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Capital Raising and Investor Liaising: Hedge Funds Navigate Murky Waters in 2023

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Interactive Brokers Webinar

Capital Raising and Investor Liaising: Hedge Funds
Navigate Murky Waters in 2023

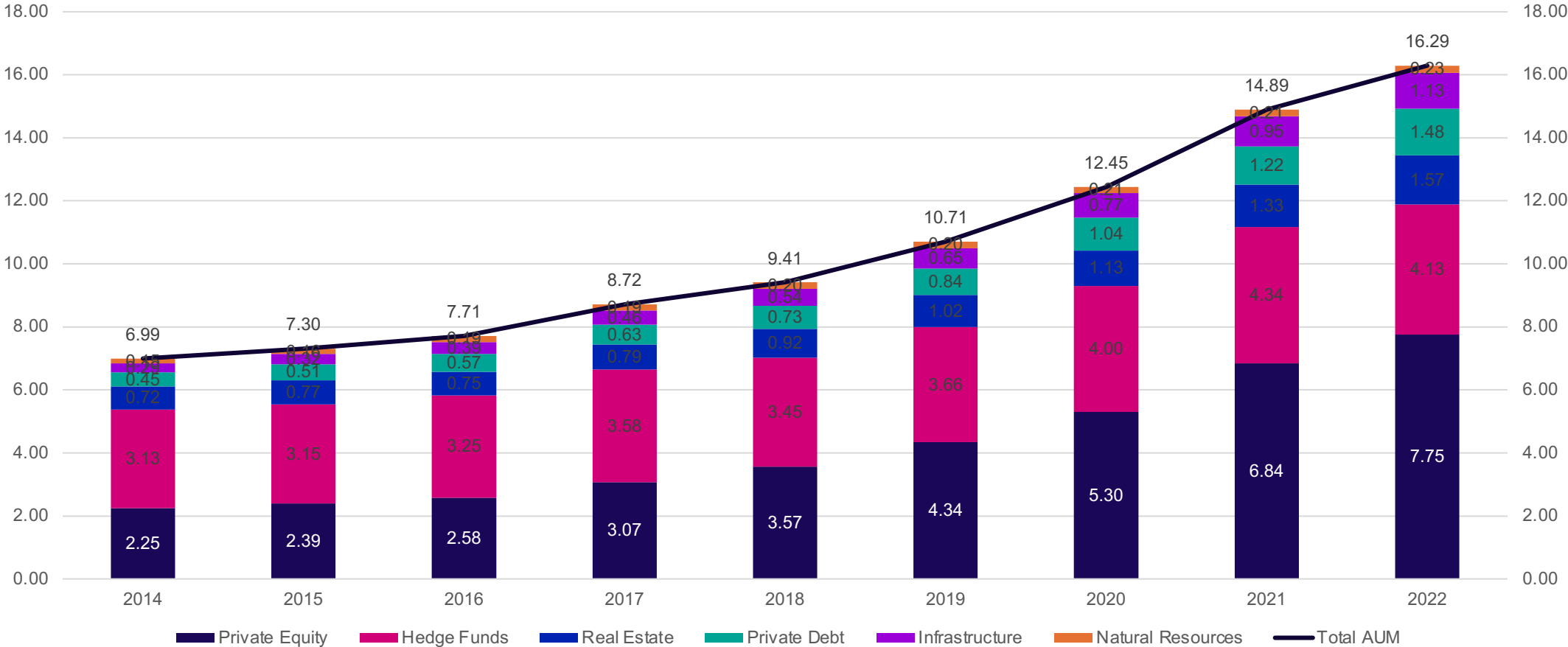
7 June 2023

Matt Humphries – VP, Hedge Funds

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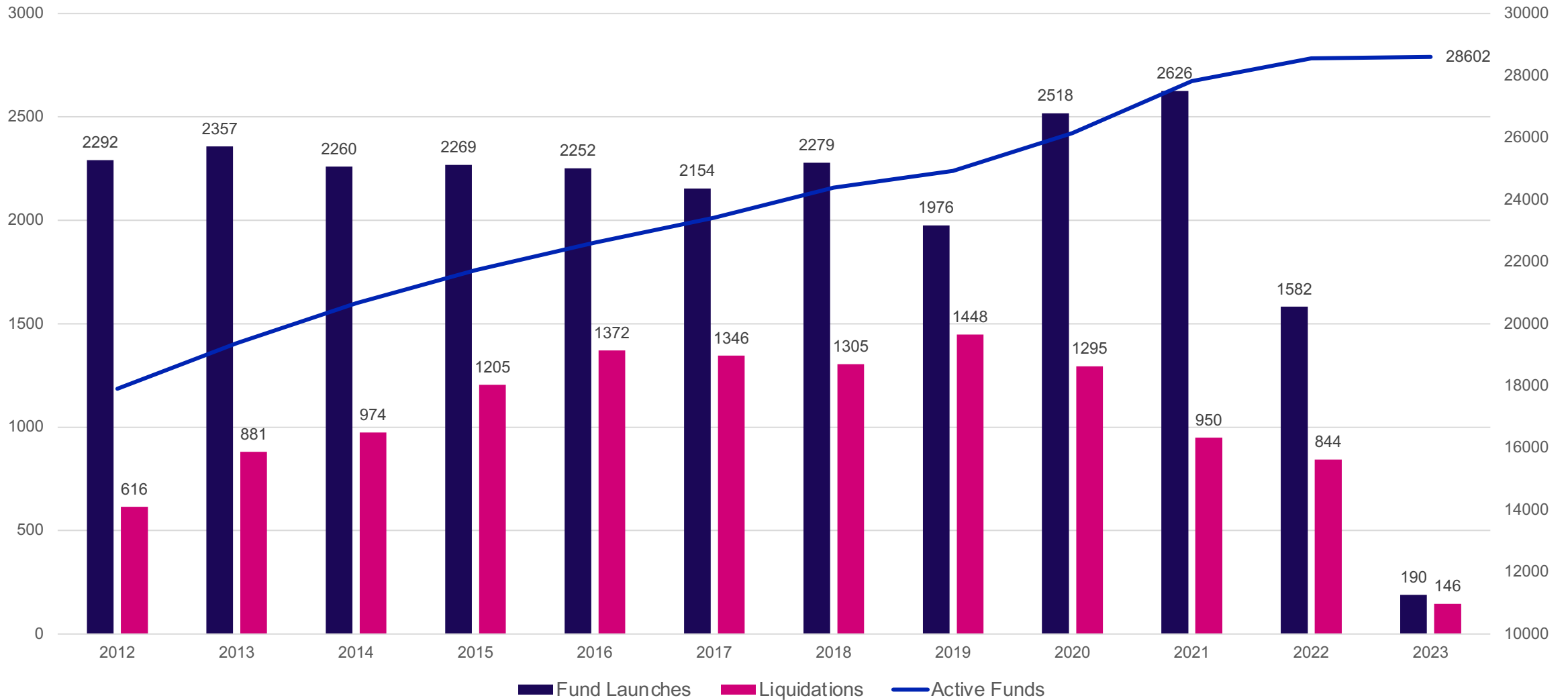
A Top-Level View of the Alternative Assets Space by Size

