

Preqin Research Report

Hedge Funds: Distressed Securities Investors

Key Facts - Distressed Securities Investors

% of institutional HF investors that state distressed securities as a preference	12.2%
Median AUM of a distressed securities investor (\$bn)	1.8
Average allocation to HF of a distressed securities investor	15.2%
Most favoured investment approach (funds of hedge funds, direct hedge funds, both)	Direct hedge funds
Average lock-up of a distressed securities fund (months)	20

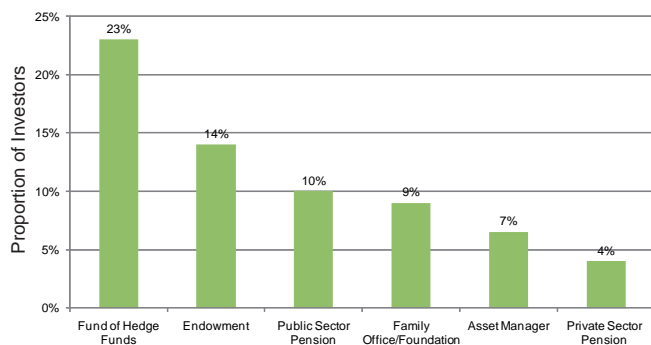
Source: Preqin

Preqin monitors 270 institutional investors with an active interest in distressed securities and the strategy is currently the fifth most popular choice of investment amongst institutional investors. Following the market crisis there has been a flood of distressed assets into the market, which has led to numerous new funds being launched to try to profit from the sector. Figures from Preqin's database indicate a 33% growth in the number of investors interested in distressed securities from 2008, making it one of the fastest growing strategies in terms of institutional investor interest.

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At present, distressed securities are a key area of interest amongst institutional investors, with many feeling that the time is right to pick up good returns from investments in these types of hedge funds focusing on this area. Distressed funds are a longer-term investment for hedge fund investors, with distressed funds, on average, locking capital away for 20 months. Therefore institutional investors that are active in this type of fund must have longer time horizons for their hedge fund portfolios in order to accept the illiquidity associated with this type of fund.

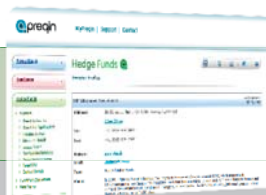
Fig. 1: Proportion of Each Investor Type with an Active Preference for Distressed Hedge Funds



Source: Preqin

Funds of hedge funds are currently the most active investors in distressed securities, followed by endowments. Endowments, with their longer investment horizons and flexibility to invest in newer or emerging strategies, were amongst the first investors to begin allocating capital to distressed hedge funds. However, the once-niche investment style of distressed securities is increasingly attracting mainstream investors like large public sector pension funds. Proportionally, distressed hedge funds are equally popular across the globe.

However, because of the size of the North American institutional market, the US is the most common source of capital for distressed managers, with over half of all investors in this strategy based in this region.



Data Source:
Hedge Investor Profiles

About Hedge Investor Profiles:

Preqin holds information for 270 investors with an active interest in distressed securities.

For more information about Hedge Investor Profiles, or to register for a demo, please visit:

www.preqin.com/hedge

Fig. 2: Proportion of Investors in Each Region with an Active Preference for Distressed Hedge Funds



Source: Preqin

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