The Q2 2016
Preqin Quarterly Update

Hedge Funds

Insight on the quarter from the leading provider of alternative assets data

Content includes...

Winners and Losers

Macro strategies ended H1 as the top performing strategy. Funds of hedge funds, however, have performed poorly.

Performance Update

Q2 2016 saw a return to positive terrority for hedge funds, returning 2.15% for the quarter.

Fund Launches

North America-based funds comprised the majority of launches in the second quarter of the year.

Investor Mandates

Long/short equity funds continue to be the most sought-after strategy.

Plus, Special Guest Contributors:
Confluence

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alternative assets. intelligent data.

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October 25-27, 2016 | Mandarin oriental, Boston, MA

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Foreword

The second quarter of 2016 represented a turning point in the performance of the hedge fund industry. Following a challenging H2 2015, and a slow start to 2016, the performance of the sector has been under intense scrutiny. However, at the end of Q1, hedge funds had added gains of 2.42% in March, and in Q2 three back-to-back months of positive returns led to the Preqin All-Strategies Hedge Fund benchmark being up 2.15% for the quarter. Year-to-date the industry has added returns of just 1.36%; however, following the run of good form over the second quarter of the year, many will be hoping that this continues over the rest of the year in order to make up for the losses at the start of 2016, and win the approval of investors in hedge funds. The shock UK Brexit result and forthcoming US election, continued Central Bank intervention, ongoing concerns around China's economy, and falling commodity and oil prices suggest that 2016 is set to remain volatile. However, Q2 performance was promising and the continuing market volatility may provide opportunities for hedge funds to capture some upside and generate returns above the market. Please see our **H2 2016 Hedge Fund Manager Outlook** to see how fund managers have responded to these market events in the first half of the year and what their outlook for the return environment is over the course of the rest of the year.

Our Q2 Hedge Fund Quarterly Update includes a special contribution from Confluence, who discuss the changing demands for transparency on hedge funds following recent regulations and an evolving investor basis. We also examine some of the winners and losers over the quarter based on the performance of the sector and our investor and fund data. In this section, we reveal that macro strategies have had a successful second quarter of 2016, and indeed a strong 2016 year-to-date as a whole. Macro strategies are the top performing fund strategy so far this year, having added 3.18% over the course of 2016 (as of 30 June). In addition, macro strategies are the second leading strategy in terms of fund searches issued by investors in Q2 2016, with 31% of institutions searching for new funds looking for these investments. In contrast, funds of hedge funds are having a more difficult year: the Preqin All-Strategies Fund of Hedge Funds benchmark added just 0.07% in Q2 2016, which was not sufficient to recoup losses of 3.01% in Q1. The 12-month return of funds of hedge funds is -5.00%, with multi-strategy funds of hedge funds and all strategy-specific benchmarks under water over this period. In addition, appetite for these vehicles is relatively low: just 12% of investors that initiated a fund search in Q2 2016 included a multi-manager as part of their mandate.

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A Continued Desire for Transparency

- Todd Moyer Executive Vice President, Global Business Development, Confluence

Can you tell us briefly about Confluence?

Confluence was founded in 1991 as a performance reporting application for ’40 Act mutual funds. Since then we have evolved to become a global platform that consolidates and manages data for all types of asset managers, enabling them to meet regulatory and investor demands for increased transparency. Today, eight of the top 10 global asset managers and seven of the top 10 global service providers rely on Confluence to meet these reporting and data management requirements.

We continue to focus and grow our core areas of expertise: performance and analytics reporting, regulatory reporting, expense management and what we call “investor communications”, which is financial reporting, prospectuses, factsheets and a variety of communications and reports that are required at the investor level. To put it simply, we help our clients consolidate their fund data into a single platform, validate its accuracy and then leverage that data for multiple outputs and purposes. Our goal is to improve operational efficiencies and performance for our clients.

Our vision is to be the prominent global leader in data-driven solutions that enable asset managers to meet their regulatory and investor reporting needs using a single platform. A big part of our focus when developing solutions is to ensure that what we are developing will enable clients to remain nimble and proactive in the current market environment.

How have you seen regulation change the hedge fund sector in recent years? How has this increased need for transparency across all types of fund structures changed the way data is managed by fund companies and administrators?

Over the past four years, reporting has gone from very minimal to relatively significant within the alternative fund and hedge fund space. This has been largely driven by regulatory focus on managing systemic risk, and we do not see that trend slowing. Reporting has been the way that hedge fund managers comply with valuations, derivatives and disclosures in addition to handling recent regulatory changes, such as Form PF in North America as well as Annex 4 and AIFMD reporting throughout Europe. Commodity pool managers must also comply with Form CPO-PQR.

Although it has been a very busy last several years in terms of regulation, I think every indication is that there is going to be a continued desire for transparency. And that is really what we are talking about here; whether it is fee transparency or whether it is underlying risk or investment transparency, we feel the global regulators will have a continued desire and effort to focus on that.

Because of these regulatory changes, there has been a fundamental shift since the financial crisis in the way that firms are required to manage data. We are at a tipping point where asset managers’ abilities to effectively manage the volume and the complexity of the data through their current systems have forced the need to evaluate how to better handle that data. We think that the way firms embrace technology to assist in managing their business data will separate the winners and losers.

One of the terms that we are hearing over and over now is “Regulatory Technology” or “RegTech,” which is all about how firms will leverage technology to manage data and meet the challenges that regulatory agencies are putting on them globally. So what we have seen escalating since the financial crisis is the need to embrace RegTech.

Have you seen any changes in the hedge fund sector and investor base?

There has been quite a bit of change in the last several years. Hedge funds are now attracting institutional and retail investors, and investors and regulators are both focused on high levels of efficiency and accuracy – all resulting in heightened data management challenges.

We have also seen a convergence of fund investment strategies. With that convergence, today’s hedge fund managers are increasingly managing “mutual fund-like” products. As a result, retail investors are expecting them to administer their funds with mutual fund-like efficiency, accuracy and reporting frequency.

We have also seen that transparency is a high priority. We believe the firms that embrace transparency – both from the regulatory side of things and also from the investor’s point of view – are going to be the most successful in attracting assets over the long term. Overriding all of this is cost, which has taken on heightened importance as a driving component of investment decisions. We expect to see how asset managers manage cost – as well the overall expense ratio and cost of the investment to the end investor – as critical factors impacting investment decisions moving forward.