Alternative Assets under Management (\$tn), 2014 - 2022

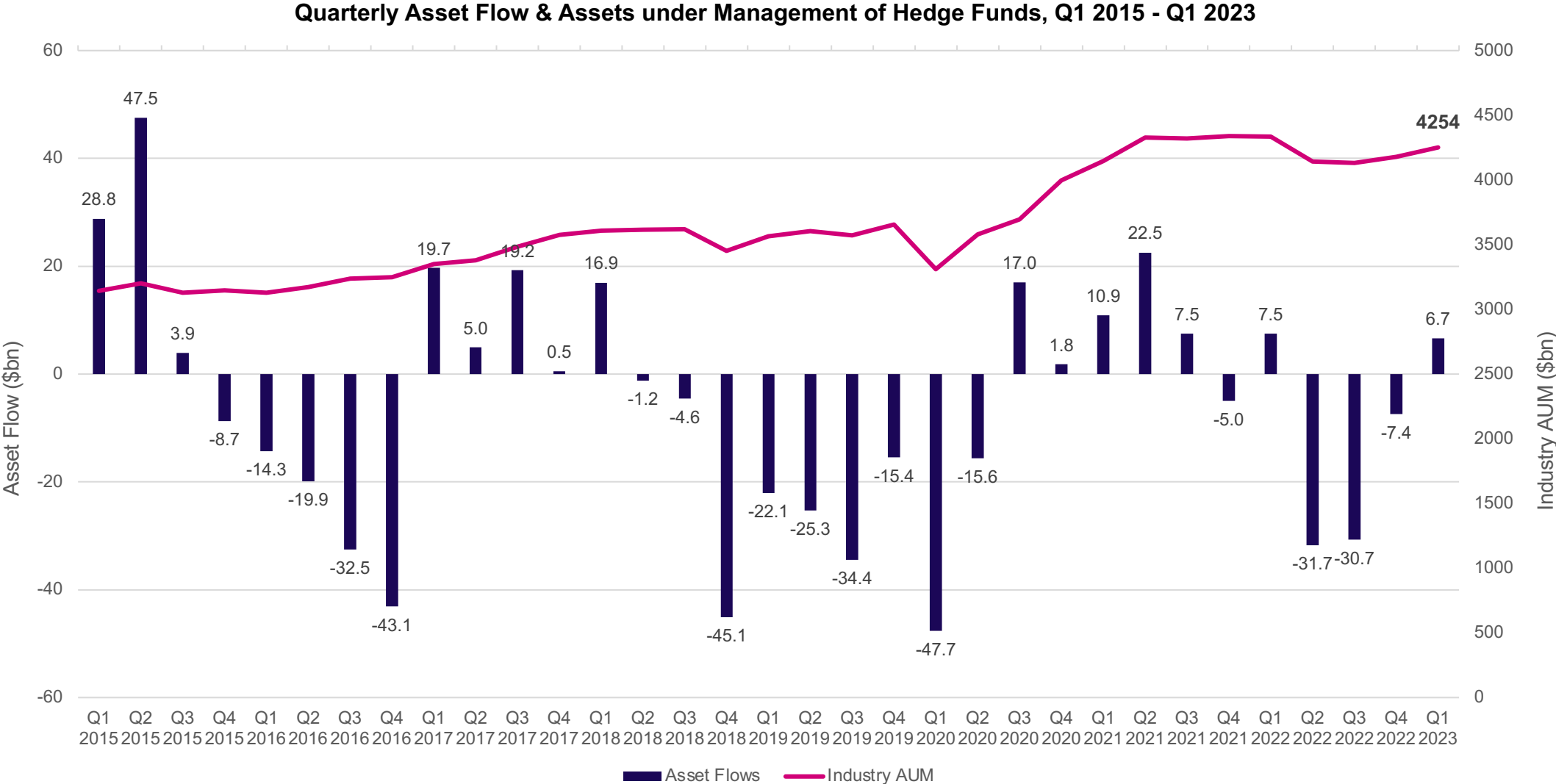


The Hedge Fund Industry by Launches and Liquidations

Launches, Liquidations, and Active Funds 2012 - 2023 YTD

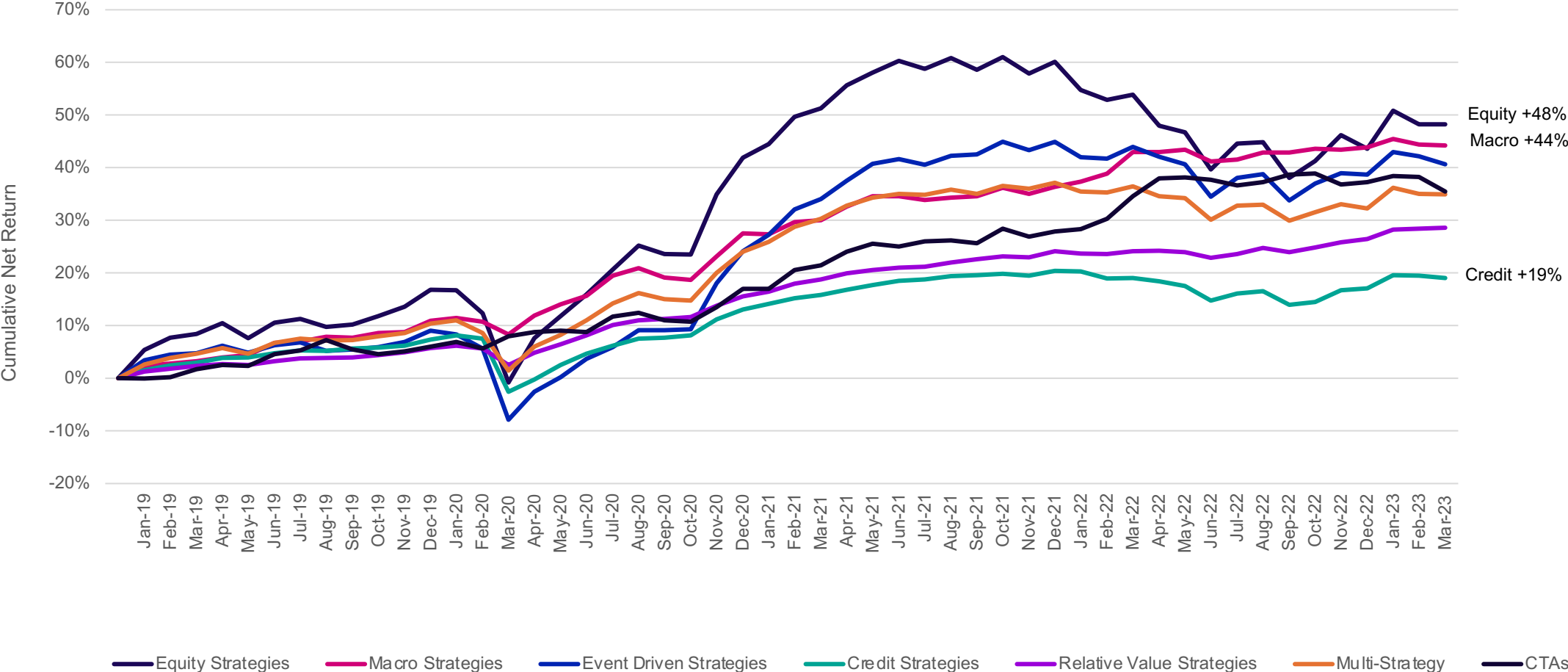


