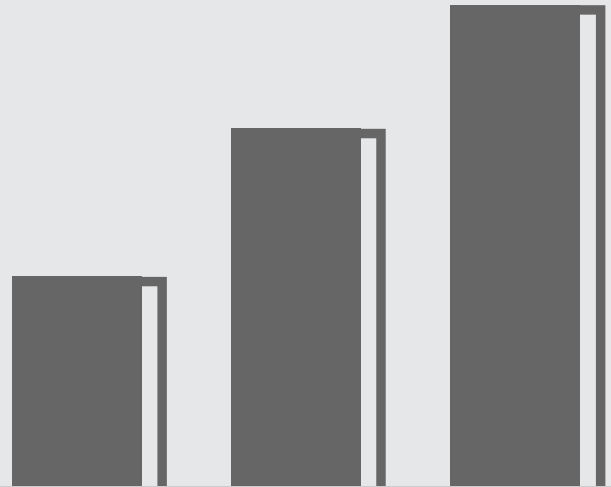


Hedge Fund Industry Performance Report

March 2017

April 11, 2017



Summary

With one quarter of 2017 in the books, the \$3 trillion hedge fund industry has generally done well by its investors this year. While some segments produced disappointing results in March, gains have remained the norm over the last five months, and for nearly all of the last fourteen months.

After three consecutive months when over 70% of all hedge funds produced positive results, the figure dropped to 60% in March as managed futures, commodities, and distressed strategies had difficulties. Large gains in emerging markets, steadiness from quantitative equity and dispersion among macro portfolios rounded out a mostly positive first quarter for the hedge fund industry.

Highlights

- Hedge funds returned an average of +0.33% in March, and +2.63% in Q1 2017
- Long/short and quantitative equity strategies lead in Q1
- Emerging markets' run continues led by India and China
- Commodity funds' losses accelerated in March
- Large managed futures funds' volatile returns continue
- Distressed funds post first loss in 14 months

Returns Broadly Positive for 5th Month in a Row, Industry Has Only One Loss in Last 14 Months

Hedge funds returned an average of +0.33% in March, and +2.63% in Q1 2017. Equity strategies were the primary winners in March and Q1 2017. After a positive spurt in February, managed futures fund returns dipped back into negative territory, and distressed posted its first aggregate decline since February 2016.

Aggregate Returns by Universe

Industry Benchmarks	Mar	Q1 2017	L12mo	2016	2015
Hedge Fund Aggregate	0.33%	2.63%	8.48%	5.61%	-0.71%
50% MSCI World/50% Citi WGBI	0.61%	3.95%	5.29%	4.74%	-1.98%
S&P 500	0.12%	6.07%	17.17%	11.96%	1.38%
Primary Markets	Mar	Q1 2017	L12mo	2016	2015
Volatility/Options Strategies	0.85%	2.52%	8.25%	6.74%	5.84%
Equity	0.81%	3.98%	11.11%	5.67%	-0.18%
FX/Currency	0.53%	-0.17%	1.35%	2.41%	2.76%
Fixed Income/Credit	0.14%	2.09%	9.34%	7.56%	-0.53%
Broad Multi-Market	0.05%	1.36%	3.47%	3.00%	-1.37%
Broad Capital Structure	-0.01%	2.54%	12.86%	9.87%	-1.27%
Broad Financial Derivatives	-0.68%	-0.29%	-1.76%	0.88%	-0.72%
Commodities	-1.12%	-0.75%	3.21%	5.55%	-9.50%
Primary Strategy	Mar	Q1 2017	L12mo	2016	2015
Quantitative Directional Equity	0.77%	3.14%	6.67%	4.89%	1.29%
Long/Short Equity	0.74%	3.70%	11.62%	5.84%	-0.05%
Relative Value Credit	0.60%	2.70%	9.23%	6.78%	-0.65%
Event Driven - Activist	0.56%	2.44%	14.18%	11.52%	2.67%
Convertible Arbitrage	0.42%	2.09%	8.23%	5.70%	0.98%
Macro	0.40%	0.77%	1.97%	2.25%	-0.02%
Multi-Strategy Credit	0.31%	2.15%	8.32%	6.06%	-1.71%
Market Neutral Equity	0.12%	0.85%	2.82%	2.37%	3.67%
Multi-Strategy	0.10%	2.30%	4.78%	2.88%	0.53%
Origination & Financing	0.02%	1.32%	4.08%	4.06%	6.50%
Event Driven	0.06%	2.25%	12.37%	9.80%	-2.52%
Directional Credit	-0.15%	1.70%	8.71%	7.39%	0.41%
Managed Futures	-0.60%	-0.31%	-1.87%	0.67%	-1.44%
Distressed	-1.11%	0.88%	14.97%	13.05%	-7.39%