How can companies such as Confluence help with the challenges arising as a result of regulatory and other changes to the hedge fund sector in recent years?

Confluence has been in the data management business for over 25 years. We work with some of the largest asset managers throughout the globe. With the rapid changes in terms of regulation, transparency and reporting over recent years, there has been an urgency to react and asset managers have come to us for the solution. Over the past two years we have looked at the way that Confluence leverages technology – the latest and greatest in data management – to enable us to meet this ever-changing need for data management and data re-use. We also have the ability to speed the market to meet the demands we are seeing.

As a result, we recently introduced to the market our Unity NXT™ Regulatory Reporting platform, which was built to provide a complete solution for regulatory data integration, aggregation, reporting and reusability for the asset management industry. With our new regulatory reporting platform, we have built a technology solution to meet new client demands leveraging much of the data that already sits within the Unity® platform – our core platform.

If you look at most regulations, much of the data that asset managers must now report is consistent with the type of data that Confluence has been aggregating and managing for over 25 years. That puts us in a very strong position to help clients meet these new requirements. In many cases, we have already sourced up to 70% of the data needed to meet a specific regulatory reporting obligation for our clients.

Another key differentiator for Confluence is that our solution does not require long development cycles. The platform was founded on the idea that regulation is constantly changing, so we have designed it to be easily deployed with the ability to quickly add new functionality. It is also important to note that we did not build this platform off of legacy technology. We are looking at and handling data much differently than we have in the past.

This is something that Confluence has made a significant investment into in order to serve the market needs, and we will continue to drive ahead of the fast pace of regulatory change. So we believe that not only are we in the right position today, but we are confident that we will remain well positioned because our solution was built to help us, and our clients, stay ahead of regulations, which is key.

For example, we launched our new regulatory platform less than a month ago and already we are working with one of the largest global fund service providers to help meet their needs following the introduction of a new regulation in Luxembourg that is set to go live at the end of June called U1.1. The challenge for the service provider was that it was very difficult to react with the technology they had in place and meet the regulatory deadline. They came to Confluence and within a matter of weeks we were able to produce the capability they required by leveraging our new regulatory reporting solutions and data already available within our Unity platform.

We were able to go live before the end of June, something that would have been a significant challenge for that organization using the technology they had in place. We are really excited about the ability to not only leverage our core platform, but to add additional capabilities with our new data management platform in order to meet the needs of our existing hedge fund client base as well as new customers.

The challenge of data management is at the center of the operational change imperative in the hedge fund industry. With financial reports and regulatory systemic risk reports sharing roughly two-thirds of the same data, capturing data in a single location and streamlining and automating data validation and report creation is now, and will increasingly be, key to ensuring both efficiency and accuracy in reporting.

Confluence

As a global leader in data-driven solutions for efficiency and control, Confluence solves tough data management and automation challenges for the asset management industry, including performance reporting, regulatory reporting, investor communications and fund expense management. Confluence solutions enable asset managers and third-party administrators to consolidate and leverage data across business operations which results in lower costs, reduced risk, decreased reporting turnaround times and the scalability to automate more processes without additional resources. The platform features solutions to support a wide array of fund types – including mutual funds, ETFs, alternative investments, institutional portfolios and UCITS funds.

Seven of the top 10 global service providers license Confluence products and eight of the top 10 global asset managers have business processes automated through Confluence.

Headquartered in Pittsburgh, PA, Confluence serves the international fund industry with locations in Brussels, Dublin, Ho Chi Minh City, London, Luxembourg and San Francisco.

For more information, visit www.confluence.com

H1 2016 Round-up: Winners and Losers

Winners

Macro Strategies

Macro strategies delivered favourable returns at the start of 2016, which have continued into Q2, and ended the quarter as the top performing hedge fund strategy, and also at the top of the league table for 2016 YTD.

The strategy generated a return of 1.62% over Q2. Despite May returns ending a four-month positive streak, macro strategies have delivered 3.18% in 2016 so far, significantly exceeding the 1.36% returned by the Preqin All-Strategies Hedge Fund benchmark. The performance has not gone unnoticed by institutional investors: macro is the second most targeted hedge fund strategy over the next 12 months.

1.62% Gains made by macro strategies hedge funds in Q2 2016.

Macro strategies have returned 3.18% in 2016 so far.

31% Proportion of fund searches issued in Q2 2016 that include a macro strategy.

Emerging Markets

2016 has so far marked a turnaround in the fortunes of emerging markets. Preqin's Emerging Markets Hedge Fund benchmark was the top performing regional benchmark in Q2 2016 and has returned 4.17% so far this year.

Latin America-focused funds had a strong first half of the year, generating 11.63%, with Brazil focused funds posting an impressive 12.94% for 2016 YTD.

Russia & Eastern Europe has also experienced strong performance in 2016 YTD (+7.67%) as a result of the strengthening Russian rouble and rising oil prices.

4.17% Return for Emerging Markets Hedge Fund benchmark for 2016 YTD.

Brazil-focused hedge funds have returned 12.94% in 2016 so far.

Losers

Europe

Europe-focused hedge funds have produced lower returns than other regional funds so far this year at -2.38%, compared with 1.75% returned for North America-focused funds.

After three consecutive months of positive returns, the result of the UK's referendum on EU membership created challenging market conditions, with Europe-focused funds losing 1.47% in June, bringing the full Q2 returns to -0.12%, compared to the 2.15% generated by the Preqin All-Strategies Hedge Fund benchmark.

-1.47% Return for Europe-focused hedge funds in June 2016.

-0.12% Q2 2016 return for Europe-focused hedge funds.

Europe-focused hedge funds have generated -2.38% so far in 2016.

Funds of Hedge Funds

Funds of hedge funds had a poor start to the year in terms of performance, returning -2.40% for January, the strategy's lowest monthly total since October 2008. Further negative performance in April (-0.17%) contributed to a Q2 return of 0.07%. So far in 2016, funds of hedge funds have lost 2.95%, compared with gains of 1.36% for the Preqin All-Strategies Hedge Fund benchmark.

Funds of hedge funds' poor performance has resulted in low appetite for the structure among institutional investors. Only 12% of investors have issued searches for commingled funds of hedge funds in the next 12 months, almost half the proportion seen in Q1 2016.