Hedge funds end 3 quarters of outflows to place industry AUM near record-high \$4.3tr

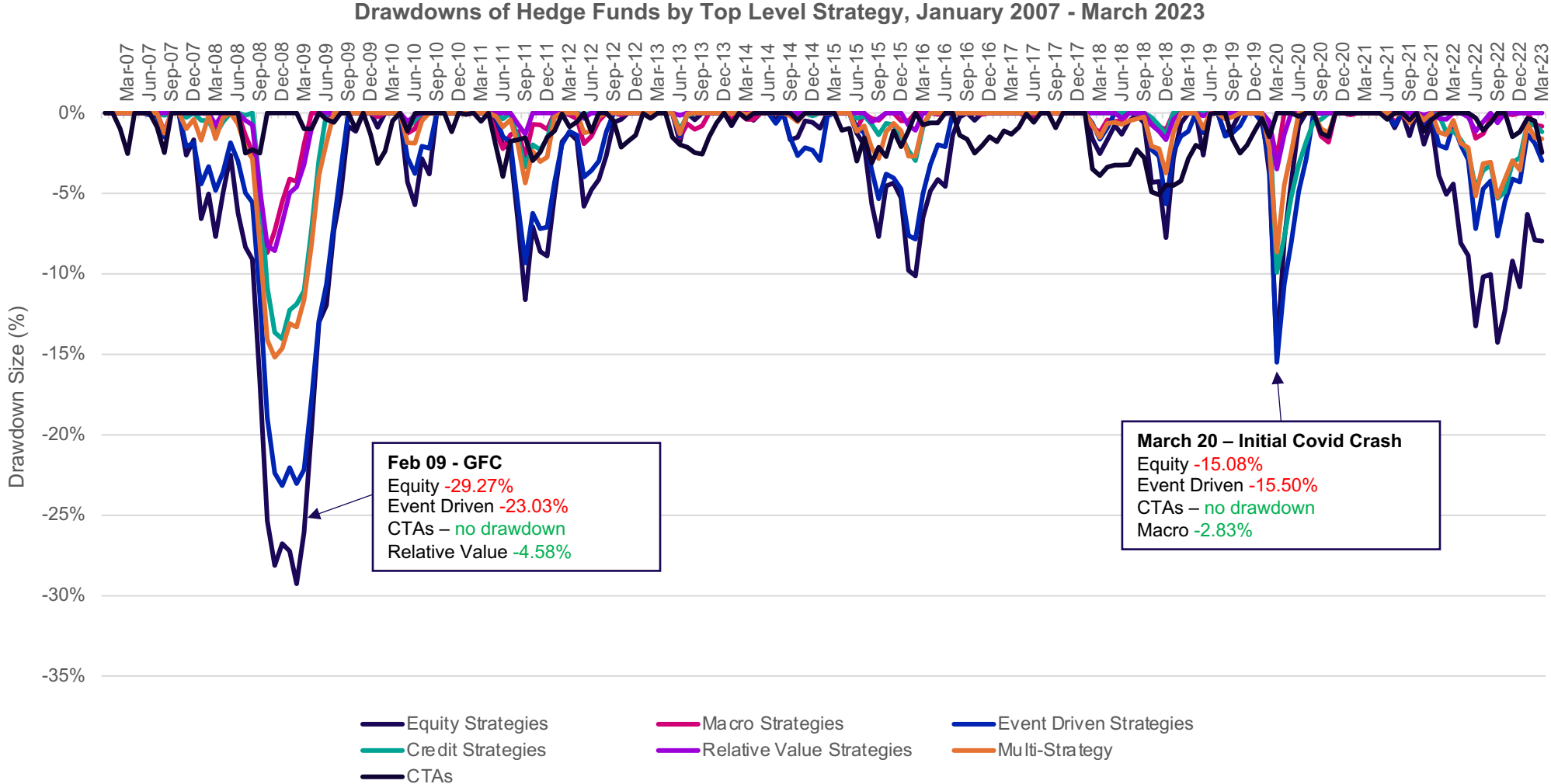


Equity and Macro funds have led the way in performance since 2019, finding Alpha in turbulent markets

