

Q4 2017 HEDGE FUND ASSET FLOWS

Using data from Preqin's online platform, we look at hedge fund asset flows in Q4 2017 by strategy, fund size, manager headquarters and performance.

Hedge funds recorded small inflows of \$0.5bn in Q4 2017, marking a fourth consecutive quarter of industry inflows (Fig. 3). While these inflows were considerably smaller than those in the first three quarters of the year, this took net inflows for the whole of 2017 to \$44.4bn, compared to net outflows of \$109.8bn in 2016 (Fig. 1). The combination of strong performance and positive flows in 2017 resulted in industry assets under management (AUM) growing to \$3.58tn as at December 2017, a 10.2% increase for the calendar year.

Macro strategies attracted the greatest inflows (+\$14.0bn) among hedge fund strategies in Q4 2017, bringing full-year inflows to \$19.0bn. CTAs more than recouped outflows of \$4.0bn in Q3, by recording the second highest level of inflows (+\$11.6bn) in Q4 2017. As a result

CTAs saw the highest inflows (+\$25.2bn) across the whole of 2017. However, Q4 inflows were experienced by only 37% of CTAs, with 46% seeing outflows for the quarter (Fig. 4).

Relative value strategies experienced a second successive quarter of outflows (-\$9.8bn) in Q4 2017. As a result the strategy saw net outflows over 2017 of \$4.1bn, following outflows of \$24.7bn and \$18.8bn in 2016 and 2015 respectively. Equity strategies had outflows of \$2.7bn in Q4 2017 and consequently have had the greatest capital outflows (-\$23.8bn) in 2017, driven largely by significant outflows in Q1 and Q2.

Funds operated by Europe-based hedge fund managers saw the greatest inflows (+\$11.2bn) during the quarter and the greatest inflows (+\$32.4bn) for the year

(Fig. 2). They were followed by those run by Rest of World-based managers which saw inflows of \$6.2bn in Q4. However, this capital went into the hands of relatively few managers: just 30% of Rest of World-based funds recorded inflows over the quarter, compared to 49% that saw outflows (Fig. 6). Funds operated by North America-based fund managers experienced outflows of \$18.4bn in Q4 2017, reducing the region's total inflows to just \$2.9bn for the year.

Investors continue to favour funds with strong performance track records, as shown in Figs. 7 and 8. Forty-one percent of funds that returned 5.00% or greater in H1 2017 saw inflows, compared with only 17% of funds with returns of less than -5.00% in this period. By contrast, over half (56%) of funds that returned less than -5.00% in H1 2017 saw outflows in Q4.

Fig. 1: Hedge Fund Asset Flows by Core Strategy, 2015 - Q4 2017

Strategy	2015 (\$bn)	2016 (\$bn)	Q1 2017 (\$bn)	Q2 2017 (\$bn)	Q3 2017 (\$bn)	Q4 2017 (\$bn)	2017 (\$bn)	Q4 2017 AUM (\$bn)	% Change in AUM from Dec-16
CTAs	24.6	25.5	7.2	10.4	-4.0	11.6	25.2	284	13.3%
Macro Strategies	-25.8	-5.9	11.1	2.4	-8.5	14.0	19.0	1,061	8.4%
Multi-Strategy	27.5	-22.5	-2.3	7.0	13.3	0.6	18.6	481	13.2%
Event Driven Strategies	-1.8	-2.9	8.9	0.2	2.7	-1.6	10.3	204	15.7%
Niche Strategies	1.3	-0.8	1.1	2.7	2.6	-2.6	3.8	25	69.3%
Relative Value Strategies	-18.8	-24.7	0.6	7.2	-2.1	-9.8	-4.1	353	3.5%
Credit Strategies	4.2	-28.2	3.1	-12.6	13.9	-9.1	-4.7	250	5.7%
Equity Strategies	60.3	-50.3	-10.0	-12.4	1.3	-2.7	-23.8	919	11.6%
Total Industry	71.4	-109.8	19.7	5.0	19.2	0.5	44.4	3,577	10.2%

