

## Liquidity Is Leading Concern of Institutional Hedge Fund Investors

**All institutional investors have maintained or increased their liquidity requirements since 2008**

75% of investors are looking for greater liquidity in their hedge fund investments following the financial crisis, the latest Preqin study reveals. Funds with lock-up periods are now considered less favourable amongst investors as they seek the flexibility to exit their investments at their own discretion.

Although some investors are prepared to compromise on their liquidity demands when offered more favourable terms in other areas, 34% place the priority on liquidity.

### The study found:

- 30% of investors will not consider investing in funds with a lock-up period.
- Only 6% will invest in a vehicle with a lock-up period of over 24 months.
- 46% of investors stated a preference for quarterly redemptions, while 32% seek access to funds with monthly redemptions.
- 42% would be willing to accept longer lock-ups in return for lower management fees, while 38% felt the same about performance fees.
- 12% will only consider investing in liquid strategies at this time.
- 54% of investors have invested in a fund which gated assets. The same proportion of investors would consider a fund with gating clauses in the future, suggesting for many investors the gates of the past have not deterred their appetite in the future.
- 30% of hedge fund managers have shortened redemption periods since 2008.
- 44% of hedge fund managers rate liquidity as something they pay a high level of attention to.
- 53% of funds do not lock-up institutional capital.

**The full report can be accessed here:**

**[http://www.preqin.com/docs/newsletters/HF/Hedge\\_Fund\\_Spotlight\\_September\\_2011.pdf](http://www.preqin.com/docs/newsletters/HF/Hedge_Fund_Spotlight_September_2011.pdf)**

### Comment:

The majority of investors have increased their liquidity requirements following the market downturn and the demand for funds with shorter lock-up periods and greater flexibility in terms of redemptions has grown in the years since 2008. Those funds that have adopted better liquidity terms for their investors have been more successful in gaining institutional capital, while demand for increased liquidity is also driving the growth of specialist structures such as managed accounts and UCITS.

Investors are demonstrating flexibility, with a significant number willing to compromise their liquidity demands in return for more favourable fund terms elsewhere. Ultimately, however, managers that understand the needs of investors and adapt their products accordingly will be the most successful in attracting institutional capital.

**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.

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### Note to Editors:

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

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