Press Release

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Hedge Funds Continue to Record Positive Inflows in Q1

CTAs continue to attract the greatest inflows despite two months of negative performance

Hedge funds recorded net inflows of $17bn in Q1 2018, continuing a streak of five consecutive quarterly inflows. This represents a significant increase compared to the final quarter of 2017, which saw inflows of just $0.5bn. Q1 2018 brings total positive net asset flows to $61bn since Q4 2016 – the last time the industry saw net outflows – and pushes total hedge fund assets to $3.6tn as of the end of the quarter. Despite negative monthly performance in February and March, CTAs have seen net inflows totalling $13bn in Q1 2018, the largest of any leading strategy. By contrast, the largest top-level strategies by assets under management – equity, macro and multi-strategy funds – experienced the largest net outflows of $7.6bn, $1.3bn and $0.5bn respectively. Geographically, managers based in North America saw the greatest inflows in the quarter, totalling $15bn, which has driven aggregate assets held in the region to $2.6tn (73% of the global industry).

For more information and analysis, see the full *Q1 2018 Hedge Fund Asset Flows* factsheet here:
http://docs.preqin.com/reports/Preqin-Hedge-Fund-Asset-Flows-Q1-2018.pdf

Key Hedge Fund Asset Flows Facts:

- The **hedge fund industry recorded net inflows of $17bn in Q1 2018**, driving total hedge fund industry assets to $3.6tn, a 0.84% increase in AUM from December 2017.
- **CTAs attracted the greatest net inflows ($13bn) of any leading strategy**, despite seeing negative performance in February and March of -5.38% and -0.68% respectively.
- However, **a greater proportion of CTAs experienced outflows** (47%) than saw net inflows (40%).
- **Macro, equity and multi-strategy funds – the largest leading strategies by AUM – experienced net outflows** of $1.3bn, $7.6bn and $0.5bn respectively, the largest seen in Q1.
- **Managers based in North America saw the greatest inflows in Q1 2018**, totalling $15bn. This drives aggregate assets for the region to $2.6tn – 73% of the global industry.
- Managers based in **Asia-Pacific and Rest of World also saw net inflows of $4.6bn and $6.9bn** respectively.
- Although **Europe-based funds saw net outflows of $9.9bn**, over half (52%) of managers recorded inflows.
- Strong performance is key to attracting capital: **forty-six percent of funds that generated returns above 5.00% in 2017 saw net inflows in Q1 2018**, while 60% that posted returns of less than -5.00% recorded net outflows.

Amy Bensted, Head of Hedge Fund Products:

"The hedge fund industry recorded a fifth consecutive quarter of net inflows in Q1 2018, indicating that investor sentiment remains strong, despite a challenging start to the year in regards to performance. CTAs posted negative returns in both February and March, but has seen the largest inflows of any top-level strategy in Q1 2018, as many investors continue to turn to the strategy in order to position their portfolio more defensively.

Although past performance is not indicative of future returns, strong performance remains a key indicator of future asset flows. The majority of hedge funds that posted returns of less than -5.00% in 2017 posted net outflows this quarter. This trend shows up even more pointedly over the long term. If fund managers want to attract investor capital in an increasingly competitive market, they will have to not only cater to investors' preferences, but also show that their funds can produce consistent positive returns."

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