

## 2018 Proves a Tough Year for Hedge Funds

### Three out of five funds see losses in the worst performance year since 2008

2018 was a difficult year for hedge funds, with market volatility and shifting investor sentiment creating challenging headwinds. The Preqin All-Strategies Hedge Fund benchmark finished the year with losses of 3.42%, the lowest return the industry has seen since 2008. Performance difficulties were widespread – 59% of hedge funds posted negative returns for the year, with 39% seeing losses exceed 5.00%. After slowing growth in recent years, 2018 also saw a contraction in the number of active hedge funds, with liquidations exceeding launches. A total of 746 funds liquidated through the year, down from 1,130 in 2017, but the number of funds launched fell sharply from 1,169 to 609.

**For more information and analysis, see the full *Hedge Funds in 2018* factsheet here:**

<http://docs.preqin.com/reports/Hedge-Funds-in-2018.pdf>

#### Ross Ford, Head of Hedge Fund Research:

*“A turbulent end to the year means it comes as little surprise that the hedge fund industry ended 2018 in negative territory. While losses didn’t approach the level seen in 2008, they are still a blow to investor confidence, especially given how widespread they are. Strategies less correlated to equity markets – such as macro, relative value and credit funds – did manage to weather the storm and generate single-digit gains for the year. However, it’s no surprise that the majority of investors feel underwhelmed by hedge funds’ performance. Negative returns are also a key factor in the contraction of the industry – with many investors rebalancing their portfolios, managers with significant losses will be finding it even harder than usual to retain investor confidence and capital.”*

#### Key Hedge Fund Facts in 2018:

- The **Preqin All-Strategies Hedge Fund benchmark finished the year at -3.42%**, the worst performance year since 2008 (-18.10%).
- Losses were widespread: 20% of funds saw losses between 0.01% and 5.00%, while **39% saw their losses exceed 5.00%**.
- By contrast, **just 21% of funds saw gains of 5.00% or more**, compared to 67% that made such gains in 2017.
- **This surpassed the losses seen in 2011**, the last year the benchmark was negative, and is exceeded only by performance in 2008.
- **The majority (55%) of investors felt their hedge fund investments fell short of expectations** in 2018, while just 8% thought they had exceeded them.
- The industry also saw a small contraction in the number of active funds, as **the number of liquidations (746) surpassed the number of launches (609)** for the first time since Preqin began tracking.
- In fact, **2018 marks the fifth consecutive year in which launch activity has fallen**.
- As a result, the **growth in the number of active funds has slowed in recent years**, and has fallen for the first time. While there were 15,947 active funds at the end of 2017, there were 15,837 at the end of 2018.

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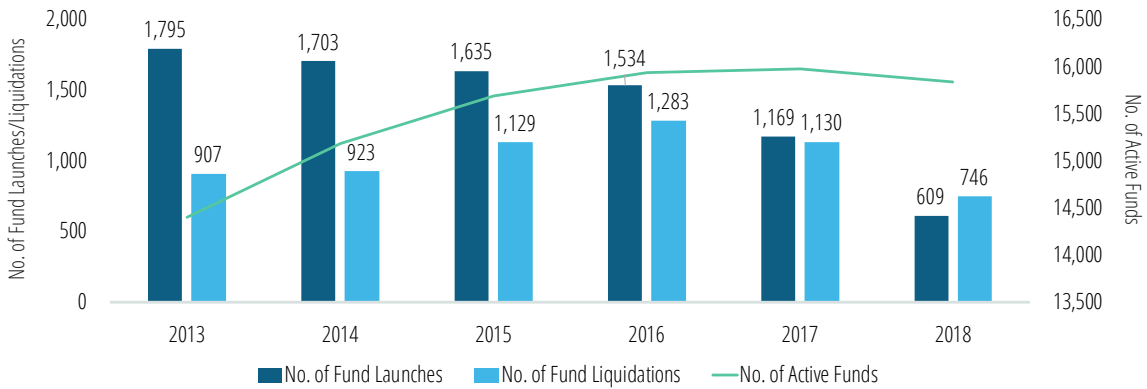
*Preqin’s data and analysis is frequently presented at industry conferences, and is used in the global financial press and academic journals & white papers. We are always happy to support journalists by providing reports, custom data and one-on-one interviews.*