-2.95% Fund of hedge funds return for 2016 YTD.

Funds of hedge funds have generated a 12-month return of -5.00%.

12% Proportion of fund searches issued in Q2 2016 that include a fund of hedge funds.

Performance Update: Q2 2016

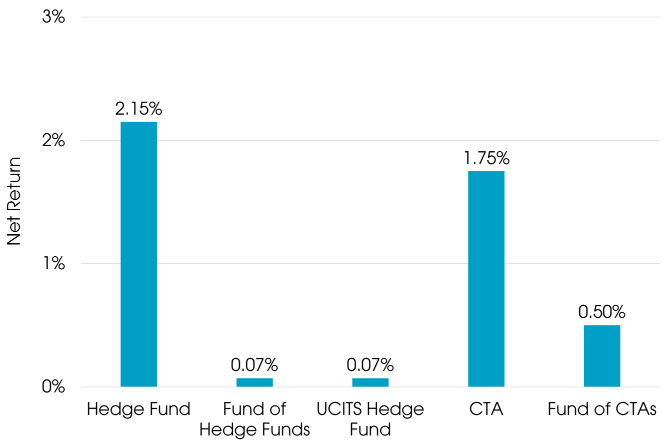
Q2 2016 saw a return to positive territory for hedge funds, with the Preqin All-Strategies Hedge Fund benchmark returning 2.15% for the quarter (Fig. 1), compared with -0.78% for Q1, as shown in Fig. 2. Despite a challenging start to the year, June marked the benchmark's fourth consecutive month of positive returns. CTAs appeared to be on track for a disappointing Q2; however, the benchmark generated 2.72% in June – the structure's highest monthly return since January 2015. This gain brings CTAs' year-to-date figure up to 3.27%, significantly outperforming the Preqin All-Strategies Hedge Fund benchmark (+1.36%).

Despite producing negative returns in both January and February, credit strategies generated the second highest returns of Q2 2016 (+2.39%, Fig. 3). Event driven strategies had the weakest performance in June (-0.50%), although the strategy had generated the highest returns in April and second highest returns in May, finishing the quarter on 2.21%.

As illustrated in Fig. 4, emerging markets-focused hedge funds have generated the highest returns in Q2 (+3.66%). This year has marked a turnaround in the fortunes of funds focused on these markets, driven by political optimism and rising commodity prices during Q2 2016. In 2016 so far, Latin America-focused funds have generated 11.63% (for more information, please see page 5: 'Winners and Losers'). Brexit has had a negative impact on the performance of Europe-focused hedge funds, which generated -1.28% for June, the only region to finish the quarter with a negative return (-0.12%).

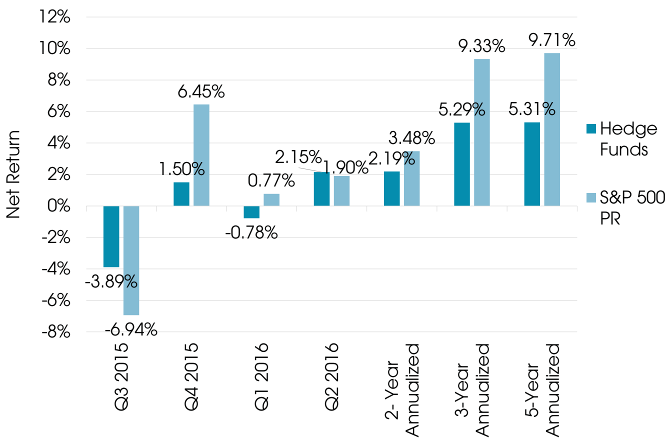
All hedge fund strategies generated positive returns in Q2, with equity strategies delivering the strongest cumulative

Fig. 1: Net Returns of Hedge Funds by Structure, Q2 2016*



Source: Preqin Hedge Fund Online

Fig. 2: Performance of Hedge Funds vs. S&P 500 PR Index*



Source: Preqin Hedge Fund Online

Fig. 3: Net Returns of Single-Manager Hedge Funds by Strategy*

Apr-16	May-16	Jun-16	Q2 2016	Q1 2016
Event Driven Strategies 2.17%	Event Driven Strategies 1.11%	CTAs 2.72%	Equity Strategies 2.43%	Macro Strategies 1.58%
Equity Strategies 1.73%	Equity Strategies 0.74%	Macro Strategies 1.15%	Credit Strategies 2.39%	CTAs 1.50%
Credit Strategies 1.25%	Relative Value Strategies 0.73%	Credit Strategies 0.44%	Event Driven Strategies 2.21%	Credit Strategies 0.14%
Macro Strategies 1.02%	Credit Strategies 0.63%	Multi-Strategy 0.40%	Multi-Strategy 1.80%	Multi-Strategy -0.15%
Multi-Strategy 0.59%	Multi-Strategy 0.22%	Equity Strategies -0.02%	CTAs 1.75%	Relative Value Strategies -0.40%
Relative Value Strategies 0.47%	Macro Strategies -0.38%	Relative Value Strategies -0.10%	Macro Strategies 1.62%	Event Driven Strategies -0.46%
CTAs 0.14%	CTAs -1.00%	Event Driven Strategies -0.50%	Relative Value Strategies 1.14%	Equity Strategies -1.84%

Source: Preqin Hedge Fund Online

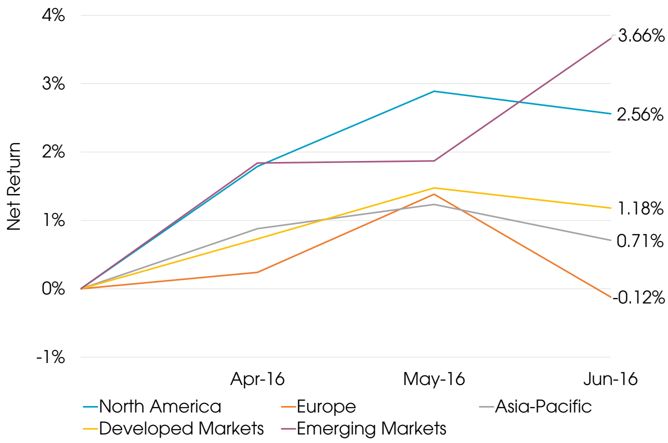
**Please note, all performance information includes preliminary data for June 2016 based upon returns reported to Preqin in early July 2016. Although stated trends and comparisons are not expected to alter significantly, final benchmark values are subject to change.*

performance (+2.43%, Fig. 5). Credit strategies delivered the second highest return over the quarter (+2.39%).

