Press Release

20th August 2018

Hedge Funds Record Outflows for First Time in Over a Year

Smaller funds see the worst of outflows, while over half of the largest funds see inflows

Hedge funds recorded quarterly outflows of $1.2bn in Q1 2018, ending a streak of five consecutive quarterly inflows. However, due to positive performance, hedge fund assets under management stand at a record high of $3.61tn as at the end of June 2018. Credit strategies attracted the greatest amount of capital amounting to $11bn, driving its H1 2018 net asset flows to $19bn – the largest of any top-level strategy. Event driven strategies also recorded strong inflows, with net positive flows of $9.2bn in Q2. Only North America-based managers recorded net inflows, attracting a combined net $22bn. In contrast European hedge funds experienced a second consecutive quarter of outflows. In Q2 2018, 51% of funds of $1bn or more saw inflows, while just 31% of funds of less than $100mn experienced inflows, an indication that investors are moving capital into the largest funds.

For more information and analysis, see the full *Q2 2018 Hedge Fund Asset Flows* factsheet here:
http://docs.preqin.com/reports/Preqin-Hedge-Fund-Asset-Flows-Q2-2018.pdf

Key Hedge Fund Asset Flows Facts:

- **The hedge fund industry recorded net outflows of $1.2bn in Q2 2018**, the first net outflow time since Q4 2016
- However, positive performance has pushed **hedge fund industry AUM to a record $3.61tn** as at June 2018.
- **Credit strategies attracted the greatest inflows amounting to $11bn in Q2**, pushing H1 2018 net asset flow to $19bn – the greatest of any top-level hedge fund strategy.
- **CTAs, macro and relative value strategies experienced outflows** of $9.2bn, $5.0bn and $14bn respectively.
- **On a regional basis only North American managers generated positive quarterly inflows**. The region attracted a net $22bn in capital, with 59% of funds experiencing an increase or no change in their AUM.
- **Europe-based managers experienced outflows for a second consecutive quarter, with outflows of $4.1bn**, as 62% of European funds saw net outflows.
- In Q2, **over half (51%) of funds of $1bn or more saw inflows**, while less than a third (31%) of funds with less than $100mn in capital experienced inflows.

Amy Bensted, Head of Hedge Funds:

"After a streak of five consecutive quarter of inflows, the hedge fund industry has recorded its first quarter of outflows since Q4 2016. However, hedge fund assets under management have reached a record high of $3.61tn driven by performance. Investors continue to put more money to work in credit strategies, following net outflows from these strategies in 2017 and 2016. In Q2 these strategies attracted the greatest inflows, following inflows of nearly $8bn in Q1. In contrast, appetite for CTAs appears to be faltering: outflows of $9.2bn, coupled with a difficult performance environment, has led to CTA AUM declining slightly to $281bn.

Investors appear to be shifting capital towards the largest funds. Approximately half of all funds with $500mn or more in AUM attracted positive flows in Q2 2018; in contrast 55% of funds with less than $100mn in capital saw outflows. This may suggest that investors are seeking the security of larger fund managers with the possibility for the outsized returns associated with smaller funds being less of a priority, particularly with the expectations of a market correction growing for many institutions."

New York	London	Singapore	San Francisco	Hong Kong	Manila	Guangzhou
+1 212 350 0100	+44 20 3207 0200	+65 6305 2200	+1 415 316 0580	+852 3892 0200		

www.preqin.com / info@preqin.com