

## Hedge Funds Post Net Inflows in May as Positive U.S. Economic Signs Offset Growth Worries Elsewhere, Brexit Concerns

Hedge funds reversed the redemption trend in May with \$800 million in industry inflows, a turnaround from April's \$9.4 billion in redemptions. May's inflows represented a negligible percentage of hedge fund industry assets. With hedge funds experiencing \$33.6 billion in trading losses during the month, total industry assets declined to nearly \$3.07\* trillion at the end of May.

A solid March U.S. jobs report coupled with strong consumer spending and hopeful signs in the U.S.-China trade dispute that drove stock market gains in April also contributed to May's hedge fund inflows. But the stock and bond markets stumbled in May as rhetoric turned hotter in the U.S.-China trade war, contributing to industry trading losses.

Positive signs in the U.S. economy fueled nearly \$10.6 billion in inflows to hedge funds in the U.S. and its offshore islands. Elsewhere, Brexit uncertainty continued to take a toll on funds in the U.K. and Europe. Funds in Continental Europe experienced more than \$7.5 billion in redemptions in May, while those in the U.K. and its offshore islands saw more than \$5.8 billion in outflows.

Managed futures redemptions picked up in May to \$3.8 billion, up from \$400 million in April outflows as some investors opted for equity market gains over risk diversification.

### HEDGE FUND AND CTA FLOWS (\$BIL) — MAY 2019

Category	May 2019 Flow	May Trading P/L	May 2019 Flow %	YTD 2019 Flow	YTD Trading P/L	YTD 2019 Flow %	Last 12 Months Flow	Last 12 Months Trading P/L	Last 12 Months Flow %	Total Assets May 2019 \$ U.S. Billion
Balanced (Stocks & Bonds)	2.0	-4.2	0.6%	-3.7	17.8	-1.5%	-27.8	9.5	-11.3%	319.0
Convertible Arbitrage	0.2	0.0	1.2%	0.4	0.9	2.3%	-0.2	1.0	-1.0%	19.6
Distressed Securities	0.1	-0.3	0.1%	-6.2	0.6	-9.0%	-9.3	-0.6	-12.6%	55.0
EM - Global	-0.1	-1.2	-0.1%	-4.1	3.9	-3.4%	-12.4	-2.8	-9.0%	121.4
EM - Eastern Europe	-0.1	-0.1	-0.9%	-0.4	1.3	-2.9%	-1.0	0.2	-6.1%	15.0
EM - Asia	-0.8	-4.2	-0.6%	1.2	6.5	1.2%	-1.2	-7.2	-1.1%	113.8
EM - Latin America	0.2	0.2	2.1%	0.7	0.9	6.4%	-2.1	0.6	-14.1%	11.6
Equity Long Bias	0.9	-9.1	0.3%	-18.8	20.6	-5.8%	-25.8	5.9	-8.0%	325.5
Equity Long-Only	-1.1	-7.6	-0.8%	-7.9	11.0	-5.7%	-8.7	-4.3	-5.3%	138.9
Equity Long/Short	-2.5	-0.3	-1.2%	-18.6	3.8	-8.7%	-31.1	-3.6	-13.9%	205.8
Equity Market Neutral	-1.0	0.9	-1.2%	-3.7	-1.3	-4.1%	-5.7	-2.8	-6.0%	88.4
Event Driven	4.6	-1.6	3.2%	7.9	6.5	5.7%	9.9	2.8	6.9%	159.3
Fixed Income	0.9	1.4	0.1%	-2.8	17.8	-0.5%	-28.1	15.3	-4.9%	631.3
Macro	-1.5	0.4	-0.8%	31.4	8.3	16.9%	15.6	-3.5	7.6%	195.8
Merger Arbitrage	-0.1	-0.3	-0.1%	0.8	0.9	1.3%	0.9	2.1	1.4%	69.4
Multi-Strategy	1.8	-0.6	0.6%	2.4	7.9	0.8%	-8.1	2.4	-2.6%	318.4
Options Strategies	-1.2	0.1	-2.6%	-5.2	0.1	-10.5%	-7.2	-0.8	-14.3%	44.5
Other	-1.2	-0.6	-2.0%	-2.5	1.6	-4.2%	-4.8	-0.4	-7.9%	55.7
Sector Specific	-0.1	-6.1	-0.0%	-1.9	14.8	-1.3%	-3.6	1.1	-2.2%	170.4
Hedge Fund Industry*	0.8	-33.6	0.0%	-31.5	124.3	-1.1%	-151.0	14.8	-5.0%	3069.8
Funds of Funds	0.7	-2.1	0.3%	-9.6	10.0	-3.6%	-19.4	-0.9	-7.4%	252.3
UCITS Funds	-9.1	-14.0	-1.0%	-38.0	31.4	-4.8%	-79.4	-9.6	-9.0%	849.9
40 Act Funds	6.1	-4.3	0.7%	-24.0	38.3	-3.0%	-52.2	19.3	-6.8%	887.6
Managed Futures Industry	-3.8	-4.6	-1.2%	-10.0	2.4	-2.8%	-17.7	5.6	-4.8%	320.7
Discretionary CTAs	0.0	-0.1	0.1%	0.2	0.6	0.4%	5.4	1.0	14.0%	11.2
Systematic CTAs	-3.8	-4.6	-1.2%	-10.1	1.7	-3.3%	-21.8	4.5	-6.9%	302.3
Hybrid CTAs	-0.1	0.1	-1.1%	-0.1	0.2	-0.6%	-1.2	0.1	-13.4%	7.2
Multi Advisor Futures Funds	0.3	-0.2	3.7%	0.0	0.0	0.2%	-1.4	-0.3	-13.6%	8.5