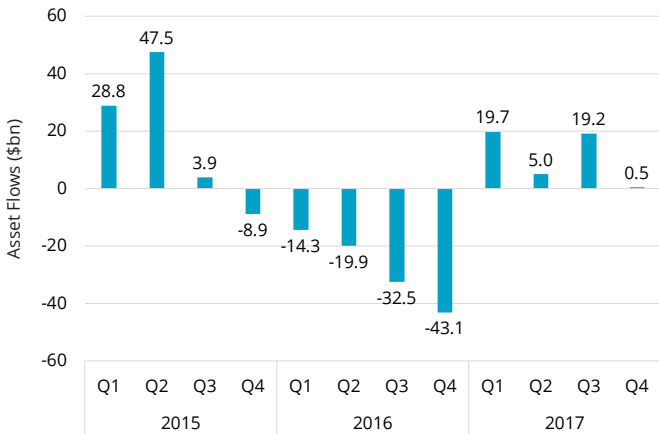
Source: Preqin Hedge Fund Online

Fig. 2: Hedge Fund Asset Flows by Fund Manager Headquarters, 2015 - Q4 2017

Manager Headquarters	2015 (\$bn)	2016 (\$bn)	Q1 2017 (\$bn)	Q2 2017 (\$bn)	Q3 2017 (\$bn)	Q4 2017 (\$bn)	2017 (\$bn)	Q4 2017 AUM (\$bn)	% Change in AUM from Dec-16
North America	79.6	-55.7	19.9	10.3	-8.9	-18.4	2.9	2,627	8.7%
Europe	31.7	-35.4	-8.5	12.6	17.0	11.2	32.4	731	11.3%
Asia-Pacific	-1.3	-18.3	2.2	-14.6	6.5	1.4	-4.4	156	15.6%
Rest of World	-38.6	-0.4	6.0	-3.4	4.6	6.2	13.5	63	65.0%
Total Industry	71.4	-109.8	19.7	5.0	19.2	0.5	44.4	3,577	10.2%