As shown in Fig. 6, the 12-month rolling return of hedge funds (-0.93%) remained lower than that of the S&P 500 Index (+1.73%).

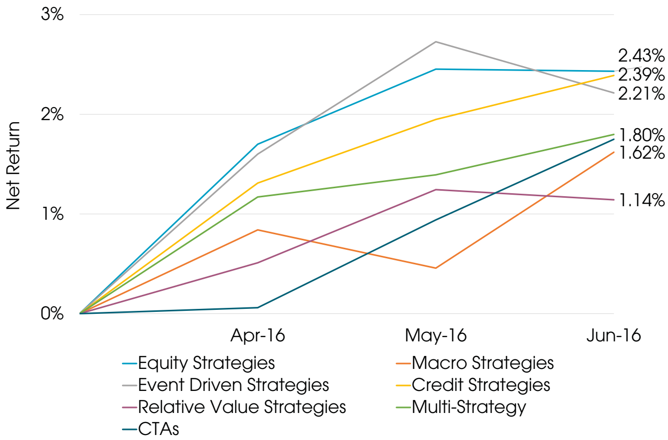
The correlation of CTAs to the S&P 500 has fallen since a spike at the end of 2016 (Fig. 7), and the rolling three-year correlation is now close to zero.

Fig. 4: Cumulative Net Returns of Hedge Funds by Geographic Focus, Q2 2016*



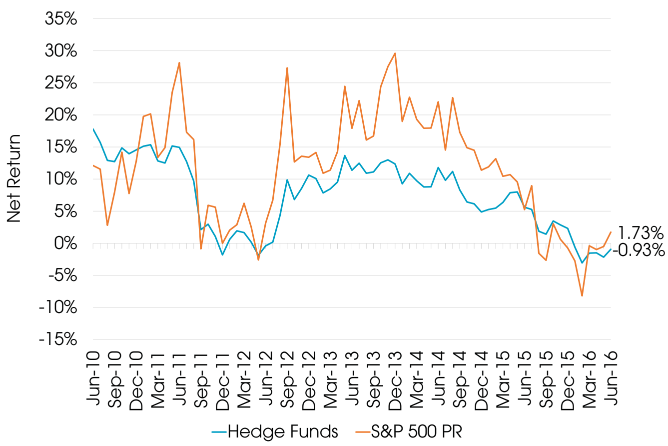
Source: Preqin Hedge Fund Online

Fig. 5: Performance of Hedge Fund Sub-Strategies in Q2 2016*



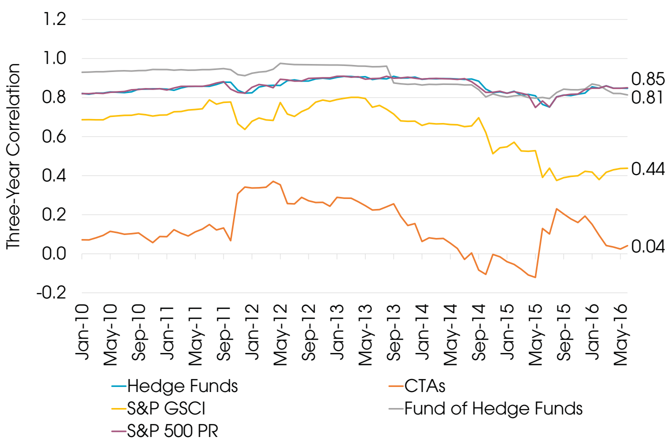
Source: Preqin Hedge Fund Online

Fig. 6: Rolling Returns of Hedge Funds Relative to S&P 500 PR, June 2010 - June 2016



Source: Preqin Hedge Fund Online

Fig. 7: Rolling Correlation of Hedge Funds to S&P 500 PR, January 2010 - June 2016



Source: Preqin Hedge Fund Online

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Performance Benchmarks: Q2 2016

Fig. 1: Summary of Preliminary June 2016 Performance Benchmarks (Net Return, %)*

Benchmark Name	Apr-16	May-16	Jun-16	Q2 2016	H1 2016	12 Months	3-Year Annualized
Hedge Funds	**1.44**	**0.59**	**0.15**	**2.15**	**1.36**	**-1.11**	**5.29**
HF - Equity Strategies	1.73	0.74	-0.02	2.43	0.55	-3.87	5.58
HF - Macro Strategies	1.02	-0.38	1.15	1.62	3.18	3.14	4.11
HF - Event Driven Strategies	2.17	1.11	-0.50	2.21	1.74	-2.21	3.90
HF - Credit Strategies	1.25	0.63	0.44	2.39	2.53	1.71	5.37
HF - Relative Value Strategies	0.47	0.73	-0.10	1.14	0.74	1.95	5.36
HF - Multi-Strategy	0.59	0.22	0.40	1.80	1.65	0.67	5.42
Activist	1.13	0.46	-1.28	0.35	-1.37	-5.12	6.07
Volatility	-0.50	0.06	0.07	0.65	2.18	3.90	6.16
Discretionary	1.71	0.70	-0.37	1.79	0.22	-2.50	5.60
Systematic	-0.13	0.32	0.91	1.26	1.62	2.64	5.86
HF - North America	1.77	1.08	-0.33	2.56	1.75	-1.86	5.94
HF - Europe	0.15	1.14	-1.47	-0.12	-2.38	-1.16	4.77
HF - Asia-Pacific	1.55	0.35	-0.53	0.71	-2.16	-4.62	7.70
HF - Developed Markets	0.95	0.74	-0.29	1.18	0.12	-0.73	5.38
HF - Emerging Markets	2.95	0.03	1.75	3.66	4.17	1.80	5.70
HF - Emerging (Less than $100mn)	1.78	0.42	0.39	2.50	1.89	-0.64	4.82
HF - Small ($100-499mn)	0.55	0.81	-0.37	1.48	0.16	-2.09	4.98
HF - Medium ($500-999mn)	1.19	0.91	-0.51	1.28	-0.70	-2.52	3.98
HF - Large ($1bn or More)	0.09	0.69	-0.02	1.43	-0.63	-2.69	6.38
Funds of Hedge Funds	**0.69**	**0.70**	**-0.46**	**0.07**	**-2.95**	**-5.00**	**3.36**
FOHF - Equity Strategies	1.22	1.09	-0.87	0.69	-3.41	-6.61	3.01
FOHF - Multi-Strategy	0.43	0.61	-0.31	-0.21	-3.00	-4.75	4.08
FOHF - Funds of CTAs	-1.51	-1.97	4.29	0.69	3.12	1.22	3.73
FOHF - USD	0.83	0.72	-0.49	0.54	-2.79	-5.55	3.52
FOHF - EUR	0.10	0.51	-0.95	-0.49	-4.00	-6.21	0.88
Alternative Mutual Funds	**1.19**	**0.44**	**0.40**	**1.53**	**1.27**	**-1.89**	**2.40**
UCITS	**0.16**	**0.52**	**-0.73**	**0.07**	**-1.73**	**-3.77**	**2.12**
UCITS - Equity Strategies	-0.10	0.72	-1.57	-0.65	-3.52	-6.26	3.02
UCITS - Relative Value Strategies	0.45	0.55	0.12	1.07	0.16	-0.07	1.56
UCITS - Macro Strategies	0.75	0.22	0.18	0.69	-0.89	-2.95	1.16
UCITS - USD	0.44	0.35	-0.53	0.32	-1.24	-4.47	1.23
UCITS - EUR	-0.07	0.72	-1.12	-0.32	-2.25	-3.80	2.28
CTAs	**0.14**	**-1.00**	**2.72**	**1.75**	**3.27**	**2.56**	**5.12**
Discretionary	1.43	2.33	2.42	4.15	3.27	3.34	2.05
Systematic	-0.38	-1.51	3.13	1.30	3.64	2.89	4.94
CTA - USD	0.10	-0.84	2.99	2.18	4.13	3.12	5.27
CTA - EUR	-1.27	-3.23	1.19	-3.78	-3.78	-1.64	3.61

