FEATURE
Price Swings and Roundabouts: The CTA Market

INDUSTRY NEWS
Hedge Fund Performance Update: October 2017
Q3 2017 Hedge Fund Asset Flows
Women in Hedge Funds
Hedge Fund Searches and Mandates

THE FACTS
9.30%
The Preqin All-Strategies Hedge Fund benchmark stands at 9.30% as at October 2017. We break down the latest asset flow data by strategy, fund size, fund manager headquarters and performance.

Price Swings and Roundabouts: The CTA Market

$13.6bn
As at the end of Q3 2017, $13.6bn in hedge fund asset flows were recorded in 2017 YTD for CTAs; examining a range of factors that have influenced this, our feature article this month provides an overview of the CTA market in 2017.

Find out more on page 2

Q3 2017 Hedge Fund Asset Flows

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PREQIN SPECIAL REPORT: WOMEN IN ALTERNATIVE ASSETS
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PRICE SWINGS AND ROUNDABOUTS: THE CTA MARKET

Macroeconomic factors caused major fluctuations in commodity and currency markets over 2017. We look at how these developments have impacted the CTA markets, including performance, fund launches, strategies and investors.

Volatility and fluctuations in commodity and currency markets have continued to drive trends in the managed futures/CTA industry in 2017: numerous high-profile elections in Europe saw the euro fluctuate as markets responded to the election victories of Mark Rutte, Emmanuel Macron and Angela Merkel. The Brazilian real weakened in May amid corruption allegations against President Temer, and strong growth in US GDP over the course of Q3 2017 saw the US dollar strengthen. In July, the price of copper hit a two-year high following reports that China might move to ban imports of scrap metal; and while the price of gold fluctuated over the course of the year, the safe-haven asset has gained from the lows seen in January 2017. Oil saw a sharp trend reversal in the middle of 2017, as Saudi Arabia and Nigeria announced plans to cut its production, and US output showed signs of a slowdown; these events drove the price of crude oil to its biggest daily and weekly gains of 2017, kick-starting a trend by which the price of crude oil continued to rise in Q3 2017 to over $50.

PERFORMANCE IN 2017

These trend reversals and volatile conditions are reflected in the 2017 return of the Preqin All-Strategies CTA benchmark: below water for four months and above for five months of the year, the benchmark sits at -0.04% as at September 2017 (Fig. 1), a stark contrast to the nine positive months and 8.04% return of the Preqin All-Strategies Hedge Fund benchmark over the same period. With CTAs providing potential diversification from equity markets, they have struggled in a year which has seen major stock markets around the world continuously reach record highs.

Q1: -0.49%. The first quarter of 2017 saw price swings across various commodity markets create challenging conditions for CTA managers. The US dollar recorded its worst January in three decades, only to rebound to seven-week highs in late February amid expectations of an upcoming Federal Reserve interest rate hike. Copper experienced strong price swings as a potential increase in US infrastructure spending pushed up the price of metal, only for value to drop as concerns around supply eased. CTAs ended February relatively neutral as losses in March drove the quarterly return underwater, with trend-following strategies and counter trend strategies both suffering in Q2.

Q3: 0.79%. In July, the price of copper hit a two-year high following reports that China might move to ban imports of scrap metal; and while the price of gold fluctuated over the course of the year, the safe-haven asset has gained from the lows seen in January 2017. Oil saw a sharp trend reversal in the middle of 2017, as Saudi Arabia and Nigeria announced plans to cut its production, and US output showed signs of a slowdown; these events drove the price of crude oil to its biggest daily and weekly gains of 2017, kick-starting a trend by which the price of crude oil continued to rise in Q3 2017 to over $50.

Q4: 2.90%. In August, the price of copper hit a two-year high following reports that China might move to ban imports of scrap metal; and while the price of gold fluctuated over the course of the year, the safe-haven asset has gained from the lows seen in January 2017. Oil saw a sharp trend reversal in the middle of 2017, as Saudi Arabia and Nigeria announced plans to cut its production, and US output showed signs of a slowdown; these events drove the price of crude oil to its biggest daily and weekly gains of 2017, kick-starting a trend by which the price of crude oil continued to rise in Q3 2017 to over $50.

Fig. 1: Performance of CTAs (As at September 2017)

Source: Preqin Hedge Fund Online

Fig. 2: CTA performance by Sub-Strategy (As at September 2017)

Source: Preqin Hedge Fund Online
strategies finding these price-reversing conditions particularly challenging, posting a loss of 1.19%.

Q2: 0.13%. CTAs were in the black for the second quarter of 2017; however, the 0.13% return did not offset the Q1 losses. The quarter began well with gains in April (+0.51%) and in May (+0.46%), but a loss of 0.83% in June all but erased previous gains. In Q2 2017 there was significant fluctuation in the price of crude oil. Late into May, OPEC announced that it had agreed to extend production cuts into 2018; however, markets responded negatively – perhaps hoping for deeper or longer cuts – prompting the price of crude oil to drop by 5%. Falling oil prices continued into June and reached 10-month lows as WTI crude oil fell below $43; however, a decrease in the US oil rig count, as well as more demand from China, drove prices up, as the commodity ended its worst H1 in almost two decades on a more positive note.

