

# The Preqin Quarterly Update

## Hedge Funds

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

### Content Includes....

#### Performance Update

We analyze the performance of hedge funds in Q3 2013.

#### Performance Benchmarks

We provide the latest hedge fund performance benchmarks.

#### Hedge Fund Launches

We look at hedge fund launches in Q3 2013 by structure, region and strategy.

#### Hedge Fund Managers

We review the largest hedge fund managers and fund of hedge funds managers in the industry.

#### Investor Mandates

We examine the latest hedge fund searches and mandates issued by investors in Q3 2013.





## Foreword

The quarter has proved to be another one of mixed fortunes for the hedge fund industry; however, despite returns across the board being in the red for August, the performance figures posted in July and September represent two of the three strongest months for returns from hedge funds in 2013. Hedge funds posted net gains of 3.24% in Q3 2013, taking the benchmark to 7.17% for the year. Event driven strategies continue to outperform other hedge fund strategies, but strong performance in the long bias or value oriented sectors of the long/short strategy benchmark has also contributed to gains in the overall hedge fund benchmark in Q3.

CTAs have continued to struggle in Q3 2013, down 1.63% for the quarter and -2.46% for 2013 YTD. Although many investors have maintained their current managed futures allocations we have seen a reduction in the proportion of investors issuing new searches for new CTAs, continuing a trend we've seen over the past four quarters. Fund managers are seeing fewer opportunities in the commodities sector as a whole – fund launches are down again in Q3 and there have been some notable closures of commodity fund groups, such as Clive Capital, over the past few months.

In our previous Quarterly Update we noted that Q3 could be a decisive quarter for the industry following the flat returns in Q2. The performance of hedge funds in 2013 so far is broadly in line with the returns posted over the same period in 2012 (7.37% as of September 2012). This could mean we're due to see similar returns over 2013 as we did in 2012, when the benchmark topped 10%. As our recently released [Preqin Investor Outlook: Alternative Assets, H2 2013](#) noted, investor sentiment towards hedge fund performance has improved over the past 12 months. However, performance is seen as both the key issue in the industry and a key factor assessed by institutional investors when looking at hedge funds in H2 2013. If Q4 can continue in the same vein as Q3, we would expect investors to continue to exhibit increased satisfaction and confidence with the performance of hedge funds and this could lead to further growth in the industry as more assets flow into these funds.

### Data Source:

[Preqin Quarterly Update: Hedge Funds, Q3 2013](#) features data from Preqin's industry-leading [Hedge Fund Online](#) service, which provides a complete 360 degree view of the industry, including institutional investors' plans for hedge fund investments, fund performance, fund strategies, fund managers and fund terms.

Access details of over 22,000 hedge funds and share classes, over 6,000 hedge fund managers, over 4,300 active hedge fund investors and performance data for over 7,300 hedge funds with performance data.

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## Contents

Performance Update: Q3 2013	p3.
Performance Benchmarks: Q3 2013	p4.
Hedge Fund Launches in Q3 2013	p5.
Largest Hedge Fund Managers	p6.
Institutional Investor Hedge Fund Searches: Q3 2013 Round-Up	p7.

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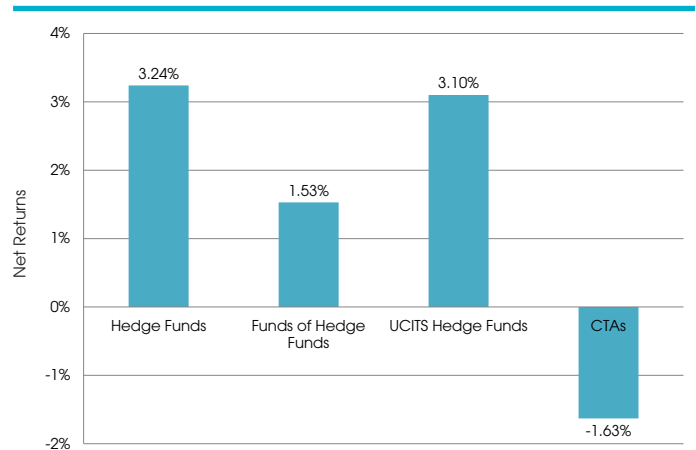
# Performance Summary: Q3 2013

Hedge funds enjoyed a robust recovery from a subpar Q2 2013, with single-manager funds eclipsing their near-neutral second quarter returns by more than three percentage points (Fig. 1). CTAs and managed futures funds continued a disappointing run in 2013, posting Q3 returns of -1.63%. UCITS hedge funds (+3.10%) and funds of hedge funds (+1.53%) each experienced their second positive quarter this year.

