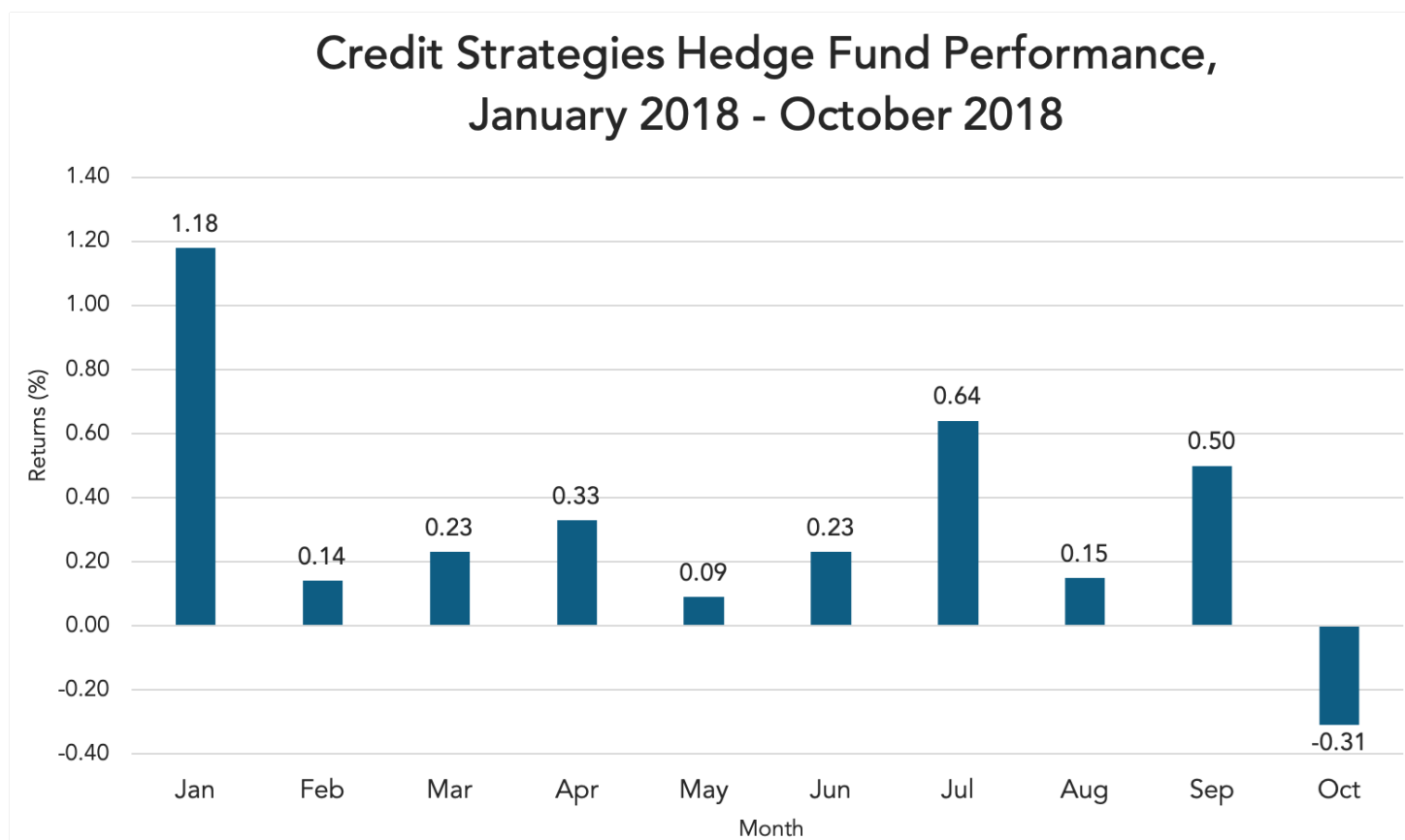


Private Debt Intelligence – 11/26/2018

THE LEAD | November 28, 2018

Credit Hedge Funds See Negative Returns in October

Chart



Download Data

[wpdm_package id='21677?']

The Prequin All-Strategies Hedge Fund benchmark returned -2.35% in October, as the industry faced a particularly volatile month on equities markets. This was in fact, the lowest monthly performance recorded by the benchmark since January 2016. It takes overall hedge fund performance in 2018 year-to-date into negative

territory at -0.78% with two months of the year remaining.

Credit strategies were the only top-level hedge fund strategy to see nine consecutive months in positive returns in 2018, but October was the first month in the year in which the strategy saw negative performance. Even though credit strategies hedge funds returned -0.31% in October, year-to-date returns remain positive at 3.22% – significantly higher than hedge funds overall.

Although credit strategy hedge funds experienced inflows in the first two quarters of 2018, the fund type suffered net outflows in the third quarter: in Q1, credit strategies experienced inflows of \$7.8bn, in Q2 the strategy saw inflows of \$11bn, but in Q3, the strategy recorded outflows of \$3.5bn. This was one of the few top-level hedge fund strategies tracked by Preqin to record outflows during the quarter. Macro strategies recorded outflows of \$9.0bn, while relative value strategies recorded outflows of \$4.7bn. Despite the quarter's outflows, as at Q3 2018, credit strategies hold \$273bn in assets under management – an increase of 9.2% from the fund type's assets under management recorded at the end of 2017.

Despite consistent levels of positive performance earlier in the year, credit strategies performance dipped this month. Continued negative performance for credit strategies could increase the challenge for funds seeking fresh capital from investors in the upcoming year. With just two months left in 2018, credit strategies will need to bounce back to ensure they end the year in a positive light.

Contact: Naomi Feliz

Naomi.Feliz@preqin.com