\*Assets under management (AUM) are calculated independently of flows and reflect new funds added to the database in May 2019. Hedge fund AUMs and flows as presented in this report do not include managed futures (CTA) AUMs and flows.

# THE BARCLAY FUND FLOW INDICATOR

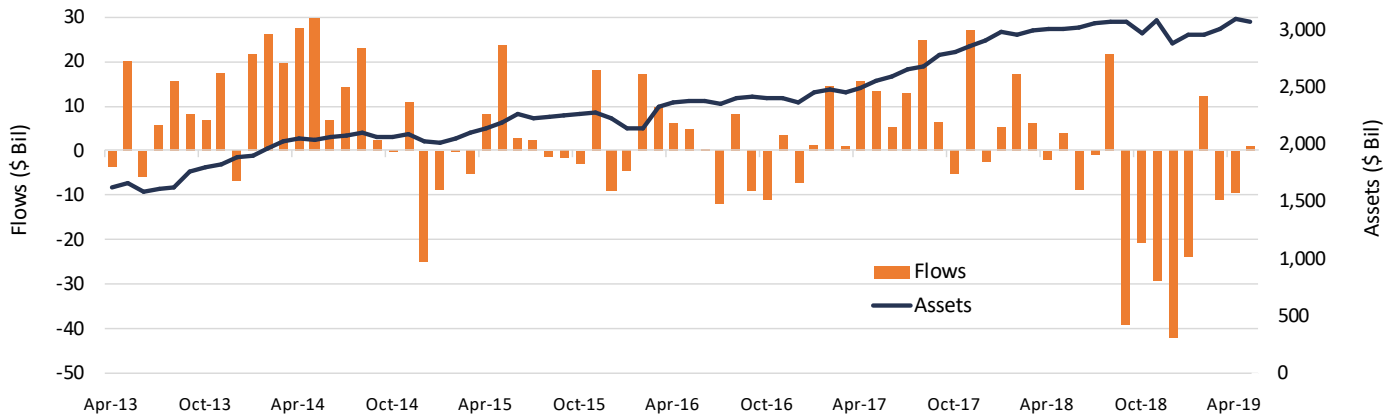
## Around the Globe, A Mixed Picture in May

Hedge fund flows were mixed among the world's regions in May. While U.S. inflows tipped the balance to the positive worldwide, other regions contributed. Among them were Canada with \$441.3 million in inflows, Latin America, where hedge funds brought in \$150.1 million, and Japan, with hedge funds taking in nearly \$16.6 million in May.

In similar fashion, funds in Europe and the U.K weren't alone in experiencing net redemptions in May. Hedge funds in Asia, excluding China and Japan, experienced \$321.1 million in May outflows while hedge funds in China and Hong Kong saw \$146.9 million in redemptions in May.

For the 12 months ending May 31, the hedge fund industry saw \$151.0 billion in redemptions, 5.0% of industry assets.

### HEDGE FUND ASSETS AND FLOWS



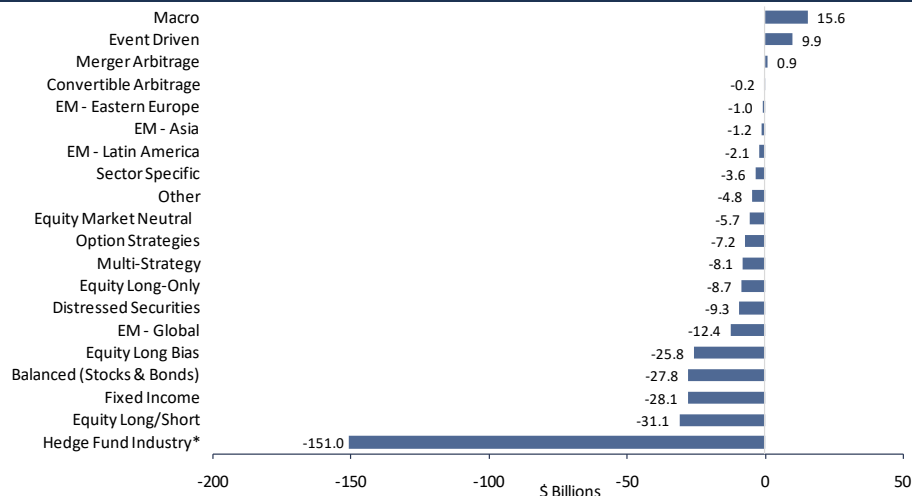
## Volatility Fuels 12-month Outflows for Many Sectors Though a Handful See Gains Over the Period