The overall hedge fund benchmark overcame a slight dip (-0.14%) in August, with gains of 1.63% and 1.72% in July and September respectively. Q3 performance was led by long/short funds, which comfortably outpaced their Q2 performance with average returns of 4.42% (Fig. 2). Asia-Pacific-focused hedge funds continued their impressive run, finishing Q3 with a return of 3.36% in September to bring their cumulative return for 2013 to 12.68% (Fig. 3). North America-focused and Europe-focused hedge funds also had a strong Q3, with each region delivering positive returns for the fifth consecutive quarter.

The performance of the hedge fund industry was again overshadowed by equity markets in Q3 and the alternative investment vehicles now trail the S&P 500 index by more than 6% over the last 12 months (Fig. 4).

Fig. 1: Net Returns of Hedge Funds by Structure, Q3 2013\*



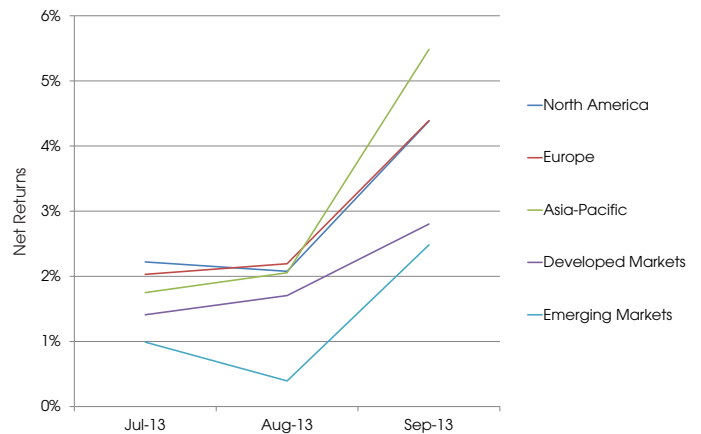
Source: Preqin Hedge Fund Analyst

Fig. 2: Net Returns of Single-Manager Hedge Funds by Strategy\*

July 2013	August 2013	September 2013	Q3 2013	Q2 2013
Long/Short 2.16%	Event Driven 0.22%	Long/Short 2.40%	Long/Short 4.42%	Event Driven 2.41%
Event Driven 1.71%	Relative Value -0.17%	Event Driven 2.03%	Event Driven 4.01%	Relative Value 0.72%
Multi-Strategy 1.31%	Long/Short -0.19%	Multi-Strategy 1.54%	Multi-Strategy 2.66%	Long/Short -0.19%
Relative Value 0.95%	Multi-Strategy -0.21%	Relative Value 0.59%	Relative Value 1.37%	Multi-Strategy -0.23%
Macro Strategies 0.71%	Macro Strategies -0.22%	Macro Strategies 0.37%	Macro Strategies 0.86%	Macro Strategies -1.48%
CTAs -0.49%	CTAs -0.57%	CTAs -0.58%	CTAs -1.63%	CTAs -2.31%

