

## Press Release

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# GLOBAL HEDGE FUND ASSETS DROP MORE THAN 30% IN 2008 TO \$1.8 TRILLION

- **Sharp decline in the second half of the year**
- **Further fall in assets anticipated for 2009**
- **Over 300 firms globally still run \$1 billion or more in hedge assets**
- **New York remains biggest centre for hedge funds, London still in second place**

**London, 5 March 2009** – Assets in global hedge funds dropped sharply during 2008 to finish the year at just over \$1.8 trillion, according to new research compiled by HedgeFund Intelligence, publisher of the newsletters and databases of EuroHedge, AsiaHedge, AfricaHedge and InvestHedge, as well as the U.S. based magazine Absolute Return.

This finding is based on intelligence from the most comprehensive database in the hedge fund industry. It reveals that the fall in net assets occurred almost entirely in the second half of the year – with a drop of 32.96% from \$2.697 trillion at the end of June to \$1.808 trillion at end-December. Assets had stood at \$2.646 trillion at the beginning of 2008.

The decline in assets under management flows from a mixture of negative performance and net redemptions from the industry, as the tumultuous conditions wrought by the global economic crisis had a serious impact on hedge funds in 2008. The mean average returns from hedge funds were close to -15% in 2008 – though with huge dispersion in the returns from individual returns, including a significant minority who were up for the year. The rest of the decline would be accounted for by net redemptions – with investors taking money out of the industry either due to dissatisfaction with the performance and / or to cover for even greater losses or cash calls elsewhere.

With a significant number of funds having imposed 'gate' provisions or suspended redemptions, it is expected that assets could fall a further 20% or more from end-2008 levels over the next few months before the decline in assets is likely to reach a bottom which we expect to occur sometime during 2009. Already, however, there are indications that many end-investors plan to increase their allocations to hedge funds this year – given that hedge fund performance, while negative in 2008, has continued to be significantly better than the returns from most other investments such as equities or real estate / property.

The full survey results, including a list of all the firms with over \$1 billion of hedge fund assets globally, are due to be published in the HedgeFund Intelligence Global Review in April. Other highlights from this latest research include the following trends:

- **Decline of the Billion Dollar Club**

The number of firms running hedge fund assets of \$1 billion or more fell from 395 in mid-2008 to only 311 at the end of the year. The combined assets of the global club also fell from \$2.161 trillion to \$1.455 trillion.

- **New York remains biggest location, London second**

New York remains the top centre for hedge funds with over 120 'Billion Dollar Club' firms and close to 47% of the assets of the Club. London, in second place, has 65 billion dollar firms with a 17% market share of assets. Eight of the top 10 firms by assets are based in the U.S., with the other two – Brevan Howard and Man AHL – based in London.

- **Asia-Pacific sees fastest drop in assets**

Assets in Asia-Pacific hedge funds fell at the fastest rate in 2008 – from over \$190 billion to \$122 billion by the end of the year, a decline of about 36%. In part, this reflected the fact that a higher proportion of the Asian funds have equity-based strategies – where performance was particularly poor in 2008 – plus higher redemptions from the Asian funds, which generally have easier liquidity terms.

- **New funds – launches and assets raised plummet**

New fund launches were sharply down in 2008 in all the major hedge fund markets. In the U.S., there were only 55 new funds started last year that raised \$50 million or more – down from 81 new funds of that size or more in 2007; together they raised a collective \$23 billion, down from over \$31 billion the previous year.

In Europe, the total number of new funds dropped from 370 in 2007 to just 201 in 2008, with the assets raised down from \$33 billion to \$17.8 billion. Some 79 of those funds raised \$50 million or more with collective assets of \$15.7 billion.

In Asia, the number of new funds contracted from 116 in 2007 to 75 in 2008 – with collective assets that plummeted from \$7.8 billion in 2007 to only \$2.9 billion in 2008. Only 17 of the new Asian funds reached \$50 million or more, with collective assets of just over \$2 billion.

- **Sharp rise in the number of shutdowns**

Further evidence of the unprecedentedly difficult conditions for the industry last year comes from the number of funds shut down during the year. In the U.S. and the Americas, Absolute Return has identified at least 200 shutdowns during the year – more details of which will be released soon.

In Europe, there are at least 153 confirmed shutdowns for 2008 (up from 124 the previous year) with the final figure yet to be confirmed. And in Asia, there were at least 100 shutdowns – more than double the figure from the previous year – and again with the final number still to be confirmed.

Neil Wilson, editorial director of HedgeFund Intelligence, commented: "Despite what was undoubtedly a very difficult year, the overall performance from hedge funds in 2008 was still much better than in equity markets and most other asset classes, and there were many individual funds that delivered excellent (and positive) risk-adjusted returns. And despite some further redemptions already in the pipeline, with the outlook for global markets still looking uncertain it seems to us that investors will increasingly conclude that many hedge funds will offer better ways to invest money and manage risk than the other alternatives. Performance in the early part of 2009 has already been encouraging – despite the difficult markets."

**TOP TEN HEDGE FUND FIRMS\*\* (JANUARY 2009)**

<b>Firm</b>	<b>AUM</b> (\$ billions)
Bridgewater Associates	\$38.60
JPMorgan	\$32.90
Paulson & Co.	\$29.00
D. E. Shaw Group	\$28.60
Brevan Howard*	\$26.80
Och-Ziff Capital Management	\$22.10
Man AHL*	\$22.00
Soros Fund Management	\$21.00
Goldman Sachs Asset Management*	\$20.60
= Farallon Capital Management	\$20.00
= Renaissance Technologies	\$20.00

Source: *Absolute Return*

*Unless noted otherwise, all asset figures are as of January 1, 2009.*

\* as of December 31

\*\* the full Absolute Return Billion Dollar Club appears in the March issue of the magazine. The Global Billion Dollar Club, also including all the non-US members, will appear in the HedgeFund Intelligence Global Review to be published next month.

**Notes to editors:**

- This research was conducted from HedgeFund Intelligence databases and surveys that cover almost 6000 single-manager hedge funds across the world. It is the largest participant base for any research of this type.
- The statistics above represent single-manager hedge funds only. Funds of funds, which are tracked by InvestHedge, are **not** included in the calculations.

**About HedgeFund Intelligence**

HedgeFund Intelligence is the biggest provider of hedge fund news and data in the world, with the largest and most knowledgeable editorial and research teams of any hedge fund information provider. We supply data on more than 11,000 funds and comprehensive news and insight from across the globe. Through four regional brands – *Absolute Return*, *EuroHedge*, *AsiaHedge*, *AfricaHedge* – and *InvestHedge*, which focuses on investors in hedge funds – we provide news and data to the global hedge fund industry.

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