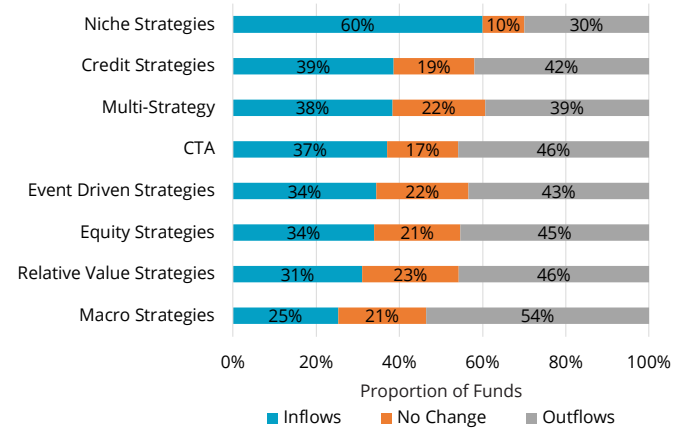
Source: Preqin Hedge Fund Online

Fig. 3: Hedge Fund Asset Flows, Q1 2015 - Q4 2017



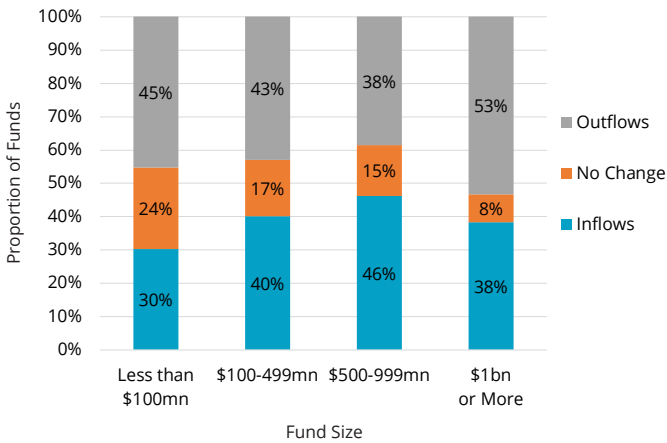
Source: Preqin Hedge Fund Online

Fig. 4: Hedge Fund Asset Flows over Q4 2017 by Core Strategy



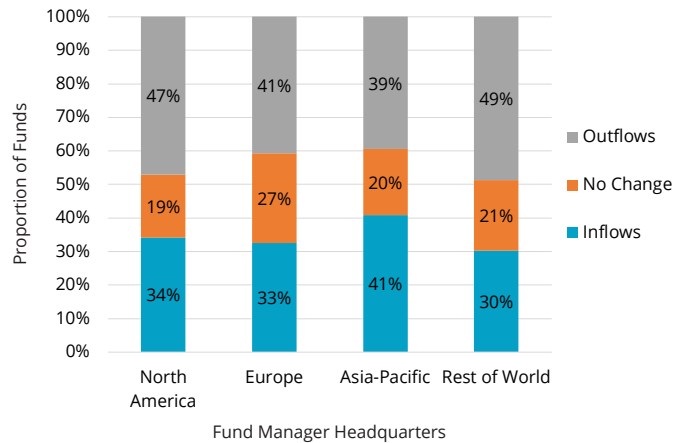
Source: Preqin Hedge Fund Online

Fig. 5: Hedge Fund Asset Flows over Q4 2017 by Fund Size



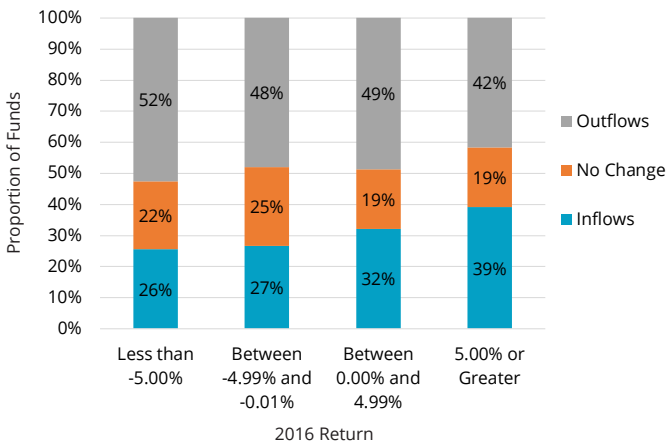
Source: Preqin Hedge Fund Online

Fig. 6: Hedge Fund Asset Flows over Q4 2017 by Fund Manager Headquarters



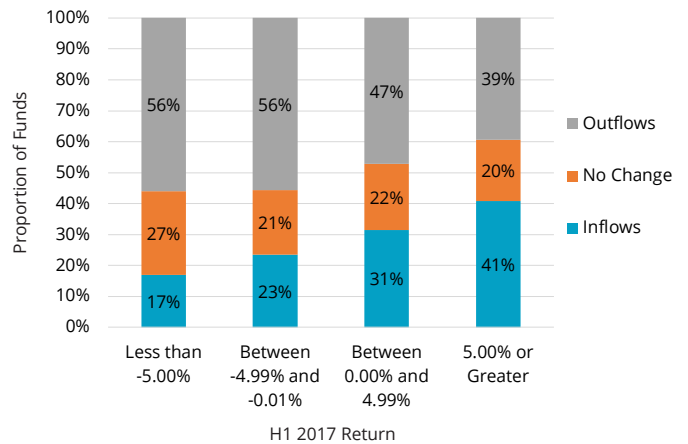
Source: Preqin Hedge Fund Online

Fig. 7: Hedge Fund Asset Flows over Q4 2017 by 2016 Performance



Source: Preqin Hedge Fund Online

Fig. 8: Hedge Fund Asset Flows over Q4 2017 by H1 2017 Performance



Source: Preqin Hedge Fund Online