Cumulative Return of Hedge Funds Top Level Strategies, January 2019 - March 2023

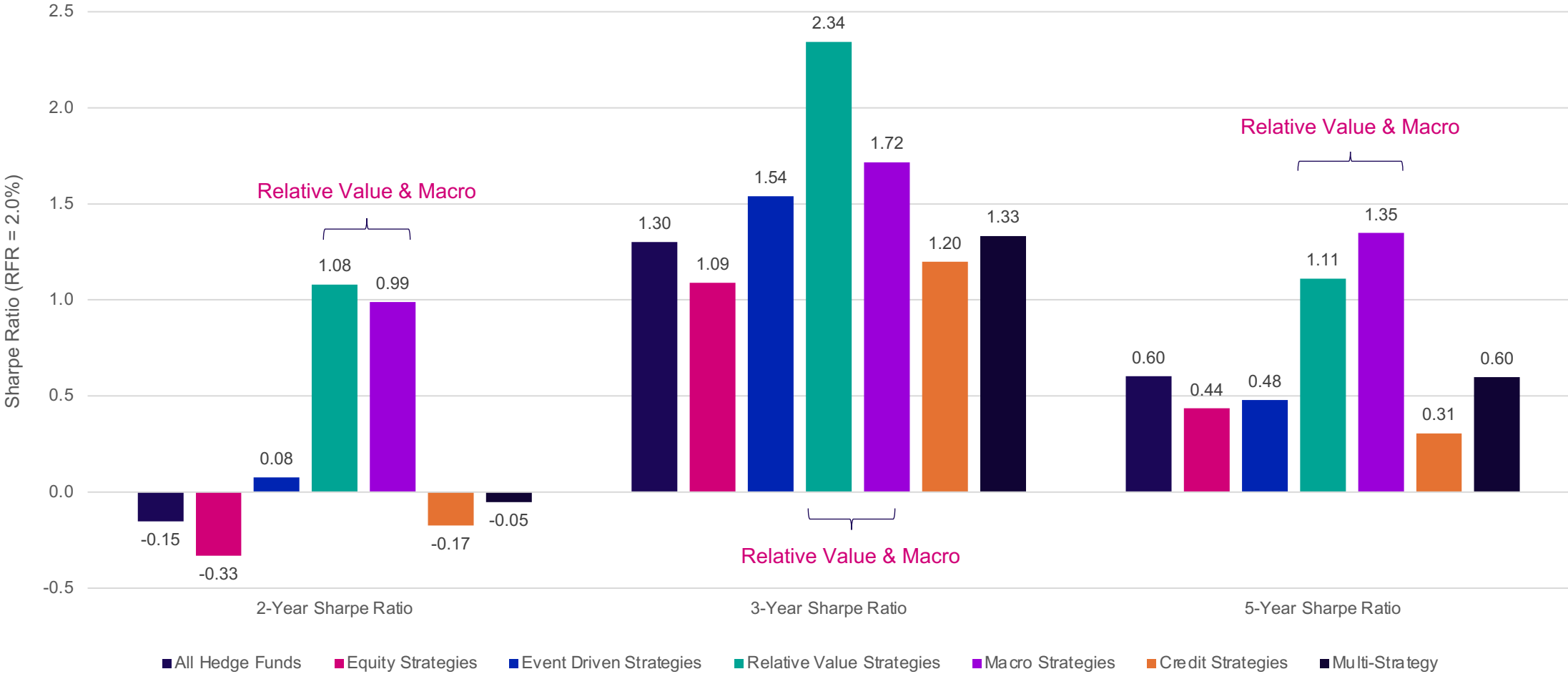


However, in times of turbulence, high-beta strategies like event driven and equity funds will see sharpest drawdowns vs strategies such as Macro, CTA and Relative Value



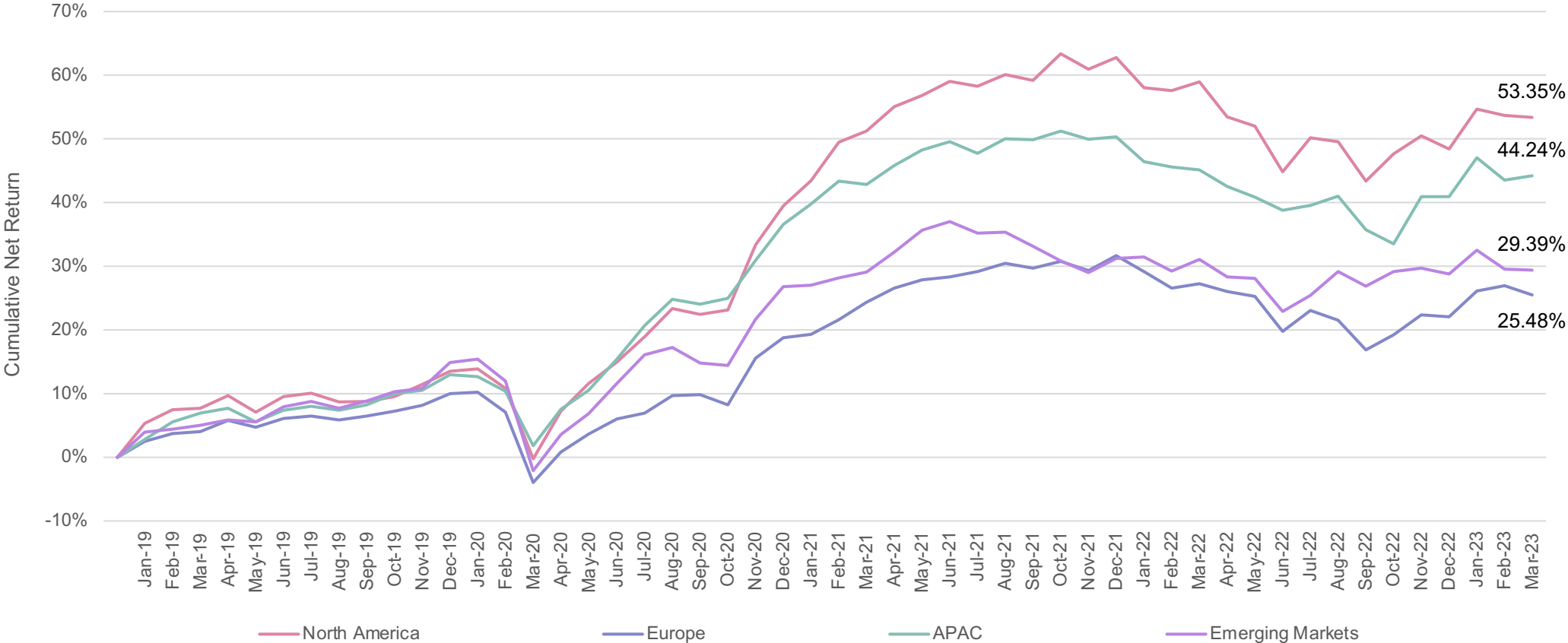
Relative Value and Macro funds underline importance of good managers finding alpha in times of volatility leading the way in Sharpe ratios