Returns by Fund Size

Prominent Universes by Size	Mar	Q1 2017	L12mo	2016	2015
Ten Largest Hedge Funds	-0.05%	1.95%	9.00%	6.61%	1.05%
Large Funds (>\$1b)	-0.07%	1.75%	6.90%	3.99%	-0.68%
Mid-size Funds (<\$1b, >\$250m)	0.22%	2.16%	7.45%	4.37%	0.68%
Small Funds (<\$250m)	0.38%	2.76%	8.90%	6.21%	-0.96%
Ten Largest Event Driven Funds	0.11%	3.14%	10.81%	4.53%	-3.08%
Event Driven >\$1b	0.16%	3.16%	12.36%	4.72%	-5.93%
Event Driven <\$1b	0.05%	1.85%	12.70%	10.74%	-1.92%
Ten Largest FX/Currency Funds	0.11%	-0.01%	-7.23%	-4.36%	3.41%
FX/Currency >\$1b	0.81%	0.35%	4.70%	3.71%	1.95%
FX/Currency <\$1b	0.58%	-0.66%	0.76%	2.58%	2.79%
Ten Largest Fixed Income/Credit Funds	0.21%	1.95%	6.76%	3.42%	0.68%
Fixed Income/Credit >\$1b	0.36%	2.32%	9.03%	5.68%	-0.09%
Fixed Income/Credit <\$1b	0.03%	1.88%	8.54%	7.07%	-0.37%
Ten Largest Long/Short Equity Funds	0.70%	3.13%	6.23%	3.28%	5.45%
Long/Short Equity >\$1b	0.29%	2.89%	8.22%	2.51%	1.19%
Long/Short Equity <\$1b	0.75%	3.61%	11.40%	5.92%	-0.07%
Ten Largest Macro Funds	-0.25%	0.07%	8.49%	7.06%	0.15%
Macro >\$1b	0.27%	1.22%	4.36%	3.70%	0.15%
Macro <\$1b	0.39%	0.98%	1.38%	1.61%	-1.18%
Ten Largest Managed Futures Funds	-1.71%	-0.01%	-7.23%	-4.36%	3.41%
Managed Futures >\$1b	-1.25%	0.54%	-5.17%	-3.18%	2.85%
Managed Futures <\$1b	-0.58%	-0.23%	-1.71%	0.95%	-1.70%
Ten Largest Multi-Strategy Funds	-0.36%	1.20%	5.71%	4.17%	1.00%
Multi-Strategy >\$1b	-0.32%	1.28%	5.92%	4.30%	0.50%
Multi-Strategy <\$1b	0.21%	2.51%	4.99%	3.11%	1.17%

