

Q1 2019 HEDGE FUND ASSET FLOWS

Marking the fourth consecutive quarter of outflows, \$22.1bn left the hedge fund industry in Q1 2019 – and yet, despite this net capital withdrawal, industry assets under management (AUM) grew to \$3.56tn due to improved performance, an increase of 3.3% since the end of 2018 (Fig. 1).

Despite only 37% of credit strategies funds recording inflows (Fig. 4), the strategy attracted net inflows of \$6.6bn in the quarter. Only macro strategies were able to join credit strategies in positive capital flow territory with a modest \$0.1bn. Equity strategies suffered a \$9.9bn outflow in Q1, the largest recorded by any top-level strategy tracked by Preqin. In spite of these capital flows, equity strategies still managed to return +7.18% for the quarter, with the strategy's AUM rising by 6.5% to reach \$908.1bn.

Fund managers in Europe and Rest of World recorded positive quarterly inflows of \$2.7bn and \$8.1bn respectively, helping to increase the latter's regional AUM by 26.4% to \$42.3bn (Fig. 2). Elsewhere, despite 41% of North America-based funds recording inflows – the largest proportion of any region – \$30.8bn in net outflows fated the region to its first quarterly capital withdrawal since Q4 2017 (-\$17.5bn).

Longer-term performance remains a key indicator of a fund manager's ability to attract new capital, as shown in Fig. 8. Over a three-year period, 44% of funds with an annualized return of 5.00% or more experienced an inflow, vs. only 17% of those that returned less than -5.00%. Coincidentally, 67% of funds returning less than -5.00% recorded outflows over Q1, in contrast to only 42% of their outperforming counterparts.

Fig. 1: Hedge Fund Asset Flows by Top-Level Strategy, 2015 - Q1 2019

Strategy	2015 (\$bn)	2016 (\$bn)	2017 (\$bn)	H1 2018 (\$bn)	H2 2018 (\$bn)	2018 (\$bn)	Q1 2019 (\$bn)	Q1 2019 AUM (\$bn)	% Change in AUM from Dec-18
CTAs	24.6	25.5	25.2	4.0	-18.3	-14.2	-2.7	260.3	0.1%
Credit Strategies	4.2	-28.2	-4.7	18.5	-4.7	13.8	6.6	281.4	4.9%
Equity Strategies	60.3	-50.3	-23.8	-3.3	-20.4	-23.7	-9.9	908.1	6.5%
Event Driven Strategies	-1.8	-2.9	10.3	9.5	-3.0	6.4	-5.9	208.0	2.3%
Macro Strategies	-25.8	-5.9	19.0	-6.3	-9.9	-16.2	0.1	1,053.8	2.6%
Multi-Strategy	27.5	-22.5	18.6	1.1	6.4	7.4	-8.8	489.3	1.7%
Niche Strategies	1.3	-0.8	3.8	5.6	7.4	13.0	-1.1	29.7	0.9%
Relative Value Strategies	-18.8	-24.7	-4.1	-13.3	-7.1	-20.4	-0.3	333.8	1.7%
Industry Total	71.4	-109.8	44.4	15.8	-49.7	-33.9	-22.1	3,564.4	3.3%

Source: Preqin Pr

Fig. 2: Hedge Fund Asset Flows by Fund Manager Headquarters, 2015 - Q1 2019

Headquarters	2015 (\$bn)	2016 (\$bn)	2017 (\$bn)	H1 2018 (\$bn)	H2 2018 (\$bn)	2018 (\$bn)	Q1 2019 (\$bn)	Q1 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	2,710.1	3.5%
Europe	31.7	-35.4	32.4	-13.9	-24.5	-38.4	2.7	677.8	1.6%
Asia-Pacific	-1.3	-18.3	-4.4	1.7	-19.9	-18.2	-2.0	134.2	2.4%
Rest of World	-38.6	-0.4	13.5	-9.3	-18.5	-27.7	8.1	42.3	26.4%
Total Industry	71.4	-109.8	44.4	15.8	-49.7	-33.9	-22.1	3,564.4	3.3%

