Welcome to the latest edition of Hedge Fund Spotlight, the monthly newsletter from Preqin providing insights into the hedge fund industry, including information on investors, funds, performance and more. Hedge Fund Spotlight uses information from our online product Hedge Fund Online, which includes Hedge Fund Investor Profiles and Hedge Fund Analyst.

June 2013
Volume 5 - Issue 6

FEATURED PUBLICATION:

2013 Preqin Investor Network Global Alternatives Report

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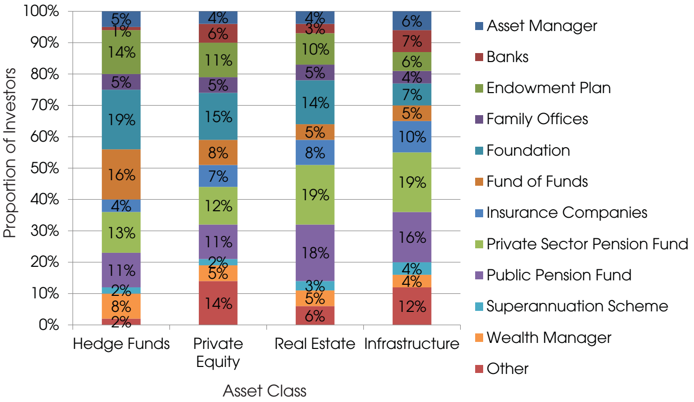
Alternative Assets in the Mainstream: How Hedge Funds Fit Within an Institutional Allocation to Alternatives

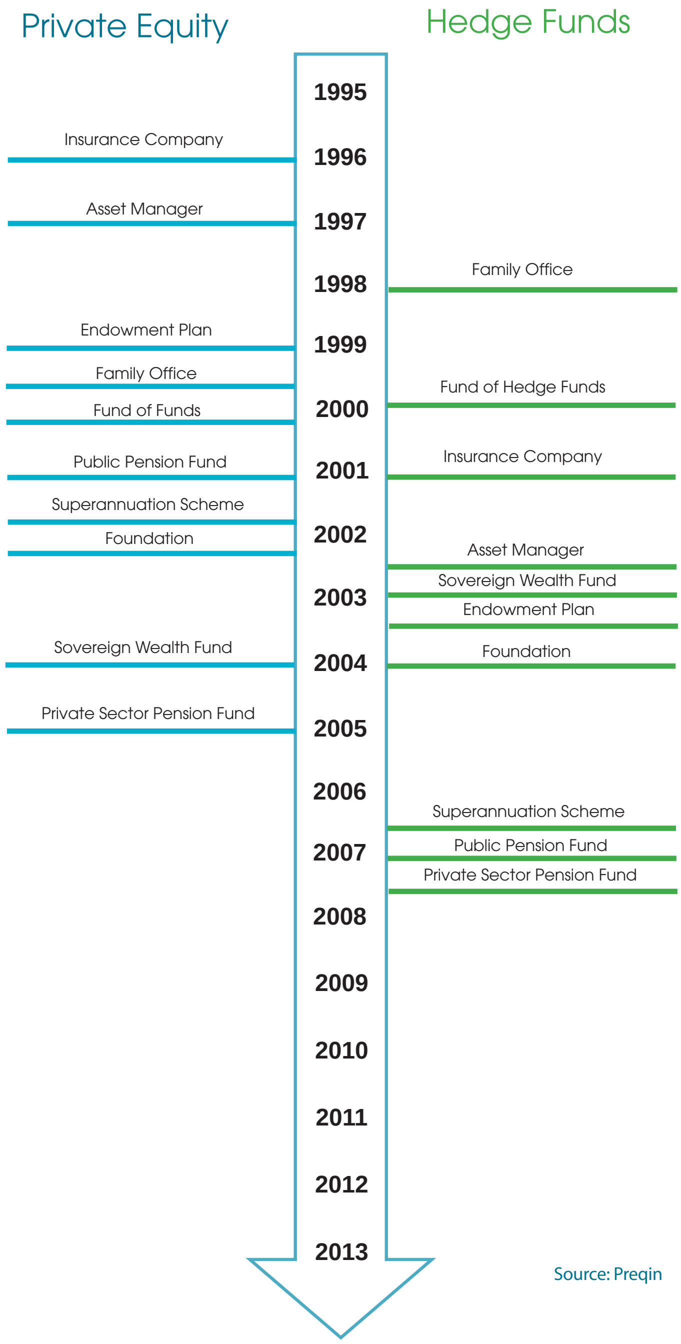
Using data from the 2013 Preqin Investor Network Global Alternatives Report, Amy Bensted looks at the importance of alternative assets in investors' portfolios, including their average allocation and year of first investment.