Redemptions remained the norm for most hedge fund sectors over the 12-month period ending May 31, though three sectors did manage to post net inflows for the period. Macro funds experienced \$15.6 billion in inflows, 7.6% of assets, over the 12 months, while Event Driven funds took in \$9.9 billion, 6.9% of assets, and Merger Arbitrage funds added nearly \$902 million, 1.4% of assets.

Bond and equity market volatility over much of the 12-month period continued to be reflected in the redemption trends of several sectors. Equity Long/Short funds experienced \$31.1 billion in outflows, 13.9% of assets, Fixed Income funds saw \$28.1 billion in redemptions, 4.9% of assets, Balanced (Stocks & Bonds) funds saw \$27.8 billion in outflows, 11.3% of assets, and Equity Long Bias funds saw 12-month redemptions totaling \$25.8 billion, 8.0% of assets.

Other sectors reporting sizable 12-month outflows included Emerging Markets – Global funds with \$12.4 billion in redemptions, 9.0% of assets, Distressed Securities funds with \$9.3 billion in outflows, 12.6% of assets, and Equity Long-Only funds with \$8.7 billion in outflows, 5.3% of assets.

### TRAILING 1-YEAR HEDGE FUND FLOWS (ENDING MAY 31, 2019 - \$BIL)



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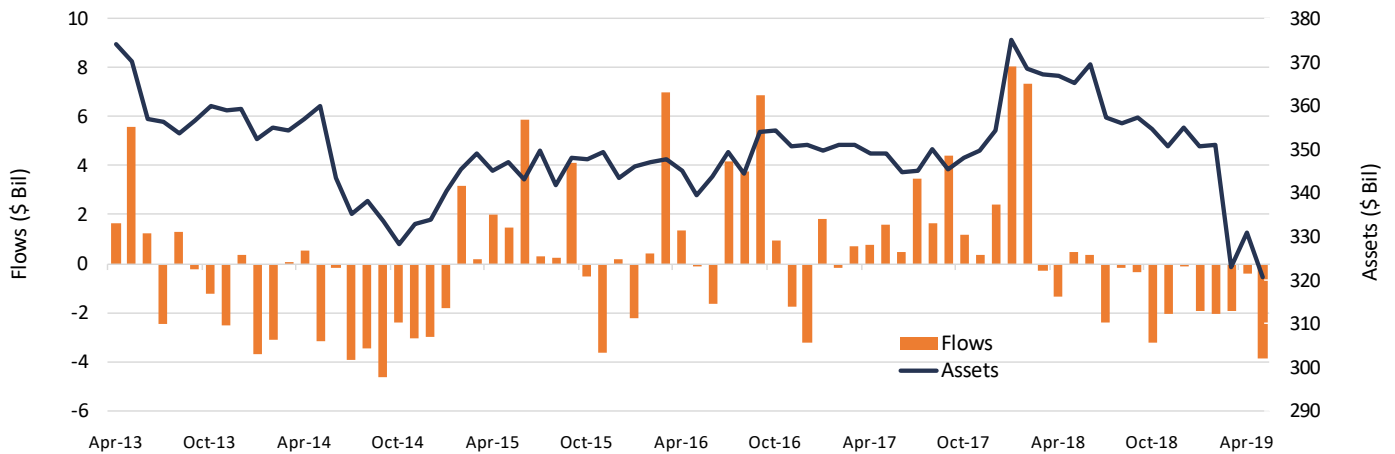
# THE BARCLAY FUND FLOW INDICATOR

## May Redemptions Extend CTA Funds' Monthly Redemption Trend to 11 Straight Months

CTA funds' run of consecutive redemption months reached 11 in May with \$3.8 billion in net industry outflows, 1.2% of assets. With a \$4.6 billion trading loss for the month, total industry assets stood at \$320.7 billion as May came to a close.

For the 12-month period ending May 31, managed futures funds experienced \$17.7 billion in redemptions, 4.8% of assets.