Q3: 0.32%. As seen in Fig. 2, all CTA sub-strategies posted a positive return in Q3 2017, with the Preqin All-Strategies CTA benchmark posting returns in the first two months of the quarter. Oil prices continued to rise throughout Q3 2017, with Brent crude oil reaching its highest price levels in over two years by the end of September. Counter trend strategies that look to pick the top and bottom of the market returned 0.90% in Q3 following strong gains in July (+0.65%) and August (+1.06%) amid the reversing oil prices. Gold prices delivered similar returns to CTAs in Q3 2017, with gains in July and August offsetting a loss in September, as geopolitical tensions drove investors to buy the precious metal before hawkish sentiment on interest rates from the Fed caused the value of gold to fall.

While the majority of CTA strategies have delivered negative or neutral returns in 2017 YTD (as at September), CTAs pursuing option-writing strategies have returned 7.63% over the same period (Fig. 2), outperforming credit (+6.13%) and relative value strategies (+3.28%) hedge funds. This marks another strong year for option-writing strategies after posting the highest annual CTA sub-strategy returns in 2015 and 2016.

Discretionary vs. Systematic
Continuing the trend seen in 2016, man continues to outperform machine: discretionary-traded CTAs delivered gains of 0.75%, compared to the loss of 1.02% recorded by systematic models in 2017 up to September. Discretionary CTAs have offered the most robust risk/return profile across both time periods seen in Fig. 3, with the overall CTA industry as well as both trading methodologies delivering stronger returns with less volatility than the S&P GSCI Index.

Funds and Fund Managers
Launches and Liquidations
Over 2017, the number of active CTA vehicles has decreased, as fund closures outnumbered launches. Forty-one new funds entered the market, while 44 have closed for business over the course of the year so far (Fig. 4), taking the total number of funds in the industry to 1,212.

2017 YTD Net Return (As at September): Discretionary vs. Systematic CTAs

<table>
<thead>
<tr>
<th>Discretionary CTAs</th>
<th>Systematic CTAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.75%</td>
<td>-1.02%</td>
</tr>
</tbody>
</table>

Fig. 3: Risk/Return Profile of CTAs by Trading Methodology and S&P GSCI TR Index in 2017 YTD vs. Five-Year Annualized (As at September 2017)

Source: Preqin Hedge Fund Online

Fig. 4: CTA Launches by Year of Inception and as a Proportion of All Hedge Fund Launches (As at September 2017)

Source: Preqin Hedge Fund Online

No. of CTA Launches/Liquidations

Proportion of All Single-Manager Hedge Fund Launches

2017 YTD

No. of CTA Launches
No. of CTA Liquidations
Proportion of All Fund Launches
Although the number of CTA launches has declined for a fifth successive year, CTAs in fact represent an increased proportion of all hedge fund launches in 2017 as the wider industry witnessed a greater slowdown in launches. CTAs represent 9% of all hedge funds launched in 2017 as at September, the largest proportion in four years. The proportion of CTA launches represented by discretionary-traded vehicles has increased significantly in 2017; following stronger performance in recent years, discretionary-trading CTAs represent nearly one-third (32%) of all launches in 2017, a 21-percentage-point increase from 2016, and the largest proportion since 2008 (Fig. 5).

**Strategies and Instruments**

Trend-following strategies continue to dominate the CTA industry, representing over two-thirds (68%) of active vehicles, despite the strategy’s recent underperformance compared to the wider CTA benchmark. Just one in 10 CTAs operate an option-writing strategy, the top performing strategy over the past three years. Option-writing strategies make up a similar proportion (9%) of CTAs launched in 2017, including a UCITS vehicle launched by the $4bn New York-based manager Neuberger Berman.

A greater proportion (66%) of CTAs trade stock indices than in 2016 (59%), perhaps in an attempt to capture some of the stock market upside seen in 2017 (Fig. 6). Currencies and energy remain some of the most traded assets by CTAs, two markets that have seen great volatility in 2017, perhaps offering insight into driving forces behind the fluctuating returns of CTAs over the past 12 months.

**Fig. 5: Trading Methodology Employed by CTAs by Year of Inception, 2008 - 2017 YTD (As at September 2017)**

**Fig. 6: Top Futures Markets Traded by CTAs**

**Fig. 7: Mean Liquidity, Fees and Investment Terms and Conditions of CTAs by Structure**

**FUND PROFILE**

**Fund:** Neuberger Berman Global Equity Index PutWrite Fund

**Manager:** Neuberger Berman

**Launched:** May-17

**Strategy:** A global option-writing CTA fund, which seeks to collect the premiums earned through writing out options on global equity indices (S&P 500, MSCI EAFE and MSCI Emerging Markets).
INVESTORS IN CTAs

Asset Flows

As seen in Fig. 8, since the beginning of 2015 investors have allocated a net $64bn to CTAs, while other hedge fund strategies have recorded net outflows: investors have withdrawn a net $11bn from equity strategies over this period. Investors have continued to seek exposure to CTAs in 2017, allocating $14bn over the course of the first three quarters of the year, driving industry assets to $262bn as at September. With stock markets continuing to reach record highs, investors are perhaps looking to add protection against a possible market correction, which is one of the benefits CTAs can provide for an investment portfolio.

