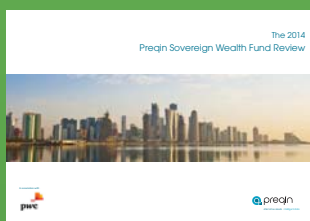


Welcome to the latest edition of Hedge Fund Spotlight, the monthly newsletter from Preqin providing insights into the hedge fund industry, including information on investors, funds, performance and more. Hedge Fund Spotlight uses information from our online product Hedge Fund Online, which includes Hedge Fund Investor Profiles and Hedge Fund Analyst.

December 2013
Volume 5 - Issue 12

FEATURED PUBLICATION:

2014 Preqin Sovereign Wealth Fund Review



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London:
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+44 (0)20 7645 8888

Singapore:
One Finlayson Green
#11-02
Singapore 049246
+65 6305 2200

San Francisco:
580 California Street
Suite 1638
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Hedge Fund Spotlight

December 2013



2013: A Year in Review

In this month's edition of [Hedge Fund Spotlight](#), we provide a round-up of the key issues Preqin's monthly newsletters have covered in 2013, including:

- Hedge Fund Performance
- Funds of Hedge Funds
- US Institutional Investors in Hedge Funds
- The Impact of the AIFMD
- CTAs

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You can download all the data in this month's Spotlight in Excel

Wherever you see this symbol, the data is available for free download on Excel. Just click on the symbol and your download will begin automatically. Feel free to use the data in any presentations, but please remember to cite Preqin as your source.

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2013: A Year in Review

In this month's edition of [Hedge Fund Spotlight](#), we provide a round-up of the key issues covered in Preqin's monthly newsletters in 2013, including hedge fund performance, CTAs, funds of hedge funds, regulation and more.

In January 2013 we predicted that the year would be one for managers to post strong performance in a newly regulated environment. The year has proven this prediction to be true, with good performance being a cause for celebration and doubts surrounding regulation a continuing source of concern. However, high profile insider trading cases, the effects of Abenomics in Asia and continuing problems in the funds of funds and CTA sectors have also been the topics of much discussion this year.

Here we present Preqin's guide to thirteen key highlights and talking points of 2013, using data taken from Preqin's [Hedge Fund Online](#) service and research from over the past year.

January: Hedge Funds Posted their Best Returns for the Whole of 2013*

January's hedge fund benchmark of 2.45% would turn out to be the best for the year*, and the only month where net returns topped 2%. This was the hedge fund industry's best performing month since February 2012.

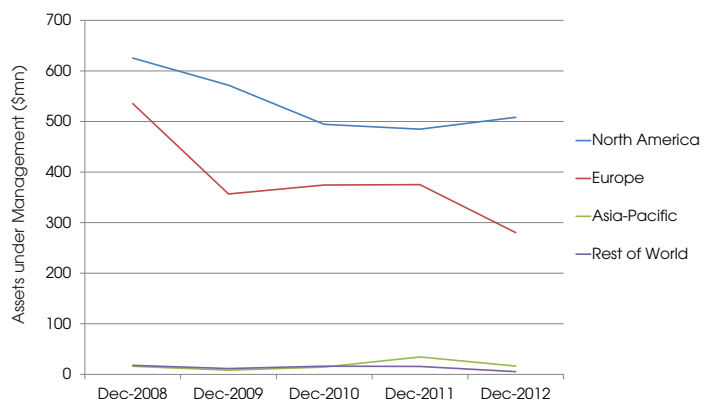
This data was taken from Preqin's industry benchmarks available [here](#) in our February [Hedge Fund Spotlight](#), and online through Preqin's [Hedge Fund Analyst](#) service. For more information or to organize a demo please click [here](#).

* Excluding December returns which will not be available until January.

February: Fund of Hedge Funds Assets under Management fell over 2012

Preqin's February Hedge Fund Spotlight feature revealed that the assets under management of the funds of hedge funds sector had declined to \$810bn over 2012. North America-based funds of hedge funds were the only region where multi-managers accumulated assets in 2012 (Fig. 1).