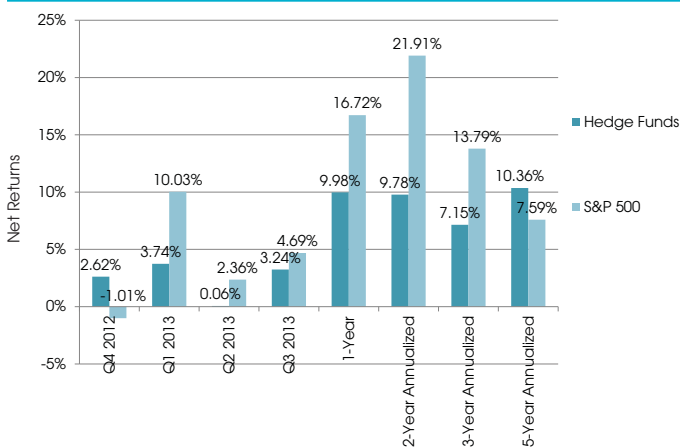
Source: Preqin Hedge Fund Analyst

Fig. 3: Cumulative Net Returns of Hedge Funds by Geographic Focus, Q3 2013\*



Source: Preqin Hedge Fund Analyst

Fig. 4: Performance of Hedge Funds vs. S&P 500\*



Source: Preqin Hedge Fund Analyst

Preqin's Hedge Fund Analyst offers access to fund-by-fund and industry level performance data for over 7,300 funds and share classes, providing a true market overview.

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\* Please note, all performance information includes preliminary data for September 2013 based upon net returns reported to Preqin in early October 2013. Although stated trends and comparisons are not expected to alter significantly, final benchmark values are subject to change.



# Performance Benchmarks: Q3 2013

Fig. 1: Summary of Preliminary September 2013 Performance Benchmarks (Net Return, %)\*

	July 2013	August 2013	September 2013	Q3 2013	Annualized 3 Years
<b>Hedge Funds (All Strategies &amp; Regions)</b>	<b>1.63</b>	<b>-0.14</b>	<b>1.72</b>	<b>3.24</b>	<b>7.15</b>
Long/Short	2.16	-0.19	2.40	4.42	7.26
Event Driven Strategies	1.71	0.22	2.03	4.01	9.44
Relative Value	0.95	-0.17	0.59	1.37	6.68
Macro Strategies	0.71	-0.22	0.37	0.86	4.67
Multi-Strategy	1.31	-0.21	1.54	2.66	6.45
North America	2.23	-0.14	2.26	4.39	11.08
Europe	2.03	0.16	2.15	4.39	6.35
Asia-Pacific	1.76	0.30	3.36	5.49	8.24
Emerging Markets	0.99	-0.59	2.08	2.48	5.03
Developed Markets	1.41	0.29	1.08	2.80	7.98
USD	1.65	-0.38	2.11	3.40	7.46
EUR	1.18	-0.03	1.70	2.87	4.30
JPY	0.59	-1.15	5.10	4.50	10.00
GBP	0.96	0.24	0.33	1.54	2.43
BRL	0.79	0.56	0.53	1.89	9.27
<b>Funds of Hedge Funds (All Strategies &amp; Regions)</b>	<b>0.99</b>	<b>-0.53</b>	<b>1.07</b>	<b>1.53</b>	<b>2.86</b>
Long/Short	1.66	-0.72	1.67	2.61	3.28
Multi-Strategy	0.77	-0.48	0.77	1.06	2.72
North America	1.43	-0.37	1.66	2.73	5.51
Europe	1.18	-0.61	1.08	1.65	1.55
Emerging Markets	1.66	-0.42	1.48	2.73	3.23
USD	1.04	-0.61	1.36	1.79	3.02
EUR	1.00	-0.86	1.53	1.66	1.28
<b>UCITS Hedge Funds (All Strategies &amp; Regions)</b>	<b>1.37</b>	<b>-0.52</b>	<b>2.24</b>	<b>3.10</b>	<b>2.63</b>
Long/Short	2.02	-0.80	3.62	4.87	4.33
Relative Value	0.52	-0.03	0.33	0.82	1.26
Macro Strategies	0.27	-0.39	0.11	-0.01	-0.05
USD	1.18	-0.97	3.13	3.33	2.23
EUR	1.19	-0.33	2.51	3.39	2.43
<b>CTAs (All Strategies &amp; Regions)</b>	<b>-0.49</b>	<b>-0.57</b>	<b>-0.58</b>	<b>-1.63</b>	<b>1.77</b>
USD	-0.47	-0.63	-0.70	-1.79	1.51
EUR	-1.16	-1.34	-1.35	-3.80	-1.79

\* Please note, all performance information includes preliminary data for September 2013 based upon net returns reported to Preqin in early October 2013. Although stated trends and comparisons are not expected to alter significantly, final benchmark values are subject to change.

