

CTA Launches Fall to Lowest Level Since 2006

Underwhelming performance in 2015 and high investor dissatisfaction reduce inflows and demand for CTA funds

Having recorded returns of +10.85% in 2014, their strongest performance since returning +15.70% in 2010, CTAs saw further good performance in Q1 2015 as they posted returns of +4.29%. However, negative returns in Q2 (-3.74%) and Q3 (-0.16%) saw volatile swings in CTA performance, and as of the end of October Preqin's CTA benchmark has recorded YTD losses of -0.39%. In contrast, all other hedge funds have posted YTD returns of +2.45% as of the end of October, despite posting -3.94% in Q3.

Funds of CTAs have posted even more pronounced swings in performance, returning -5.78% in June 2015, and +3.39% the following month. The Preqin benchmark for funds of CTAs is currently -6.18% as of 31st October, having posted losses of 10.88% in Q2.

More Key Hedge Fund Information and Stats:

- **CTA Launches:** Fifty CTAs launched in the first nine months of 2015, and **the year looks set for the fewest launches since 2006**, when 66 CTA funds launched. As a proportion of all hedge funds launched each year, the fraction represented by CTAs has fallen below 10% for the first time since 2006, and now stands at 9%.
- **Investor Dissatisfaction:** As of the start of 2015, only 14% of investors in CTAs planned to increase their exposure to these funds, despite good performance in 2014. Following poor Q2 performance, a June survey of CTA investors found that **over 70% were dissatisfied with returns**.
- **CTA Strategy:** **Sixty-four percent of CTAs use a trend-following strategy**, the largest proportion. Two-thirds of CTAs trade currency futures, while 60% trade stock indexes.
- **Liquid CTAs:** CTAs remain far more liquid than other hedge funds, with an average **11 day redemption notice period** compared to 42 days for other products. CTAs also have a redemption frequency of 15 days, allowing investors to make commitments and withdrawals much more quickly than for other fund types.
- **Investor Geography:** **Europe-based investors show the greatest appetite** for investment in CTAs, with 27% of investors in the region stating a preference for the strategy. Twenty-three percent of Asia-Pacific investors and 19% of American institutional investors are interested in the fund type.

To access further information and analysis, please see the report below:

<https://www.preqin.com/docs/newsletters/hf/Preqin-Hedge-Fund-Spotlight-November-2015.pdf>

Comment:

"CTAs exist as a true alternative to traditional products, offering an effective hedge against difficult economic environments and market downturns. The poor performance of the sector in the years of the bull market has hit investor confidence in the asset class and it has become increasingly difficult for CTAs to raise capital.

Even though the number of investors interested in CTAs continues to grow, investors have expressed prolonged dissatisfaction with the performance of the strategy. Managers of these strategies will have to adapt to meet growing investor demands, as well as proving their worth longer term to gain capital inflow."

Amy Bensted, Head of Hedge Fund Products, Preqin

About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

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Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

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