Fig. 1: Fund of Hedge Fund Managers' Assets under Management by Location, 2008 - 2012



Source: Preqin Hedge Fund Spotlight, February 2013

The full article, featured in the February edition of Preqin's [Hedge Fund Spotlight](#), can be found [here](#).

Preqin's [Hedge Fund Analyst](#) contains detailed profiles for 6,200 hedge fund managers worldwide, including assets under management, strategy and geographic preferences, key contact details and more.

For more information, please visit: www.preqin.com/hfa



March: US-Based Investors Overwhelmingly Favour their Local Managers

Preqin's study of US-based institutional investors revealed that Och-Ziff, Davidson Kempner and Bridgewater Associates are the fund managers most commonly invested in by US investors, with Brevan Howard the only non-US-based fund manager to feature in the top 10 most favoured fund groups.

Other results of this study highlighted the importance of public retirement plans in the US; 30% of all capital invested in hedge funds by US-based institutions comes from public pension fund coffers.

Preqin tracks the hedge fund preferences of institutional investors on our [Hedge Fund Investor Profiles](#) service. Click [here](#) to find out how to contact your local Preqin office and arrange a demo.

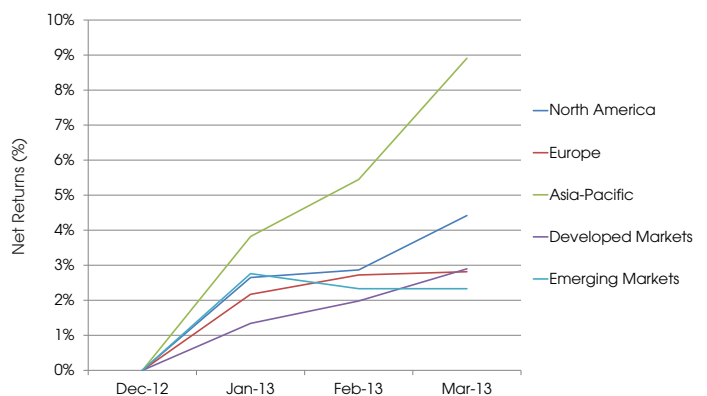
April: Long/Short Strategies Had the Best Start to 2013

Preqin's round-up of the first quarter of 2013 revealed that long/short strategies had outpaced all other strategies, posting returns of 4.43% over the quarter. Asia-Pacific-focused funds, largely driven by the strong returns of equity funds, much of which was as a result of the bold monetary stimulus plans of Japan's president Shinzo Abe (the so-called "Abenomics"), led the way in terms of regional performance (Fig. 2).

Investor appetite for the strategy correspondingly increased alongside strong performance of long/short funds; 48% of mandates issued over Q1 2013 included a long/short component. Coupled with this, the number of long/short launches in Q1 would be the highest for at least five quarters.

The full article, featured in the April edition of Preqin's [Hedge Fund Spotlight](#) can be found [here](#).

Fig. 2: Cumulative Returns of Hedge Funds by Geographic Focus, Q1 2013



Source: Preqin Hedge Fund Spotlight, April 2013

May: Investors Gained Access to 10,000 Hedge Funds on Preqin Investor Network

[Preqin Investor Network](#) added hedge funds to its service. The 5,300 investors using [Preqin Investor Network](#) were then able to view full information on over 10,000 hedge fund vehicles, including a performance overview of individual funds as well as industry benchmarks.

[Preqin Investor Network](#) is completely free for accredited investors. For more information and to be part of the Network, please visit: www.preqin.com/pin

June: Thirteen Proved an Unlucky Number for Hedge Funds

Negative returns of -1.51% in June signalled the end of 12 months of positive returns for the overall hedge fund index. These returns took the quarter's overall performance down to 0.21%, which made Q2 2013, the worst performing quarter since Q2 2012.

Preqin releases regular [Quarterly Updates](#), which cover fund performance, launches and investor searches over the quarter. To register to receive these direct to your inbox, please click [here](#).

July: The AIFMD (Alternative Investment Fund Managers Directive) Became an Unwelcome Reality for Many Hedge Funds

AIFMD was written into law on 22 July 2013. Preqin's July Hedge Fund Spotlight, based on interviews with 220 fund managers, revealed that this would have a significant impact on a large proportion of the industry (Fig. 3), but at the time only 22% of fund managers stated they were already compliant. The largest proportions of respondents (40%) were still waiting on further guidance from local regulatory bodies.