Fig. 1: Breakdown of Investors Active in Alternative Assets by Asset Class and Type



Source: Preqin

Fig. 2: Investors' Average Year of First Investment in Private Equity and Hedge Funds

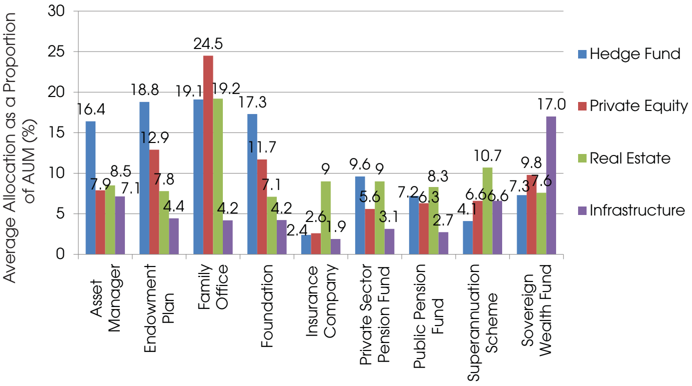


Source: Preqin

Preqin is celebrating its tenth year of providing information and services to and on the alternative assets industry. In this time we have seen many changes in the alternative assets sector driven by the changes in the economic environment, increased intervention from governing regulatory regimes, and the continuing boom in new technologies, among many others. Arguably the biggest driver of change in the alternative assets industry has been the flood of institutional capital into the four groups of alternative assets: hedge funds, private equity, private real estate and infrastructure. This influx of capital from institutions such as pension funds, foundations, insurance companies and sovereign wealth funds has caused the alternatives sector to hit assets under management of over $5.5tn. Institutional inflows have not only led to growth in the size of the industry and a proliferation of funds pursuing alternative strategies, but also a wider "institutionalization" of alternative assets, as private equity, hedge fund and real assets managers have built robust infrastructures to support their trading activities. To support this, the number of people working in the alternative assets industry has also shown a rapid growth over the past 10 years.

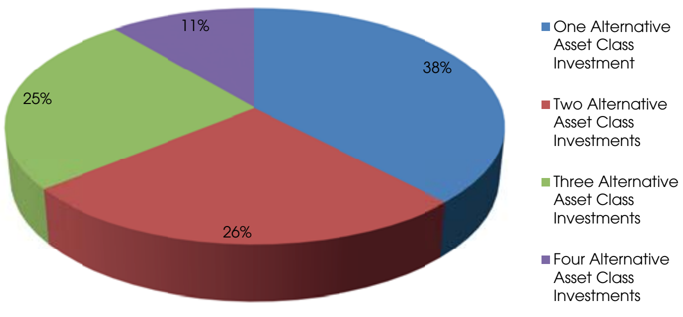
This feature article draws on data from our newly launched 2013 Preqin Investor Network Global Alternatives Report, a 100 plus page report covering all the key issues that investors in alternative assets need to know about in the industry today. We will examine which types of investors are currently investing in alternative assets, how much these investors are allocating and what alternative assets are of interest to these investors in the next year. As a manager it is important to understand the key allocators in your sector and as an investor already committing to alternatives or considering

Fig. 3: Investors' Average Current Allocations to Hedge Funds, Private Equity, Real Estate and Infrastructure by Type



Source: 2013 Preqin Investor Network Global Alternatives Report

Fig. 4: Number of Alternative Asset Classes Within an Investor's Portfolio (Investors With an Allocation to at Least One Alternative Asset Class)



Source: Preqin

doing so in the future, knowing more about your peers' plans for their alternative asset investments can help as you look to build a portfolio of alternatives.

