



PREQIN QUARTERLY UPDATE: HEDGE FUNDS Q1 2018

Insight on the quarter from the leading provider of alternative assets data

Content includes:

- Performance
- Largest Fund Managers
- Fund Launches
- Fund Searches



FOREWORD - Amy Bensted, Preqin

Performance, and the fees demanded for this performance, have driven the conversation around hedge funds in recent years. In 2017, hedge funds built on the strong returns that began at the end of 2016, with annual returns hitting a four-year high of 11.43%. As a result, we have also seen investor sentiment improve leading investors to allocate a net \$44bn to the industry in 2017.

2018 started strongly, recording the 15th consecutive month of positive performance in January (+1.92%). However, many hedge funds were unable to capitalize on growing market volatility over the quarter and February saw losses of 0.92% as equity markets globally experienced large fluctuations. In the same month, CTAs lost 5.49%, driven by events such as the trade conflict between the US and China amid the implementation of President Trump's tariffs on Chinese goods.

With global equity market volatility increasing, and concerns mounting around a possible market correction, we are seeing fewer funds targeting equity strategies brought to market. In contrast, we have seen more market-neutral strategies, such as relative value strategies, entering the market at the start of 2018.

Although investor appetite for long/short equity remains strong, we continue to see investors looking to positioning themselves more defensively, with macro strategies particularly highly sought among those investors looking for funds over 2018.

We hope you find this report useful and welcome any feedback you may have. For more information, please visit www.preqin.com or contact info@preqin.com.

p3	Performance Update
p4	Performance Benchmarks
p5	Largest Fund Managers
p6	Fund Launches
p7	Fund Searches

PREQIN'S ONLINE PLATFORM

Preqin's online platform is our flagship hedge fund information resource, incorporating all of our hedge fund data, intelligence and functionality, providing you with the most comprehensive coverage of the asset class available.

Preqin's online platform is updated on a daily basis by teams of skilled research analysts based around the globe, making it a vital source of data and information for fund managers, investors, service providers and other professionals seeking to keep up to date with the latest developments in the industry.

Get in touch today to arrange a demo: ✉: info@preqin.com | 🌐: www.preqin.com/hedge

All rights reserved. The entire contents of Preqin Quarterly Update: Hedge Funds, Q1 2018 are the Copyright of Preqin Ltd. No part of this publication or any information contained in it may be copied, transmitted by any electronic means, or stored in any electronic or other data storage medium, or printed or published in any document, report or publication, without the express prior written approval of Preqin Ltd. The information presented in Preqin Quarterly Update: Hedge Funds, Q1 2018 is for information purposes only and does not constitute and should not be construed as a solicitation or other offer, or recommendation to acquire or dispose of any investment or to engage in any other transaction, or as advice of any nature whatsoever. If the reader seeks advice rather than information then he should seek an independent financial advisor and hereby agrees that he will not hold Preqin Ltd. responsible in law or equity for any decisions of whatever nature the reader makes or refrains from making following its use of Preqin Quarterly Update: Hedge Funds, Q1 2018. While reasonable efforts have been made to obtain information from sources that are believed to be accurate, and to confirm the accuracy of such information wherever possible, Preqin Ltd. does not make any representation or warranty that the information or opinions contained in Preqin Quarterly Update: Hedge Funds, Q1 2018 are accurate, reliable, up-to-date or complete. Although every reasonable effort has been made to ensure the accuracy of this publication Preqin Ltd. does not accept any responsibility for any errors or omissions within Preqin Quarterly Update: Hedge Funds, Q1 2018 or for any expense or other loss alleged to have arisen in any way with a reader's use of this publication.

