Q3/16 Best Hedge Fund Performance since 2013

Stockholm (HedgeNordic) – September marked gains of 0.91% in the Preqin All-Strategies Hedge Fund Benchmark, delivering the 7th successive month of positive performance. The Benchmark also showed returns of 4.06% for Q3 2016 (which may be compared to the eVestment September hedge fund industry report showing a 2.91% increase in Q3 2016). Preqin reported the Q3 performance as an improvement over the 2.13% and -0.81 returns for Q2 and Q1 respectively, marking the best quarterly performance since Q1 2013, when the industry returned 4.10%. Despite suffering losses at the beginning of the year, hedge funds have posted total gains of 5.41% YTD in 2016.

"Hedge funds have delivered consistent positive returns over the past seven months, marking the Preqin All-Strategies Hedge Fund benchmark's longest successive run of monthly gains since 2012-2013," says Amy Bensted, head of of hedge fund products at Preqin. "In the current environment, in which an unprecedented proportion (79%) of investors stated to Preqin in June that they were dissatisfied with their performance of their hedge fund portfolios over the past 12 months, fund managers and investors alike will welcome this run of solid returns," she says. All leading hedge fund strategies posted gains through Q3.

Equity strategies posted the highest returns for Q3, at +5.18%, with macro strategies representing the lowest quarterly gains at +1.94%. Event driven strategies returned 4.59% taking their YTD performance to 7.90%, the highest of any strategy. By contrast, the lowest YTD of any strategy was posted by relative value strategy funds, at 3.11%. Credit and macro strategies were the only ones to have posted gains in all three quarters through 2016, returning 5.85% and 5.27% YTD respectively.

The highest returns of any region in Q3 were posted by North America-focused hedge funds, at +5.14%. Emerging markets-focused funds have the best performance of any region YTD, at 8.87%. Europe-focused funds trail all other regions at a paltry 1.32%.

Activist funds generated returns of 5.49% in Q3, taking their YTD performance to 5.95%, whereas volatility-trading funds posted gains of 2.18% in Q3 and added 6.74% in 2016 so far. CTA's, however, posted overall losses of 1.82% in Q3 with YTD returns falling to 0.97%, thereby failing to maintain the momentum they generated in the first half of 2016.

Discretionary funds experienced returns of 4.52% in Q3, taking YTD performance to 4.85% despite Q1 losses of -1.58%. By contrast, systematic funds posted much smaller gains of 1.65% through Q3, their performance through the year so far standing at 3.81%.

Emerging hedge funds saw the greatest returns of any size classification in Q3, generating 4.27%, while large hedge funds secured the smallest gains, at 2.94%. Emerging hedge funds have posted returns of 6.04% so far in 2016, by comparison with 2.27% for large established funds.

"Within the universe of 22,810 funds open to investment, it has been the smallest finds – those with less than USD 100 million in assets – that have had the most success in terms of performance in 2016. With a large proportion of inflows over the last few years going to the largest managers in the hedge fund industry, we may see investors look towards the smaller end of the spectrum in their search for hedge fund returns going forward," explains Ms Bensted.