

Hedge Funds Deliver Worst Annual Performance Since 2011

The Preqin All-Strategies Hedge Fund benchmark gained just 3.78% in 2014, the lowest annual return since the 1.85% loss seen in 2011

Data from Preqin's forthcoming **2015 Global Hedge Fund Report** shows that industry performance ultimately disappointed in 2014. Most hedge funds failed to match the returns made in the previous year, and solid advances were frequently followed by losses as managers struggled to gain momentum.

Looking beyond the headline returns, however, reveals a more complex picture. All core hedge fund strategies delivered gains to satisfy absolute return investors in 2014. Furthermore, the strong returns of several focused strategies, such as CTA funds and value-orientated equity strategies, highlighted the need to manage a diversified portfolio of hedge funds to achieve the long-term low volatility of returns that hedge funds aim to provide. As a result, the majority of investors (57%) felt hedge funds at least met expectations in 2014, with a notable proportion (8%) feeling hedge funds in fact exceeded expectations.

Key Hedge Fund Performance Stats in 2014:

- Q1 2014 was the worst start to a year since 2008 for hedge fund performance, and the third quarter was the first negative quarter for the Preqin All-Strategies Hedge Fund benchmark since Q2 2012.
- The Preqin All-Strategies Hedge Fund benchmark made losses in six of the months in 2014.
- Only 13% of hedge funds met or exceeded the Preqin All-Strategies Hedge Fund benchmark generated in 2013 (12.25%).
- Credit strategies was the best performing core hedge fund strategy in 2014, with average returns of 5.59%.
- Value-orientated equity strategies was the best performing focused strategy, providing returns of 12.12% over the year. Mortgage- and asset-backed lending strategies were two other notable strong performing focused strategies in 2014, posting returns of 9.53% and 9.26% respectively.
- CTA funds had average returns of 9.96%, leading the hedge fund benchmark by 618 basis points. This is also the strongest year these funds have had since 2010.
- North America was the best performing regional benchmark, gaining 5.75% over the year.

To view the full 2014 Hedge Fund Performance Benchmarks, please see the factsheet below

Comment:

"After a solid year of returns in 2013, the performance of hedge funds in 2014 was widely seen as underwhelming. The returns of some funds, including those employing asset-backed and mortgage-backed strategies, were more impressive, and others, such as commodities and emerging markets-focused funds, provided a hedge against poor performance in related public markets.

Although the high-profile exits of CalPERS and PFZW from the asset class pulled the industry under the spotlight, the vast majority of institutional investors worldwide remain committed to hedge funds. Preqin's latest poll of investors found that many thought hedge funds met or exceeded expectations throughout 2014, and although performance sticks out as a key issue going into 2015, both investors and fund managers remain upbeat. While fund managers will be scrutinized over the coming year, the key features of hedge funds, such as diversification, low volatility and protection against significant market downturns, are expected to hold true and to continue to attract investors."

Amy Bensted, Head of Hedge Fund Products

To request a complimentary press copy of the Preqin 2015 Global Hedge Fund Report, please email press@preqin.com

Please note, copies will not be available until Wednesday 21st January

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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.

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin's services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: www.preqin.com

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Preqin's Full-Year 2014 Hedge Fund Performance Benchmarks

Summary of Preliminary 2014 Performance Benchmarks (Net Return, %)*

	2014	2013	2012	2011	5-Year Annual.
Preqin All-Strategies Hedge Fund Benchmark	3.78	12.25	10.80	-1.85	7.74
HF - Equity Strategies	3.86	15.41	11.04	-5.72	7.59
HF - Macro Strategies	1.99	4.77	8.39	2.19	5.70
HF - Event Driven Strategies	1.54	15.62	12.38	-2.24	8.63
HF - Credit Strategies	5.59	9.36	15.58	5.21	10.88
HF - Relative Value Strategies	4.56	8.95	7.60	4.47	7.17
HF - Multi-Strategy	4.30	8.38	8.98	0.52	6.88
Activist	5.10	16.74	11.74	-8.45	8.36
Volatility	2.66	7.67	8.97	7.90	7.32
Discretionary	4.20	17.66	12.84	-2.95	8.84
Systematic	4.13	8.96	6.68	2.32	6.70
HF - North America	5.75	17.39	11.86	0.82	10.67
HF - Europe	2.91	13.50	10.16	-4.50	6.72
HF - Asia-Pacific	5.46	18.09	12.53	-5.91	8.44
HF - Emerging Markets	2.54	6.68	13.08	-4.61	6.19
HF - Developed Markets	6.29	11.29	11.21	1.84	8.66
HF - USD	3.35	12.75	11.07	-2.08	7.91
HF - EUR	0.72	8.21	7.00	-3.40	4.69
HF - GBP	-2.60	3.62	4.61	-4.01	2.19
HF - JPY	6.42	31.01	10.20	-3.23	10.09
HF - BRL	6.28	5.14	15.01	6.90	8.88
Funds of Hedge Funds (All Strategies & Regions)	3.48	8.15	5.27	-4.15	3.71
FOHF - Equity Strategies	3.75	11.72	6.66	-6.27	4.14
FOHF - Multi-Strategy	3.54	8.20	5.00	-3.24	3.87
FOHF - Funds of CTAs	17.28	-1.35	-6.71	-7.55	1.93
FOHF - USD	2.57	8.69	5.21	-4.93	3.55
FOHF - EUR	2.00	7.14	3.29	-6.63	2.09
CTAs (All Strategies & Regions)	9.96	1.28	2.67	2.30	6.06
CTA - Discretionary	-1.81	3.95	7.94	13.07	9.43
CTA - Systematic	12.44	1.89	0.58	2.43	6.17
CTA - USD	10.26	1.28	1.99	1.58	5.80
CTA - EUR	10.60	-1.62	-0.89	0.21	3.53
Alternative Mutual Funds (All Strategies & Regions)	4.36	11.54	7.94	1.16	6.24
UCITS Hedge Funds (All Strategies & Regions)	1.45	6.82	6.34	-4.56	3.28
UCITS - Equity Strategies	1.80	12.28	8.89	-6.96	4.76
UCITS - Macro Strategies	2.20	0.62	2.67	-2.58	1.78
UCITS - Relative Value Strategies	0.50	2.89	2.65	-1.51	1.65
UCITS - USD	0.56	6.95	7.76	-6.55	3.21
UCITS - EUR	1.71	6.43	5.47	-4.39	2.96

Source: Preqin Hedge Fund Analyst

* Please note, all performance information includes preliminary data for December 2014 based on net returns reported to Preqin in early January 2015. Although stated trends and comparisons are not expected to alter significantly, final benchmark values are subject to change.

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The forthcoming [2015 Preqin Global Hedge Fund Report](#) is an essential tool for anyone looking to understand the latest developments affecting the hedge fund industry. The report features expert commentary, historical trend analysis, surveys, league tables and more.

To receive a complimentary press copy of the [2015 Preqin Global Hedge Fund Report](#), please email press@preqin.com