Who Is Investing in Alternative Assets?

Fig. 1 shows a breakdown of investors by the number within each broad type allocating capital to each group of alternative asset. As this demonstrates, there is a wide range of types of institutional and private wealth groups investing in alternative assets today. There are some notable differences between investors in hedge funds compared to private equity, real estate and infrastructure. Perhaps most significant is the prevalence of funds of funds dedicated towards hedge fund investments in comparison to other alternative assets. Although the fund of hedge funds model has been called into question over recent years, the multi-manager model in the hedge fund industry is much larger than it is in the private equity asset classes, with around $800bn of hedge fund capital being siphoned through funds of funds.

Fig. 2, which shows the mean year of first investment of various types of investors, demonstrates that hedge fund investment is relatively new to most types of institutions. It shows that all investors, excluding family offices and sovereign wealth funds, made their first steps into alternatives through private equity funds. Funds of funds are often the chosen route into an asset for less experienced investors and this proliferation of new investors into hedge funds over the past 10 years has given the fund of funds sector a broad base of investors to serve.

Although foundations and endowments began investing, on average, earlier in private equity compared to hedge funds (Fig. 2), both foundations and endowments also represent a significantly larger proportion of the hedge fund investor universe in comparison the other asset classes. The early adoption of alternative assets by endowment plans, particularly the US-based institutions such as Yale, the pioneer of the so-called "Yale-Model" of portfolio management, paved the way not only for other endowments to invest in alternative assets, but also for a wider group of institutions that took note of the success of this new approach to money management.

Pension funds, both private and public, represent similar proportions of the investors in both private equity and hedge funds. Public pension funds began investing in private equity funds on average in 2001, a full six years earlier than the mean year of first investment for a public pension fund investing in hedge funds. Despite choosing to invest in hedge funds later than private equity, these pension funds have shown significant backing of hedge funds over the past five years, and have increased their allocations steadily since 2007. Today, hedge funds form a larger proportion of a pension fund's portfolio than private equity, and in the case of private sector pension funds, hedge funds are the single largest group of alternative assets held (as measured by average current allocation). Hedge funds are the second largest component of a public pension fund's portfolio, with public schemes investing the most capital in real estate. Eighteen percent of the investors in real estate funds are public pension funds – significantly higher than in hedge funds – which indicates that these investors are a significant driver of growth in real estate funds.

Number of Alternative Strategies Pursued

Fig. 4 shows the number of alternative asset classes (either hedge funds, private equity, private real estate or infrastructure) that each of the 7,700 active investors tracked by Preqin commit to. The largest proportion of investors (38%) commits to just one alternative asset class, with just 11% of institutions investing in all four. The remaining 51% invest in two or three groups of alternatives. Those investors with a wider variety of alternative assets in their portfolios tend to be those that adopted an alternative approach to investment earlier, and over time have diversified their portfolios further by adding new groups of alternative assets to their holdings. The wider trend for investors is to create larger and more complex portfolios of alternative investments by increasing allocations to strategies they already know, as well as diversifying into new strategies (be that private equity, real estate, infrastructure or hedge funds). With such a large proportion of investors only committing to one or two alternative asset classes, there is potential for significant growth in all four alternative asset classes.

Summary

Although hedge funds have been in existence for over 60 years, it has largely been over the last 10 years that these funds have caught the attention of institutional investors. Prior to that, family offices and high-net-worth individuals were the primary investors in the hedge fund space, and institutional investors sought to diversify into alternative assets through private equity funds initially. The difficult economic environment over the past five years has proven to institutional investors that there is a need to diversify portfolios from an overreliance on traditional fixed income and equity products, and the desire for liquid alternatives has led to an increase in interest in hedge funds in particular. Some investors, notably family offices, endowments, foundations and asset managers, invest on average over 10% of total assets in hedge funds, and for some investors, such as private sector pension funds, hedge funds are the most used alternative asset class within their portfolios. Other investors, such as sovereign wealth funds, invest relatively smaller proportions in hedge funds, and choose to put more of their alternative asset capital at work in private equity, real estate and notably in the case of sovereign wealth funds, infrastructure assets.