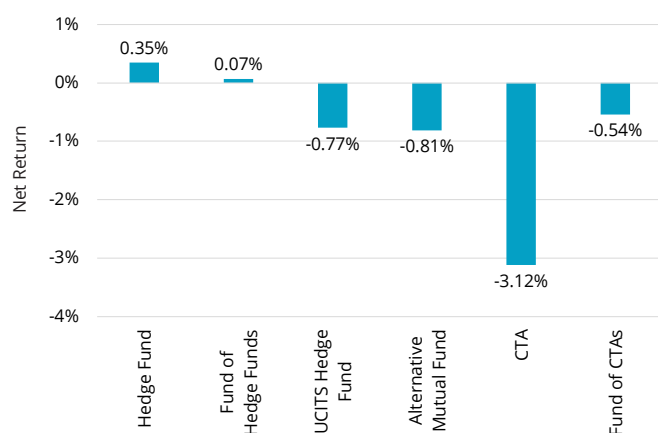


PERFORMANCE UPDATE

Hedge funds have struggled to navigate the challenging market conditions seen at the start of 2018. Despite this, the strong start to the year, which saw the Preqin All-Strategies Hedge Fund benchmark return 1.92% in January, was enough to keep hedge funds in the black for Q1 2018: the benchmark finished on 0.35% following negative returns in February and March (-0.92% and -0.63% respectively, Fig. 1).

Only credit strategies generated positive returns in February and March, with all other leading hedge fund strategies posting losses. However, similar to the Preqin All-Strategies Hedge Fund benchmark, most top-level strategies posted positive returns in Q1 2018 as a result of strong January performance. However,

Fig. 1: Performance of Hedge Funds in Q1 2018 by Structure*

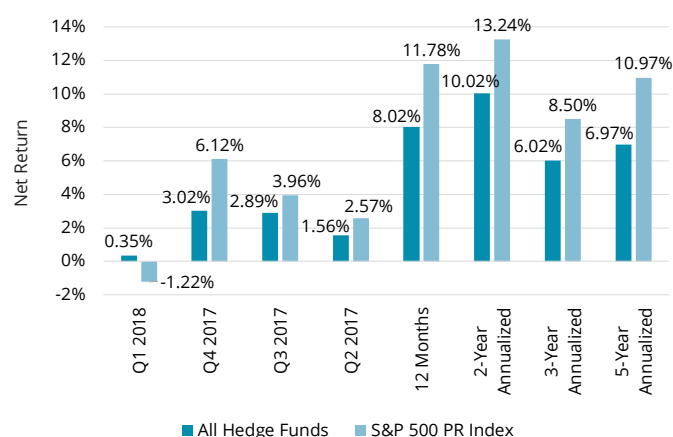


Source: Preqin

CTAs and event driven strategies suffered losses over the quarter (Fig. 3). In the case of CTAs, huge swings in Q1 led to a quarterly net loss of 3.12%, almost entirely wiping out the gain of 3.24% recorded in Q4 2017.

On a regional basis, hedge funds with a focus on emerging markets reported the highest returns in the quarter (+2.29%, Fig. 4). This strong performance built on the success of 2017, with the emerging markets benchmark outperforming all other top-level regional benchmarks, except for Asia-Pacific, over 12 months. The only top-level benchmark to post negative returns in Q1 2018 was Europe (-1.06%).

