

# HEDGE FUND ASSET FLOWS

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Monthly Summary Report

April 2014

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# New Allocations Push Hedge Fund Assets to Record Level, Highest since 2008



*Allocations to equity and multi-strategy funds finally lift industry AUM past its pre-crisis peak*

## Estimated Assets & Investor Flows through April 2014

<i>Data in USD Billion</i>	APR	YTD 2014	FY 2013	Est. AUM
All Hedge Funds	\$17.91	\$69.38	\$61.66	\$2,938.19
Equity Strategies	\$6.36	\$48.34	\$15.50	\$948.56
Fixed Income/Credit	\$1.17	\$8.87	\$68.71	\$952.82
Commodities	(\$0.84)	(\$1.85)	(\$1.41)	\$74.83
Multi-Asset	\$10.73	\$14.34	(\$21.10)	\$1,013.88
<i>Primary Strategy</i>	APR	YTD 2014	FY 2013	Est. AUM
Broad Multi-Strategy	\$9.87	\$27.96	\$28.89	\$383.06
Event Driven	\$5.60	\$25.29	\$9.00	\$561.12
Macro	\$2.73	(\$2.63)	(\$10.00)	\$220.55
Long/Short Equity	\$2.01	\$27.34	\$0.90	\$635.52
Directional Credit	\$0.65	\$0.54	\$25.09	\$117.73
Convertible Arbitrage	\$0.54	\$1.50	\$0.15	\$55.76
Market Neutral Equity	\$0.62	\$3.34	\$5.54	\$52.30
Distressed	\$0.42	\$2.80	\$5.49	\$242.12
MBS Strategies	(\$0.05)	(\$2.14)	(\$3.24)	\$85.52
Relative Value Credit	(\$1.24)	\$2.45	\$28.98	\$242.25
Managed Futures	(\$2.87)	(\$18.53)	(\$31.98)	\$122.05
<i>Investment Region</i>	APR	YTD 2014	FY 2013	Est. AUM
Americas	\$4.61	\$22.46	\$24.69	\$934.41
Europe	\$0.91	\$15.76	\$8.25	\$224.73
Asia	(\$0.59)	\$1.35	\$7.60	\$102.78
Emerging Markets	(\$1.77)	(\$0.10)	\$7.26	\$276.35
Global Markets	\$12.94	\$29.78	\$19.37	\$1,685.35

## Updated Hedge Fund Performance through April 2014

<i>Aggregate Performance</i>	Apr	YTD 2014	Last 12mo	2013
Hedge Fund Aggregate	-0.15%	1.06%	5.87%	8.93%
S&P 500 Total Return	0.74%	2.55%	20.44%	32.40%
Large Funds (>\$1b)	-0.14%	0.84%	4.66%	7.66%
Mid-size Funds (<\$1b, >\$250m)	-0.03%	1.25%	5.22%	8.78%
Small Funds (<\$250m)	-0.15%	1.10%	5.99%	8.75%
<i>Primary Markets</i>	Apr	YTD 2014	Last 12mo	2013
Commodity Strategies	1.42%	2.77%	2.54%	-2.53%
Credit Strategies	0.60%	2.93%	6.00%	6.53%
Broad Financial Derivatives	0.19%	-1.10%	-4.24%	-0.72%
Volatility/Options Strategies	0.35%	2.86%	2.82%	4.73%
Broad Multi-Market	-0.37%	0.42%	2.24%	5.35%
FX Strategies	-0.32%	-0.80%	-3.71%	-2.25%
Equity Strategies	-0.48%	0.84%	9.35%	14.11%
<i>Primary Strategy</i>	Apr	YTD 2014	Last 12mo	2013
Convertible Arbitrage	0.71%	2.88%	5.86%	6.22%
Relative Value Credit	0.70%	3.12%	5.37%	5.26%
Directional Credit	0.65%	3.21%	5.88%	6.32%
Market Neutral Equity	0.61%	2.08%	5.44%	6.62%
Managed Futures	0.52%	0.69%	-1.28%	-1.13%
Distressed	0.18%	3.58%	12.41%	14.63%
Multi-Strategy	0.10%	0.87%	4.13%	6.39%
Event Driven	0.06%	2.55%	11.11%	12.94%
Macro	-0.41%	-0.49%	-0.30%	2.90%
Long/Short Equity	-0.70%	0.55%	9.84%	15.74%
Event Driven - Activist	-2.14%	0.07%	13.20%	18.20%
<i>Sub-Sector Exposure</i>	Apr	YTD 2014	Last 12mo	2013
Energy	1.78%	6.73%	17.04%	13.40%
Securitized - Mortgages	0.45%	3.76%	8.65%	10.09%
Sm/micro Cap	-0.92%	2.29%	15.64%	19.41%
Financials	-2.26%	-1.87%	8.12%	18.03%
Healthcare	-3.07%	4.53%	23.58%	29.75%
Technology	-3.59%	-3.91%	7.01%	11.55%
<i>Regional Exposure</i>	Apr	YTD 2014	Last 12mo	2013
Developed Markets	-0.16%	2.10%	9.66%	12.96%
Emerging Markets	0.14%	-0.57%	2.20%	5.73%
Africa/Middle East	1.74%	4.72%	16.77%	20.50%
Brazil	1.07%	-1.07%	-6.35%	-3.97%
India	0.00%	9.59%	5.24%	-7.75%
Japan	-1.51%	-5.36%	2.23%	33.65%
Emerging Europe	-1.63%	-11.85%	-9.65%	-0.14%
China	-1.94%	-5.94%	3.11%	15.89%

