

# Q2 2016 Hedge Fund Asset Flows

Following net outflows of \$5.0bn in the second half of 2015 and outflows of \$14.3bn in Q1 2016, there have been further outflows in Q2 2016. Hedge funds have seen net outflows of \$19.9bn in Q2 2016, taking total outflows over 2016 YTD (as of 30 June 2016) to \$34.2bn (Fig. 1).

CTAs saw the highest net inflow of assets among all strategies in H1 2016 (\$16.6bn), although this fell into the hands of a relatively small proportion (38%) of managers in this sector (Fig. 3).

Despite posting some of the lowest returns of any hedge fund strategy in H1 2016, relative value strategies secured \$10.4bn in net inflows over Q2 2016, the highest of any strategy in the quarter and negating the \$8.7bn in outflows over Q1. Both credit and equity strategies have suffered over the first half of 2016, losing \$26.2bn and \$25.2bn in assets respectively, despite credit strategies recording some of the strongest returns.

Fig. 4 shows that funds that have performed well recently are more likely to pick up inflows. Forty-three percent of funds that made gains of 5% or more in 2015 have seen net inflows over the first half of 2016 – a higher level than funds that generated lower performance in 2015. This reflects the importance investors are placing on performance.

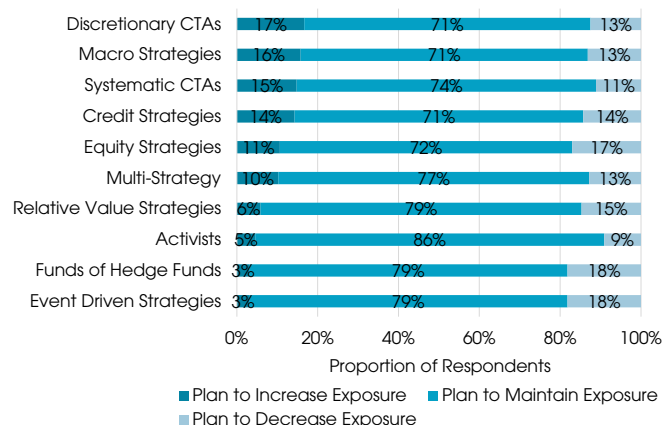
The four strategies rated by the largest proportion of institutional investors in hedge funds as meeting expectations in H1 2016 – systematic CTAs, discretionary CTAs, credit strategies and macro strategies – are also the four leading strategies to which investors plan to allocate more capital over the rest of 2016 (Fig. 2). The forthcoming **Preqin Investor Outlook: Alternative Assets, H2 2016** provides more detailed analysis on investors' plans for hedge funds in the coming year.

Fig. 1: Asset Flows\* by Strategy, H1 2015 - H1 2016

	H1 2015 Asset Flows (\$bn)	H2 2015 Asset Flows (\$bn)	Q1 2016 Asset Flows (\$bn)	Q2 2016 Asset Flows (\$bn)	H1 2016 Asset Flows (\$bn)	Q2 2016 AUM (\$bn)	Percentage Change in AUM over H1 2016
CTAs	6.4	18.1	13.7	2.9	16.6	248	10.9%
Credit Strategies	11.3	-7.1	-11.9	-14.3	-26.2	222	-8.1%
Equity Strategies	58.4	1.9	-9.7	-15.6	-25.2	792	-1.9%
Event Driven Strategies	10.7	-12.5	-2.8	3.4	0.7	168	1.4%
Macro Strategies	-17.5	-8.4	-6.4	-4.9	-11.3	932	1.4%
Multi-Strategy	17.4	10.2	12.8	-1.6	11.2	446	3.5%
Niche Strategies	-0.7	2.0	-1.5	-0.2	-1.7	13	-9.5%
Relative Value Strategies	-9.7	-9.1	-8.7	10.4	1.7	351	2.1%
<b>Total Industry</b>	<b>76.3</b>	<b>-5.0</b>	<b>-14.3</b>	<b>-19.9</b>	<b>-34.2</b>	<b>3,111</b>	<b>-1.1%</b>