Sharpe Ratio of Hedge Funds of Top Level Strategies (As of 31st March 2023)

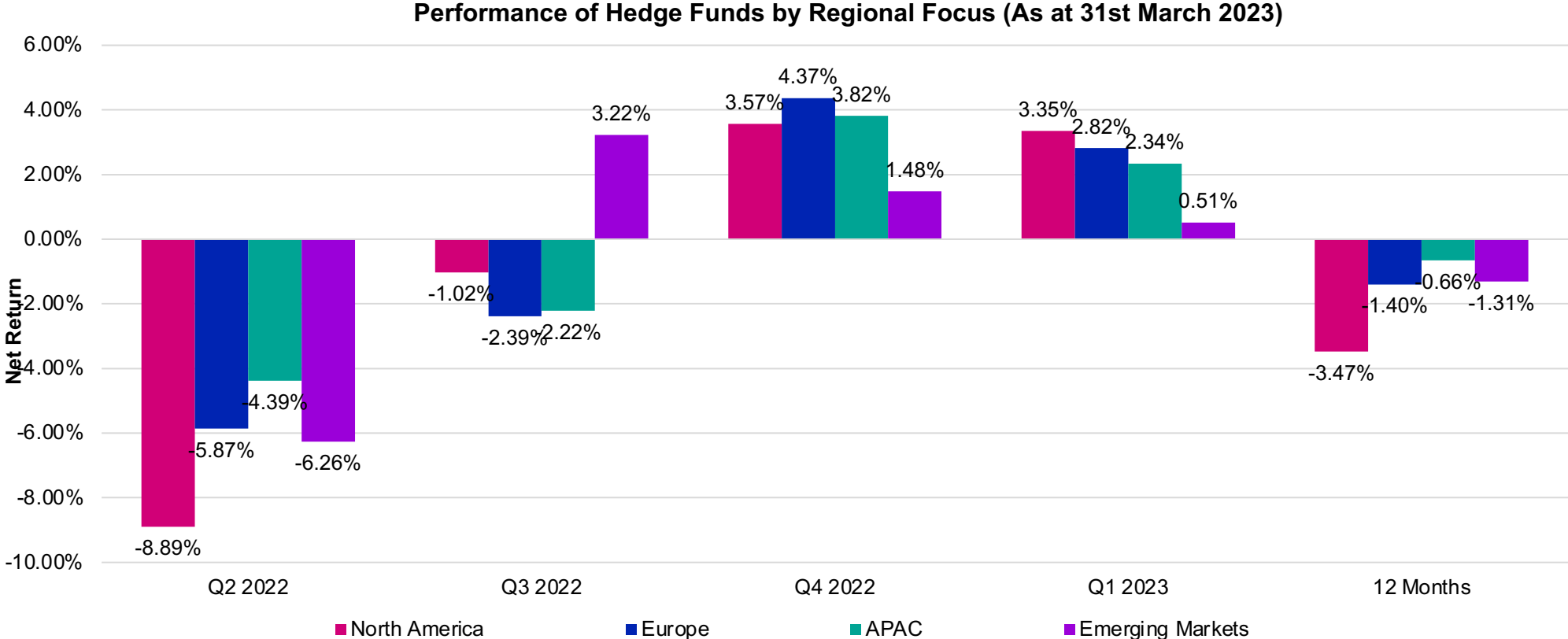


Shifting to regional focus, North America-focused funds continues to lead the way for returns, followed by APAC closely behind

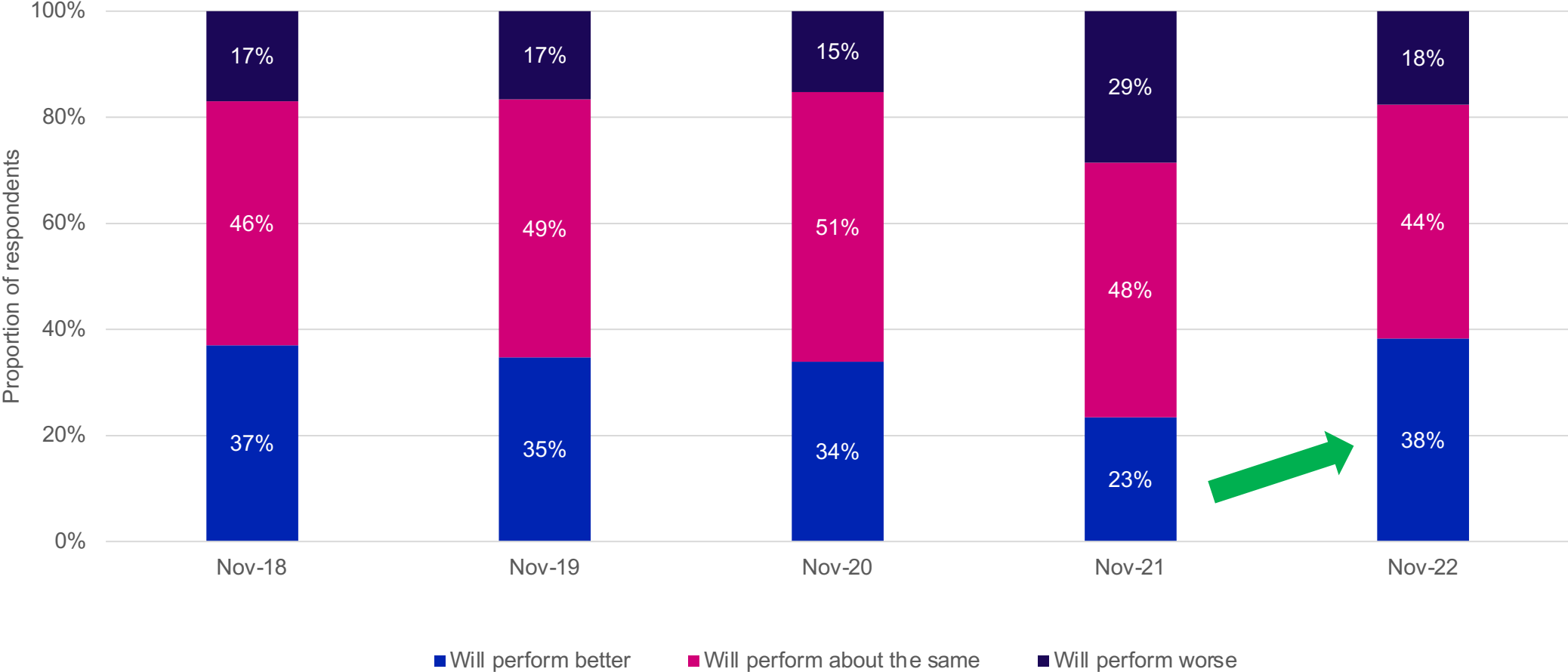
Fig 3. Cumulative Return of Hedge Funds by Regional Focus, January 2019 - March 2023