- Investors allocated heavily into hedge funds in April, the third consecutive month of elevated inflows. The \$17.9 billion of new capital added offset the slight asset weighted performance declines and pushed the hedge fund industry's AUM to an all-time high, passing a mark not seen since Q2 2008.
- Hedge fund industry AUM reached \$2.938 trillion, surpassing the previous peak of \$2.937 trillion set pre-financial crisis. Investors allocated \$69.4 billion in the first four months of 2014, compared to \$2.5 billion and \$21.7 billion in the same span in 2013 and 2012, respectively.
- Allocations to equity strategies continue to outpace flows into credit, however April's equity inflows of \$6.4 billion is a notable decline compared to the prior three months. This is a possible sign that recent performance losses are weighing on investor sentiment after tripling 2013's allocations to the universe in the first four months of 2014. AUM in equity strategies remain below their all-time high of \$1.08 trillion set in Q4 2007.
- Credit fund flows were positive, but near flat for the second consecutive month. There appear to be differing opinions on the potential value of credit strategies in the current rate environment, despite its industry leading YTD returns. From two months after rates jumped in mid-2013 to the present, flows have been positive, but with net outflows in 4 of 7 months, a profound shift in sentiment from the prior 15 months.
- Credit fund AUM is at an all-time high, however the universe surpassed its pre-crisis peaks back in 2010 and has been in record territory since. Persistent growth has been driven by the structural shift in the industry's investor base as institutions have overtaken FoFs as primary investors and shown an interest in alternative exposures to familiar markets.
- This same trend pushed multi-strategy fund assets past their Q4 2007 peak earlier this year, surpassing \$360 billion in February and continuing to set new records each month since. Multi-strategy funds have received the most new assets of any strategy in 2014.
- Investors showed their sentiment towards escalating tensions and questionable growth across certain emerging market regions with their largest redemptions from EM funds in the last 18 months.
- Since inflows have been strong, and AUM surpassed a record not seen in over 70 months, it is of interest to compare the drivers for AUM growth now to the pre-crisis peak in 2007/08:

In the 18 months leading up to Q2 2008, investors allocated heavily to credit, all the way to the peak, while equity flows were strong, but shifted negative in late 2007. Despite that shift, investors continued allocations to event driven strategies right up to the peak and there was also an acceleration of interest in both macro and managed futures exposure.

As we approached the 2014 peak, equity funds have been the primary recent asset gainers, at least until April, and event driven inflows continue to be strong right through the top. There was even a bump of interest in macro strategies in April, but the primary differences are that credit flows are mixed, managed futures appear to be out of favor and multi-strategy funds have been the consistent asset gainers, likely competing with dedicated credit strategies for assets.

## COMPANY DESCRIPTION

eVestment provides a flexible suite of easy-to-use, cloud-based solutions to help global investors and their consultants select investment managers, enable asset managers to successfully market their funds worldwide and assist clients to identify and capitalize on global investment trends.

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