Source: Preqin Hedge Fund Analyst

## Is your fund listed on Preqin Investor Network?

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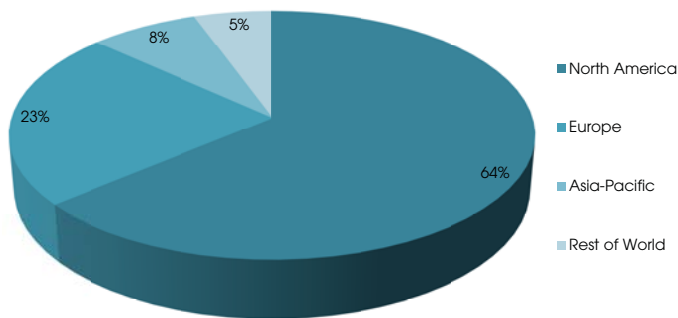


# Hedge Fund Launches in Q3 2013

UCITS funds represented 4% of hedge funds launched Q3 2013, compared to 9% of hedge funds launched in Q2 2013 that were UCITS-compliant (Fig. 1). Despite continued uncertainty over the AIFMD, 23% of all funds launched in Q3 are managed by Europe-based firms (Fig. 2), up from 12% and 19% in Q1 and Q2 respectively. North America was unable to match the 75% share of fund launches it had in Q2; however, it still accounted for 64% of all funds incepted in Q3.

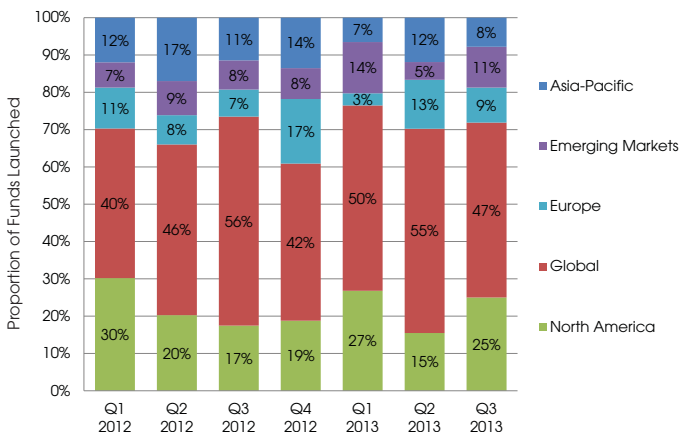
In Q3 2013, 27% of all hedge fund launches focused on macro strategies, a significant increase on the 16% represented by the strategy in Q2 (Fig. 3). However, the proportion of fund launches with a long/short strategy fell from an average of 48% over the previous two quarters to 36% in Q3. The proportion of fund launches with a European focus fell to 9% in Q3 from 13% in Q2, while North America-focused fund launches gathered pace, representing 25% of launches in Q3, as opposed to only 15% in Q2 (Fig. 4). Emerging markets-focused launches more than doubled in proportion, accounting for 11% in Q3 compared to 5% in Q2.