Following these inflows, it is perhaps unsurprising to see the number of institutions active in the CTA market increase: Preqin currently tracks 1,084 investors actively invested in CTAs, a 2% increase from the end of 2016 (Fig. 9).

Since the beginning of 2015, investors have allocated a net $60bn to CTAs, while other hedge fund strategies have recorded net outflows

The largest proportion of funds of hedge funds invest in CTAs; 42% of all funds of hedge funds have exposure to these products (Fig. 10). Sizeable levels of other investors with significant allocations to hedge funds are also invested in CTAs: 29%, 28% and 26% of all sovereign wealth funds, superannuation schemes and public pension funds with portfolios of hedge funds respectively include CTAs as part of this allocation.

OUTLOOK

Changeable commodity and currency markets have created a challenging investment environment for CTAs in 2017. Reversing trends, price volatility and market uncertainty have impacted the ability of many CTAs to generate meaningful returns, and the number of CTAs active in the marketplace decreased for the fifth consecutive year.

Investor appetite for the strategy, however, remains strong. The CTA investor universe has grown over the course of the first three quarters of 2017, with these investors adding a net $14bn to CTA vehicles so far this year. Furthermore, in Preqin’s June survey of active investors in hedge funds, a greater proportion of respondents indicated plans to increase (20%) their exposure to discretionary CTAs than to decrease it (13%). Should investors be looking to protect their portfolios from potential market correction, CTAs and their uncorrelated returns could provide a solution.
# Preqin Global Data Coverage

**Alternatives Coverage**

<table>
<thead>
<tr>
<th>Alternatives Coverage</th>
<th>FIRMS</th>
<th>FUNDS</th>
<th>FUNDS Open to Investment</th>
<th>Investors Monitored</th>
<th>FUNDS with Performance</th>
<th>DEALS &amp; EXITS</th>
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<td></td>
<td>28,874</td>
<td>51,215</td>
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## Investor Coverage

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<tr>
<th>Private Equity*</th>
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<th>Real Estate</th>
<th>Infrastructure</th>
<th>Private Debt</th>
<th>Natural Resources</th>
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<tr>
<td>6,848 Active Private Equity Lps</td>
<td>5,256 Active Hedge Fund Investors</td>
<td>6,062 Active Real Estate Lps</td>
<td>3,215 Active Infrastructure Lps</td>
<td>3,048 Active Private Debt Investors</td>
<td>2,966 Active Natural Resources Investors</td>
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## Fund Coverage

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<td>18,213</td>
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## Firm Coverage

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<td>12,279</td>
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<td>534</td>
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## Performance Coverage

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<th>Private Debt Funds</th>
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<td>5,960</td>
<td>17,507</td>
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<td>247</td>
<td>820</td>
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## Fundraising Coverage

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<th>Private Debt Funds</th>
<th>Natural Resources Funds</th>
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<td>2,087</td>
<td>15,668</td>
<td>1,173</td>
<td>176</td>
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## Deals & Exits Coverage

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<th>Buyout Deals and Exits</th>
<th>Venture Capital Deals and Exits</th>
<th>Real Estate Deals</th>
<th>Infrastructure Deals</th>
<th>Private Debt Deals</th>
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<td>80,351</td>
<td>145,592</td>
<td>45,169</td>
<td>26,145</td>
<td>7,066</td>
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# The Preqin Difference

+ Over 390 research, support and development staff
+ Global presence - New York, London, Singapore, San Francisco, Hong Kong, Manila and Guangzhou
+ Depth and quality of data from direct contact methods
+ Unlimited data downloads
+ The most trusted name in alternative assets

*Private equity includes buyout, growth, venture capital, secondaries, private equity fund of funds, private equity secondaries, direct secondaries, balanced, hybrid, hybrid fund of funds, PIPE, co-investment and co-investment multi-manager funds*

As at 1st November 2017
This month’s industry news continues on the theme of CTAs, detailing sample investors currently searching for these funds, and looks at recent relative value strategies fund launches.

INVESTORS SEARCHING FOR CTAs

Following our review of the CTA industry on page 2, we provide current investment plans of sample investors active in the sector:

- Hong Kong-based fund of hedge funds manager Progressive Global Investment Advisor is planning to invest $120-140mn in up to five new hedge funds over the next 12 months. It typically gains exposure to the asset class through funds employing managed future strategies.

- In Europe, the Dublin-based Bank of Ireland Private Banking is looking to invest in hedge funds over the coming 12 months. The wealth manager will look to invest in long/short equity and managed futures/CTA funds, with a preference for Europe.

- Investing through its fund of CTAs operation, Grant Park Fund Solutions is looking to invest in up to two new CTAs. The Chicago-based multi-manager will allocate up to $100mn to these investments. Grant Park will look to invest with managers that employ a systematic trading style and may consider investments with emerging managers or in spin-offs.

RELATIVE VALUE STRATEGIES FUND LAUNCHES

Thirty-three per cent of respondents to Preqin’s 2017 hedge fund investor survey plan to allocate to relative value strategies. Here we look at recent launches pursuing these strategies.