The full article, featured in the July edition of Preqin's [Hedge Fund Spotlight](#), can be found [here](#).

Fig. 3: Proportion of Hedge Fund Managers In Each Region Which Stated They Will Need to Comply With the AIFMD



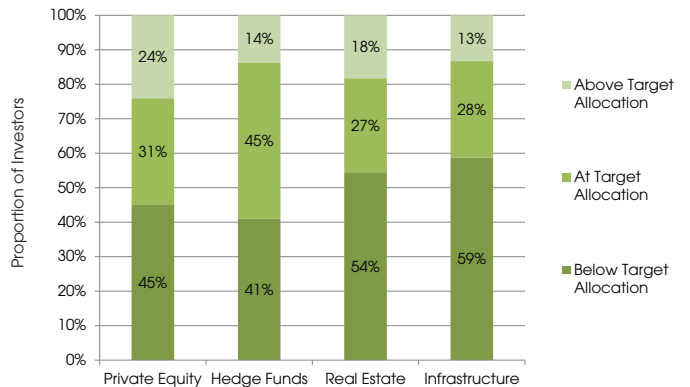
Source: Preqin Hedge Fund Spotlight, July 2013

August: Preqin Predicted the Assets of the Alternative Assets Industry were Set to Grow Significantly

In Preqin's largest ever study of investors, in which we interviewed over 450 institutional investors with investments in alternative assets, we found a significant proportion of investors in alternative assets were below their target allocation to the asset class (Fig. 4) and as a result there looked to be large inflows to all alternative assets in the short and longer term.

This data and analysis was featured in [Preqin Investor Outlook: Alternative Assets, H2 2013](#). Click [here](#) to download your complimentary copy

Fig. 4: Breakdown of Alternatives Investors that Are At, Above or Below Their Target Allocations by Asset Class



Source: Preqin Investor Outlook: Alternative Assets, H2 2013

Data Source:

Preqin's monthly [Hedge Fund Spotlight](#) newsletter features key analysis and all the latest data and intelligence from Preqin's industry-leading online services. Click [here](#) to receive Spotlight as soon as it is released each month.

Preqin's [Hedge Fund Online](#) offers a 360-degree view of the hedge industry, covering fund managers, funds, investors, performance, and more.

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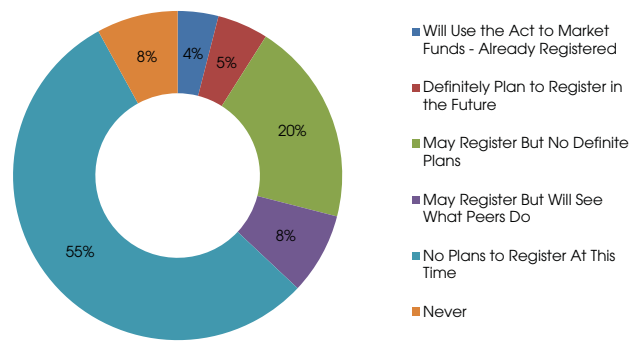
September: Sovereign Wealth Fund Assets Soar & JOBS Act Opened Up New Marketing Options for Hedge Funds as SEC Finalize Rules Surrounding the Act

Prequin announced that sovereign wealth funds had grown by \$750bn since 2012 as their assets topped \$5.38tn. Although small in number, sovereign wealth funds are mighty in assets; the group represents less than 1% of the number of hedge fund investors, but over 11% of the capital invested in the asset class.

This was taken from our [2014 Sovereign Wealth Fund Review](#). For more information, and to download sample pages, please visit: www.prequin.com/swf

On 23 September, the SEC adopted the final rules of JOBS Act which could effectively cut the regulatory red tape for hedge funds when marketing to investors. However, the response by hedge fund managers has so far been underwhelming. Prequin's survey of over 100 fund managers in November 2013 revealed that 63% of fund managers have no plans yet to market their funds more widely following the new regulation (Fig. 5).