On a short timeframe over last 12 months, APAC have seen lowest downturn compared to North America

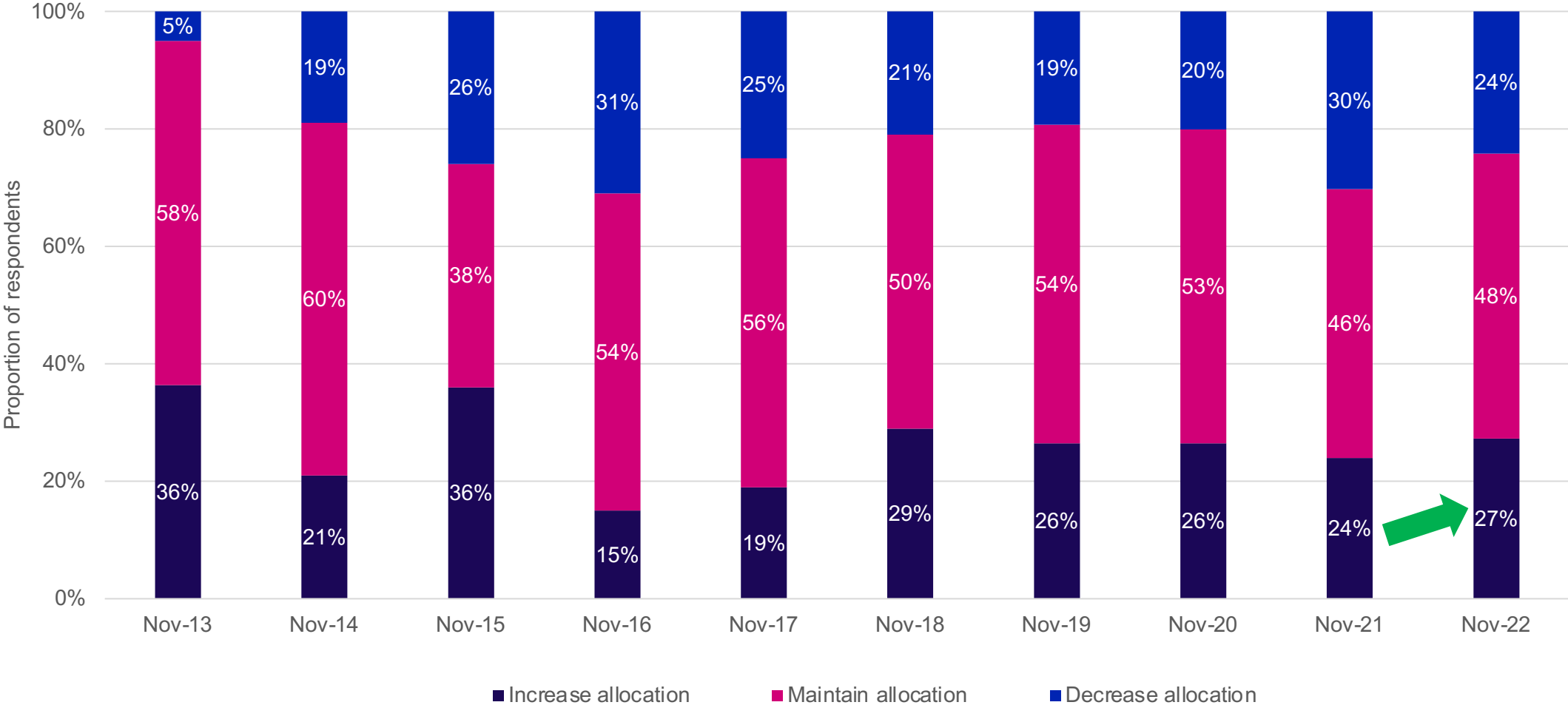


Next we look at investor allocations - 82% of investors expect their hedge funds portfolios to perform better or remain the same in the next 12 months – 11% up from the previous year



Source: Preqin Investor Surveys, November 2018 – 2022

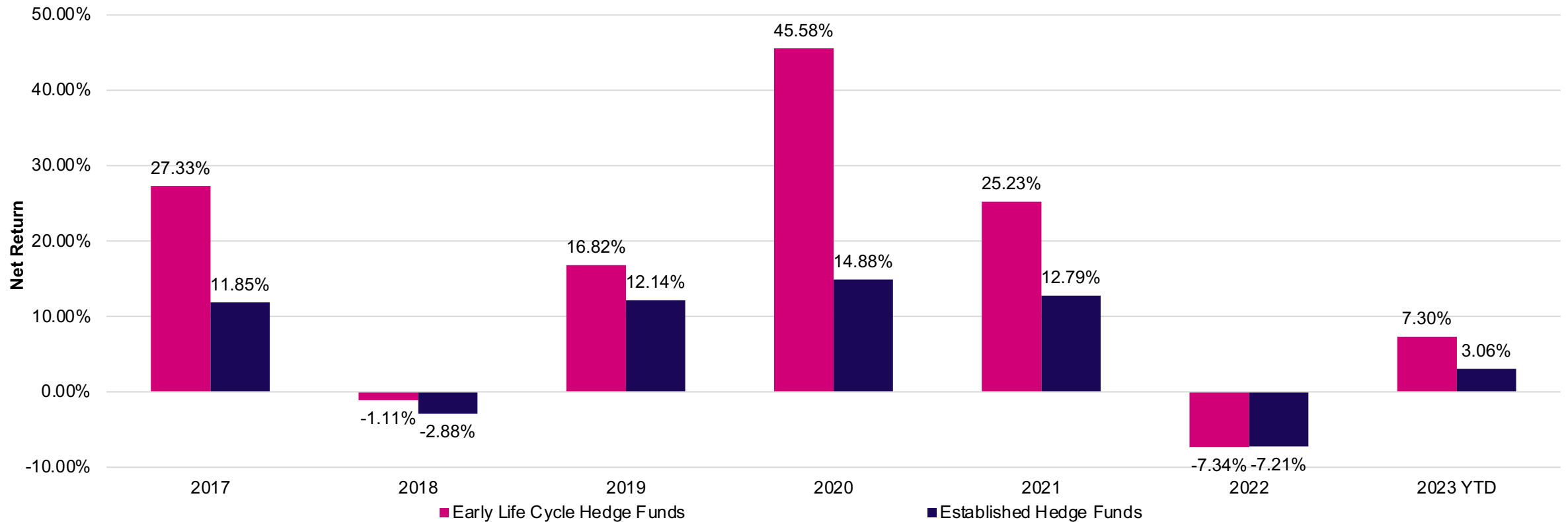
Looking ahead, 76% of investors will look to either maintain or increase exposure to hedge funds in the next 12 months



