



Q4 2018 HEDGE FUND ASSET FLOWS

Outflows continued for hedge funds in Q4 2018 for the third consecutive quarter. Investors withdrew a net \$45.1bn from the industry, leading to net outflows of \$33.9bn in 2018, the highest annual outflow witnessed since 2016 (-\$109.8bn, Fig. 1). Accompanied by poor performance across the industry, these capital withdrawals have culminated in industry assets under management (AUM) shrinking to \$3.45tn, a reduction of 3.5% since the end of 2017.

Industry outflows in Q4 were predominantly driven by both equity (-\$20.9bn) and CTA strategies (-\$21.3bn), which recorded the highest outflows across any top-level strategy tracked by Preqin. Over 2018, equity strategies experienced the greatest capital withdrawal (-\$23.7bn) bringing AUM for the strategy down to \$852.8bn. Only multi-strategy funds and niche strategies were able to achieve net inflows in Q4, of \$1.4bn and \$7.0bn respectively. This has helped to grow the niche strategies sector by 17.7% since the end of 2017 to \$29.4bn in AUM.

Preqin data suggests only hedge fund managers based in North America successfully attracted capital in Q4 2018 (+\$10.1bn), bringing net inflows in 2018 to \$50.4bn (Fig. 2). Europe-based hedge fund managers continued to struggle to attract new capital in Q4 (-\$26.5bn), as only 21% of funds achieved inflows while a significant 67% witnessed a net withdrawal (Fig. 6). Elsewhere, despite 42% of Rest of World-based funds achieving inflows in Q4, an aggregate \$11.9bn left the region; net asset flows in Rest of World in 2018 amounted to -\$27.7bn, and AUM dropped by 47.1% over the year to \$33.4bn amid subdued returns.

As ever, performance is a crucial factor in fund managers' ability to attract new capital. Of the funds generating returns of 5.00% or greater in H1 2018, 45% experienced inflows while 41% failed to attract capital (Fig. 7). By comparison, only 28% of funds that returned less than -5.00% achieved an inflow, and 58% recorded net outflows. Similar trends are also present when examining a longer timeframe, such as three-year annualized returns (Fig. 8).

Fig. 1: Hedge Fund Asset Flows by Top-Level Strategy, 2015 - 2018

Strategy	2015 (\$bn)	2016 (\$bn)	2017 (\$bn)	Q1 2018 (\$bn)	Q2 2018 (\$bn)	Q3 2018 (\$bn)	Q4 2018 (\$bn)	2018 (\$bn)	Q4 2018 AUM (\$bn)	% Change in AUM from Dec-17
CTAs	24.6	25.5	25.2	13.2	-9.2	3.0	-21.3	-14.2	260.1	-8.4%
Credit Strategies	4.2	-28.2	-4.7	7.8	10.7	-3.5	-1.3	13.8	268.2	7.2%
Equity Strategies	60.3	-50.3	-23.8	-7.6	4.3	0.6	-20.9	-23.7	852.8	-7.2%
Event Driven Strategies	-1.8	-2.9	10.3	0.2	9.2	3.6	-6.6	6.4	203.4	-0.4%
Macro Strategies	-25.8	-5.9	19.0	-1.3	-5.0	-9.0	-1.0	-16.2	1,027.3	-3.2%
Multi-Strategy	27.5	-22.5	18.6	-0.5	1.5	5.0	1.4	7.4	481.0	-0.1%
Niche Strategies	1.3	-0.8	3.8	4.9	0.7	0.3	7.0	13.0	29.4	17.7%
Relative Value Strategies	-18.8	-24.7	-4.1	0.2	-13.5	-4.7	-2.4	-20.4	328.3	-6.9%
Total Industry	71.4	-109.8	44.4	16.9	-1.2	-4.6	-45.1	-33.9	3,450.5	-3.5%

Source: Preqin Pro

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

Headquarters	2015 (\$bn)	2016 (\$bn)	2017 (\$bn)	Q1 2018 (\$bn)	Q2 2018 (\$bn)	Q3 2018 (\$bn)	Q4 2018 (\$bn)	2018 (\$bn)	Q4 2018 AUM (\$bn)	% Change in AUM from Dec-17
North America	79.6	-55.7	2.9	15.3	22.0	3.0	10.1	50.4	2,619.1	-0.3%
Europe	31.7	-35.4	32.4	-9.9	-4.1	2.0	-26.5	-38.4	666.9	-8.7%
Asia-Pacific	-1.3	-18.3	-4.4	4.6	-2.9	-3.0	-16.9	-18.2	131.0	-16.2%
Rest of World	-38.6	-0.4	13.5	6.9	-16.2	-6.6	-11.9	-27.7	33.4	-47.1%
Total Industry	71.4	-109.8	44.4	16.9	-1.2	-4.6	-45.1	-33.9	3,450.5	-3.5%

