

# HEDGE FUND ASSET FLOWS

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Monthly Summary Report

October 2013

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## Hedge Fund Inflows Strong Again in October, Equity Outpaced Credit



*Multi-strategy fund flows outpaced all others while Macro strategies continued to attract allocations*

### Estimated Assets & Investor Flows through October

Data in USD Billion	Oct	Last 3mo	YTD 2013	Est. AUM
All Hedge Funds	\$9.30	\$50.07	\$58.94	\$2,802.54
Equity Strategies	\$4.29	\$17.13	\$4.55	\$880.81
Fixed Income/Credit	\$1.15	\$21.19	\$68.57	\$915.09
Commodities	(\$1.15)	\$0.90	\$0.11	\$75.87
Multi-Asset	\$5.12	\$9.80	(\$12.87)	\$985.02

Primary Strategy	Oct	Last 3mo	YTD 2013	Est. AUM
Broad Multi-Strategy	\$5.34	\$13.16	\$22.44	\$338.99
Long/Short Equity	\$2.45	\$9.64	(\$6.53)	\$594.73
Macro	\$0.57	\$3.00	(\$1.02)	\$220.88
Event Driven	\$1.10	\$3.54	\$6.48	\$524.97
Market Neutral Equity	\$0.67	\$3.01	\$5.12	\$48.92
Directional Credit	\$0.59	\$5.14	\$26.72	\$104.38
Convertible Arbitrage	\$0.31	\$0.96	\$0.09	\$53.37
Relative Value Credit	\$0.12	\$10.51	\$27.27	\$234.61
Distressed	\$0.04	\$0.15	\$4.12	\$233.14
Managed Futures	(\$1.45)	\$1.01	(\$24.00)	\$144.67
MBS Strategies	(\$4.01)	(\$4.15)	(\$2.58)	\$83.00

Investment Region	Oct	Last 3mo	YTD 2013	Est. AUM
Americas	(\$0.41)	\$5.20	\$16.63	\$890.08
Europe	\$2.86	\$7.29	\$4.95	\$209.89
Asia	\$0.50	\$0.97	\$2.83	\$97.78
Global Markets	\$6.12	\$36.35	\$32.78	\$1,614.02
Emerging Markets	\$1.75	\$3.19	\$3.59	\$270.07

### Updated Hedge Fund Performance through October

Aggregate Performance	OCT	Last 3mo	YTD 2013	2012
Hedge Fund Aggregate	1.55%	2.45%	6.98%	7.51%
S&P 500 Total Return	4.60%	4.76%	25.31%	15.98%
Large Funds (>\$1b)	1.70%	2.05%	5.87%	7.72%
Mid-size Funds (<\$1b, >\$250m)	1.47%	2.05%	6.82%	7.76%
Small Funds (<\$250m)	1.49%	2.48%	6.82%	7.14%

Primary Markets	OCT	Last 3mo	YTD 2013	2012
Equity Strategies	1.97%	3.75%	11.41%	8.57%
Broad Multi-Market	1.43%	1.69%	3.85%	4.56%
Credit Strategies	1.22%	1.94%	5.68%	11.81%
Broad Financial Derivatives	1.06%	-0.98%	-2.20%	-2.24%
FX Strategies	0.39%	-1.07%	-1.61%	1.88%
Volatility/Options Strategies	0.33%	0.86%	0.25%	11.11%
Commodity Strategies	-0.24%	-0.59%	-4.46%	-0.30%

Primary Strategy	OCT	Last 3mo	YTD 2013	2012
Long/Short Equity	2.17%	4.25%	12.82%	9.36%
Distressed	1.99%	3.58%	12.10%	14.85%
Event Driven	1.76%	3.39%	10.69%	10.45%
Market Neutral Equity	1.35%	1.45%	5.83%	4.06%
Directional Credit	1.26%	2.02%	5.94%	12.96%
Multi-Strategy	1.06%	1.59%	4.73%	7.20%
Relative Value Credit	0.97%	1.46%	4.49%	10.06%
Macro	0.94%	0.76%	1.47%	3.01%
Managed Futures	0.72%	-0.63%	-2.32%	0.11%
Convertible Arbitrage	0.71%	1.46%	5.58%	7.76%