Fig. 5: Hedge Fund Managers' Plans for Marketing Under JOBS Act



Source: Prequin Hedge Fund Manager Survey, November 2013

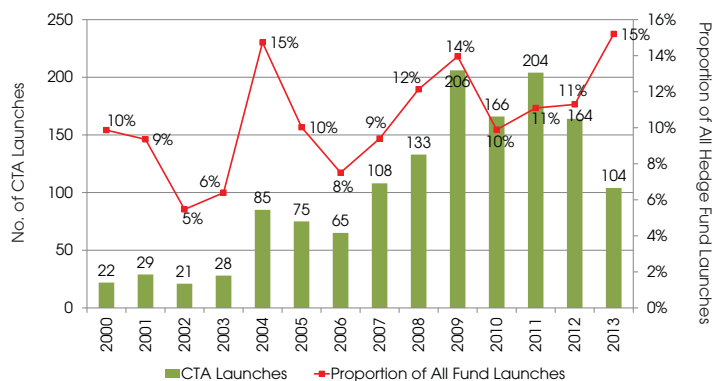
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www.prequin.com/rcp

October: CTAs ended Five-Month Losing Streak

CTAs ended their five-month losing streak to post returns of 0.96% for the October Prequin CTA benchmark. The performance of CTAs has been disappointing over the past three years, posting more negative months than positive ones. Despite this, fund managers are still seeing opportunities to market new vehicles; CTAs represent 15% of all funds launched in 2013, the highest proportion since 2004, albeit a low number, a reflection of the current reluctance in the market to launch new vehicles (Fig. 6).

Fig. 6: CTA Launches by Year of Inception and as a Proportion of All Hedge Fund Launches Each Year



Source: Prequin Hedge Fund Spotlight, October 2013

More detailed analysis of the CTA industry was included in the October edition of Prequin [Hedge Fund Spotlight](#). To view the full article, please click [here](#).

November: SAC Capital Pleaded Guilty to Five Accounts of Fraud

SAC Capital pleaded guilty to five counts of fraud and was ordered to pay a \$1.8bn fine on 9 November. Some prominent funds of funds and other US investors have invested in Steve Cohen's firm over the years, as tracked on our Hedge Fund Investor Profiles product.

To find out more about our investors in firms and funds featured on [Hedge Fund Investor Profiles](#), please click [here](#) to contact Prequin and arrange a demo.

December: Preqin Finds Investor Satisfaction with Hedge Fund Performance Reaches Record Highs

Results taken from Preqin’s forthcoming 2014 Global Hedge Fund Report, show that investors are the happiest they have been with fund performance since we first collected the data back in 2008 (Fig. 7). Eighty three percent of the 148 investors that Preqin conducted interviews with in November 2013 indicated that hedge funds had met or exceeded their performance expectations in 2013, an impressive change from the negative outlook on performance investors expressed for 2012 returns.

If you are interested in a copy of the [2014 Preqin Global Hedge Fund Report](#) please email info@preqin.com to find out more information.

Fig. 7: Hedge Fund Portfolio Performance Relative to Expectations of Institutional Investors, 2008 - 2013



Source: 2014 Preqin Global Hedge Fund Report



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Preqin Performance Benchmarks: November 2013

Preqin's preliminary benchmarks for November 2013.

Fig. 1: Summary of Preliminary November 2013 Performance Benchmarks (Net Return, %)*