Fig. 2: Performance of Hedge Funds vs. S&P 500 PR Index*



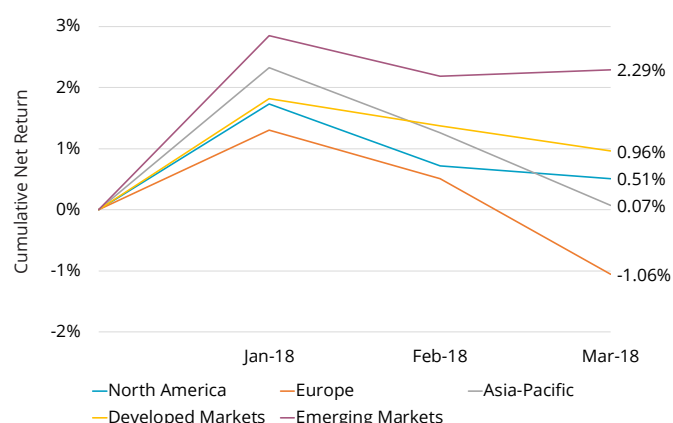
Source: Preqin

Fig. 3: Net Returns of Single-Manager Hedge Funds by Strategy*

Jan-18	Feb-18	Mar-18	Q1 2018	Q4 2017
CTAs 3.40%	Credit Strategies 0.24%	Credit Strategies 0.15%	Credit Strategies 1.47%	Equity Strategies 3.98%
Equity Strategies 2.57%	Relative Value Strategies -0.10%	Macro Strategies -0.07%	Macro Strategies 0.92%	CTAs 3.24%
Macro Strategies 1.96%	Multi-Strategy -0.35%	Relative Value Strategies -0.24%	Multi-Strategy 0.60%	Event Driven Strategies 2.38%
Multi-Strategy 1.82%	Event Driven Strategies -0.55%	Equity Strategies 0.60%	Equity Strategies 0.45%	Multi-Strategy 2.22%
Event Driven Strategies 1.55%	Macro Strategies -0.95%	Multi-Strategies -0.85%	Relative Value Strategies 0.38%	Macro Strategies 1.52%
Credit Strategies 1.08%	Equity Strategies -1.47%	CTAs -0.86%	Event Driven Strategies -0.50%	Credit Strategies 1.39%
Relative Value Strategies 0.72%	CTAs -5.49%	Event Driven Strategies -1.49%	CTAs -3.12%	Relative Value Strategies 0.88%

Source: Preqin

Fig. 4: Cumulative Returns of Hedge Funds in Q1 2018 by Geographic Focus*



Source: Preqin

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

PERFORMANCE BENCHMARKS

Fig. 5: Summary of Q1 2018 Performance Benchmarks (Net Return, %)*

Benchmark Name	Jan-18	Feb-18	Mar-18	2018 YTD	12 Months	3-Year Annualized
Hedge Fund	1.92	-0.92	-0.63	0.35	8.02	6.02
HF - Equity Strategies	2.57	-1.47	-0.60	0.45	10.60	6.57
HF - Event Driven Strategies	1.55	-0.55	-1.49	-0.50	6.11	6.17
HF - Relative Value Strategies	0.72	-0.10	-0.24	0.38	3.26	3.78
HF - Macro Strategies	1.96	-0.95	-0.07	0.92	4.06	4.72
HF - Multi-Strategy	1.82	-0.35	-0.85	0.60	8.23	6.22
HF - Credit Strategies	1.08	0.24	0.15	1.47	6.05	5.99
Activist	2.06	-1.73	-1.47	-1.18	6.80	6.56
Volatility	0.45	-0.82	0.15	-0.23	6.96	7.00
Discretionary	2.39	-1.11	-0.62	0.63	9.05	6.61
Systematic	1.43	-0.89	-0.22	0.31	5.93	4.85
HF - North America	1.72	-0.99	-0.21	0.51	6.78	5.71
HF - Europe	1.30	-0.78	-1.56	-1.06	4.30	4.48
HF - Asia-Pacific	2.33	-1.05	-1.17	0.07	12.77	7.40
HF - Developed Markets	1.82	-0.44	-0.40	0.96	7.07	5.56
HF - Emerging Markets	2.85	-0.64	0.10	2.29	11.98	9.34
HF - USD	2.21	-1.13	-0.35	0.70	8.77	5.86
HF - EUR	1.11	-0.47	-1.43	-0.81	2.04	2.06
HF - GBP	0.79	-0.77	-0.07	-0.06	4.12	3.38
HF - JPY	1.19	-0.54	-1.79	-1.16	8.00	5.97
HF - BRL	2.71	0.81	0.85	4.42	13.75	15.60
HF - Emerging (Less than \$100mn)	1.82	-1.10	-0.62	0.07	7.64	6.25
HF - Small (\$100-499mn)	2.27	-0.61	-0.60	1.03	9.03	6.04
HF - Medium (\$500-999mn)	2.18	-0.37	-0.37	1.42	8.80	5.63
HF - Large (\$1bn or More)	2.22	-1.18	-0.81	0.20	6.42	4.20
Fund of Hedge Funds	1.77	-1.10	-0.57	0.07	4.38	1.55
FOHF - Equity Strategies	2.24	-1.48	-1.12	-0.40	6.53	2.59
FOHF - Multi-Strategy	1.72	-1.04	-0.24	0.42	4.06	1.15
Fund of CTAs	4.67	-6.43	1.55	-0.54	-0.06	-5.54
FOHF - USD	2.01	-1.05	-0.39	0.54	5.45	1.92
FOHF - EUR	1.70	-1.20	-0.83	-0.35	2.21	-0.37
Alternative Mutual Fund	2.09	-2.29	-0.56	-0.81	3.98	2.09
UCITS	1.46	-1.28	-0.93	-0.77	3.21	1.60
UCITS - Equity Strategies	2.31	-1.69	-1.10	-0.51	6.48	2.94
UCITS - Relative Value Strategies	0.42	-0.57	-0.36	-0.52	0.49	0.45
UCITS - Macro Strategies	1.18	-0.93	-0.82	-0.57	1.07	0.23
UCITS - USD	2.32	-1.48	-0.74	0.08	6.82	2.73
UCITS - EUR	1.19	-1.24	-1.07	-1.14	1.51	0.74
CTA	3.40	-5.49	-0.86	-3.12	0.32	-1.03
Discretionary	0.87	-3.34	-1.20	-3.67	-2.22	0.60
Systematic	4.09	-5.99	-0.72	-2.86	1.08	-1.91
CTA - USD	3.63	-5.55	-0.74	-2.84	0.67	-0.80
CTA - EUR	4.38	-8.13	-0.32	-4.42	0.84	-2.41