Launched in Q2 2017, Hume Capital Management was founded by former Apex employees, Miller Shuey and Erin Jones. The Dallas-based hedge fund manager launched its debut fund, Hume Capital, in October 2017. The fund focuses on volatility arbitrage investing in equities, futures and other derivative products.

Also recently launched is Credere Capital LLP, which began operations in September 2017. The London-based hedge fund manager’s debut offering, Trium Credere Fund, is a global fund that seeks absolute returns through a focused relative value approach. It seeks attractive investment opportunities in special situations, as well as events where its investment team identifies catalysts impacting global corporate actions.

This month’s Chart of the Month provides a preliminary extract from Preqin’s forthcoming 2018 Global Hedge Fund Report. Preqin’s fund manager, investor, service provider and performance league tables only include the most up-to-date information. To ensure your profile is up to date before publication, please email info@preqin.com.

Offering services such as leverage, clearing, cash management and securities lending, prime brokers are an essential part of a hedge fund’s operations. Preqin’s Hedge Fund Online currently tracks 198 prime brokers, ranging from global investment banks to more specialized automated clearing houses.

Goldman Sachs is the most utilized prime brokerage in the hedge fund industry; used by 35% of all active hedge funds, and 36% of hedge funds incepted in 2017, it has held first place over the course of the year to September. While J.P. Morgan services over one-fifth of all hedge funds active in the market, a smaller 17% of funds incepted in the first three quarters of 2017 chose the firm as their prime broker.

Conversely, Interactive Brokers has increased its market share over the course of 2017 as at September, servicing a significantly larger proportion (14%) of all funds launched in 2017 than the 6% of the wider industry serviced by the firm.
### PREQIN HEDGE FUND PERFORMANCE UPDATE: OCTOBER 2017

#### SINGLE-MANAGER HEDGE FUNDS

<table>
<thead>
<tr>
<th>Hedge Funds</th>
<th>Oct-17</th>
<th>Sep-17</th>
<th>2017 YTD</th>
<th>12 Months</th>
<th>12M Trend</th>
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<tbody>
<tr>
<td>HF - Event Driven Strategies</td>
<td>0.37</td>
<td>1.64</td>
<td>8.41</td>
<td>12.67</td>
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<tr>
<td>HF - Equity Strategies</td>
<td>1.29</td>
<td>1.65</td>
<td>11.90</td>
<td>14.11</td>
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<td>HF - Multi-Strategy</td>
<td>1.11</td>
<td>0.85</td>
<td>9.31</td>
<td>10.71</td>
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<tr>
<td>HF - Relative Value</td>
<td>0.92</td>
<td>0.34</td>
<td>4.20</td>
<td>5.28</td>
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<tr>
<td>HF - Credit Strategies</td>
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<td>0.64</td>
<td>6.46</td>
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<td>HF - Macro Strategies</td>
<td>0.80</td>
<td>0.20</td>
<td>3.50</td>
<td>4.47</td>
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Activist                      | 0.92   | 2.30   | 11.20    | 15.18     |           |
Discretionary                 | 0.76   | 1.53   | 9.94     | 12.76     |           |
Volatility                    | 1.28   | 0.63   | 6.72     | 7.71      |           |
Systematic                    | 1.78   | 0.58   | 6.70     | 7.63      |           |

HF - North America            | 0.80   | 1.50   | 6.69     | 10.97     |           |
HF - Asia-Pacific             | 2.91   | 1.58   | 16.27    | 15.95     |           |
HF - Emerging Markets         | 0.42   | 1.20   | 12.95    | 12.22     |           |
HF - Europe                   | 0.63   | 1.28   | 8.03     | 9.85      |           |
HF - Developed Markets        | 0.51   | 0.64   | 5.75     | 8.13      |           |

HF - JPY                      | 0.65   | 2.28   | 10.00    | 12.81     |           |
HF - BRL                      | -0.12  | 1.18   | 13.10    | 13.51     |           |
HF - USD                      | 0.86   | 0.76   | 9.19     | 11.81     |           |
HF - EUR                      | 0.77   | 0.66   | 4.57     | 5.64      |           |
HF - GBP                      | 0.64   | 0.14   | 5.16     | 5.50      |           |

HF - Emerging**               | 1.27   | 1.29   | 8.76     | 10.71     |           |
HF - Small                    | 0.92   | 1.15   | 9.32     | 11.47     |           |
HF - Large                    | 1.05   | 0.43   | 8.47     | 9.98      |           |
HF - Medium                   | 1.01   | 0.70   | 8.64     | 10.71     |           |

Source: Preqin Hedge Fund Online

#### MULTI-MANAGER HEDGE FUNDS

<table>
<thead>
<tr>
<th>Funds of Hedge Funds</th>
<th>Oct-17</th>
<th>Sep-17</th>
<th>2017 YTD</th>
<th>12 Months</th>
<th>12M Trend</th>
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<td>Funds of Hedge Funds</td>
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<td>FOHF - Equity Strategies</td>
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<td>9.32</td>
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<tr>
<td>FOHF - Multi-Strategy</td>
<td>1.12</td>
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<td>FOHF - EUR</td>
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<td>FOHF - USD</td>
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Source: Preqin Hedge Fund Online