	November 2013	October 2013	Year to Date	Last 12 Months
Hedge Funds (All Strategies & Regions)	0.94	1.65	10.04	11.99
Long/Short	1.24	2.08	12.95	15.38
Event Driven Strategies	1.13	1.55	14.42	17.43
Relative Value	0.26	1.06	6.47	7.15
Macro Strategies	0.36	0.90	1.87	2.78
Multi-Strategy	0.94	1.23	7.94	9.88
North America	1.69	1.54	15.31	16.97
Europe	1.20	2.38	12.36	14.36
Asia-Pacific	1.56	2.17	15.91	19.86
Emerging Markets	0.14	2.06	5.37	8.43
Developed Markets	1.22	1.44	11.55	12.64
USD	1.08	1.70	10.62	12.74
EUR	0.86	1.67	7.69	8.91
JPY	2.82	0.96	21.61	24.68
GBP	-0.58	1.45	3.28	3.51
BRL	0.85	1.31	4.64	6.41
Funds of Hedge Funds (All Strategies & Regions)	1.09	1.22	7.08	8.30
Long/Short	1.44	1.74	10.82	12.30
Multi-Strategy	1.01	1.00	6.37	7.48
Macro	1.36	0.89	1.40	2.07
USD	1.10	1.32	7.38	8.73
EUR	1.14	1.28	6.41	7.49
UCITS Hedge Funds (All Strategies & Regions)	0.51	1.67	6.43	7.75
Long/Short	0.78	2.37	11.11	13.04
Relative Value	0.26	0.83	3.07	3.85
Macro Strategies	0.03	0.99	-0.19	0.34
USD	0.35	1.80	5.69	7.24
EUR	0.80	1.60	6.95	8.12
CTAs (All Strategies & Regions)	0.61	1.00	-0.77	-0.39
USD	0.59	0.99	-0.68	-0.13
EUR	0.51	2.03	-3.69	-4.00

* Please note, all performance information includes preliminary data for November 2013 based upon net returns reported to Preqin in early December 2013. Although stated trends and comparisons are not expected to alter significantly, final benchmark values are subject to change. Source: Preqin Hedge Fund Analyst

Data Source:

Compare funds to specific segments of the market, including by strategy, fund structure, geography and more, using the fully customizable benchmarks on Preqin's [Hedge Fund Analyst](#).

For more information, please visit:

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Conferences Spotlight

Conference	Date	Location	Organizer	Preqin Speaker	Discount Code
Marketing & Fundraising Strategies for Private Investment Funds	16 - 17 January 2014	New York	Financial Research Associates	-	10% Discount - FMP187
MFA Network 2014	27 - 29 January 2014	Miami, Florida	MFA	-	-
GAIM Regulation 2014	4 February 2014	The offices of Ropes & Gray, NYC	IIR	-	-
GAIM Ops Cayman 2014	7 - 9 April 2014	The Ritz-Carlton, Grand Cayman	IIR	-	-

Access Free Conference Slide Decks and Presentations

Preqin attends and speaks at many different alternative assets conferences throughout the year, covering topics from private equity fundraising trends to alternative UCITS.

All of the conference presentations given by Preqin speakers, which feature charts and league tables from Preqin's online products, can be viewed and downloaded from Preqin's [Research Center Premium](#), for free.

For more information, and to register for Preqin's [Research Center Premium](#), please visit:

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HEDGEAnswers Launch Session series

Date: 15 January, 19 March, 14 May 2014

Information: <http://www.hedgeanswers.com/index.php/series>

Location: Virtual

Organiser: HEDGEAnswers

The Launch Sessions are unique, tightly packed educational opportunities, for interactive discussions that will raise your Hedge Fund IQ. Experienced hedge fund professionals share how they got started, their daily responsibilities, and explain the critical issues essential for forming, beginning and operating in the hedge fund industry.

Marketing & Fundraising Strategies for Private Investment Funds

Date: 16 - 17 January 2014

Information: <http://www.frallc.com/conference.aspx?ccode=B907>

Location: Doubletree Metropolitan - New York, NY

Organiser: Financial Research Associates

This conference will review how the private investment fundraising landscape has changed, marketing and advertising strategies, as well as exploring key issues such as branding, media relations, events & speaking engagements and digital & social media in the post-JOBS Act Era. Preqin subscribers are eligible for a 10% discount with Code FMP187

GAIM Regulation

Date: 04 February 2014

Information: www.GaimRegulation.com

Location: Ropes & Gray Offices, New York City

Organiser: IIR

Hear directly from the regulators on what they would like to see, what they are looking for and what's next on their agenda. In a private setting that fosters open discourse between the hedge fund community and senior executives, chairs and commissioners from groups such as: CFTC, SEC, ESMA, FINRA, NFA, NAIC, FCA, CIMA. Managers and investors will leave with a better understanding of not only what regulators are looking for, but how to integrate and prepare for new rules and regulations.

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