Fig. 2: Breakdown of Hedge Fund Launches in Q3 2013 by Geographic Location



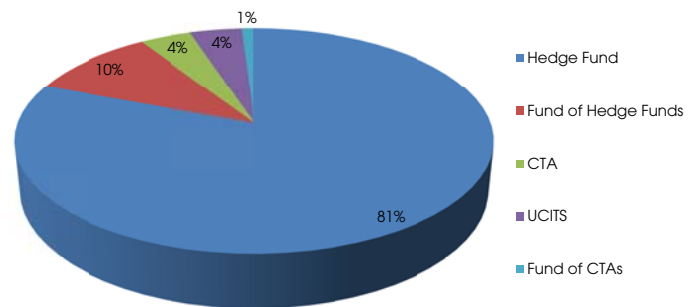
Source: Preqin Hedge Fund Analyst

Fig. 4: Breakdown of Hedge Fund Launches by Geographic Focus, Q1 2012 – Q3 2013



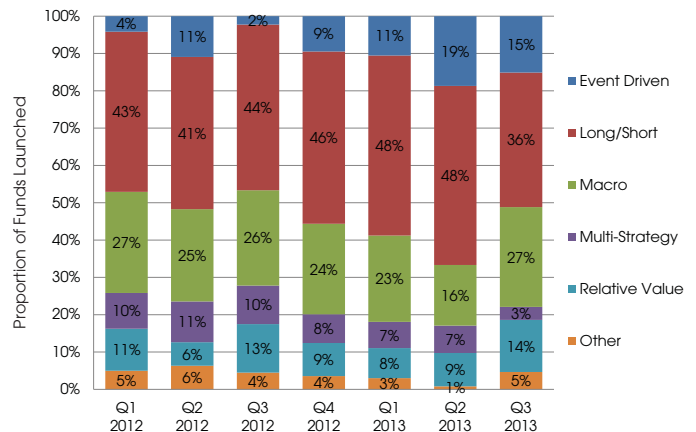
Source: Preqin Hedge Fund Analyst

Fig. 1: Breakdown of Hedge Fund Launches in Q3 2013 by Structure



Source: Preqin Hedge Fund Analyst

Fig. 3: Breakdown of Hedge Fund Launches by Top Level Strategy, Q1 2012 – Q3 2013



Source: Preqin Hedge Fund Analyst

Preqin's **Hedge Fund Analyst** features up-to-date, in-depth profiles on over 22,000 hedge funds and share classes globally, including performance metrics, fund terms and conditions, investment preferences, domiciles and much more.

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# Largest Hedge Fund Managers League Tables

Fig 1: Top 20 Hedge Fund Managers Globally by Assets under Management

Manager	Location	Assets under Management
Bridgewater Associates	US	\$144.5bn as at 31 August 2013
Brevan Howard Asset Management	UK	\$39.9bn as at 30 June 2013
Man Group	UK	\$38.5bn as at 30 June 2013
Och-Ziff Capital Management	US	\$37.0bn as at 1 September 2013
BlueCrest Capital	UK	\$34.0bn as at 30 June 2013
Standard Life Investments	UK	\$29.1bn as at 31 August 2013
Baupost Group	US	\$28.1bn as at 31 December 2012
BlackRock Proprietary Alpha Strategies	US	\$26.6bn as at 30 June 2013
GAM	UK	\$24.1bn as at 30 June 2013
Winton Capital Management	UK	\$23.6bn as at 31 August 2013
Renaissance Technologies	US	\$23.0bn as at 31 August 2013
Elliott Management	US	\$22.4bn as at 31 August 2013
AQR Capital Management	US	\$20.3bn as at 30 June 2013
D. E. Shaw & Co	US	\$19.3bn as at 30 June 2013
Platinum Asset Management	Australia	\$18.9bn as at 31 August 2013
Davidson Kempner Capital Management	US	\$18.7bn as at 30 June 2013
Farallon Capital Management	US	\$18.6bn as at 30 June 2013
King Street Capital Management	US	\$18.6bn as at 31 March 2013
Adage Capital Management	US	\$18.4bn as at 31 December 2012
Viking Global Investors	US	\$18.2bn as at 31 December 2012

