

# Q1 2018 HEDGE FUND ASSET FLOWS

Using data from Preqin's online platform, we look at hedge fund asset flows in Q1 2018 by strategy, fund size, manager headquarters and performance.

Hedge funds recorded net inflows of \$16.9bn in Q1 2018, continuing a streak of five consecutive quarterly inflows. Investors have allocated a net \$61.4bn to hedge funds since Q4 2016. These capital flows have driven total hedge fund industry assets to \$3.61tn as at March 2018, an incremental gain of 0.84% since December 2017, counteracting the subdued performance of hedge funds throughout the first three months of the year. Investor activity increased in Q1 2018 compared to the final quarter of 2017, in which hedge funds saw inflows of just \$0.5bn.

CTAs attracted the greatest net inflows (\$13.2bn) of any top-level hedge fund strategy during Q1 2018 (Fig. 1), following net inflows of \$11.6bn in Q4 2017. However, a greater proportion of CTAs experienced outflows (47%) than inflows

(40%), continuing the trend seen in the previous quarter (Fig. 4). In comparison, equity and macro strategies, the largest top-level strategies by assets under management, experienced net outflows of \$7.6bn and \$1.3bn respectively in Q1, marking the second successive quarter of outflows for equity strategies and a period in which investors have withdrawn a net \$10.3bn from the strategy.

Managers headquartered in North America saw the greatest inflows in Q1 2018, with investors allocating a net \$15.3bn, driving their aggregate assets to \$2.64tn (73% of the global industry, Fig. 2). Managers based in Asia-Pacific and Rest of World also experienced strong net inflows of \$4.6bn and \$6.9bn respectively, with both regions building on the growth seen in Q4 2017. In contrast, following net inflows of \$11.2bn in Q4 2017, Europe-based fund

managers saw net outflows of \$9.9bn in Q1 2018. However, over half of managers in the region recorded inflows, suggesting outflows from the larger managers within Europe (Fig. 6).

Strong performance remains key to a fund manager's ability to attract capital from investors, as shown in Figs. 7 and 8. Forty-six percent of funds that generated returns of 5.00% or greater in 2017 experienced inflows over Q1 2018. By contrast, 60% of funds that posted returns of less than -5.00% over the same period recorded net outflows, compared with 39% that returned 5.00% or greater. Similar trends can also be identified over a longer timeframe, with 47% of funds that made gains of 5.00% or more over a three-year annualized period receiving inflows.

Fig. 1: Hedge Fund Asset Flows by Core Strategy, 2015 - Q1 2018

Strategy	2015 (\$bn)	2016 (\$bn)	H1 2017 (\$bn)	H2 2017 (\$bn)	2017 (\$bn)	Q1 2018 (\$bn)	Q1 2018 AUM (\$bn)	% Change in AUM from Dec-17
CTAs	24.6	25.5	17.6	7.6	25.2	13.2	290	2.1%
Credit Strategies	4.2	-28.2	-9.5	4.9	-4.7	7.8	261	4.2%
Niche Strategies	1.3	-0.8	3.8	0.0	3.8	4.9	28	13.6%
Event Driven Strategies	-1.8	-2.9	9.1	1.2	10.3	0.2	204	-0.1%
Relative Value Strategies	-18.8	-24.7	7.8	-11.9	-4.1	0.2	351	-0.5%
Multi-Strategy	27.5	-22.5	4.8	13.9	18.6	-0.5	489	1.6%
Macro Strategies	-25.8	-5.9	13.5	5.5	19.0	-1.3	1,071	0.9%
Equity Strategies	60.3	-50.3	-22.4	-1.4	-23.8	-7.6	914	-0.5%
<b>Total Industry</b>	<b>71.4</b>	<b>-109.8</b>	<b>24.7</b>	<b>19.7</b>	<b>44.4</b>	<b>16.9</b>	<b>3,607</b>	<b>0.84%</b>