Despite the increased interest in alternative assets over the past two decades, many investors still only have relatively simple portfolios of alternative investments, with just one or two types of assets held. For these investors the challenge is to gain the necessary set of skills to add new levels of complexity to their portfolios by carving out new risk allocations within their portfolios for different alternative assets. They will then need the right tools to successfully source the alternative asset funds that best fit their needs. For fund managers the challenge is to successfully identify and connect with these investors that are looking to ramp up their exposure to alternative assets. Preqin has 10 years of experience within the alternative assets industry, and our Preqin Investor Network platform, available free of charge to accredited investors, monitors over 11,600 alternative asset funds in market.

Data Source:

This article uses data from the 2013 Preqin Investor Network Global Alternatives Report, the 104 page comprehensive review of the alternatives industry aimed exclusively at institutional investors ever undertaken. The Report covers a wide range of topics, including asset allocation, fund selection and due diligence.

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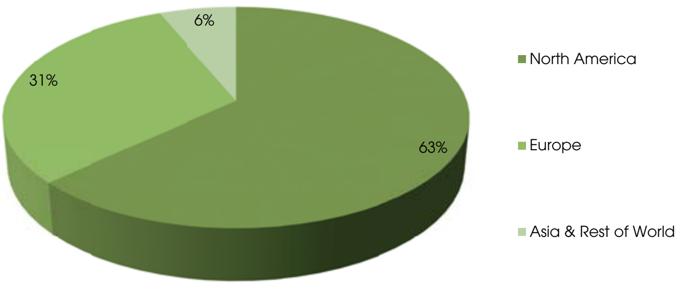
Investment Consultants in the Alternative Assets Industry

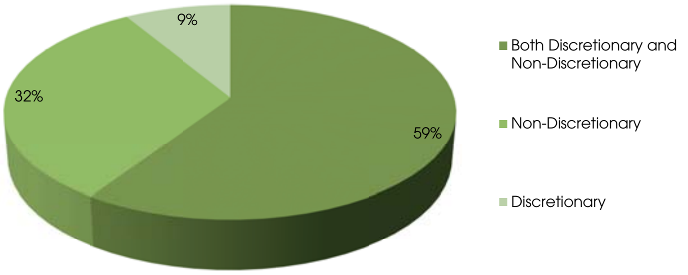
Which regions are investment consultants primarily based in? How much capital do consultants and their clients intend to commit? Using an extract from the 2013 Preqin Investor Network Global Alternatives Report, Dami Sogunro examines investment consultants in hedge funds and their preferences for the next 12 months.

Fig. 1: Breakdown of Alternatives Investment Consultants by Location of Headquarters



Source: 2013 Preqin Investor Network Global Alternatives Report

Fig. 2: Breakdown of Alternatives Investment Consultants by Nature of Service Provided



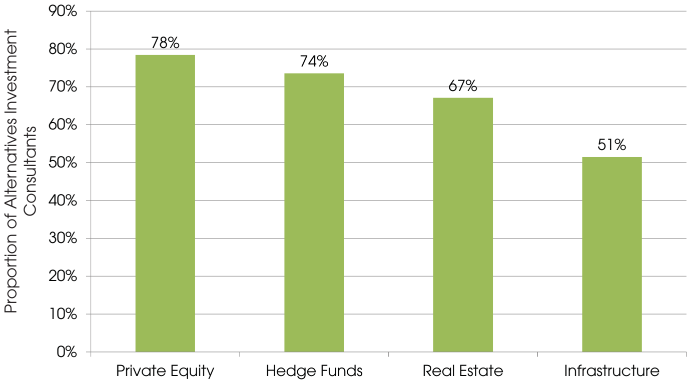
Source: 2013 Preqin Investor Network Global Alternatives Report

Overview of Current Universe

Consultants are an important resource to investors throughout the investment process, from making recommendations concerning asset allocation decisions to monitoring holdings. Within the alternatives space, consultants can often be even more important, due to the need for specialist knowledge in the often opaque investment market.

