Press Release – For Immediate Release

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Hedge Fund Performance Takes Off in Q2 2020

Quarterly returns hit their highest level since 2009, but fund launches remain timid

Hedge fund performance bounced back in the second quarter of the year. Following losses of 10.63% in Q1, the industry posted its highest gains since 2009, returning 11.48% on average. This means that hedge funds have broken even for H1 2020, with YTD returns hitting -0.37% as of the end of June. Launch activity has declined, however, and just 59 new funds were incepted in Q2, compared to 182 in the first quarter. While equity and credit strategies still accounted for the largest proportions of these, there was a significant uptick in the proportion of funds launched pursuing event driven and niche strategies, reflecting investors' appetite for approaches that have proven more resilient during recent turmoil. But overall investor sentiment remained cautious: 67% of active mandates in Q2 were for targeting total commitments of less than $50mn, and none were issued for investments of $300mn or more in size, down from 9% in Q1 2020.

For more information and analysis, see the full *Private Quarterly Update: Hedge Funds Q2 2020* here:
https://www.preqin.com/insights/research/quarterly-updates/preqin-quarterly-update-hedge-funds-q2-2020

Christopher Beales, Hedge Fund Spokesperson:

"*Hedge funds were buoyed by a general market bounceback in Q2, and were able to wipe out losses incurred in Q1. But this recovery is not equally distributed across the industry, and many hedge funds are struggling to make gains. There is an opportunity for funds to capitalize on investors' shift in sentiment if they can demonstrate their defensive capabilities, but it will still be an uphill battle. Overall sentiment remains low, and new funds in particular face a challenge in convincing investors to take a chance on them. Moreover, we are far from the end of market turbulence, and in the face of the ongoing pandemic we're likely to see further significant market swings in the second half of the year.*"

Key Q2 2020 Hedge Funds Facts:

- **Hedge funds returned 11.48% in Q2 2020**, bringing 2020 YTD performance to -0.37% as of the end of June. In Q1 2020, hedge funds recorded losses of 10.63%.
- The quarter saw **just 59 funds launched**, a decrease from Q1 2020 when 182 were incepted.
- Equity and credit strategies accounted for the largest proportions of these, at 28% and 18% respectively. This compares to 32% and 13% that they accounted for in Q1.
- **Event driven and niche strategies saw a significant uptick in prominence**. Event driven funds accounted for 15% of launches, up from 5% in Q1, while niche strategies grew from 7% to 13% in the same period.
- Similarly, APAC-focused funds accounted for 14% of launches in Q2, on par with North America-focused funds. This is up from just 5% they accounted for in Q1.
- **Two-thirds of active mandates from investors were for total commitments of less than $50mn**, equal with the proportion recorded in Q1 2020. There were zero mandates issued for investments of $300mn or more in size, down from 9% in Q1 2020.
- The most sought-after strategy was still long/short equity, appearing in 64% of mandates. Other core strategies (macro and event driven) were sought by between 41% and 27% of investors, indicating a broad spectrum of searches. There were **no active mandates for funds of hedge funds**.

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