### CTAs ASSETS AND FLOWS

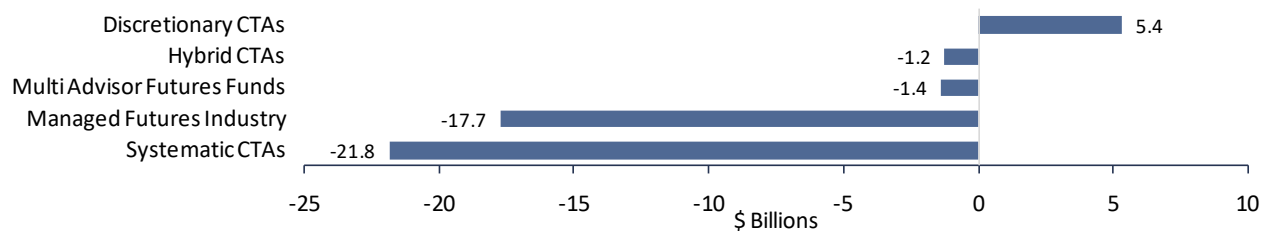


## Discretionary CTAs Remain the Lone Managed Futures Sector Posting 12-month Inflows

CTA funds' 2018 performance continued to weigh on most sectors for the 12-month period ending May 31. Discretionary CTAs continued to be the only managed futures sector showing 12-month inflows in May, taking in \$5.4 billion, 14.0% of assets, for the year-to-date.

Systematic CTAs experienced \$21.8 billion in redemptions, 6.9% of assets, for the 12-month period, while Multi-Advisor Futures Funds saw \$1.4 billion in outflows, 13.6% of assets, and Hybrid CTAs saw \$1.2 billion in redemptions, 13.4% of assets.

### TRAILING 1-YEAR CTA FLOWS (ENDING MAY 31, 2019 - \$BIL)



# THE BARCLAY FUND FLOW INDICATOR

## U.S. Funds Tip the Inflow Balance in May on Strong Economic News

Bolstered by strong economic news including first quarter economic growth that exceeded expectations, investors added nearly \$10.6 billion, 0.7% of assets, to hedge funds in the U.S. and its offshore islands in May. Funds elsewhere in the Americas also experienced a positive month, with hedge funds in Canada adding more than \$441.2 million, 0.7% of assets, during the month and Latin American funds taking in \$150.1 million, 1.3% of assets. Hedge funds in Japan experienced net inflows for the month as well, taking in nearly \$16.6 million, 1.1% of assets.

Brexit uncertainty continued to plague funds in Continental Europe and the U.K., with the European Central Bank's announcement in March that it was cutting its 2019 growth forecast added further fuel to redemptions from European funds. Funds in Continental Europe saw \$7.5 billion in May outflows, 1.1% of assets, while those in the U.K. and its offshore islands experienced more than \$5.8 billion in redemptions, 1.0% of assets.

Redemptions in Asia, excluding China and Japan, stood at \$321.1 billion in May, 0.8% of assets. China's lowering of its economic growth goal in March contributed to nearly \$146.9 million in hedge fund redemptions, 0.2% of assets, in China and Hong Kong in May.

### FLOWS INTO HEDGE FUNDS BY REGION (% OF ASSETS)

	May 2019	YTD	Past 12 Mths
U.S. and Offshore Islands	0.7%	1.1%	-2.1%
Asia Ex. China/Japan	-0.8%	-15.1%	-17.9%
Canada	0.7%	-3.9%	-5.6%
China/Hong Kong	-0.2%	5.0%	-0.1%
Continental Europe	-1.1%	-4.1%	-8.7%
Japan	1.1%	-5.7%	-19.5%
Latin America	1.3%	11.5%	-30.1%
U.K. and Offshore Islands	-1.0%	-5.9%	-10.9%

## Redemptions the Norm Around the World in May

Managed futures in every region of the world experienced net redemptions in May, with the U.S. and its offshore islands leading the way with nearly \$2.4 billion in redemptions, 1.2% of assets. CTAs in the U.K. and its offshore islands saw nearly \$1.1 billion in outflows, 1.3% of assets, while managed futures funds in Continental Europe shed nearly \$260.4 million, 0.71% of assets.

May redemptions from CTAs in Asia excluding China and Japan totaled \$119.4 million, 1.5% of assets, CTAs in Japan experienced outflows of nearly \$23.3 million, 5.4% of assets, and CTA funds in China and Hong Kong saw nearly \$10.2 million in May redemptions, 2.2% of assets.

### FLOWS INTO CTAS BY REGION (% OF ASSETS)

	May 2019	YTD	Past 12 Mths
U.S. and Offshore Islands	-1.2%	-4.0%	-7.4%
Asia Ex. China/Japan	-1.5%	-4.3%	-5.4%
China/Hong Kong	-2.2%	-9.2%	-20.8%
Continental Europe	-0.7%	-3.0%	-8.5%
Japan	-5.4%	-14.7%	-5.8%
U.K. and Offshore Islands	-1.3%	-0.5%	0.6%

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