Preqin currently tracks 371 alternatives investment consultants. The majority (63%) of these consultants are headquartered in North America, and 98% of these North America-based consultants are located in the US. Europe is home to 31% of investment consultants, with the UK, Switzerland and Germany representing the most prominent locations in the region. Significantly fewer investment consultants are based in Asia and Rest of World, with only 6% of consultants based in the region. A number of larger more established alternatives investment consultants operate in Asia and Rest of World through smaller outfits, which they use to gain local knowledge and form relationships, but are headquartered in North America or Europe.

Fig. 3: Proportion of Alternatives Investment Consultants Offering Services by Asset Class



Source: 2013 Preqin Investor Network Global Alternatives Report

Investment consultants are able to serve clients on a discretionary or non-discretionary basis, or provide both types of services. Providing both discretionary and non-discretionary services has been a growing trend among investment consultants in recent years, with firms adopting the ability to offer clients either service based on their needs in order to meet investors' varying requirements. Fifty-nine percent of alternatives investment consultants tracked by Preqin provide clients with both discretionary and non-discretionary services, 32% provide non-discretionary only services and 9% provide discretionary-only services.

Most alternatives investment consultants provide clients with services in a variety of alternative investments, as shown in Fig. 3. More than a third of investment consultants (34%) have services which cover private equity, hedge funds, real estate and infrastructure simultaneously. Only 16% focus upon a single asset class and, within this, 7% focus solely on hedge funds and 6% cover only private equity, and do not provide consulting services on any other asset types.

Consultants' Outlook on Hedge Funds

The outlook of consultants for the hedge fund space is largely positive. Over half of consultants are recommending that clients invest more capital in hedge funds in 2013 compared to 2012, with

38% expressing that they plan to commit slightly more capital to the hedge fund space and 17% significantly more (Fig. 4). This is a notably higher proportion than in 2012, when 28% planned to commit slightly more and 10% significantly more.

Only 10% of consultants plan to invest less capital in the hedge fund space on behalf of their clients in 2013 than in 2012, which is significantly lower than the 34% of consultants which stated this in 2012.

The regions viewed by alternatives investment consultants as providing the greatest opportunities in hedge funds have shown some notable changes since 2012. The region viewed by the largest proportion of consultants as presenting the greatest opportunities is North America, with 83% of consultants citing this region; this is a significant increase from the 68% of consultants which stated this in 2012. In contrast, consultants are seeing fewer opportunities in Europe. Europe is now viewed by 39% of consultants as the region presenting good opportunities for hedge fund investment, while this figure stood at a much higher 68% in 2012.

Appetite for South America and the Middle East is increasing. At present, 27% of consultants view South America as presenting strong investment opportunities, which is more than double the proportion in 2012. In 2012, only 3% of consultants selected the Middle East as one of the regions presenting strong opportunities in hedge funds; this has risen to 10% in 2013.

As shown in Fig. 6, direct fund investments are the most commonly recommended investment type by consultants currently (74%). Despite some discussion on the convergence of funds of funds and the consultants model, fund of funds vehicles are recommended by nearly 60% of the survey respondents. Alternatives to the traditional offshore commingled model are increasingly favoured among investors, which is mirrored by the consultants that serve them; a significant proportion of consultants are currently recommending investment in separately managed accounts (33%), listed funds (23%) and UCITS vehicles (22%).