Source: Preqin

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



LARGEST FUND MANAGERS

Fig. 6: Largest Hedge Fund Managers by Assets under Management

Manager	Location	Year Established	Assets under Management
Bridgewater Associates	US	1975	\$163.2bn as at 31 December 2017
AQR Capital Management	US	1998	\$119.0bn as at 31 December 2017
Man Group	UK	1983	\$72.5bn as at 31 December 2017
Renaissance Technologies	US	1982	\$55.3bn as at 31 December 2017
JP Morgan Asset Management	US	1974	\$51.2bn as at 30 December 2017
Millennium Management	US	1989	\$38.0bn as at 31 December 2017
Two Sigma Investments	US	2002	\$35.4bn as at 30 June 2017
Elliott Management	US	1977	\$35.0bn as at 31 December 2017
Och-Ziff Capital Management	US	1994	\$33.3bn as at 1 January 2018
Marshall Wace	UK	1997	\$32.6bn as at 31 December 2017
Adage Capital Management	US	2001	\$32.4bn as at 31 December 2017
Aberdeen Standard Investments*	UK	1998	\$31.2bn as at 31 December 2017
Baupost Group	US	1982	\$31.1bn as at 30 June 2017
Davidson Kempner Capital Management	US	1990	\$30.1bn as at 31 December 2017
D.E. Shaw & Co.	US	1988	\$29.2bn as at 1 January 2018
BlackRock Alternative Investors	US	2005	\$28.8bn as at 31 December 2017
Winton Capital Management	UK	1997	\$28.5bn as at 31 December 2017
Citadel Advisors	US	1990	\$27.1bn as at 31 December 2017
GAM	UK	1983	\$25.9bn as at 31 December 2017
Viking Global Investors	US	1999	\$25.1bn as at 31 December 2017

Source: Preqin

Fig. 7: Largest Fund of Hedge Funds Managers by Assets under Management

Manager	Location	Year Established	Assets Under Management
Blackstone Alternative Asset Management	US	1990	\$75.0bn as at 31 December 2017
UBS Hedge Fund Solutions	US	2000	\$38.4bn as at 31 December 2017
Goldman Sachs Asset Management	US	1997	\$31.0bn as at 31 December 2017
Grosvenor Capital Management	US	1971	\$26.4bn as at 31 December 2017
BlackRock Alternative Advisors	US	1995	\$23.8bn as at 31 December 2017
Morgan Stanley Investment Management	US	2000	\$23.8bn as at 31 December 2017
HSBC Alternative Investments	UK	1994	\$23.4bn as at 31 December 2017
EnTrustPermal	US	1971	\$20.9bn as at 31 December 2017
Man FRM	UK	1991	\$17.1bn as at 31 December 2017
PAAMCO Prisma Holdings*	US	2000	\$16.6bn as at 31 December 2017
Rock Creek Group	US	2002	\$13.4bn as at 31 December 2017
J.P. Morgan Alternative Asset Management	US	1995	\$12.7bn as at 31 December 2017
Aetos Capital	US	2001	\$11.0bn as at 31 December 2017
K2 Advisors	US	1994	\$10.7bn as at 31 December 2017
Pictet Alternative Advisors	Switzerland	1991	\$10.7bn as at 31 December 2017
LGT Capital Partners	Switzerland	1994	\$10.5bn as at 31 December 2017
Lighthouse Partners	US	1999	\$10.4bn as at 31 December 2017
SkyBridge Capital	US	2005	\$10.3bn as at 31 December 2017
Aberdeen Standard Investments	UK	1998	\$10.1bn as at 31 December 2017
UBP Alternative Investments	Switzerland	1969	\$9.9bn as at 31 December 2017

Source: Preqin

*Aberdeen Asset Management and Standard Life Investments completed its merger in Q3 2017 to form Standard Life Aberdeen. A new entity was formed to manage the Group's investment business, Aberdeen Standard Investment.

