedge fund managers to find out their opinions on the factors impacting the hedge fund industry today. The full results of this survey can be found in our forthcoming **H1 2018 Hedge Fund Manager Outlook**, released in March. As part of this survey, we asked managers how various macroeconomic factors affected their performance in H2 2017. As our **Chart of the Month** shows, the low levels of volatility in equity markets in recent years were the key factors impacting fund managers' performance in the latter half of 2017, with the largest proportion of managers finding this negatively impacted their returns. Market volatility has since increased in the early part of 2018 – however, far from helping hedge fund returns, this has hindered many managers: three-quarters of funds were underwater in February, following volatile market movements at the start of the year.

President Trump's proposals had the largest positive impact on hedge fund returns in the second half of 2017: nearly half (44%) of respondents reported that his tax reforms and infrastructure proposals led to tailwinds that helped bolster returns in H2 2017. Brexit continues to be a headwind for many fund managers: a quarter of funds reported that the continued fall-out from the UK's decision to exit the EU is negatively impacting returns, and just 9% reported a positive impact.

TWD 6tn Taipei-based insurance company, which is looking for new equity-market-neutral investments over the course of 2018.

[Global Selection SGR SpA](#), a wholly owned fund of hedge funds subsidiary of Banca del Ceresio, is also looking to add to its hedge fund portfolio, searching for Asia-

based managers running long/short equity strategies over the next 12 months.

Another fund of hedge funds manager searching for new managers in 2018 is [SCS Financial](#): it plans to invest an additional \$25-50mn in 2-4 hedge funds, with a focus on event driven and special situations funds.