

Preqin Research Report

Investors in Focus: UK Public Pension Funds.

Fig. 1: Key Facts: UK Public Pension Funds

% of UK Public Pension Plans Investing in Hedge Funds	53%
Average allocation to hedge funds	5.3%
Average target allocation to hedge funds	7.8%
Most favoured investment approach	Funds of Hedge Funds
Average number of hedge funds in a UK pension fund portfolio	6
Typically been investing in hedge funds for...	3 years

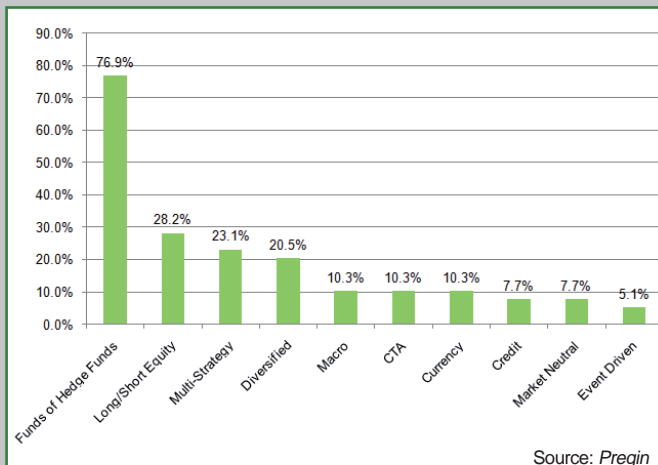
Source: Preqin

There was a significant increase in the proportion of UK public pension schemes investing in hedge funds over the course of 2009 a trend that continued into the first half of 2010. Today 53% of all UK public pension funds invest in hedge funds, a significant increase from Q1 2009 when only 38% had exposure to the asset class. This increase in the number of UK pension funds active in hedge funds, coupled with the increasing tendency for pension funds to allocate larger sums to the asset class, will lead to this group of investors becoming an increasingly important source of capital to the hedge fund industry over the next 12 to 18 months.

UK public pension funds are relatively conservative in their strategic preferences. Most UK public pension funds favour the funds of hedge fund approach when allocating to the asset class. As newcomers with little experience in the asset class, this approach enables public pension funds to diversify their holdings and spread risk across their hedge fund portfolio with only a few investments. Other strategies utilized by UK public pension funds include long/short equity and multi-strategy, which are favoured by 28% and 23% of all such investors respectively.

The majority of UK public pension funds will consider investing in hedge funds that are located in Europe. In

Fig. 2: Strategic Preferences of UK Public Pensions Investing in Hedge Funds



addition to being a well-established hedge fund market, Europe is also easily accessible to investors based in the UK and there are fewer logistical concerns when it comes to due diligence. Many investors within this group look outside of their domestic region. A significant proportion of UK public pension funds look to invest on a global scale, which allows them to gain access to a wide variety of managers and to invest in some of the top performing funds.

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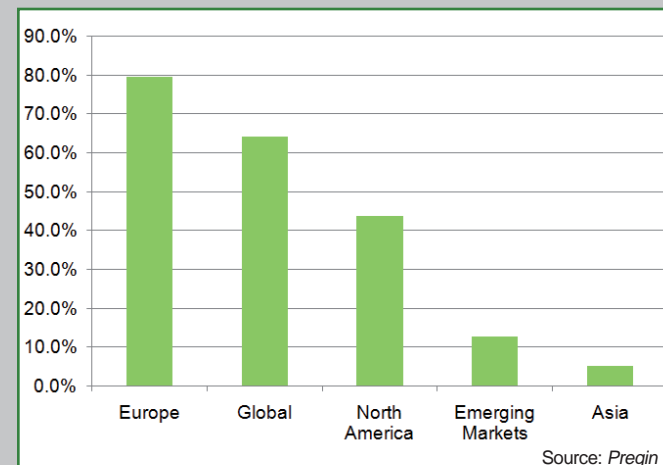
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Fig. 3: Regional Preferences of UK Public Pensions Investing in Hedge Funds



Preqin tracks 55 UK Public Pension Fund investors with an interest in hedge fund investments.

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