

Q2 2019 Hedge Fund Asset Flows

Net outflows persisted for hedge funds in Q2 2019 as they recorded their fifth consecutive quarterly capital withdrawal, losing \$25.3bn (Fig. 1). Capital outflows across the first half of 2019 are set to total \$47.4bn, which would be the most significant semiannual withdrawal since H2 2016 (\$75.6bn). Even with this negative movement of capital, hedge fund assets under management (AUM) have still grown by 4.4% since the end of 2018, owing largely to performance gains throughout Q2 2019. AUM now stands at \$3.60tn as of June 2019.

Among top-level strategies, only credit strategies and multi-strategy hedge funds generated inflows in Q2, each recording \$1.2bn. This is the second successive quarter of positive flows for credit strategies: net inflows amount to \$7.8bn during 2019 so far. Significant capital redemptions (\$6.7bn) were recorded for niche strategies, despite 63% of funds exhibiting an inflow – the highest of any strategy. Niche strategies AUM has subsequently

fallen to \$27.5bn as of the end of Q2 2019. Macro strategies closely followed with outflows totalling \$5.5bn.

North America has endured a reversal of fortunes throughout the first half of 2019. Following positive capital flows in all quarters of 2018, withdrawals in both Q1 2019 and Q2 2019 amounted to \$30.8bn and \$15.0bn respectively (Fig. 2). Hedge funds in Europe (-\$7.2bn) and Asia-Pacific (-\$7.9bn) also saw outflows in Q2. In the Rest of World region, continued investor interest resulted in an influx of capital (+\$4.9bn) in Q2, which has helped to increase AUM to \$48.2bn.

As ever, past performance remains vital to a fund manager's ability to attract future investments. As shown in Fig. 7, 57% of funds that posted returns of +5.00% or greater in H2 2018 experienced an inflow. This is a significantly larger proportion than the 31% of funds that generated a return of less than -5.00% in the same period.

Fig. 1: Hedge Fund Asset Flows by Top-Level Strategy, 2015 - Q2 2019

Strategy	2015 (\$bn)	2016 (\$bn)	2017 (\$bn)	H1 2018 (\$bn)	H2 2018 (\$bn)	2018 (\$bn)	Q1 2019 (\$bn)	Q2 2019 (\$bn)	Q2 2019 AUM (\$bn)	% Change in AUM from Dec-18
CTAs	24.6	25.5	25.2	4.0	-18.3	-14.2	-2.7	-9.2	258.9	-0.5%
Credit Strategies	4.2	-28.2	-4.7	18.5	-4.7	13.8	6.6	1.2	287.6	7.2%
Equity Strategies	60.3	-50.3	-23.8	-3.3	-20.4	-23.7	-9.9	-1.5	919.1	7.8%
Event Driven Strategies	-1.8	-2.9	10.3	9.5	-3.0	6.4	-5.9	-3.2	207.0	1.8%
Macro Strategies	-25.8	-5.9	19.0	-6.3	-9.9	-16.2	0.1	-5.5	1,066.7	3.8%
Multi-Strategy	27.5	-22.5	18.6	1.1	6.4	7.4	-8.8	1.2	500.6	4.1%
Niche Strategies	1.3	-0.8	3.8	5.6	7.4	13.0	-1.1	-6.7	27.5	-6.7%
Relative Value Strategies	-18.8	-24.7	-4.1	-13.3	-7.1	-20.4	-0.3	-1.6	336.6	2.5%
Total Industry	71.4	-109.8	44.4	15.8	-49.7	-33.9	-22.1	-25.3	3,604.0	4.4%

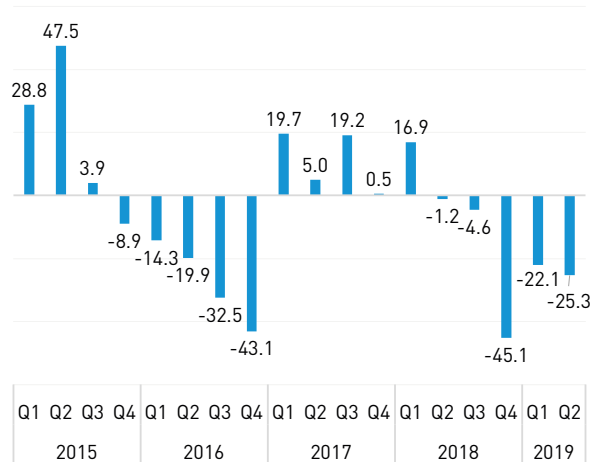
Source: Preqin Pro

Fig. 2: Hedge Fund Asset Flows by Fund Manager Headquarters, 2015 - Q2 2019

Headquarters	2015 (\$bn)	2016 (\$bn)	2017 (\$bn)	H1 2018 (\$bn)	H2 2018 (\$bn)	2018 (\$bn)	Q1 2019 (\$bn)	Q2 2019 (\$bn)	Q2 2019 AUM (\$bn)	% Change in AUM from Dec-18
North America	79.6	-55.7	2.9	37.2	13.2	50.4	-30.8	-15.0	2,748.2	4.9%
Europe	31.7	-35.4	32.4	-13.9	-24.5	-38.4	2.7	-7.2	680.6	2.1%
Asia-Pacific	-1.3	-18.3	-4.4	1.7	-19.9	-18.2	-2.0	-7.9	126.9	-3.2%
Rest of World	-38.6	-0.4	13.5	-9.3	-18.5	-27.7	8.1	4.9	48.2	44.2%
Total Industry	71.4	-109.8	44.4	15.8	-49.7	-33.9	-22.1	-25.3	3,604.0	4.4%

