

## Hedge Fund Investors Seek CTAs in 2016

### CTAs see highest net inflows of Q1 2016 as investors look to increase allocations

The latest report from Preqin finds that increasing numbers of active investors and a positive general view of performance among existing investors have driven inflows into CTAs over recent quarters. The number of institutional investors actively investing in CTAs reached a record 1,067 in 2015, up from 1,017 in 2014. Furthermore, 69% of investors interviewed at the end of 2015 reported that their CTA portfolios had met their performance expectations for the year, the second highest proportion of any leading hedge fund strategy. In the same survey, 29% of all hedge fund investors said they planned on increasing their exposure to CTAs in 2016, while only 5% intended to decrease it.

As a consequence of this burgeoning interest from investors, CTAs have seen four quarters of net inflows of capital since the start of 2015, with net asset flows of \$38bn in new investor capital committed to the strategy. Although CTAs returned only -0.08% in 2015, 2016 began strongly with funds making gains of 1.52% in the first quarter. Combined with inflows from investors, this put the total assets under management (AUM) for CTAs at \$241bn as of the end of Q1, up from \$204bn at the beginning of 2015.

#### Other Key CTA Facts:

- **Rate of Growth:** CTAs as a whole saw net inflows of \$13.7bn in Q1, the highest of any leading strategy. This marks a 7.8% growth in AUM across the quarter, and puts combined CTA assets above those held by credit strategies funds.
- **Manager Flows:** Although CTAs as a whole have seen large net inflows of capital, **only 40% of CTA fund managers saw net inflows in Q1 2016**, while 48% recorded net outflows.
- **Market Correlation:** CTAs have retained a low correlation (less than 0.3) to both equity markets and other hedge fund strategies since January 2013. Since H2 2014, the correlation between CTAs and the S&P GSCI Total Return Index has been increasingly negative, reaching -0.42 in April 2016.
- **CTA Sub-Strategies:** Since the beginning of 2015, **option writing strategies have returned 8.67%**, the strongest cumulative performance of any CTA sub-strategy. Counter trend strategy funds have returned 5.82%, followed by macro (3.39%) and pattern recognition (3.16%) funds.
- **Fund Launches:** New CTA launches peaked in 2013, with 153 funds launched in the year. Since then, **the rate of launches has declined**; there were just 73 new fund launches in 2015 and 12 so far in 2016, just 6% of all hedge fund inaugurations.

**To access further information and analysis, please see the report below:**

<https://www.preqin.com/docs/reports/Preqin-Special-Report-CTAs-June-2016.pdf>

#### Comment:

“CTAs play an important role in a number of institutional investors’ portfolios. These vehicles, operating trading strategies across a wide range of commodity and financial markets, offer the possibility of returns with low correlation to other financial markets and can smooth returns in investor portfolios. With recent widespread turbulence, it is perhaps unsurprising that increasing numbers of investors have been attracted to CTAs’ potential for low correlation to other investments.

Partly as a result of this, so far in 2016 CTAs have seen the highest level of inflows across all leading hedge strategies. Despite a difficult performance year in 2015, CTAs have seen solid returns in the opening months of 2016, and if these gains persist we may yet see further inflows from investors.”

#### Amy Bensted – Head of Hedge Fund Products, Preqin

**Note to Editors:**

- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

**About Preqin:**

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

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