Source: Preqin Hedge Fund Online

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Hedge Fund Launches in Q2 2016

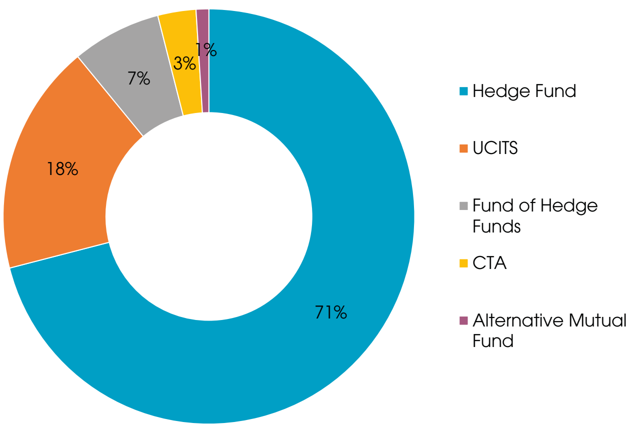
Single-manager hedge funds represented 71% of hedge fund launches in Q2 2016, a three percentage point decrease from the previous quarter (Fig. 1). Despite favourable returns in Q1 2016, CTAs represented just 3% of Q2 launches. Liquid alternatives saw an increase in launches compared to Q1 (up from 15% to 19%) with UCITS funds representing 18% of all launches in Q2, the largest quarterly proportion of UCITS launches tracked by Preqin since the implementation of the directive. UCITS-compliant funds can act as a way for non-European AIFMs to raise capital from Europe-based investors; US-based fund managers account for approximately one-fifth of UCITS launches in Q2.

North America-based funds comprised the majority (66%) of launches in the second quarter of the year (Fig. 2); however, there has been an increase in Europe-based managers launching new vehicles: Europe-based firms accounted for 28% of all launches in Q2 2016 (up from 23% in Q1). Asia-Pacific- and Rest of World-based managers each represented 3% of fund launches.

Fifty-three percent of new funds launched deployed equity strategies, up from 40% in Q1, while credit launches comprised 18%, nearly double the proportion in Q1 (10%, Fig. 3). Correspondingly, the proportion of multi-strategy vehicles launched declined significantly from 19% in Q1 to 6% in Q2, and event driven launches declined from 13% to 6% in the same period.

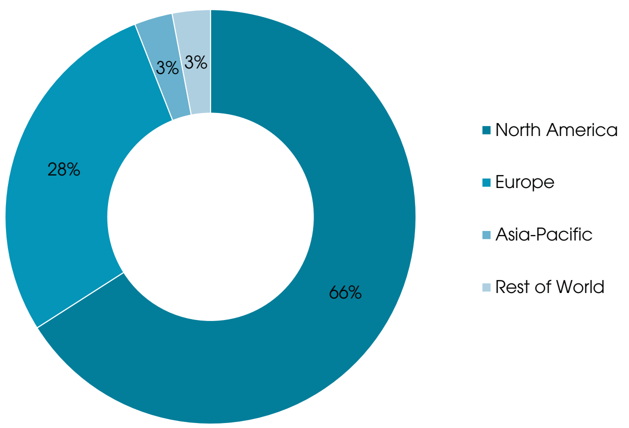
Economic uncertainty following a UK vote to leave the EU has created potential opportunities for hedge fund managers; Europe-focused funds saw the largest proportional increase in their share of overall fund launches, increasing from 1% in Q1 to 16% in Q2 (Fig. 4). A greater proportion (21%) of newly launched hedge funds are focused on North American markets, while global-focused strategies' share decreased substantially from 81% to just 49% in Q2 2016.