Source: Preqin Hedge Fund Analyst

Fig 2: Top 20 Fund of Hedge Funds Managers Globally by Assets under Management

Manager	Location	Assets under Management
Blackstone Alternative Asset Management	US	\$49.0bn as at 30 June 2013
UBS Alternative Investment Solutions	US	\$25.4bn as at 1 September 2013
HSBC Alternative Investments	UK	\$25.1bn as at 31 December 2012
Grosvenor Capital Management	US	\$23.5bn as at 31 August 2013
GSAM	US	\$23.3bn as at 30 June 2013
Permal Group	US	\$22.6bn as at 30 June 2013
BlackRock Alternative Advisors	US	\$18.1bn as at 30 June 2013
Financial Risk Management (FRM)	UK	\$15.1bn as at 30 June 2013
Mesirow Advanced Strategies	US	\$13.1bn as at 30 June 2013
UBP Alternative Investments	Switzerland	\$10.8bn as at 30 June 2013
Aetos Capital	US	\$10.5bn as at 30 June 2013
Morgan Stanley Alternative Investment Partners	US	\$10.0bn as at 30 June 2013
JP Morgan Alternative Asset Management	US	\$9.9bn as at 31 August 2013
K2 Advisors	US	\$9.5bn as at 31 August 2013
Aurora Investment Management	US	\$9.3bn as at 1 September 2013
Prisma Capital Partners	US	\$9.1bn as at 30 June 2013
Lyxor Asset Management	France	\$9.0bn as at 30 June 2013
Rock Creek Group	US	\$9.0bn as at 31 August 2013
Pacific Alternative Asset Management Company	US	\$8.8bn as at 31 August 2013
SkyBridge Capital II	US	\$8.5bn as at 31 July 2013

Source: Preqin Hedge Fund Analyst

View detailed profiles for over 6,000 hedge fund managers globally with Preqin's [Hedge Fund Analyst](#), including strategy and industry preferences, key contact information, individual fund performance and more.

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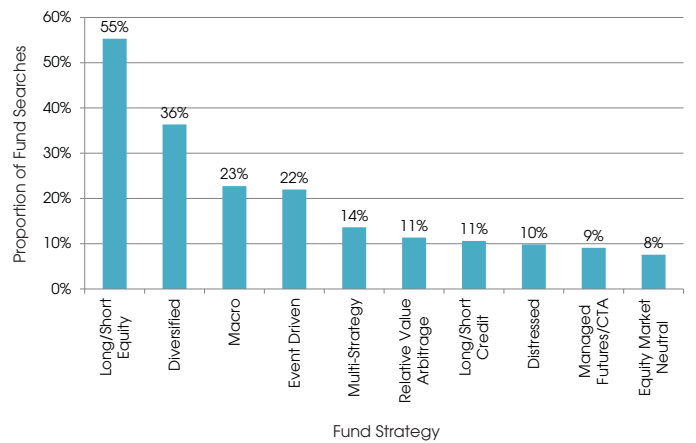


# Institutional Investor Hedge Fund Searches: Q3 2013 Round-Up

Appetite for long/short equity has increased further among institutional investors in Q3 2013, with 55% of all searches initiated during the quarter including a long/short equity component (Fig. 1). The strong performance of event driven funds finally appears to be attracting some investor interest, with 22% of searches in Q3 2013 targeting the strategy, up from 14% in Q2 2013. However, poor performance of macro and managed futures/CTA funds has resulted in both of these strategies showing a three percentage point reduction in Q3 from Q2 (Fig. 2).

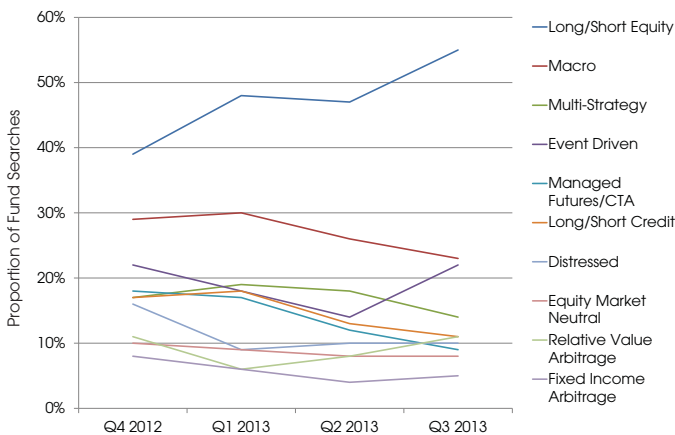
The majority of investors searching for new funds are targeting commingled direct structures, with interest in direct managed accounts showing a notable decline from 20% in Q2 to 11% in Q3 (Fig. 3). Interest in funds of hedge funds has remained close to its Q2 level, with 27% of investors targeting new investments in the multi-manager space. However, fund of hedge funds managers are continuing to actively seek new investments, representing 55% of investor mandates issued in Q3 (Fig. 4).

