

## Institutional Investors Revolutionize Hedge Fund Industry 61% of hedge fund capital now comes from institutional investors; managers adapting to suit demands of new investor universe.

In the latest Preqin study, hedge fund managers revealed that they are altering their fees, risk adjustment procedures and strategic offerings to attract institutional investors to their hedge funds. Institutional capital is at an all time high within the sector, and 85% of the 60 hedge fund managers interviewed believe that it will increase even more over the next 18 months.

### The study showed:

- 46% of managers have put more risk management procedures in place as a result of having more institutional investors in their funds.
- 42% have reduced the fees charged on funds.
- 21% have introduced alternatives to commingled funds to attract or maintain institutional interest.
- 57% of respondents stated that over half of their assets come from the institutional sector
- 47% of managers have seen an increase in institutional capital over the past three years, increasing to 56% over five years.
- Almost half of those surveyed plan to market specifically to the institutional sector in the coming 12 months.
- 15% expect to launch UCITS-structured hedge funds; institutional investors are increasingly keen to take advantage of the transparency and liquidity requirements of these fund structures.

**To view the full results of the study, please visit the following link:**

[http://www.preqin.com/docs/newsletters/HF/Preqin\\_Hedge\\_Fund\\_Spotlight\\_February\\_2011.pdf](http://www.preqin.com/docs/newsletters/HF/Preqin_Hedge_Fund_Spotlight_February_2011.pdf)

### Comment:

The consensus is clear: hedge fund managers are witnessing large inflows of capital from institutional investors, and are adapting their fund strategies and marketing accordingly. Smaller funds continue to find it more difficult to attract institutional investors, as many do not have sufficient assets under management to be a viable investment option for some of these investors. However, most fund managers are expecting more money from institutional coffers over 2011 and into 2012, suggesting that the proportion of institutional capital in the sector is due to grow even more over the next 18 months.

### Amy Bensted, Manager – Hedge Fund Data

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#### 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.

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](http://www.preqin.com)

#### Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q'.

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