Source: Preqin Pr

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

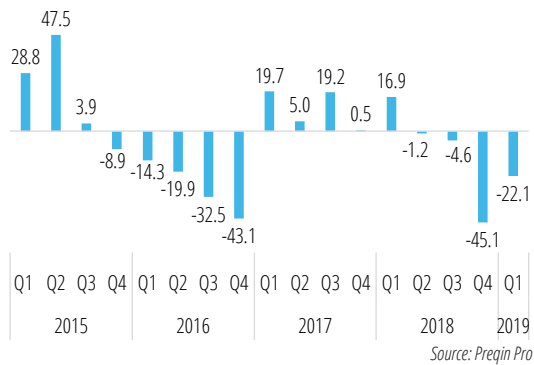


Fig. 4: Hedge Fund Asset Flows over Q1 2019 by Top-Level Strategy

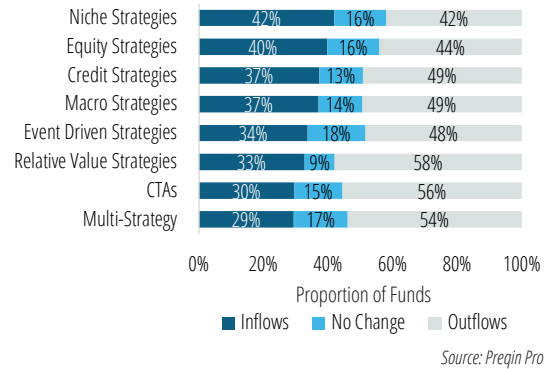


Fig. 5: Hedge Fund Asset Flows over Q1 2019 by Fund Size

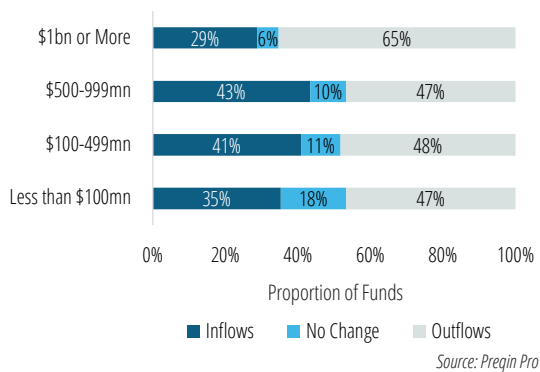


Fig. 6: Hedge Fund Asset Flows over Q1 2019 by Fund Manager Headquarters

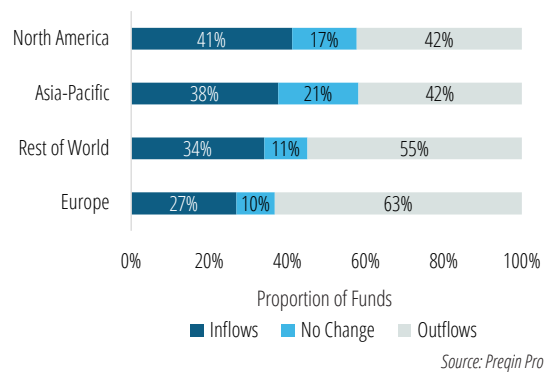


Fig. 7: Hedge Fund Asset Flows over Q1 2019 by H1 2018 Performance

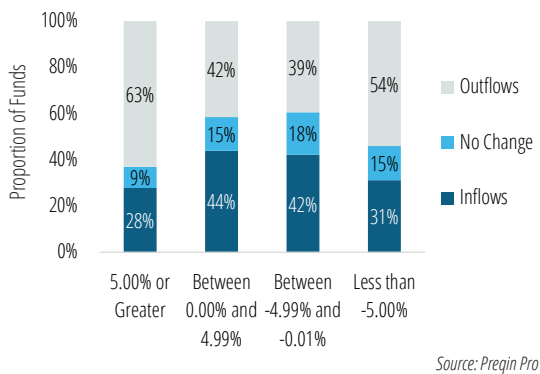


Fig. 8: Hedge Fund Asset Flows over Q1 2019 by Three-Year Annualized Performance