Fig. 1: Hedge Fund Launches in Q2 2016 by Structure



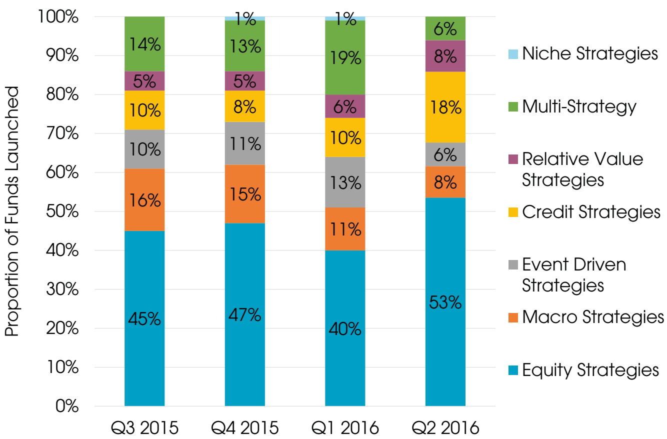
Source: Preqin Hedge Fund Online

Fig. 2: Hedge Fund Launches in Q2 2016 by Manager Location



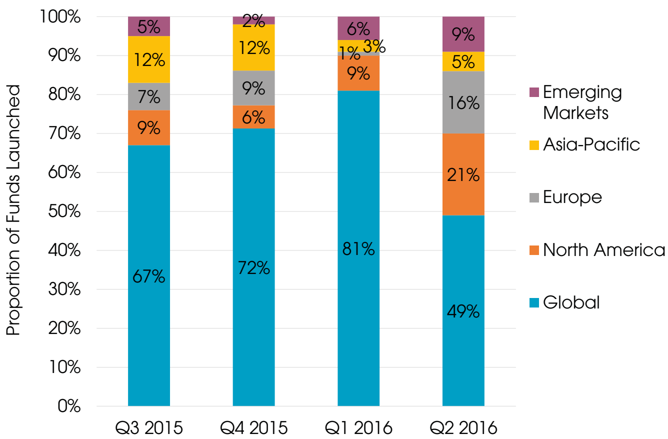
Source: Preqin Hedge Fund Online

Fig. 3: Hedge Fund Launches by Core Strategy, Q3 2015 - Q2 2016



Source: Preqin Hedge Fund Online

Fig. 4: Hedge Fund Launches by Geographic Focus, Q3 2015 - Q2 2016



Source: Preqin Hedge Fund Online

Largest Hedge Fund and Fund of Hedge Funds Mangers

Fig. 1: Top Hedge Fund Managers by Assets under Management

Manager	Location	Year Established	Assets under Management
Bridgewater Associates	US	1975	$147.4bn as at 31 March 2016
AQR Capital Management	US	1998	$84.1bn as at 31 March 2016
Man Group	UK	1983	$53.1bn as at 31 March 2016
Och-Ziff Capital Management	US	1994	$42.0bn as at 1 April 2016
Standard Life Investments	UK	2006	$37.7bn as at 31 March 2016
Two Sigma Investments	US	2001	$35.0bn as at 31 March 2016
Winton Capital Management Ltd.	UK	1997	$34.5bn as at 31 March 2016
Millennium Management	US	1989	$33.0bn as at 1 March 2016
Renaissance Technologies	US	1982	$32.3bn as at 31 March 2016
BlackRock Alternative Investors	US	1997	$30.2bn as at 31 March 2016
Viking Global Investors	US	1999	$29.0bn as at 29 February 2016
Adage Capital Management	US	2001	$27.5bn as at 31 December 2015
Elliott Management	US	1977	$27.0bn as at 31 December 2015
Baupost Group	US	1982	$26.9bn as at 31 December 2015
D.E. Shaw & Co.	US	1988	$26.0bn as at 31 March 2016
Marshall Wace	UK	1997	$26.0bn as at 31 May 2016
Davidson Kempner Capital Management	US	1990	$25.4bn as at 31 March 2016
Citadel Advisors	US	1990	$24.0bn as at 31 March 2016
Brevan Howard Capital Management	Jersey	2002	$22.1bn as at 31 March 2016
GAM	UK	1983	$22.0bn as at 30 June 2015
York Capital Management	US	1991	$22.0bn as at 31 December 2015

Source: Preqin Hedge Fund Online

Fig. 2: Top Fund of Hedge Funds Managers by Assets under Management

Manager	Location	Year Established	Assets under Management
Blackstone Alternative Asset Management	US	1990	$68.0bn as at 31 March 2016
UBS Hedge Fund Solutions	US	2000	$34.2bn as at 31 March 2016
Goldman Sachs Asset Management	US	1997	$28.9bn as at 31 December 2015
HSBC Alternative Investments	UK	1994	$27.8bn as at 31 December 2015
Grosvenor Capital Management	US	1971	$25.1bn as at 31 March 2016
Morgan Stanley Alternative Investment Partners	US	2000	$21.7bn as at 31 March 2016
BlackRock Alternative Advisors	US	1995	$20.7bn as at 31 March 2016
Permal Group*	US	1973	$18.4bn as at 31 March 2016
J.P. Morgan Alternative Asset Management	US	1995	$12.8bn as at 31 March 2016
Man FRM	UK	1991	$12.1bn as at 31 March 2016
SkyBridge Capital	US	2005	$12.0bn as at 31 March 2016
EnTrust Capital*	US	1971	$11.4bn as at 31 March 2016
Mesirow Advanced Strategies	US	1983	$11.2bn as at 31 March 2016
KKR Prisma	US	2004	$10.9bn as at 31 March 2016
Rock Creek Group	US	2001	$10.9bn as at 31 March 2016
Credit Suisse Alternative Funds Solutions	US	1998	$10.8bn as at 31 March 2016
Pictet Alternative Advisors SA	Switzerland	1991	$10.6bn as at 31 March 2016
Aetos Capital	US	2001	$10.2bn as at 31 March 2016
K2 Advisors	US	1994	$10.2bn as at 31 March 2016
Aberdeen Asset Management: Funds of Hedge Funds	UK	1998	$10.1bn as at 31 March 2016

Source: Preqin Hedge Fund Online

**EnTrust Capital and Permal Group completed merger 2 May 2016. As at 31 May 2016 the two entities were separate.*

Fund Searches Initiated in Q2 2016

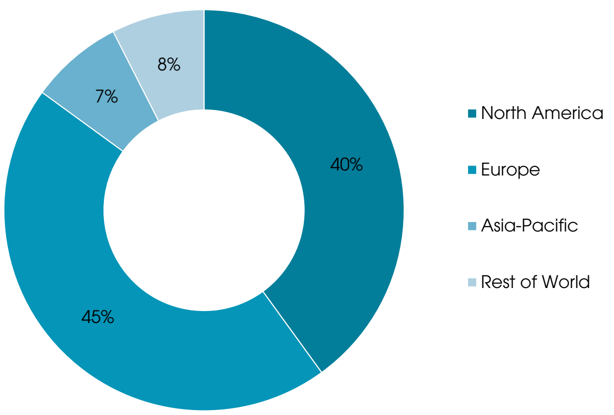
The second quarter of 2016 saw 120 new fund searches added to Preqin's **Hedge Fund Online**. Geographically, the proportion of fund searches has remained similar to results seen in Q1 2016, although there was slight growth in the proportion of fund searches issued by hedge fund investors outside North America, Europe and Asia-Pacific, increasing from 5% of fund searches in Q1 2016 to 8% in Q2 2016 (Fig. 1). Hedge fund investors in the more developed markets of North America and Europe continue to represent the vast majority (85%) of fund searches issued during the quarter.

