

# Q2 2018 HEDGE FUND ASSET FLOWS

Using data from Preqin's online platform, we look at hedge fund asset flows in Q2 2018 by strategy, fund size, manager headquarters and performance.

In Q2 2018, hedge funds recorded their first quarterly outflows since Q4 2016, ending a streak of five consecutive quarters of inflows. Despite investors withdrawing \$1.2bn in capital in Q2 2018, performance has driven hedge fund industry assets under management (AUM) to a record high of \$3.61tn as at June 2018 (Fig. 1).

Credit strategies attracted the greatest volume of inflows (\$10.7bn) in Q2, helping to bring H1 2018 net asset flows to \$18.5bn – the greatest of any top-level hedge fund strategy tracked by Preqin. Event driven strategies closely followed with a Q2 2018 net asset flow of \$9.2bn; following these capital inflows, as well as consistent performance throughout the quarter, the strategy's AUM reached \$217bn, marking an increase of 6.3% since the end of 2017.

North America was the only region tracked by Preqin to generate net inflows in Q2 2018: fund managers based in the region attracted an influx of capital totalling \$22.0bn (Fig. 2), with 41% of North America-based fund managers witnessing inflows (Fig. 6). European outflows persisted for the second quarter of 2018, totalling \$13.9bn for the year so far. In addition, only 26% of Europe-based funds recorded inflows during Q2, while 62% were subject to net outflows. Asia-Pacific and Rest of World regions also recorded outflows amounting to \$2.9bn and \$16.2bn respectively.

When examining asset flows by fund size, Preqin data suggests that capital is heading into the hands of the larger funds. Fifty-one percent of funds that hold AUM greater than \$1bn experienced inflows in Q2 2018 (Fig. 5). In contrast, among

funds less than \$100mn in size, only 31% observed inflows while 55% were subject to outflows, indicating that investors are looking to the safer option of the larger fund managers.

A fund manager's ability to attract new capital is heavily reliant on its track record. Thirty-five percent of funds that posted a return of 5.00% or greater for 2017 recorded inflows during the second quarter of 2018 (Fig. 7). This is in contrast to funds that made losses of less than 5.00%, with only 21% of these funds generating inflows. Similar trends can also be identified over the longer term: 36% of funds with a three-year annualized return of 5.00% or higher made inflows, while in comparison, only 21% of those that returned less than -5.00% over the period achieved the same (Fig. 8).

Fig. 1: Hedge Fund Asset Flows by Core Strategy, 2015 - Q2 2018

Strategy	2015 (\$bn)	2016 (\$bn)	2017 (\$bn)	Q1 2018 (\$bn)	Q2 2018 (\$bn)	Q2 2018 AUM (\$bn)	% Change in AUM from Dec-17
CTAs	24.6	25.5	25.2	13.2	-9.2	281	-1.0%
Credit Strategies	4.2	-28.2	-4.7	7.8	10.7	273	9.2%
Equity Strategies	60.3	-50.3	-23.8	-7.6	4.3	921	0.3%
Event Driven Strategies	-1.8	-2.9	10.3	0.2	9.2	217	6.3%
Macro Strategies	-25.8	-5.9	19.0	-1.3	-5.0	1,061	0.0%
Multi-Strategy	27.5	-22.5	18.6	-0.5	1.5	493	2.4%
Niche Strategies	1.3	-0.8	3.8	4.9	0.7	29	13.8%
Relative Value Strategies	-18.8	-24.7	-4.1	0.2	-13.5	339	-4.0%
<b>Total Industry</b>	<b>71.4</b>	<b>-109.8</b>	<b>44.4</b>	<b>16.9</b>	<b>-1.2</b>	<b>3,614</b>	<b>1.03%</b>

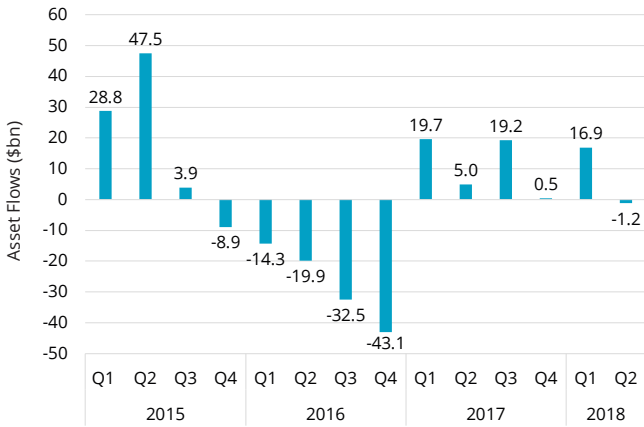
Source: Preqin

Fig. 2: Hedge Fund Asset Flows by Fund Manager Headquarters, 2015 - Q2 2018

Manager Headquarters	2015 (\$bn)	2016 (\$bn)	2017 (\$bn)	Q1 2018 (\$bn)	Q2 2018 (\$bn)	Q2 2018 AUM (\$bn)	% Change in AUM from Dec-17
North America	79.6	-55.7	2.9	15.3	22.0	2,698	2.7%
Europe	31.7	-35.4	32.4	-9.9	-4.1	711	-2.7%
Asia-Pacific	-1.3	-18.3	-4.4	4.6	-2.9	154	-1.8%
Rest of World	-38.6	-0.4	13.5	6.9	-16.2	51	-19.3%
<b>Total Industry</b>	<b>71.4</b>	<b>-109.8</b>	<b>44.4</b>	<b>16.9</b>	<b>-1.2</b>	<b>3,614</b>	<b>1.03%</b>