#### LIQUID ALTERNATIVES

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<th>Alternative Mutual Funds</th>
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<td>UCITS</td>
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<td>UCITS - Relative Value</td>
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<tr>
<td>UCITS - Macro Strategies</td>
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<tr>
<td>UCITS - USD</td>
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<td>4.10</td>
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<tr>
<td>UCITS - EUR</td>
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<tr>
<td>UCITS - GBP</td>
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<td>4.88</td>
<td>5.51</td>
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Source: Preqin Hedge Fund Online

#### CTAs

<table>
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<tr>
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<td>Discretionary</td>
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<td>Systematic</td>
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<td>CTA - USD</td>
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<td>5.52</td>
<td>-2.88</td>
<td>4.76</td>
<td>7.63</td>
<td></td>
</tr>
</tbody>
</table>

Source: Preqin Hedge Fund Online

- The Preqin All-Strategies Hedge Fund benchmark generated 1.15% in October, the benchmark’s twelfth consecutive month of positive returns. With year-to-date returns climbing to 9.30% so far, this year, the hedge fund industry remains firmly on track to generate its best performance since 2013.
- Asia-Pacific focused funds outperformed all other top-level regional focuses tracked by Preqin during October, recording its best month so far this year (+2.91%) and solidifying its current position as the best performing top-level regional focus year-to-date (+16.27%). Emerging market focused funds struggled in comparison, generating 0.42% to rank as the poorest performing regional focus.
- Funds of hedge funds and funds of CTAs also both performed well during October, generating their strongest performance of the year so far, at 1.12% and 7.07% respectively.
- UCITS structured hedge funds continued their consistent run in the opening month of the fourth quarter, up +0.88% to marginally outperform alternative mutual structured vehicles, which generated 0.68% for the month.

*Please note, all performance information includes preliminary data for October 2017 based on net returns reported to Preqin in early November 2017. Although stated trends and comparisons are not expected to alter significantly, final benchmark values are subject to change.

**Preqin fund size classifications: Emerging (less than $100mn); Small ($100-499mn); Medium ($500-999mn); Large ($1bn plus).
**Q3 2017 HEDGE FUND ASSET FLOWS**

Using data from Preqin's *Hedge Fund Online*, we look at hedge fund asset flows in Q3 2017 by strategy, fund size, manager headquarters and performance.

Hedge funds continued to produce positive inflows in Q3 2017, recording net capital gains of $19.2bn over the period (Fig. 1). North America-based funds saw outflows of $8.9bn – the first quarterly outflow for the region since the turn of the year – whereas Europe-based funds saw the greatest inflows over the quarter ($17bn). Inflows were also recorded by Asia-Pacific ($6.5bn) and Rest of World-based ($4.6bn) fund managers. Almost half (46%) of Asia-Pacific-based funds recorded inflows in Q3 (Fig. 6).

The inflows to hedge funds in Q3 2017 bring year-to-date inflows to $43.9bn, which is positive news for hedge fund managers following outflows over five consecutive quarters from Q4 2015 to Q4 2016 (Fig. 3). The recent inflows have seen total industry assets increase by 7.4% since the start of 2017, with industry assets standing at $3.49tn as at Q3 2017.

Credit strategies and multi-strategy funds have experienced the greatest inflows throughout the quarter of $13.9bn and $13.3bn respectively. Equity strategies experienced a reversal of fortune in Q3 with inflows of $1.3bn, ending a run of six successive quarters of outflows. Despite the strategy generally recording inflows in Q3, only 40% of equity strategies funds experienced inflows in comparison to 43% of funds that saw outflows (Fig. 4). Investors withdrew capital from macro strategies, CTAs and relative value strategies with net outflows of $8.5bn, $4.0bn and $2.1bn respectively.

A fund manager’s ability to attract new capital relies heavily on their previous performance track records. Fig. 7 shows that 47% of funds with returns greater than 5.00% in H1 2017 saw inflows in Q3 2017, whereas 58% of funds that returned less than -5.00% experienced outflows in the quarter. This trend is also true on a three-year annualized basis: 44% of funds that returned more than 5.00% on a three-year annualized basis saw inflows in Q3 2017, compared with only 16% that returned less than -5.00% in this timescale (Fig. 8).

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**Fig. 1: Asset Flows by Strategy, 2015 - Q3 2017**

