

Q3 2019 Hedge Fund Asset Flows

For the sixth consecutive quarter, hedge fund outflows surpassed capital inflows, with the industry losing \$34.4bn in capital during Q3 2019 (Fig. 1). Despite the continued drawdowns, positive performance across most top-level hedge fund strategies in 2019 YTD means hedge fund assets under management (AUM) have expanded by 3.5% since the end of 2018. As of October 2019, the Preqin All-Strategies Hedge Fund benchmark has posted gains to investors of 8.50% and is on track to record its second highest annual return since 2013. AUM has slightly dropped from last quarter, with a current value of \$3.57tn.

All top-level strategies experienced net outflows in Q3 2019 except for CTAs, niche strategies and credit strategies. The latter have recorded net inflows of \$14.1bn YTD, an increase of 10.2% in AUM – the highest increase of all top-level strategies. On the other side of the coin, event driven strategies have seen the greatest outflows, with \$15.0bn lost in Q3 2019 and cumulative outflows of -\$24.1bn so far this year. Unsurprisingly, this has led to a net loss in AUM of -7.4% for event driven strategies funds YTD.

Hedge funds located in all geographic regions experienced outflows in Q3 except for North America, which saw net inflows of \$10.6bn (Fig. 2). Europe and Rest of World each recorded investor outflows of \$17.9bn while the Asia-Pacific region recorded outflows of \$9.3bn. As a result, North America's overall AUM has increased 5.0% YTD while AUM in Asia-Pacific and Rest of World has decreased by 8.7% and 7.0% in the same period.

Past performance continues to influence investor interest. Among funds that returned 5.00% or greater in H2 2018, 46% recorded net inflows in Q3 2019 (Fig. 7). Among those that returned less than -5.00%, 61% experienced outflows. With major stock indices such as the S&P 500 Index surpassing their all-time highs and other major economic and geopolitical events occurring across the globe, it will be interesting to see how asset flows behave in Q4 2019.

Fig. 1: Hedge Fund Asset Flows by Top-Level Strategy, 2016 - Q3 2019

Strategy	2016 (\$bn)	2017 (\$bn)	H1 2018 (\$bn)	H2 2018 (\$bn)	2018 (\$bn)	Q1 2019 (\$bn)	Q2 2019 (\$bn)	Q3 2019 (\$bn)	Q3 2019 AUM (\$bn)	% Change in AUM from Dec-18
CTAs	25.5	25.2	4.0	-18.3	-14.2	-2.7	-9.2	3.0	264.6	1.7%
Credit Strategies	-28.2	-4.7	18.5	-4.7	13.8	6.6	1.2	6.3	295.7	10.2%
Equity Strategies	-50.3	-23.8	-3.3	-20.4	-23.7	-9.9	-1.5	-10.6	904.4	6.1%
Event Driven Strategies	-2.9	10.3	9.5	-3.0	6.4	-5.9	-3.2	-15.0	188.4	-7.4%
Macro Strategies	-5.9	19.0	-6.3	-9.9	-16.2	0.1	-5.5	-1.9	1,062.2	3.4%
Multi-Strategy	-22.5	18.6	1.1	6.4	7.4	-8.8	1.2	-14.6	492.3	2.3%
Niche Strategies	-0.8	3.8	5.6	7.4	13.0	-1.1	-6.7	2.4	29.3	-0.6%
Relative Value Strategies	-24.7	-4.1	-13.3	-7.1	-20.4	-0.3	-1.6	-4.1	334.8	2.0%
Total Industry	-109.8	44.4	15.8	-49.7	-33.9	-22.1	-25.3	-34.4	3,572.0	3.5%

Source: Preqin Pro

Fig. 2: Hedge Fund Asset Flows by Fund Manager Headquarters, 2016 - Q3 2019

Headquarters	2016 (\$bn)	2017 (\$bn)	H1 2018 (\$bn)	H2 2018 (\$bn)	2018 (\$bn)	Q1 2019 (\$bn)	Q2 2019 (\$bn)	Q3 2019 (\$bn)	Q3 2019 AUM (\$bn)	% Change in AUM from Dec-18
North America	-55.7	2.9	37.2	13.2	50.4	-30.8	-15.0	10.6	2,750.0	5.0%
Europe	-35.4	32.4	-13.9	-24.5	-38.4	2.7	-7.2	-17.9	670.9	0.6%
Asia-Pacific	-18.3	-4.4	1.7	-19.9	-18.2	-2.0	-7.9	-9.3	119.7	-8.7%
Rest of World	-0.4	13.5	-9.3	-18.5	-27.7	8.1	4.9	-17.9	31.1	-7.0%
Total Industry	-109.8	44.4	15.8	-49.7	-33.9	-22.1	-25.3	-34.4	3,572.0	3.5%