Source: Preqin Investor Surveys, November 2013 – 2022

What can Smaller/emerging funds offer investors? Consistently outperforming established hedge funds in 6 out of the last 7 years is one way to prove their value

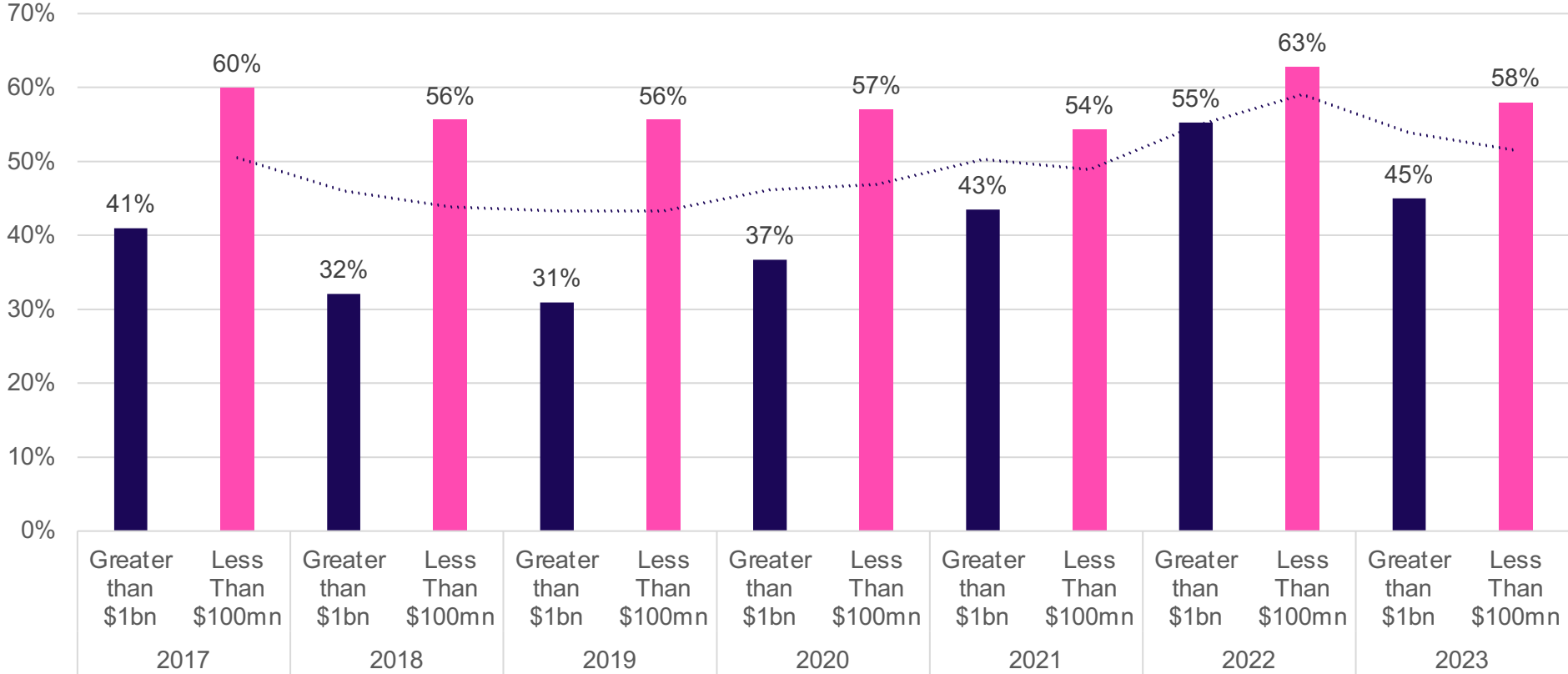
Performance of Early Lifecycle Hedge Funds vs. Established Hedge Funds, 2017 - 2023 YTD