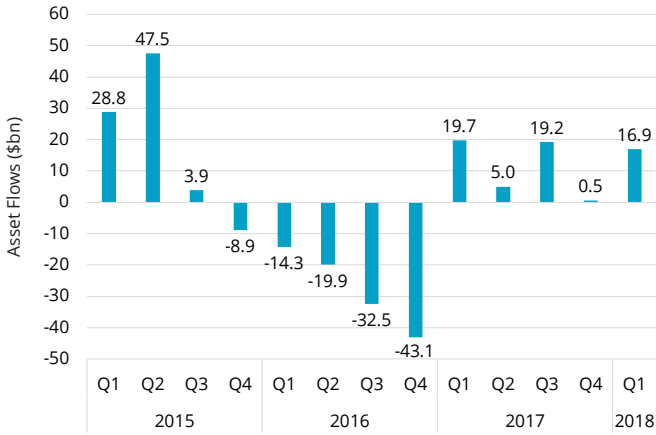
Source: Preqin

Fig. 2: Hedge Fund Asset Flows by Fund Manager Headquarters, 2015 - Q1 2018

Manager Headquarters	2015 (\$bn)	2016 (\$bn)	H1 2017 (\$bn)	H2 2017 (\$bn)	2017 (\$bn)	Q1 2018 (\$bn)	Q1 2018 AUM (\$bn)	% Change in AUM from Dec-17
North America	79.6	-55.7	30.2	-27.3	2.9	15.3	2,639	0.5%
Europe	31.7	-35.4	4.1	28.2	32.4	-9.9	724	-0.9%
Asia-Pacific	-1.3	-18.3	-12.3	8.0	-4.4	4.6	167	6.7%
Rest of World	-38.6	-0.4	2.7	10.8	13.5	6.9	78	22.9%
<b>Total Industry</b>	<b>71.4</b>	<b>-109.8</b>	<b>24.7</b>	<b>19.7</b>	<b>44.4</b>	<b>16.9</b>	<b>3,607</b>	<b>0.84%</b>