Source: Preqin Pro

Fig. 3: Hedge Fund Asset Flows (\$bn), Q1 2015 - Q3 2019

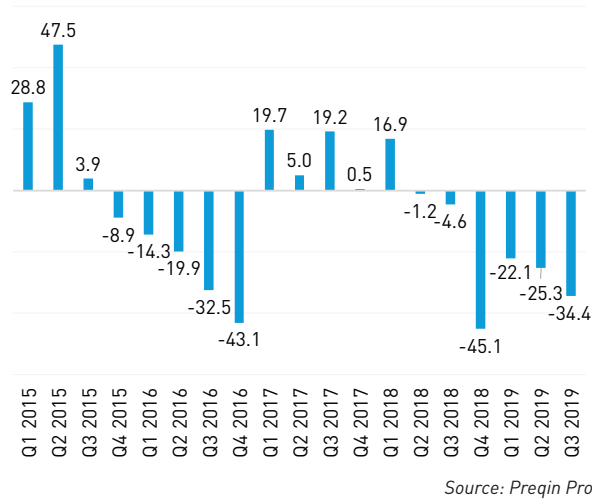


Fig. 4: Hedge Fund Asset Flows over Q3 2019 by Top-Level Strategy

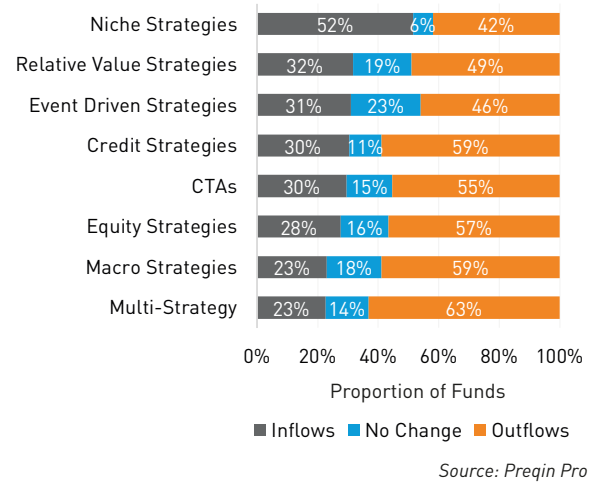


Fig. 5: Hedge Fund Asset Flows over Q3 2019 by Fund Size

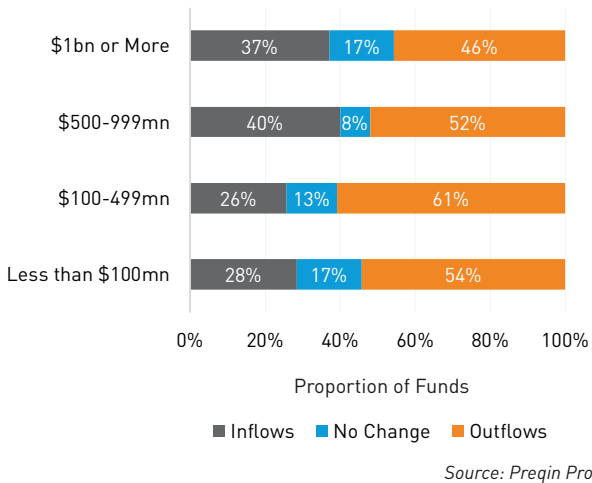


Fig. 6: Hedge Fund Asset Flows over Q3 2019 by Fund Manager Headquarters

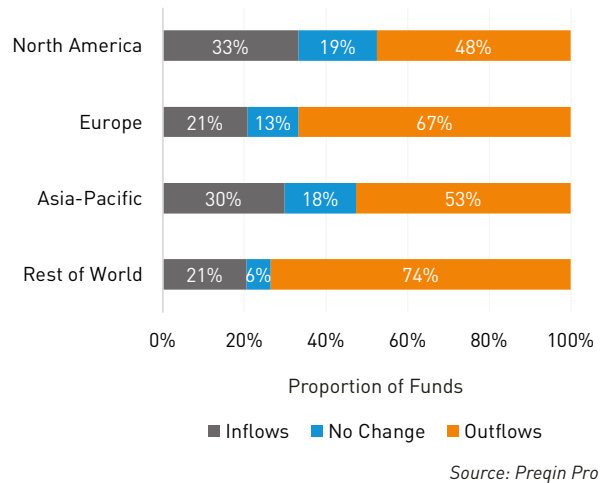


Fig. 7: Hedge Fund Asset Flows over Q3 2019 by H2 2018 Performance

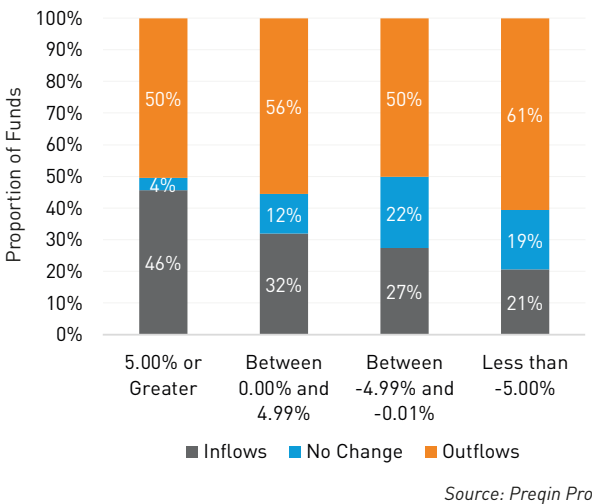


Fig. 8: Hedge Fund Asset Flows over Q3 2019 by Three-Year Annualized Performance