Key Points

- Returns across the industry continue to be broadly positive.**
 In each of the three months prior to March, over 70% of hedge funds produced positive results. In March, that figure dropped to 60%, which is still well above the prior two-year average of 56%.
- Large managed futures volatility continues, elevated losses in March.**
 After industry leading returns in February, the largest managed futures funds went to the other end of the spectrum, producing industry leading losses in March. The universe's average returns went negative for Q1 2017, and they are down over 7% in the last twelve months.
- Quantitative equity strategies rise near the top of the industry in Q1.**
 Consistently positive returns from the universe have landed it as the second best strategy in Q1 2017, trailing only their primarily discretionary peers within the long/short equity universe.
- Commodity strategies post second consecutive and larger loss in March.**
 As one of the only segments of the industry to see aggregate net inflows in 2016, commodity fund performance will be watched closely by investors. After two consecutive negative months, the universe is the most negative of any asset class or primary strategy in 2017.
- March brought greater dispersion for large macro funds.**
 Before March, the largest macro funds' last-twelve-months average returns were over 7%. The largest managers were outperforming not only their strategy peers, but much of the rest of the industry. In March, average returns for the largest funds were negative, bringing Q1 to near flat. What the universe produced in March was a wide variety of outcomes, from decent gains to elevated losses. An issue the macro space had faced in recent years was this dispersion of performance like we saw in March, which makes allocating to the strategy with confidence difficult.



EM Outperformance Continues into Third Month of 2017 Led by India and China Exposure

Emerging market strategies produced returns more than double that of developed market strategies in March for the third month in a row. Brazil, a leading source of positive returns in 2017, declined in March.

Return by Primary Regional Exposure

<i>Regional Exposure</i>	Mar	Q1 2017	L12mo	2016	2015
Developed Markets	0.48%	2.83%	9.85%	6.14%	0.29%
Emerging Markets	1.11%	6.02%	13.95%	7.48%	-3.14%
Asia	1.62%	6.33%	10.76%	1.56%	4.78%
Developed Europe	0.89%	2.85%	4.06%	0.09%	2.80%
North America	0.41%	2.81%	12.48%	9.22%	-1.15%
Africa/Middle East	-0.29%	2.50%	1.78%	-4.23%	-11.89%
India	5.13%	14.76%	24.66%	4.50%	3.87%
China	2.70%	8.82%	9.37%	-5.80%	9.89%
Asia ex-Japan	2.07%	6.53%	10.06%	2.98%	-1.82%
Russia	1.32%	2.47%	27.10%	30.23%	4.27%
Japan	-1.00%	2.17%	10.52%	5.54%	5.93%
Brazil	-1.61%	10.02%	28.47%	31.54%	-29.62%

Returns by Firm Domicile

<i>Firm Domicile</i>	Mar	Q1 2017	L12mo	2016	2015
Asia	0.58%	4.48%	8.55%	2.26%	5.48%
Continental Europe	-0.12%	1.98%	3.37%	3.28%	-2.01%
United Kingdom	0.71%	2.97%	5.34%	1.22%	0.53%
United States	0.26%	2.17%	9.23%	6.33%	-0.46%
Hong Kong	2.56%	6.94%	9.82%	-2.03%	6.02%
Singapore	1.22%	3.57%	7.99%	3.05%	5.18%
Asia ex-Japan	0.61%	4.57%	8.49%	1.50%	5.50%
China	0.45%	4.86%	8.64%	0.68%	7.00%
Japan	0.20%	3.72%	9.19%	9.87%	4.87%
Middle East	1.21%	4.22%	13.13%	9.25%	-5.36%
Oceania	1.16%	3.39%	7.17%	5.14%	0.83%
Offshores	1.10%	3.87%	14.37%	10.48%	-0.71%
Latin America	-0.65%	7.18%	23.26%	23.39%	-18.63%

Key Points

- China-focused funds are up over 8% in 2017.**
 While investor flows have yet to shift to the positive, funds focused on Chinese markets have produced three solid monthly gains to start 2017.
- India has returned to the forefront of emerging market performance.**
 After two years of mildly positive returns, hedge funds investing in India have taken over the lead in EM hedge fund performance in 2017. After a difficult start to 2016, funds within the universe have been on a tear, returning nearly 40%.



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