**The assets under management figure represents a combination of both Pacific Alternative Asset Management Company, LLC (PAAMCO) and Prisma Capital Partners LP (Prisma). Each of PAAMCO and Prisma is a separately registered, wholly owned subsidiary of PAAMCO Prisma Holdings, LLC.

***These assets are for Mesirow Advanced Strategies (Mesirow). In March 2018, Lighthouse Partners (Lighthouse) and Mesirow announced that the two firms have agreed that Lighthouse will acquire all of the assets of Mesirow. The deal is expected to close by mid-2018.

FUND LAUNCHES

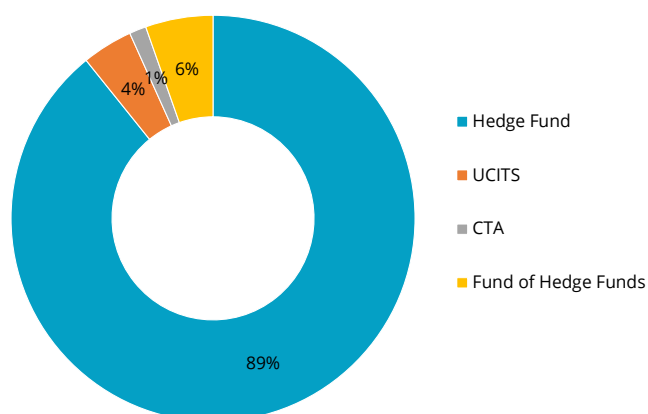
There were 74 hedge fund launches in Q1 2018, of which single-manager hedge funds represented the majority (89%, Fig. 8). Nearly two-thirds (64%) of new funds launched in Q1 2018 are managed by North America-based fund managers (Fig. 9). The proportion of total fund launches accounted for by managers in North America has fallen by four percentage points in comparison with Q1 2017. In contrast, Europe's share of fund launches has grown over this period, from 16% of launches in Q1 2017 to 27% in Q1 2018.

In comparison with recent quarters, there has been a significant growth in the proportion of funds launched pursuing a global investment strategy (84% in Q1 2018, Fig. 10). This indicates that, with volatility increasing across many markets globally, hedge fund

managers are launching new funds to exploit opportunities on a macro scale.

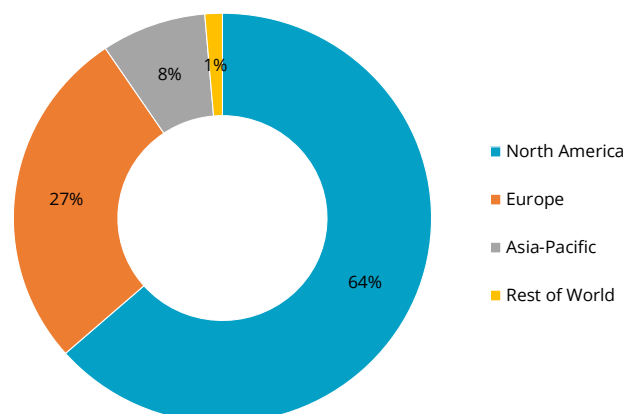
The proportion of hedge funds launched in Q1 2018 that employ an equity strategy fell for a second consecutive quarter to 28% (Fig. 11). This may indicate that fund managers' outlook for equity strategies aligns with the views of many investors: Preqin's recent survey of investors revealed that 45% believe we are at the peak of the equity cycle. There has been a significant uptick in the proportion of launches represented by event driven strategies and relative value strategies vehicles in Q1 2018, the proportion (21%) of all funds launched that pursue an event driven strategy is at its highest level since Q3 2016.