Long/short equity strategies funds continue to be the most sought-after strategy among hedge fund investors: 56% of searches issued in Q2 target long/short equity, up from 48% in Q1 2016 (Fig. 2). This follows the results seen in Preqin's **2016 Global Hedge Fund Report**, when 79% of surveyed investors planned to either increase or maintain their exposure to equity strategies in 2016. Macro is included in almost a third (31%) of searches, while long/short credit and managed futures/CTA strategies experienced the largest growth in appetite, increasing by 11 and 12 percentage points respectively from Q1 to Q2 2016. The growing appetite for managed futures/CTA strategies may reflect an investor community that forecasts increasing volatility in public markets from macroeconomic events over the coming months.

Eighty-four percent of investors are seeking commingled single-manager hedge funds over the next 12 months, while only 12% of mandates include commingled funds of hedge funds (Fig. 3). Searches for UCITS vehicles, the second most preferred structure, have increased from 16% in Q1 2016 to 22% in Q2. The proportion of investors targeting single-fund managed accounts has remained relatively stable at 13% of all fund searches.

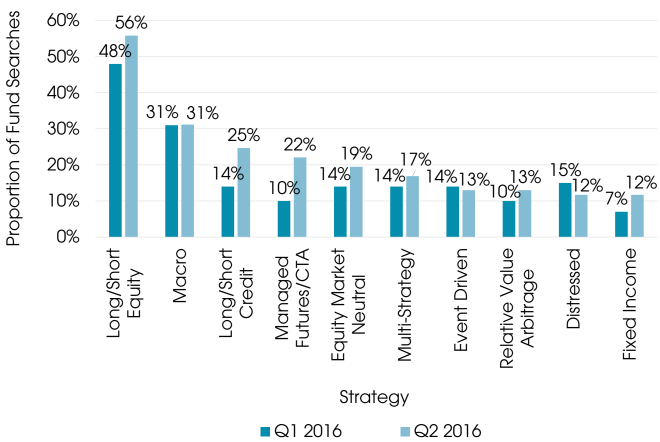
Fund of hedge funds managers issued the largest proportion (18%) of fund searches in Q2 2016 (Fig. 4). Wealth managers and private sector pension funds are also searching for hedge funds in significant numbers, accounting for 17% and 12% of all hedge fund searches in Q2 2016 respectively.

Fig. 1: Hedge Fund Searches Issued in Q2 2016 by Investor Location



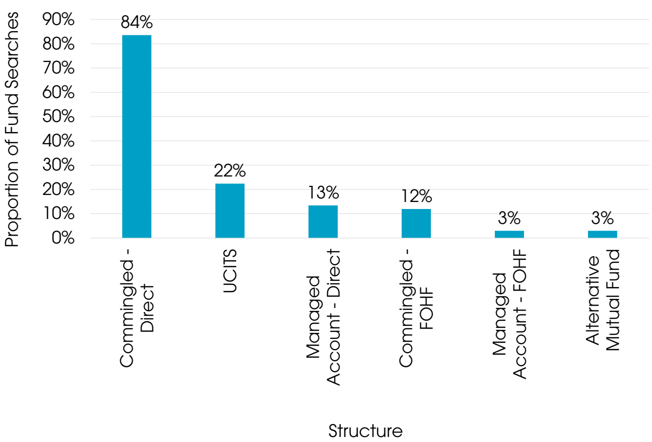
Source: Preqin Hedge Fund Online

Fig. 2: Hedge Fund Strategies Sought by Investors over the Next 12 Months, Searches Issued in Q1 2016 vs. Q2 2016



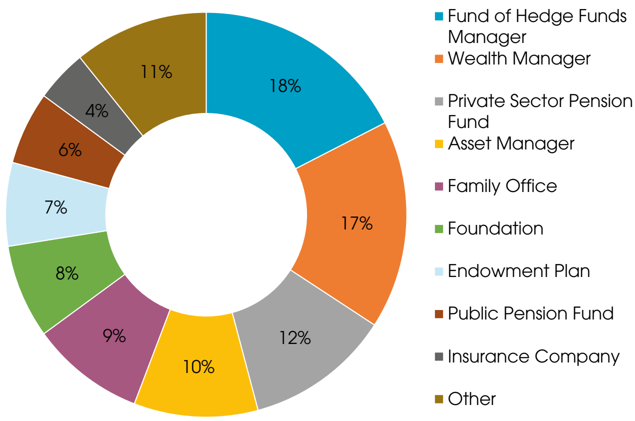
Source: Preqin Hedge Fund Online

Fig. 3: Hedge Fund Structures Sought by Investors over the Next 12 Months, Searches Issued in Q2 2016