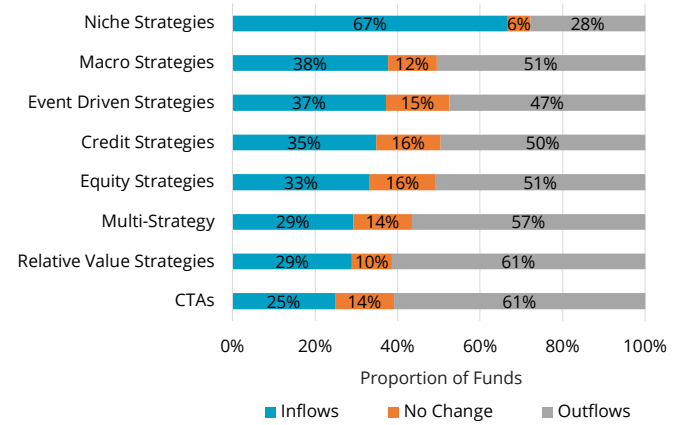
Source: Preqin

Fig. 3: Hedge Fund Asset Flows, Q1 2015 - Q2 2018



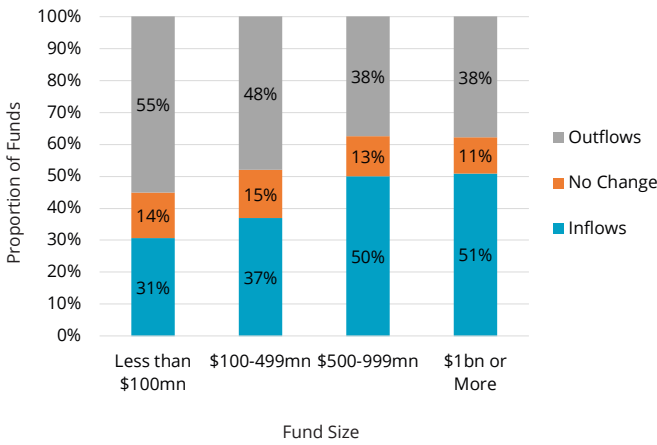
Source: Preqin

Fig. 4: Hedge Fund Asset Flows over Q2 2018 by Core Strategy



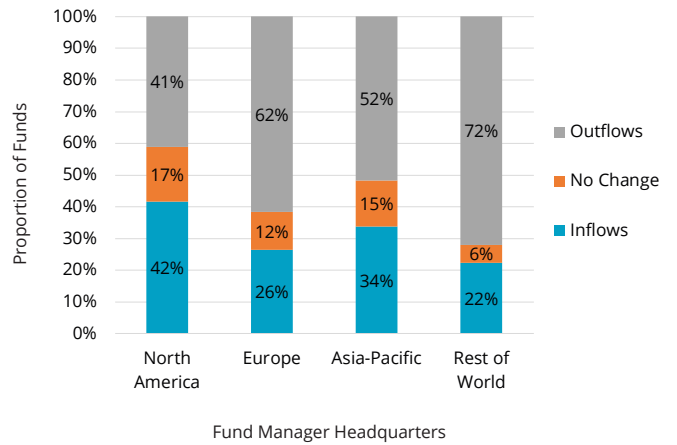
Source: Preqin

Fig. 5: Hedge Fund Asset Flows over Q2 2018 by Fund Size



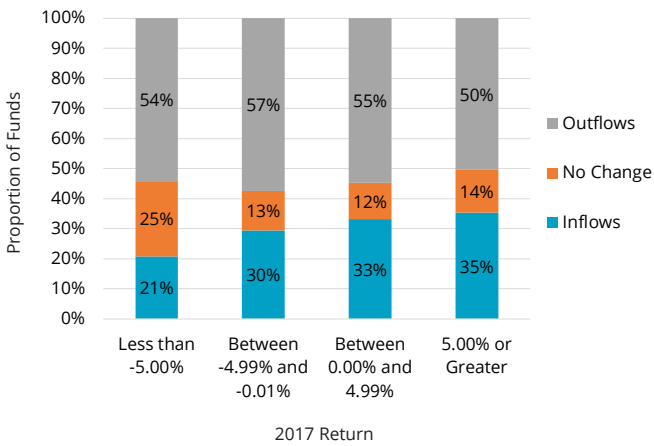
Source: Preqin

Fig. 6: Hedge Fund Asset Flows over Q2 2018 by Fund Manager Headquarters



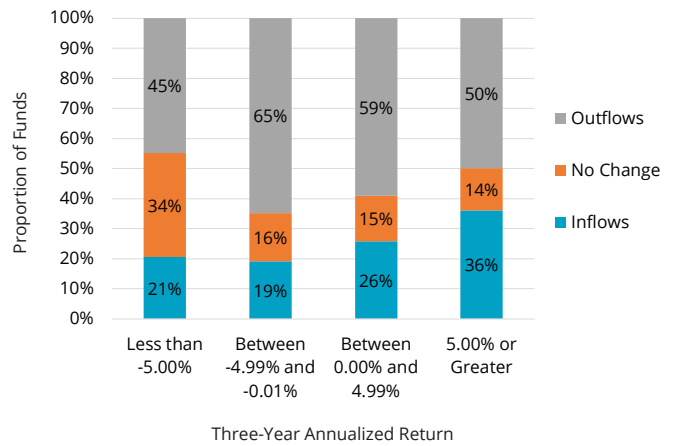
Source: Preqin

Fig. 7: Hedge Fund Asset Flows over Q2 2018 by 2017 Performance



Source: Preqin

Fig. 8: Hedge Fund Asset Flows over Q2 2018 by Three-Year Annualized Performance



Source: Preqin