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</thead>
<tbody>
<tr>
<td>CTAs</td>
<td>24.6</td>
<td>25.5</td>
<td>7.2</td>
<td>10.4</td>
<td>-4.0</td>
<td>262</td>
<td>4.5%</td>
</tr>
<tr>
<td>Credit Strategies</td>
<td>4.2</td>
<td>-28.2</td>
<td>3.1</td>
<td>-12.6</td>
<td>13.9</td>
<td>256</td>
<td>8.2%</td>
</tr>
<tr>
<td>Equity Strategies</td>
<td>60.3</td>
<td>-50.3</td>
<td>-10.0</td>
<td>-12.4</td>
<td>1.3</td>
<td>886</td>
<td>7.6%</td>
</tr>
<tr>
<td>Event Driven Strategies</td>
<td>-1.8</td>
<td>-2.9</td>
<td>8.9</td>
<td>0.2</td>
<td>2.7</td>
<td>201</td>
<td>13.9%</td>
</tr>
<tr>
<td>Macro Strategies</td>
<td>-25.8</td>
<td>-5.9</td>
<td>11.1</td>
<td>2.4</td>
<td>-8.5</td>
<td>1,026</td>
<td>4.7%</td>
</tr>
<tr>
<td>Multi-Strategy</td>
<td>27.5</td>
<td>-22.5</td>
<td>-2.3</td>
<td>7.0</td>
<td>13.3</td>
<td>474</td>
<td>11.5%</td>
</tr>
<tr>
<td>Niche Strategies</td>
<td>1.3</td>
<td>-0.8</td>
<td>1.1</td>
<td>2.7</td>
<td>2.6</td>
<td>22</td>
<td>48.0%</td>
</tr>
<tr>
<td>Relative Value Strategies</td>
<td>-18.8</td>
<td>-24.7</td>
<td>0.6</td>
<td>7.2</td>
<td>-2.1</td>
<td>359</td>
<td>5.5%</td>
</tr>
<tr>
<td><strong>Industry Total</strong></td>
<td><strong>71.4</strong></td>
<td><strong>-109.8</strong></td>
<td><strong>19.7</strong></td>
<td><strong>5.0</strong></td>
<td><strong>19.2</strong></td>
<td><strong>3,486</strong></td>
<td><strong>7.4%</strong></td>
</tr>
</tbody>
</table>

Source: Preqin Hedge Fund Online

**Fig. 2: Asset Flows by Fund Manager Headquarters, 2015 - Q3 2017**

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>79.6</td>
<td>-55.7</td>
<td>19.9</td>
<td>10.3</td>
<td>-8.9</td>
<td>2,577</td>
<td>6.6%</td>
</tr>
<tr>
<td>Europe</td>
<td>31.7</td>
<td>-35.4</td>
<td>-8.5</td>
<td>12.6</td>
<td>17.0</td>
<td>706</td>
<td>7.5%</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>-1.3</td>
<td>-18.3</td>
<td>2.2</td>
<td>-14.6</td>
<td>6.5</td>
<td>149</td>
<td>10.1%</td>
</tr>
<tr>
<td>Rest of World</td>
<td>-38.6</td>
<td>-0.4</td>
<td>6.0</td>
<td>-3.4</td>
<td>4.6</td>
<td>55</td>
<td>43.2%</td>
</tr>
<tr>
<td><strong>Industry Total</strong></td>
<td><strong>71.4</strong></td>
<td><strong>-109.8</strong></td>
<td><strong>19.7</strong></td>
<td><strong>5.0</strong></td>
<td><strong>19.2</strong></td>
<td><strong>3,486</strong></td>
<td><strong>7.4%</strong></td>
</tr>
</tbody>
</table>

Source: Preqin Hedge Fund Online

Preqin estimates industry asset flows from performance and asset growth information for over 14,000 hedge fund track records. Flows are estimated based on a sample of funds with available size and performance data scaled up based on the proportion of represented capital by strategy, headquarters location and fund classification.
**Fig. 3: Asset Flows, Q1 2015 - Q3 2017**

- **Asset Flows ($bn)**
  - Q1 2015: 28.8
  - Q2 2015: 47.5
  - Q3 2015: 3.9
  - Q1 2016: -8.9
  - Q2 2016: -14.3
  - Q3 2016: -19.9
  - Q1 2017: -32.5
  - Q2 2017: -43.1
  - Q3 2017: 19.7
  - Q4 2017: 19.2

**Source:** Preqin Hedge Fund Online

**Fig. 4: Asset Flows over Q3 2017 by Core Strategy**

- **Core Strategy**
  - Niche Strategies: 70% Inflows, 30% Outflows
  - Multi-Strategy: 42% Inflows, 19% Outflows, 39% No Change
  - Equity Strategies: 40% Inflows, 17% Outflows, 43% No Change
  - Credit Strategies: 38% Inflows, 21% Outflows, 41% No Change
  - Event Driven Strategies: 42% Inflows, 18% Outflows, 45% No Change
  - Macro Strategies: 36% Inflows, 22% Outflows, 42% No Change
  - CTAs: 34% Inflows, 21% Outflows, 45% No Change
  - Relative Value Strategies: 25% Inflows, 23% Outflows, 52% No Change

**Source:** Preqin Hedge Fund Online

**Fig. 5: Asset Flows over Q3 2017 by Fund Size**

- **Fund Size**
  - Less than $100mn: 35% Inflows, 21% Outflows, 44% No Change
  - $100-499mn: 42% Inflows, 14% Outflows, 44% No Change
  - $500-999mn: 41% Inflows, 11% Outflows, 48% No Change
  - $1bn or More: 37% Inflows, 26% Outflows, 37% No Change

**Source:** Preqin Hedge Fund Online

**Fig. 6: Asset Flows over Q3 2017 by Fund Manager Headquarters**

- **Fund Manager Headquarters**
  - North America: 42% Inflows, 19% Outflows, 46% No Change
  - Europe: 39% Inflows, 26% Outflows, 36% No Change
  - Rest of World: 28% Inflows, 14% Outflows, 52% No Change
  - Asia-Pacific: 36% Inflows, 14% Outflows, 50% No Change