Source: Preqin Hedge Fund Online

Fig. 4: Proportion of Hedge Fund Searches Initiated by Investor Type, Q2 2016



Source: Preqin Hedge Fund Online

Conferences

Conference Name	Date	Location	Conference Organiser	Preqin Speaker	Discount Code
Alternative Investment Consultants Summit	21 July 2016	Old Greenwich, CT	Investment Management Institute	–	–
Alpha Hedge West	8 - 9 September 2016	San Francisco, CA	IMN	–	10% Discount - PQ10
Australian Investors Summit	12 - 13 September 2016	Melbourne	marcus evans Summits	–	–
FundForum Africa	14 - 16 September 2016	London	Informa	–	15% Discount - FKP2429PNWB
Hedge Fund Emerging & Startup Manager Forum	14 September 2016	Hong Kong	Informa	–	–
CTA Expo Chicago	15 September 2016	Chicago, IL	CTA Expo	Amy Bensted	–
Cap Intro: L/S Equity | Event Driven Investing	19 September 2016	New York	Catalyst Financial Partners	–	–
Ai CEO Institutional Investment Summit 2016	19 September 2016	New York	Africa investor	–	–
DACH Elite Summit	25 - 27 September 2016	Frankfurt	marcus evans Summits	–	–
Global Investors Summit	3 - 5 October 2016	Montreux	marcus evans Summits	–	–
Cap Intro: Credit | Fixed Income Alternative Investing	17 October 2016	New York	Catalyst Financial Partners	–	–
European CLO Summit	17 - 18 October 2016	Monaco	Opal Finance Group	–	–
PWM Greater China Summit 2016	17 - 19 October 2016	Macao	marcus evans Summits	–	–
Private Wealth Management APAC Summit	17 - 19 October 2016	Macao	marcus evans Summits	–	–
MFA Outlook	20 - 21 October 2016	New York	MFA	–	–
International Wealth Management Forum Fall 2016	20 - 21 October 2016	Miami, FL	International Forum Group	–	–
FundForum NextGen Distribution	25 - 27 October 2016	Boston, MA	Informa	–	–
Family Office & Private Wealth Management Forum West	26 - 28 October 2016	Napa, CA	Opal Finance Group	–	–
Distressed Energy & Real Estate: Investments & Workouts	27 - 28 October 2016	Houston, TX	IMN	–	10% Discount - PQ10
Borrower & Investor Forum on Real Estate Mezzanine Financing & Subordinated Debt	1 November 2016	New York	IMN	–	10% Discount - PQ10
Elite Summit	7 - 9 November 2016	Montreux	marcus evans Summits	–	–
Quant World Canada 2016	10 November 2016	Toronto	Terrapinn	–	–
Cap Intro: Emerging Markets | Commodities Alternative Investing	14 November 2016	New York	Catalyst Financial Partners	–	–
Endowment & Foundation Forum	14 - 15 November 2016	Boston, MA	Opal Finance Group	–	–

22nd Annual Alpha Hedge West

Date: 8 - 9 September 2016

Information: http://www.imn.org/alphawest16

Location: San Francisco, CA

Organizer: Information Management Network (IMN)

Covering the challenges and opportunities for an industry in transition, the conference will serve as a necessary meeting place for leading hedge fund managers, asset allocators, regulatory bodies, and more to explore new allocation strategies and look towards the future of hedge fund investing.

Hedge Fund Emerging & Startup Manager Forum

Date: 14 September 2016

Information: http://www.iiribcfinance.com/FKW53355PQL

Location: Hong Kong

Organizer: IIR Events

The leading event for the next generation of Hedge Fund managers returns to Hong Kong this September. Put together by experienced professionals in the industry, the forum will provide those looking to start and grow a Hedge Fund with an in depth guide to setting up a fund, gaining investment and successfully run an institutional business.

FundForum Africa

Date: 14 - 16 September 2016

Information: http://www.fundforumafrica.com/FKP2429PNWB

Location: Hilton London Canary Wharf

Organizer: FundForum

Exchange ideas & take part in candid discussion with a c-level audience at FundForum Africa; the boutique meeting place for thought-leaders from the African investment management community.

CTA Expo Chicago

Date: 15 September 2016

Information: www.CTAExpo.com

Location: The Conference Center
One North Wacker Dr, 2nd Floor
Chicago, IL 60606

Organizer: CTA Expo LLC

CTA Expo Chicago is a unique forum for money raisers and asset allocators to meet and discover Commodity Trading Advisors and promote managed futures investing. From dedicated presentations to opportunities for networking, CTA Expo provides a forum for allocators and CTAs to do business.

Cap Intro: L/S Equity | Event Driven Investing

Date: 19 September 2016

Information: http://catalystforum.com/events/ls-equity-event-driven-investing/

Location: New York City

Organizer: Catalyst Financial Partners

Catalyst Cap Intro Events are exclusive, sector focused, investor driven events that host hand-picked investors and investment managers that intend to become investment partners.

This Catalyst Cap Intro Event focuses only on the L/S Equity | Event Driven investing sectors.

Introductions are accomplished through private meetings which are arranged prior the events, where investors request meetings based on the merits of each investment manager.

Investors are pre-screened and pre-qualified prior the events and constitute mainly single and multi-family offices, HNWs, endowment and foundations, and their advisors, located in the Eastern US, but also internationally.

Cap Intro: Credit | Fixed Income Alternative Investing

Date: 17 October 2016

Information: http://catalystforum.com/node/367

Location: New York City

Organizer: Catalyst Financial Partners

Catalyst Cap Intro Events are exclusive, sector focused, investor driven events that host hand-picked investors and investment managers that intend to become investment partners.

This Catalyst Cap Intro Event focuses only on the Credit | Fixed Income alternative investing space.

Introductions are accomplished through private meetings which are arranged prior the events, where investors request meetings based on the merits of each investment manager.

Investors are pre-screened and pre-qualified prior the events and constitute mainly single and multi-family offices, HNWs, endowment and foundations, and their advisors, located in the Eastern US, but also internationally.

FundForum NextGen Distribution

Date: 25 - 27 October 2016

Information: https://finance.knect365.com/fund-forum-us

Location: Mandarin Oriental, Boston, MA

Organizer: FundForum

Next Generation Fund Distribution is a new 2 day meeting taking a whole organization approach to analyzing the biggest challenges facing the fund distribution value chain in America…new regulations, new technologies and the investor shift from active to passive.

The conference aims to take an interactive and collaborative approach with industry thought leaders in determining how the industry will organize to successfully respond to these disruptors and deliver positive outcomes for both clients and business.

The Q2 2016 Preqin Quarterly Update: Hedge Funds

preqin

alternative assets. intelligent data.

Preqin Hedge Fund Online

With global coverage and detailed information on all aspects of the hedge fund asset class, Preqin's industry-leading **Hedge Fund Online** service keeps you up-to-date on all the latest developments across the hedge fund universe.

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View in-depth profiles for hedge funds seeking capital, including information on investment strategy, geographic focus, structure, service providers used, sample investors, direct contact information and more.

Find active fund managers of hedge funds

Search for firms operating hedge funds. View information on key contacts, assets under management, performance history, key investment preferences, known investors and more.

Benchmark performance

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