Source: Preqin Pro

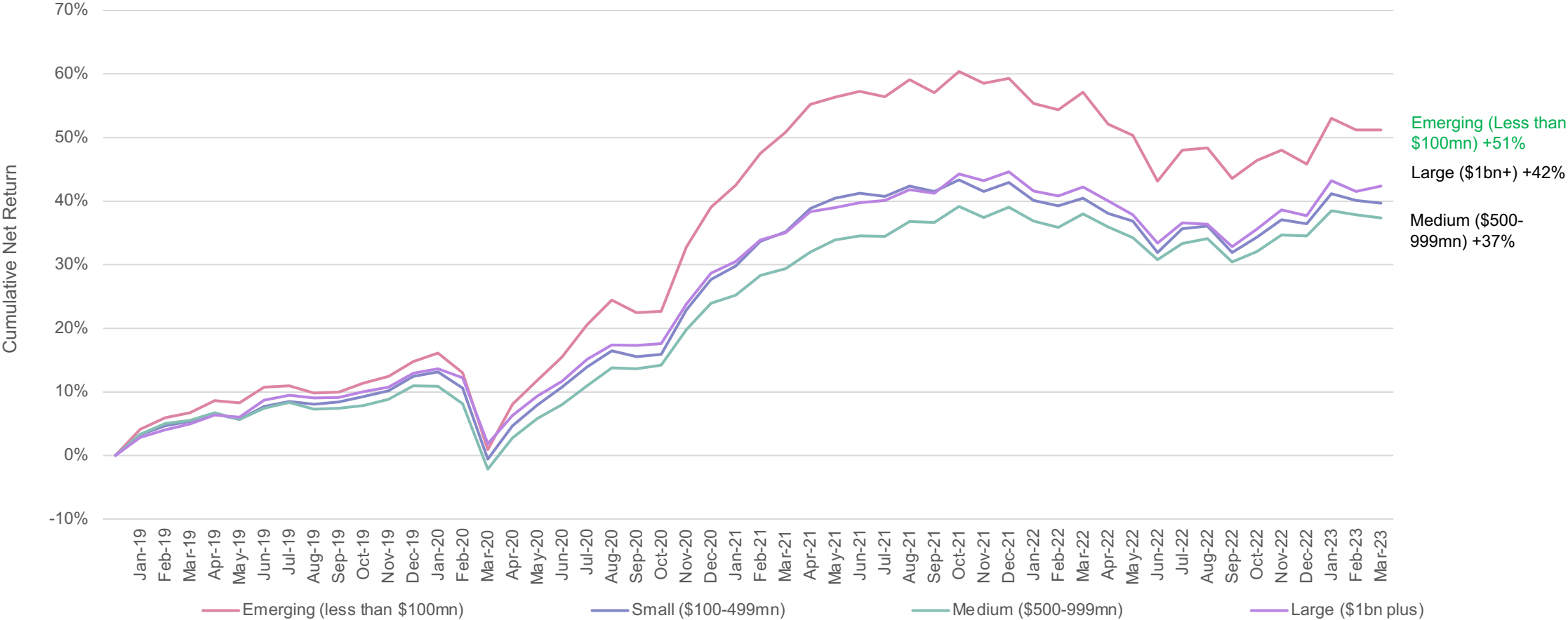
Smaller Funds Consistently See Greater Proportion of Inflows over Largest Funds

Proportion of Funds Seeing Inflows or Maintaining Capital, Smaller Funds vs Larger Funds 2017-2023



Despite market conditions, smaller and emerging managers can find alpha opportunities that larger, less flexible funds might find more challenging

Cumulative Return of Hedge Funds by Fund Size Classifications, January 2019 - March 2023



Key takeaways

Alternatives Have Grown to Over \$16.2tr, More Than Double Since 2016

Hedge Funds and Private Equity make up nearly \$10tn between them

Q1 2023 Saw Hedge Fund Asset Flow Reversal after 3 Quarters of Outflows

AUM stands at \$4.25tn, slightly less than 2022

**Equity and Macro funds strongest performers since 2019 while Relative Value has impressive
2.34 Sharpe Ratio over 3 years**

76% of LPs are looking to maintain or increase HF allocations over 2023

Investors are tactically adjusting their exposures to contend with volatile markets

**A greater proportion of smaller funds consistently see inflows or maintaining capital vs largest
funds**

58% of funds with less than \$100mn saw inflows or keeping investors

Hedge Fund Coverage

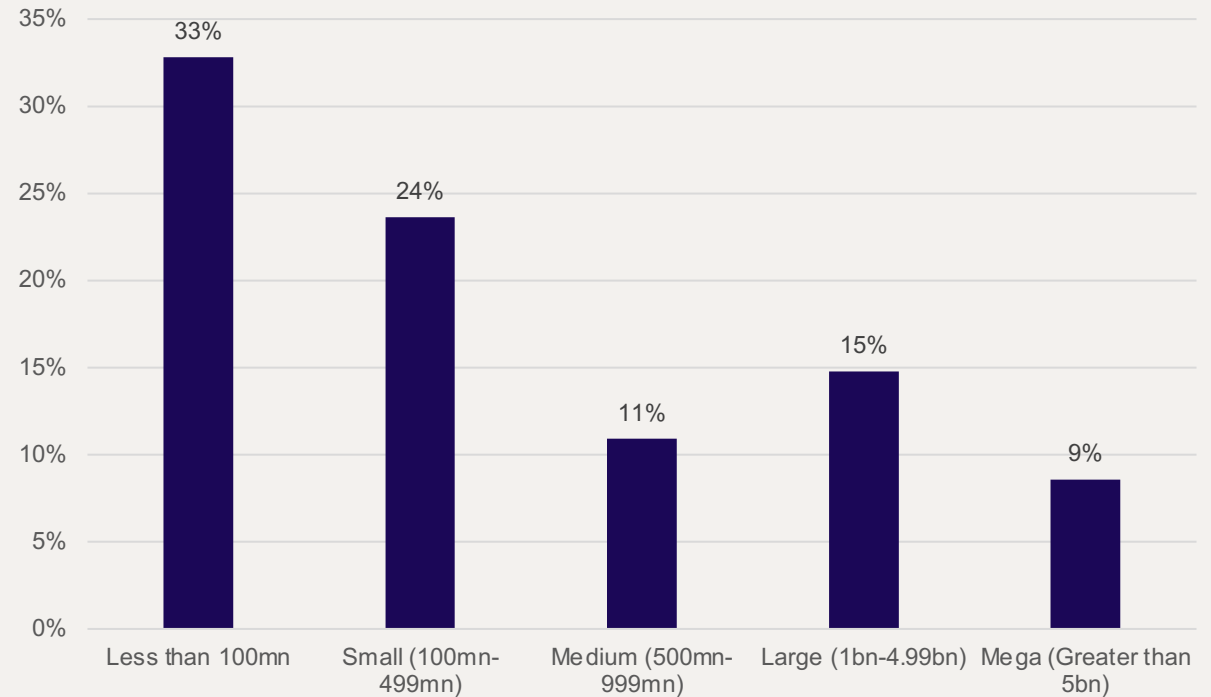
- **7,400+ Active Hedge Fund Investors**
 - *22,000+ Total Hedge Fund Investors*
- **9,900+ Active Hedge Fund Managers**
 - *15,000+ Total Hedge Fund Managers*
- **31,000+ Active Hedge Funds**
 - *49,000+ Total Hedge Funds*
- **46,000+ Streams of Performance (Fund and Share Class)**
- **530+ Hedge Fund Benchmarks on Pro**

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Proportion of Fund Managers by AUM (USD)



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Thank You For Listening!

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