**Source:** Preqin Hedge Fund Online

**Fig. 7: Asset Flows over Q3 2017 by H1 2017 Performance**

- **H1 2017 Return**
  - Less than -5.00%: 22% Inflows, 38% Outflows, 41% No Change
  - Between -4.99% and -0.01%: 24% Inflows, 38% Outflows, 38% No Change
  - Between 0.00% and 4.99%: 21% Inflows, 38% Outflows, 41% No Change
  - 5.00% or Greater: 16% Inflows, 47% Outflows, 37% No Change

**Source:** Preqin Hedge Fund Online

**Fig. 8: Asset Flows over Q3 2017 by Three-Year Annualized Performance**

- **Three-Year Annualized Return**
  - Less than -5.00%: 16% Inflows, 28% Outflows, 56% No Change
  - Between -4.99% and -0.01%: 22% Inflows, 28% Outflows, 50% No Change
  - Between 0.00% and 4.99%: 19% Inflows, 28% Outflows, 53% No Change
  - 5.00% or More: 23% Inflows, 28% Outflows, 50% No Change

**Source:** Preqin Hedge Fund Online
WOMEN IN HEDGE FUNDS

This excerpt from the Preqin Special Report: Women in Alternative Assets breaks down the representation of women within the hedge fund industry by role and seniority, with case studies of Saga Tree Capital Advisors and Sandglass Capital Management Limited.

18% of all senior employees at China-based hedge fund managers are women, the largest proportion among the top 10 locations*. 11.2% of all senior positions at hedge fund managers are occupied by women.

Fig. 1: Female Senior Employees at Hedge Fund Managers as a Proportion of Total Senior Employees

Fig. 2: Female Senior Employees at Hedge Fund Managers in the Top 10 Locations* as a Proportion of Total Senior Employees

CASE STUDY: SAGA TREE CAPITAL ADVISORS

Based in Singapore, Saga Tree Capital Advisors is an absolute-returns-focused, fundamental, value-biased pan-Asian equity house. Founded in 2011, Saga Tree focuses on finding good companies with strong management and superior cash flow generation, and looks to buy these with a margin of safety, often by being contrarian. The firm manages Saga Tree Asia Fund, which is domiciled in the Cayman Islands.

Strategy Focus: Long/Short Equity
Geographic Focus: Asia
Firm AUM: $431mn (as at August 2017)
Active Funds: Saga Tree Asia Fund

As studies and anecdotes consistently show, the gender imbalance in hedge funds, and across alternative assets, is severe and can be detrimental to returns. Investing is not easy. However, the challenge derives not from an investor’s gender. It strikes us that rather than exacerbate the difficult task of finding talented investors by narrowing the scope, it is incumbent upon us to broaden our searches and hire, train, encourage and promote women across the ranks. The markets don’t care whether your chromosomes are XX or XY – why not apply that same objectivity when hiring an analyst? We talk about the value of unconventional thinking when it comes to stock picking – why not apply that differentiated thinking when promoting a portfolio manager? Hopefully what seems unconventional now will become second nature before long.

- Catherine Tan, CEO and Founder

*By assets under management (as at June 2017).
Across all private capital and hedge fund industries, women are underrepresented: just one in every five alternative assets professionals is female.

As the leading source of intelligence on alternative assets, Preqin has compiled the inaugural Women in Alternative Assets Report using a database of over 200,000 industry professionals to highlight the trends in the workforces of active fund managers and investors.

To download this exclusive report, please visit:
www.preqin.com/rcp

CASE STUDY: SANDGLASS CAPITAL MANAGEMENT LIMITED

Sandglass Capital Management manages a global opportunity-driven fund that invests in emerging and frontier markets with a focus on deep value, event driven assets. The firm and fund were launched by Genna Lozovsky and Michelle Kelner in early 2013; each of the founders has roughly 20 years of experience investing in emerging and frontier markets across multiple asset classes.

Strategy Focus: Special Situations with a focus on Distressed Credit and Event Driven Equity
Geographic Focus: Emerging Markets
Firm AUM: $90mn (as at September 2017)
Active Funds: Sandglass Opportunity Fund, LP

"Being a woman in alternatives is no different in my opinion than being a woman in any high-pressure, high-performance career. My best advice for young women who want to build an investment or alternatives career is to persevere, know that ultimately the “bro-culture” that is often cited as an impediment to women achieving seniority is changing (albeit not uniformly across the industry). Obtain strong mentorship early in your career; it is important to have mentors not just in your company, but also from strong leaders (male or female) in the industry who can help guide you from a position of impartiality.

- Michelle Kelner, Co-Founder and Senior Partner
Preqin Mobile
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✓ Quickly prepare for meetings with investors or managers while on the road
✓ Easily access key investor or manager info during internal meetings
✓ Swiftly find key investor and manager information when putting together presentations

**Key Data Sets:**

- **Investors:**
  Assets, allocations, fund portfolios, typical investment amounts, future plans and more

- **Fund Managers:**
  Strategies, funds, fund terms, performance, known investors and more

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HEDGE FUND SEARCHES AND MANDATES

This factsheet breaks down the investor fund searches issued in October 2017 by strategy, investor location and type, and provides sample investor mandates.