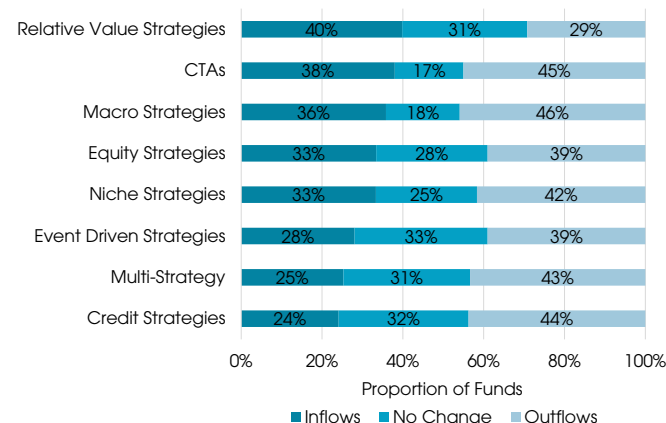
Source: Preqin Hedge Fund Online

Fig. 2: Investors' Allocation Plans for H2 2016 by Strategy



Source: Preqin Investor Interviews, June 2016

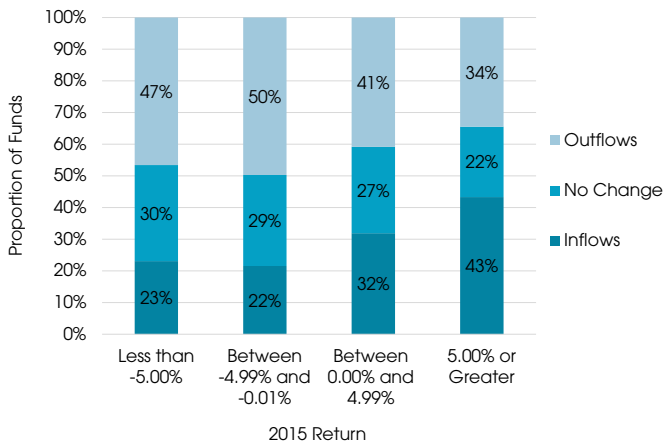
Fig. 3: Asset Flows\* over Q2 2016 by Core Strategy



Source: Preqin Hedge Fund Online

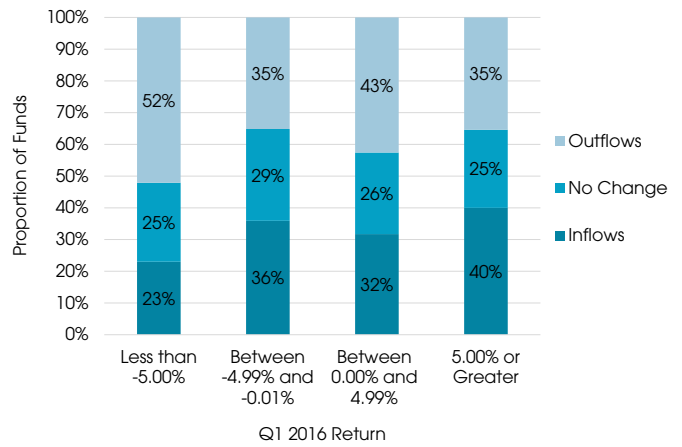
\*Preqin estimates industry asset flows from performance and asset growth information for over 14,000 hedge fund track records. Flows are estimated based on a sample of funds with available size and performance data and scaled up based on the proportion of represented capital by strategy, headquarters location and fund classification.

**Fig. 4: Asset Flows\* over Q2 2016 by 2015 Performance**



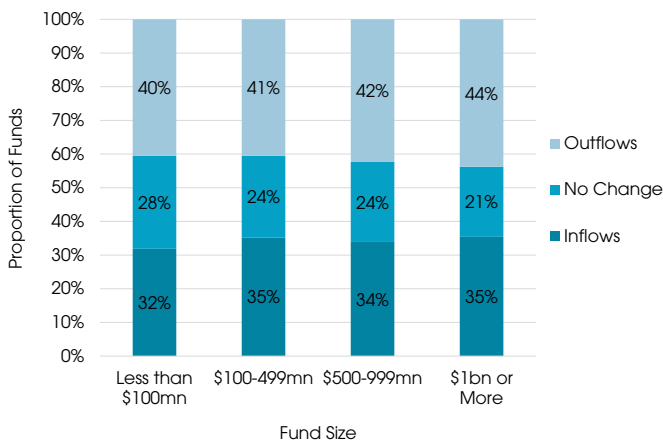
Source: Preqin Hedge Fund Online

**Fig. 5: Asset Flows\* over Q2 2016 by Q1 2016 Performance**



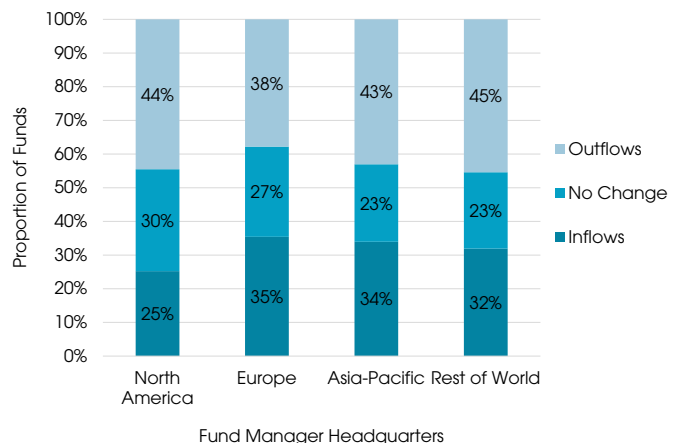
Source: Preqin Hedge Fund Online

**Fig. 6: Asset Flows\* over Q2 2016 by Fund Size**



Source: Preqin Hedge Fund Online

**Fig. 7: Asset Flows\* over Q2 2016 by Fund Manager Headquarters**



Source: Preqin Hedge Fund Online

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