Source: Preqin Pro

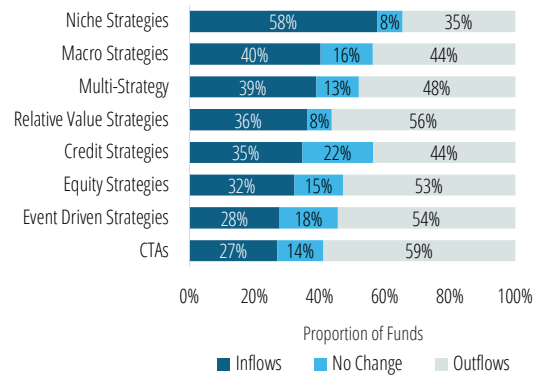


Fig. 3: Hedge Fund Asset Flows (\$bn), Q1 2015 - Q4 2018



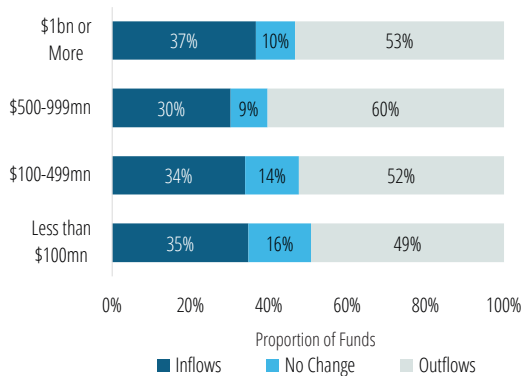
Source: Preqin Pro

Fig. 4: Hedge Fund Asset Flows over Q4 2018 by Top-Level Strategy



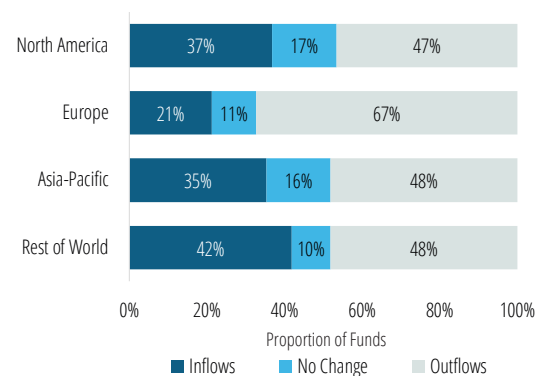
Source: Preqin Pro

Fig. 5: Hedge Fund Asset Flows over Q4 2018 by Fund Size



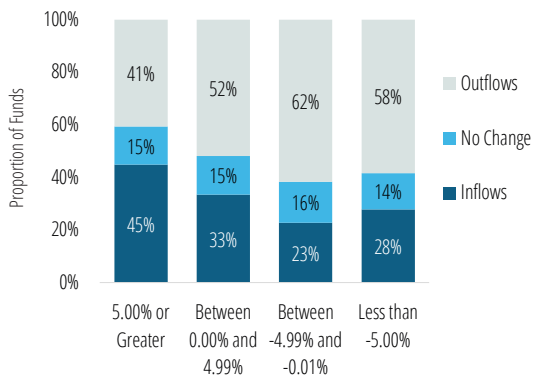
Source: Preqin Pro

Fig. 6: Hedge Fund Asset Flows over Q4 2018 by Fund Manager Headquarters



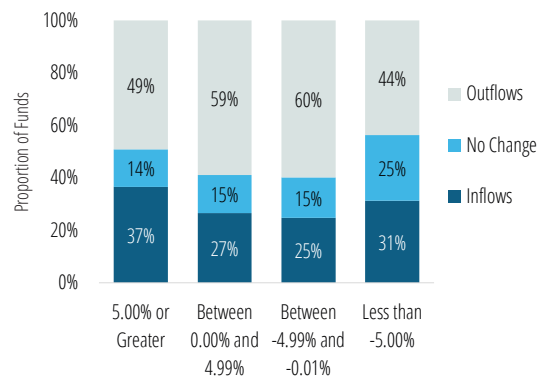
Source: Preqin Pro

Fig. 7: Hedge Fund Asset Flows over Q4 2018 by H1 2018 Performance



Source: Preqin Pro

Fig. 8: Hedge Fund Asset Flows over Q4 2018 by Three-Year Annualized Performance



Source: Preqin Pro