Fig. 1: Hedge Fund Searches Issued by Investor Location, October 2017

North America: 21%
Europe: 50%
Asia-Pacific & Rest of World: 29%

Source: Preqin Hedge Fund Online

Fig. 2: Hedge Fund Searches Issued by Investor Type, October 2017

Fund of Hedge Funds Manager: 11%
Wealth Manager: 46%
Asset Manager: 7%
Family Office: 11%
Public Pension Fund: 14%
Private Sector Pension Fund: 7%
Other: 7%

Source: Preqin Hedge Fund Online

Fig. 3: Hedge Fund Searches Issued by Strategy, October 2017

Multi-Strategy: 21%
Equity Market Neutral: 18%
Macro: 14%
Managed Futures/CTA: 14%
Long/Short Equity: 11%
Relative Value Arbitrage: 11%
Fixed Income: 7%
Event Driven: 7%

Source: Preqin Hedge Fund Online

Fig. 4: Sample Hedge Fund Searches Issued in October 2017

<table>
<thead>
<tr>
<th>Investor</th>
<th>Type</th>
<th>Location</th>
<th>Fund Search Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neuberger Berman Group</td>
<td>Fund of Hedge Funds Manager</td>
<td>US</td>
<td>Over the next 12 months, Neuberger Berman Group is actively looking to invest in 2-5 hedge funds via its fund of hedge funds operations. The firm will seek investment opportunities in a diversified range of strategies, continuing to look for uncorrelated strategies such as relative value and CTAs. It will look to make opportunistic investments either in a fund format or as co-investments. The firm will seek investments in the US and Europe and opportunistically in Asia, typically investing an initial amount of $10-25mn in a new hedge fund.</td>
</tr>
<tr>
<td>Mount Capital Limited</td>
<td>Family Office</td>
<td>UK</td>
<td>Mount Capital Limited is looking to invest in 3-5 new hedge funds over the next 12 months. The family office will target direct commingled vehicles with a global focus, and will consider a range of strategies including relative value, macro and event driven.</td>
</tr>
<tr>
<td>Zurich Invest</td>
<td>Asset Manager</td>
<td>Switzerland</td>
<td>The asset manager is looking to increase its exposure to more liquid hedge fund strategies; in particular, it will seek insurance-linked strategies over the next 12 months. Continuing to target opportunities globally, it will focus on Asia, Europe and the US. It will only focus on funds of hedge funds and will consider a mix of both new and existing managers, though it will not invest in single-manager funds.</td>
</tr>
</tbody>
</table>

Source: Preqin Hedge Fund Online

DATA SOURCE:

Subscribers to Hedge Fund Online can click here to view detailed profiles of 392 institutional investors in hedge funds actively searching for new investments via the Fund Searches and Mandates feature on Preqin’s Hedge Fund Online.

Preqin tracks the future investment plans of investors in hedge funds, allowing subscribers to source investors actively seeking to invest capital in new hedge fund investments.

Not yet a subscriber? For more information, or to arrange a demonstration, please visit: www.preqin.com/hedge

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## NOVEMBER 2017

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<th>Organizer</th>
<th>Preqin Speaker</th>
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<td>MFA Outlook</td>
<td>28 - 29 November 2017</td>
<td>New York, NY</td>
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## DECEMBER 2017

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<tr>
<td>Private Wealth Management Summit</td>
<td>3 - 5 December 2017</td>
<td>Las Vegas, NA</td>
<td>marcus evans Summits</td>
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<td>Alternative Investing Summit</td>
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<td>Dana Point, CA</td>
<td>Opal Financial Group</td>
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<td>Amy Bensted</td>
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<td>7 - 8 December 2017</td>
<td>Tokyo</td>
<td>Astoria Consulting Group</td>
<td>Ee Fai Kam</td>
<td>$200 Discount - PREQIN2017</td>
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<tr>
<td>Emerging Manager Forum</td>
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<td>Miami, FL</td>
<td>CTA Expo</td>
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<tr>
<td>MFA Network</td>
<td>22 - 24 January 2018</td>
<td>Miami, FL</td>
<td>MFA</td>
<td>Amy Bensted</td>
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### ACCESS FREE CONFERENCE SLIDE DECKS AND PRESENTATIONS

Prequin attends and speaks at many different alternative assets conferences throughout the year, covering topics from infrastructure fundraising trends to alternative UCITS.

All of the conference presentations given by Prequin speakers, which feature charts and league tables from Prequin’s online products, can be viewed and downloaded from Prequin’s Research Center Premium, for free.

For more information, and to register for Prequin’s Research Center Premium, please visit: [www.prequin.com/rcp](http://www.prequin.com/rcp)
CAVLYST CAP INTRO: ALTERNATIVE INVESTING FUNDS EAST

DATE: 29 January 2018
INFORMATION: https://catalystforum.com/events/alternative-investing-funds-east/
LOCATION: New York City
ORGANIZER: Catalyst Financial Partners

Catalyst Cap Intro events are investor driven and transactional events that host alpha-oriented investment managers and institutional grade investors that are introduced to each other with a view to become investment partners.

This Catalyst Cap Intro Event focuses on the Alternative Investing Funds space on the East Coast.