Sub-Sector Exposure	OCT	Last 3mo	YTD 2013	2012
Energy	2.70%	5.23%	11.63%	-1.02%
Financials	1.60%	2.37%	13.50%	15.00%
Sm/micro Cap	1.58%	4.19%	14.89%	9.64%
Securitized - Mortgages	1.19%	2.36%	8.00%	19.51%
Healthcare	0.83%	4.32%	22.07%	14.73%
Technology	0.42%	4.01%	8.84%	2.17%

Regional Exposure	OCT	Last 3mo	YTD 2013	2012
Developed Markets	1.72%	3.22%	10.66%	9.25%
Emerging Markets	2.64%	4.18%	5.39%	12.89%
China	1.88%	5.75%	12.34%	11.19%
Emerging Europe	2.40%	6.11%	0.63%	10.07%
Brazil	2.65%	5.38%	-0.59%	14.69%
Africa/Middle East	3.48%	4.54%	18.29%	14.83%
India	6.92%	4.10%	-12.26%	18.41%
Japan	0.57%	4.20%	27.63%	9.92%

- Investors once again allocated heavily to hedge funds in October, the fourth consecutive month of strong inflows. An estimated \$9.3 billion was added during the month totaling \$56.4 billion during the four month streak. October's performance gains increased AUM by an additional \$47.6 billion. The estimated asset weighted performance of 1.74% is the industry's largest since December 2010. With \$2.802 trillion in AUM, the industry is nearing its all-time pre-financial crisis peak.
- Investor interest in equity hedge funds appears to have firmly turned positive with another month of elevated inflows in October. After 24 months of negative investor sentiment which appears to have ended in June, \$18.4 billion has been allocated in the ensuing four months, pushing 2013 flows into positive territory.
- Credit fund flows were positive again in October for the 12<sup>th</sup> consecutive month, but well below the levels the group has been accustomed to of late. Dating back to February 2012, the group has enjoyed average monthly inflows of \$6.4 billion. October's allocations of \$1.2 billion were their second lowest of 2013.
- Data on MBS strategies has fluctuated over the last several months as additional funds report, however we see a trend of negative investor sentiment toward the group. In the last five months, there has been one recorded month of net positive flows despite positive returns. However, returns after the rate spike in May/June have been well below levels seen prior to that event dating back to the beginning of 2012, 0.70% vs. 1.53%. It is possible that current outflows are a result of losses in those two months and not part of a longer term trend, but for now the data is negative.
- Macro fund flows were positive again in October after a large influx of capital in September. Returns of late have been far better than earlier in the year and with another couple positive months, the group may see 2013 flows turn positive.
- Managed futures fund flows have not been able to capture the momentum of their macro cousins. The group experienced another month of redemptions in October, their 15<sup>th</sup> in the last 18 months. In that span, \$35.0 billion has been removed, all beginning with elevated losses in March 2012. Since then, the universe has lost an average of 16.67% vs. a returns of 14.63% for the hedge fund industry with managed futures included.
- After a break in September, multi-strategy flows were once again very positive in October. Multi-strategy and credit appear to have been favorites of institutional investors over the past two years. It will be interesting to see if the rise of interest in equity exposure hurts either, or if it will all be positive for overall hedge fund AUM.
- Emerging market hedge fund flows were positive for the third consecutive month in October, a trend not seen since early 2010. October's inflow was the largest since March 2011. It is of interest that traditional institutional EM equity fund flows, which had been exceedingly positive since early 2009, turned negative in Q3. This may be an indication that additional EM exposure is preferred away from long-only strategies.

## 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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