Fig. 8: Hedge Fund Launches in Q1 2018 by Structure



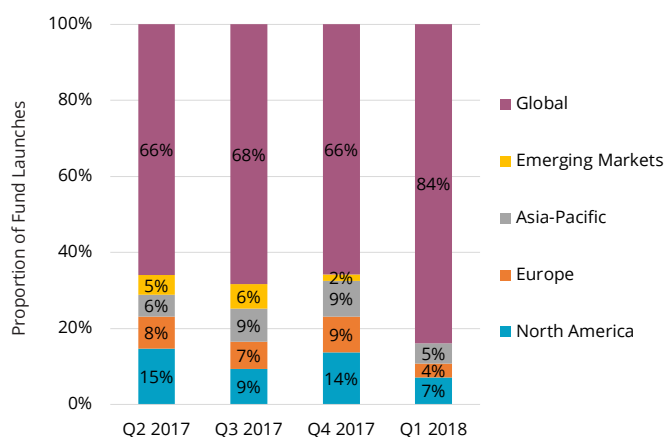
Source: Preqin

Fig. 9: Hedge Fund Launches in Q1 2018 by Manager Location



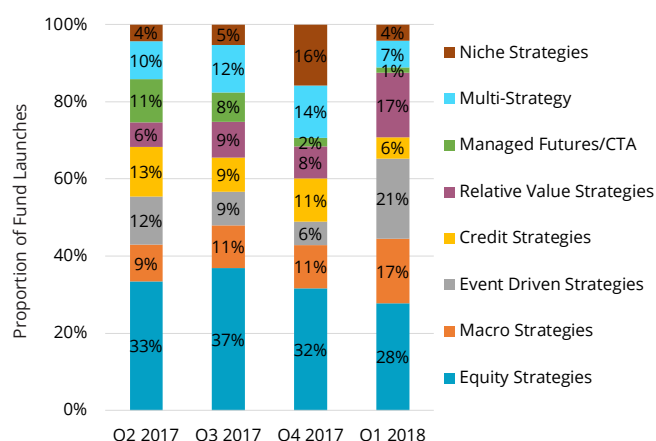
Source: Preqin

Fig. 10: Hedge Fund Launches by Geographic Focus, Q2 2017 - Q1 2018



Source: Preqin

Fig. 11: Hedge Fund Launches by Core Strategy, Q2 2017 - Q1 2018



Source: Preqin

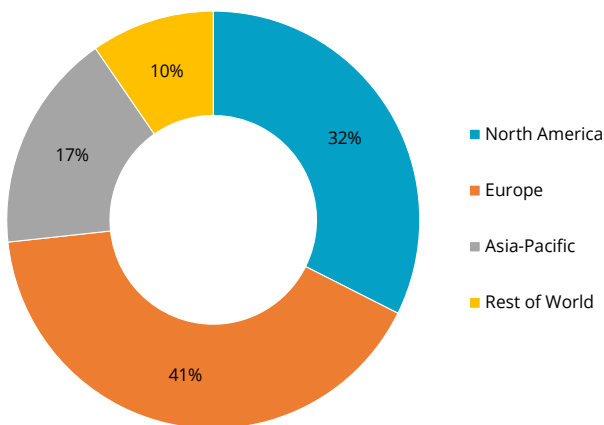


FUND SEARCHES

In Q1 2018, there were 177 new hedge fund searches issued by investors on Preqin's online platform. The largest proportion (41%) of investors issuing fund searches were based in Europe, followed by North America with 32% (Fig. 12).

The largest proportion (52%) of investors initiating searches in Q1 2018 included long/short equity as part of their mandate, continuing a trend seen in previous quarters (Fig. 13). Thirty percent of fund searches include multi-strategy funds which, having posted 22 consecutive months of positive returns dating back to March 2016, were the second best performing top-level strategy in 2017. However, this run of positive performance ended in February, with a loss of 0.35% (see page 3). Macro strategies are also highly sought by investors, highlighting the continued appetite for these strategies, which are able to provide some downside protection in the event of a market correction.