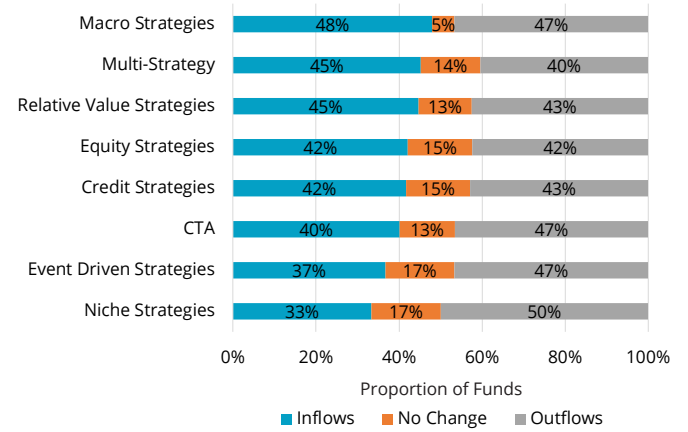
Source: Preqin

Fig. 3: Hedge Fund Asset Flows, Q1 2015 - Q1 2018



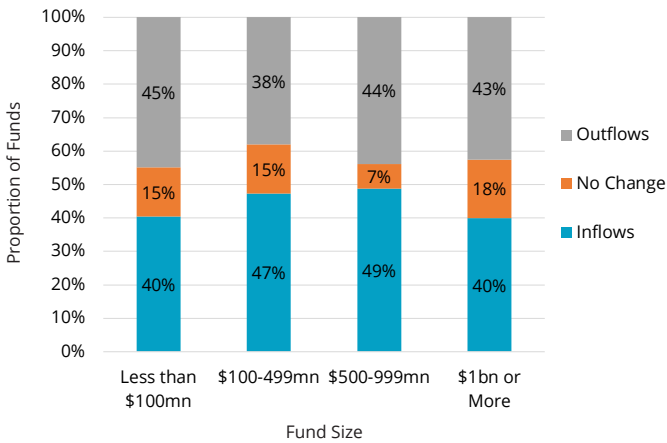
Source: Preqin

Fig. 4: Hedge Fund Asset Flows over Q1 2018 by Core Strategy



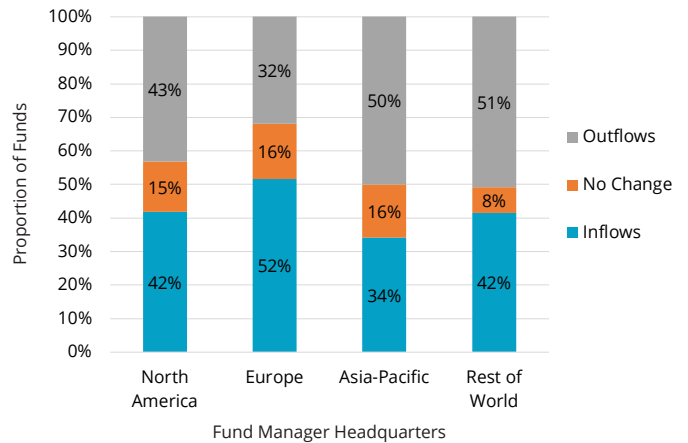
Source: Preqin

Fig. 5: Hedge Fund Asset Flows over Q1 2018 by Fund Size



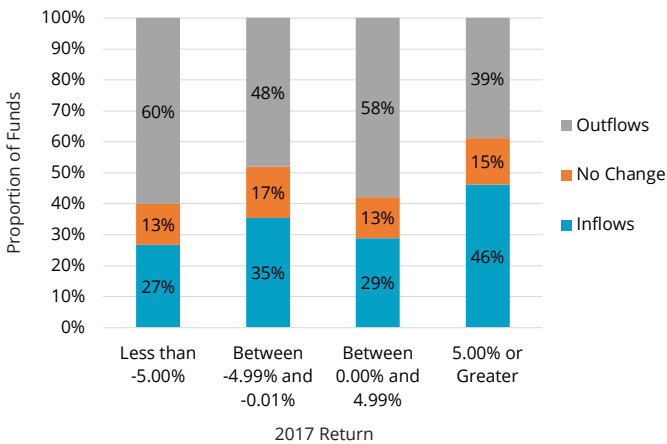
Source: Preqin

Fig. 6: Hedge Fund Asset Flows over Q1 2018 by Fund Manager Headquarters



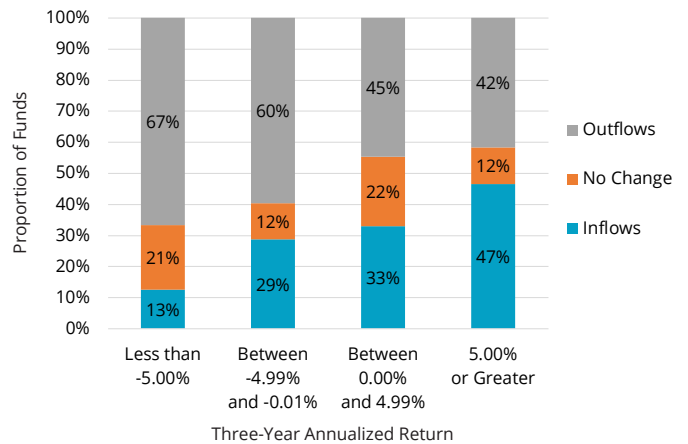
Source: Preqin

Fig. 7: Hedge Fund Asset Flows over Q1 2018 by 2017 Performance



Source: Preqin

Fig. 8: Hedge Fund Asset Flows over Q1 2018 by Three-Year Annualized Performance



Source: Preqin