

CTA Performance in the Red for a Fifth Consecutive Month

CTAs posted average net returns of -0.67% in September, compared to 1.74% for all single-manager hedge funds

Preqin's Hedge Fund Analyst* database reveals that CTAs posted negative returns for the fifth month in a row in September, bringing the strategy's year-to-date performance to -2.45%. Over the last 12 months, CTAs have produced average net returns of -3.77%.

Other Key Facts:

- CTAs continue to represent an important hedging tool for investors due to their lack of correlation with other markets; over 990 investors tracked by Preqin's Hedge Fund Investor Profiles* database have previously allocated to, or stated a preference for investing in CTAs.
- However, there has been a reduction in appetite for new CTA investments. In Q3 2013, 9% of investors planning new hedge fund investments over the next 12 months were considering CTA investments, compared 18% in Q4 2012.
- The three-year volatility of CTAs from October 2010 to September 2013 was between 6% and 8%, while for the S&P 500 it was 12% to 22%.
- 31% of public pension funds and 25% of insurance companies that invest in hedge funds have a preference for CTAs, with these investors typically taking a long-term approach to investing in hedge funds, and viewing CTAs as offering good downside protection.
- 38% of hedge fund investors based in Europe and 36% based in Asia-Pacific invest in CTAs, while 22% of investors in North America have a preference for the strategy.
- While the number of CTA launches is at its lowest level since 2006, with 104 CTAs launches so far in 2013 compared to 164 in 2012, CTA launches as a proportion of all hedge fund launches is at its highest level since 2004 (15%) demonstrating a slowdown in fund launches across the industry.
- 84% of CTAs launched in 2013 use a systematic trading methodology, down from 92% of CTAs that launched in 2011, with more CTAs now using a discretionary trading model.

For more information and analysis, please see

https://www.preqin.com/docs/newsletters/HF/Preqin_Hedge_Fund_Spotlight_October_2013.pdf

Comment:

"The performance of CTAs continues to be disappointing, with negative returns in September representing the fifth month in a row that CTA performance has been in the red, and year-to-date returns are down on the wider hedge fund benchmark. Investor appetite for new CTA investments has dropped, with just 9% of investors looking to make new investments over the next 12 months considering CTAs. However, it is the lack of correlation with equities that represents a significant motivator for CTA investors, with investors able to mitigate the risk of serious downturns by participating in CTA vehicles. Therefore, over the longer term, many institutional investors that take a long-term approach to their investments are likely to continue to allocate to CTAs."

Graeme Terry, Associate Commercial Manager, Hedge Funds - Preqin

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.

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.

New York: One Grand Central Place, 60 E 42nd Street, Suite 630, New York NY 10165 Tel: +1 212 350 0100

London: Equitable House, 47 King William Street, London EC4R 9AF Tel: +44 (0)20 7645 8888

Singapore: One Finlayson Green, #11-02, Singapore 049246 Tel: +65 6305 2200

San Francisco: 580 California Street, Suite 1638, San Francisco, CA 94104 Tel: +1 415 635 3580

Web: www.preqin.com / info@preqin.com

*Preqin's Hedge Fund Analyst provides detailed information on the entire hedge fund industry, including individual fund-level performance information for over 7,500 vehicles, detailed profiles for over 6,000 fund managers and over 23,000 funds and share classes, and information on hedge fund terms and conditions. This online service is constantly updated by our dedicated team of research analysts and also features profiles of fund administrators, custodians, prime brokers, auditors and law firms.

Preqin's Hedge Fund Investor Profiles contains detailed profiles for over 4,300 institutional investors in hedge funds, including current and target allocations to hedge fund, geographic and strategy preferences, future investment plans, key contact information and more.

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin's services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: www.preqin.com

For more information, please contact: Graeme Terry on +44 (0)20 7397 9428 or gterry@preqin.com
For general press information, please contact: Helen Kenyon +44 (0)20 7645 8880 or press@preqin.com