Fig. 12: Hedge Fund Searches Issued in Q1 2018 by Investor Location

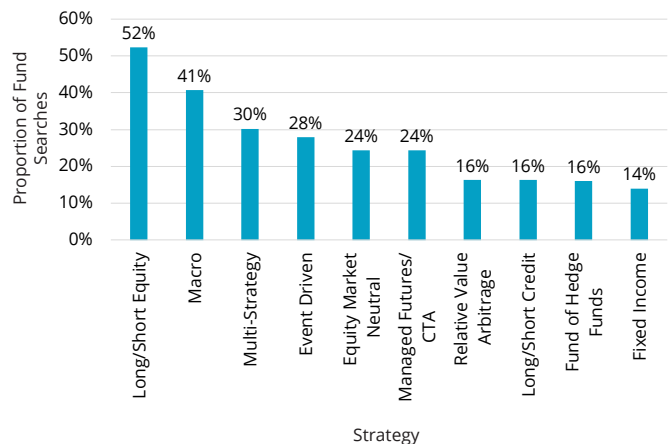


Source: Preqin

Ninety-two percent of searches initiated in Q1 2018 included a direct investment – in contrast, just 16% of searches were for funds of hedge funds. The majority (90%) of fund searches issued in Q1 included commingled funds; however, there remains strong appetite for UCITS products (20% of searches) and managed accounts (10%, Fig. 14).

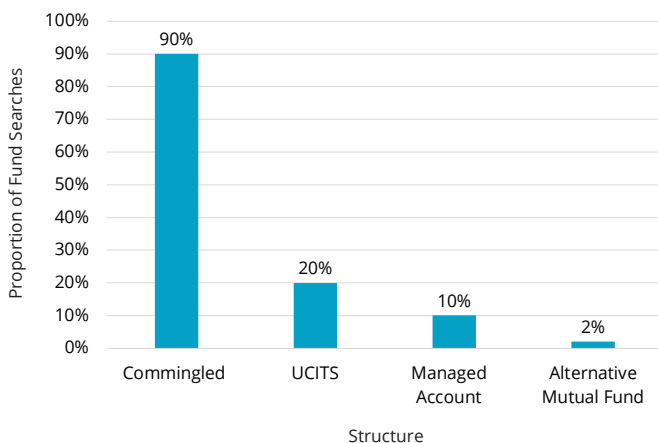
As seen in Fig. 15, the greatest proportion (19%) of fund searches issued in Q1 2018 were issued by fund of hedge funds managers. Private wealth firms remain an important source of capital, with family offices and wealth managers collectively accounting for almost a third (31%) of all fund searches.

Fig. 13: Hedge Fund Searches Issued in Q1 2018 by Strategy



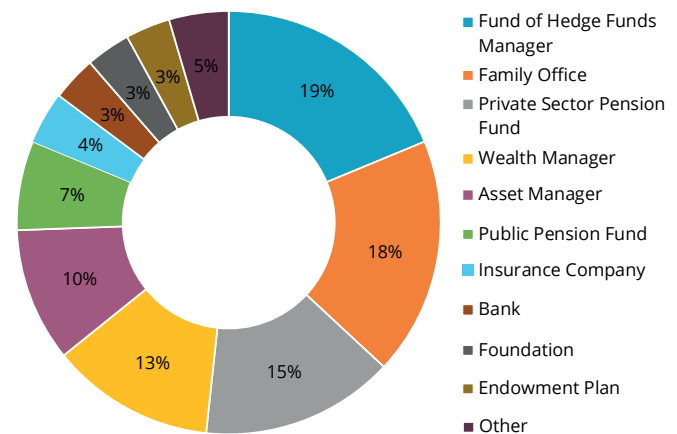
Source: Preqin

Fig. 14: Hedge Fund Searches Issued in Q1 2018 by Structure



Source: Preqin

Fig. 15: Hedge Fund Searches Issued in Q1 2018 by Investor Type



Source: Preqin



PREQIN QUARTERLY UPDATE: **HEDGE FUNDS** Q1 2018

More than 60,000 alternative assets professionals rely on our global data, tools, insights and intelligence to achieve their objectives:

- **Investors:** asset allocation, manager selection and portfolio management
- **Fund managers:** fundraising, portfolio monitoring and investor relations
- **Service providers and advisors:** business development and in-depth market knowledge
- **The wider alternative assets industry:** insight, understanding and information

New York ■ London ■ Singapore ■ San Francisco ■ Hong Kong ■ Manila ■ Guangzhou