**For more information, contact our dedicated press team at [press@preqin.com](mailto:press@preqin.com) or call (+44) 20 3207 0265.**

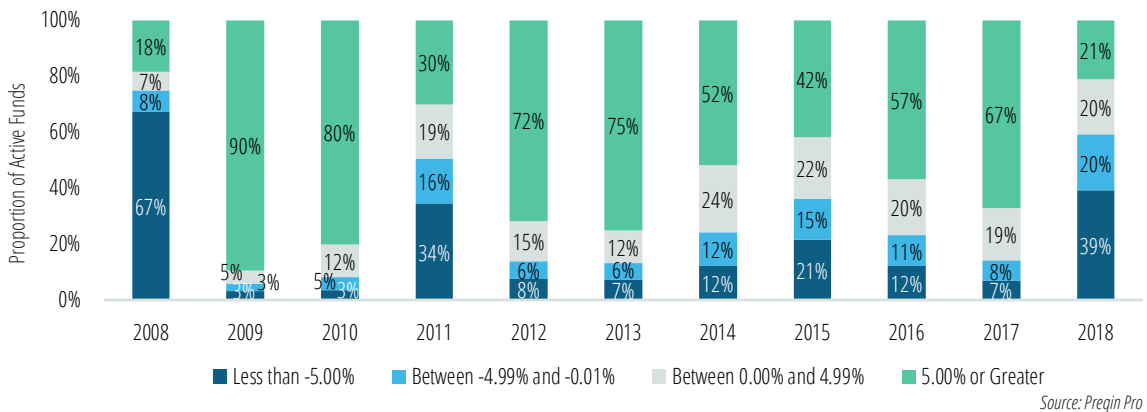


# HEDGE FUNDS IN 2018

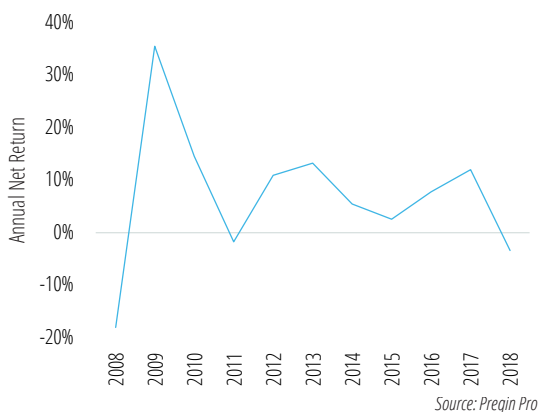
**Fig. 1. Hedge Fund Launches and Liquidations by Year of Inception/Liquidation and Number of Active Funds, 2013 - 2018**



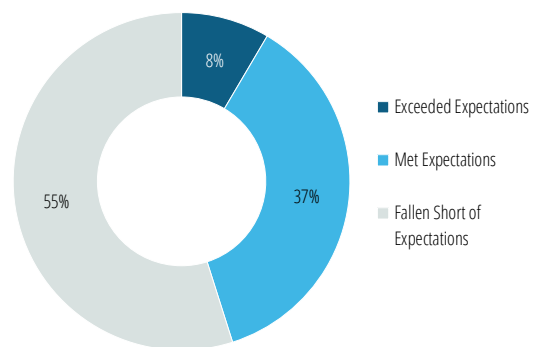
**Fig. 2: Active Hedge Funds by Annual Net Return, 2008 - 2018\***



**Fig. 3: Annual Net Return of Preqin All-Strategies Hedge Fund Benchmark, 2008 - 2018\***



**Fig. 4: Investor Views on Hedge Fund Performance in 2018 Relative to Expectations**



\*Please note, all performance information includes preliminary data for December 2018 based upon net returns reported to Preqin in early January 2019. Although stated trends and comparisons are not expected to alter significantly, final benchmark values are subject to change.