Fig. 1: Hedge Fund Strategies Sought by Investors over the Next 12 Months, Searches Issued in Q3 2013



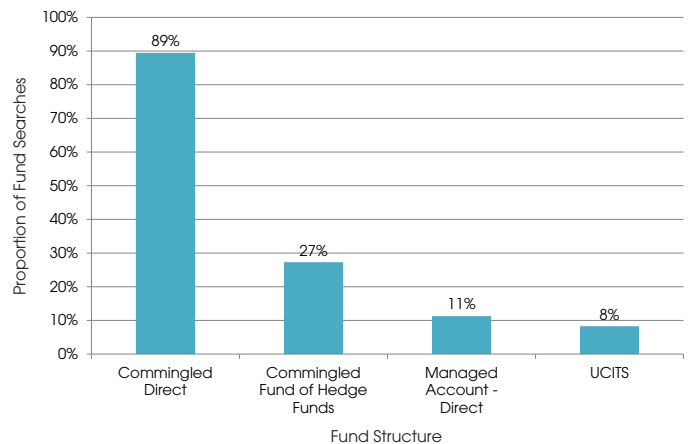
Source: Preqin Hedge Fund Investor Profiles

Fig. 2: Changing Investor Appetite for Top 10 Strategies Sought, Q4 2012 - Q3 2013



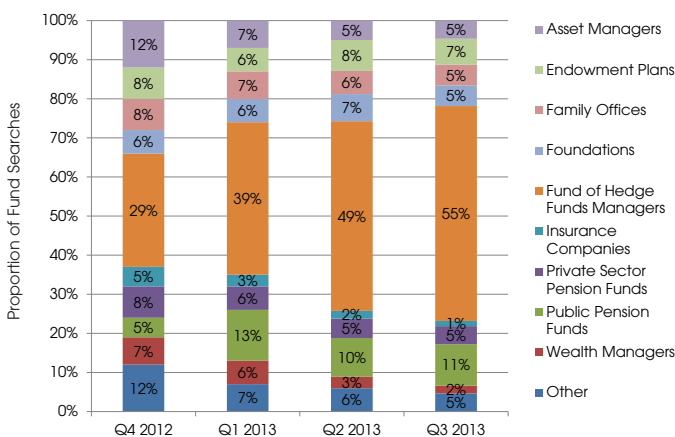
Source: Preqin Hedge Fund Investor Profiles

Fig. 3: Hedge Fund Structures Sought by Investors over the Next 12 Months, Searches Issued in Q3 2013



Source: Preqin Hedge Fund Investor Profiles

Fig. 4: Breakdown of Fund Searches Initiated by Investor Type, Q4 2012 - Q3 2013



Source: Preqin Hedge Fund Investor Profiles

Preqin's **Hedge Fund Investor Profiles** features detailed information for over 4,300 active hedge fund investors worldwide and features key information on investors' current and target allocations to hedge funds, investment preferences, key contact details and much more.

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# The Preqin Quarterly Update: Hedge Funds, Q3 2013



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### Source new investors for funds

Find the most relevant investors, with access to detailed profiles for over 4,300 institutional investors actively investing in hedge funds, including insurance companies, pension funds, family offices, foundations, wealth managers, endowment plans, banks, fund of hedge fund managers and more.

### Identify potential investment opportunities

View in-depth profiles for hedge funds seeking capital, including information on investment strategy, geographic focus, structure, service providers used, sample investors, direct contact information and more.

### Find active fund managers of hedge funds

Search for firms operating hedge funds. View information on key contacts, assets under management, performance history, key investment preferences, known investors, and more.

### Benchmark performance

Identify which fund managers have the best track records with fully customizable performance benchmarks, and view performance details on individual named funds and share classes.

### Examine fund terms and conditions

Access fund-by-fund and industry level fund terms and conditions data for individual hedge funds, which provide a market overview, enabling you to see the current trends for specific strategies, structures, sizes, and more.

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