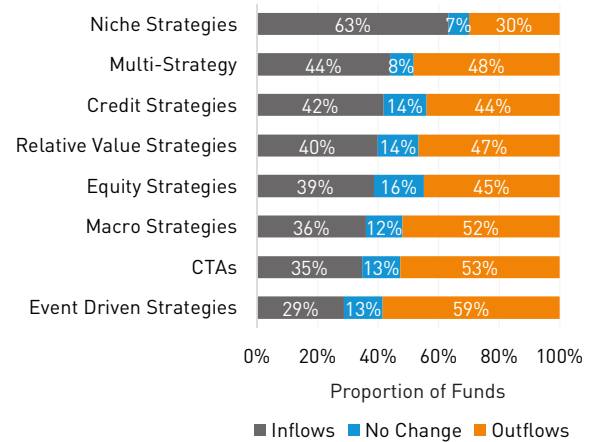
Source: Preqin Pro

Fig. 3: Hedge Fund Asset Flows (\$bn), Q1 2015 - Q2 2019



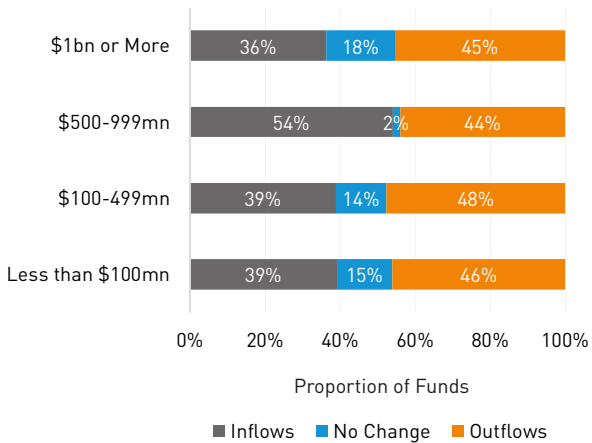
Source: Preqin Pro

Fig. 4: Hedge Fund Asset Flows over Q2 2019 by Top-Level Strategy



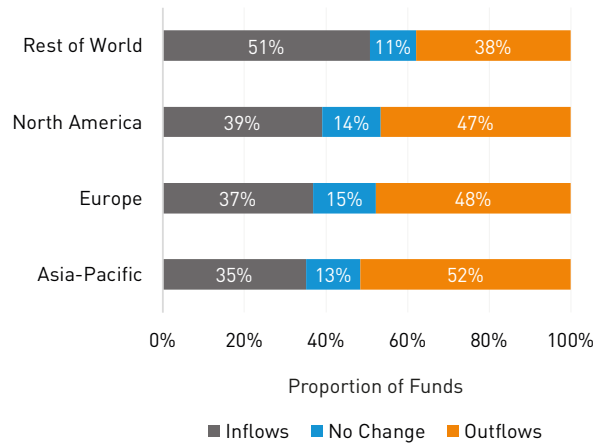
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Fig. 5: Hedge Fund Asset Flows over Q2 2019 by Fund Size



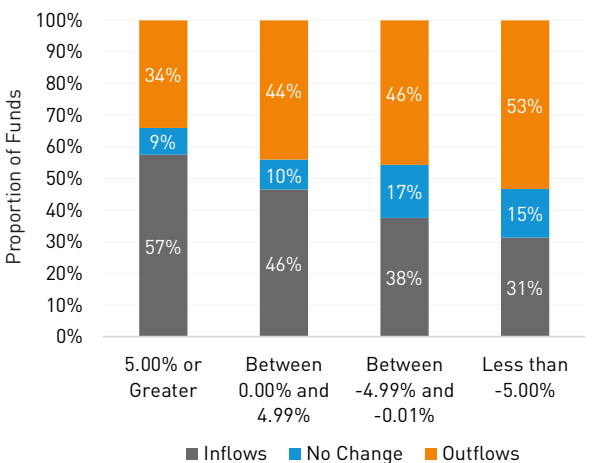
Source: Preqin Pro

Fig. 6: Hedge Fund Asset Flows over Q2 2019 by Fund Manager Headquarters



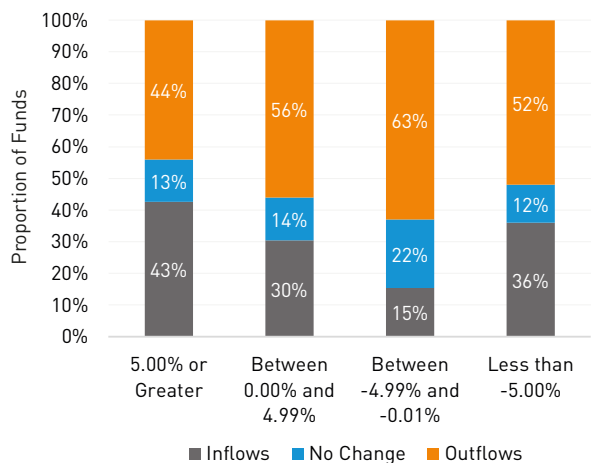
Source: Preqin Pro

Fig. 7: Hedge Fund Asset Flows over Q2 2019 by H2 2018 Performance



Source: Preqin Pro

Fig. 8: Hedge Fund Asset Flows over Q2 2019 by Three-Year Annualized Performance



Source: Preqin Pro