Subscriber Quicklink:

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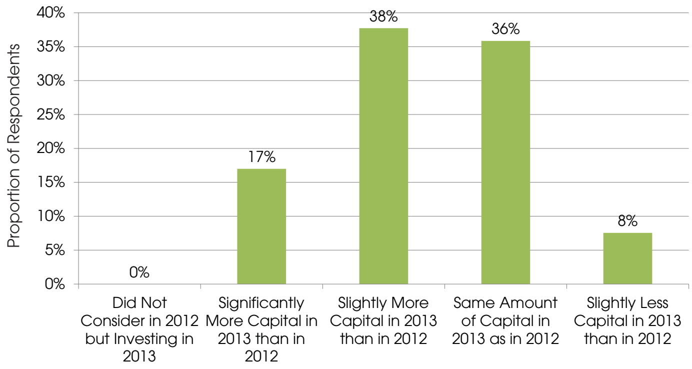
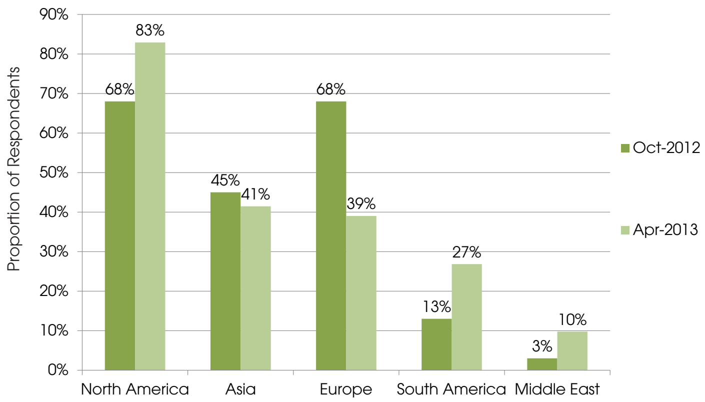
Fig. 4: Amount of Capital Alternatives Investment Consultants/Clients Plan on Committing to Hedge Funds in 2013 Compared to 2012



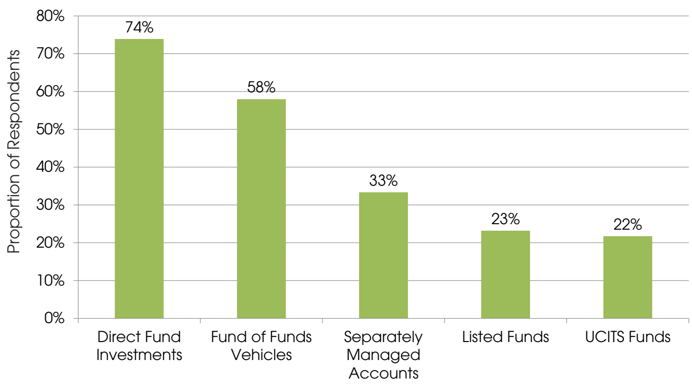
Source: 2013 Preqin Investor Network Global Alternatives Report

Fig. 5: Regions Viewed by Alternatives Investment Consultants as Presenting the Best Opportunities in Hedge Funds Over the Following 12 Months, 2012 - 2013



Source: 2013 Preqin Investor Network Global Alternatives Report

Fig. 6: Alternatives Investment Consultants' Preferred Route to Market for Hedge Fund Investment



Source: 2013 Preqin Investor Network Global Alternatives Report

Opportunities and Barriers in the Alternative UCITS Market

- Ian Swallow,
Head of UCITS Management, Man

The Rise of Alternative UCITS Funds

Despite periods of strong returns, a great example of which is the 10-month period following Mario Draghi's commitment to do 'whatever it takes' to support the euro, the aggregate performance of equity markets since the turn of the millennium has been hugely disappointing, especially for European investors. While Wall Street traders happily sported Dow 15,000 caps in early May this year, both the DAX and FTSE 100 indices began the month languishing below the levels established at the height of the technology boom in the first quarter of 2000. As such, it is not surprising that we have seen a rising appetite for hedge funds in recent years, as an increasing number of investors have sought to complement the traditional assets within their portfolios with hedge fund investments that aim to provide both diversification and risk mitigation.

However, particularly post 2008, the key issue for many investors has been how to access hedge funds within a format that they are familiar with and one which fits their requirements for highly regulated, liquid, risk-controlled investments. Typically, hedge funds are offered in an offshore format with limited regulatory oversight, monthly (or less frequent) liquidity and high minimum investments.

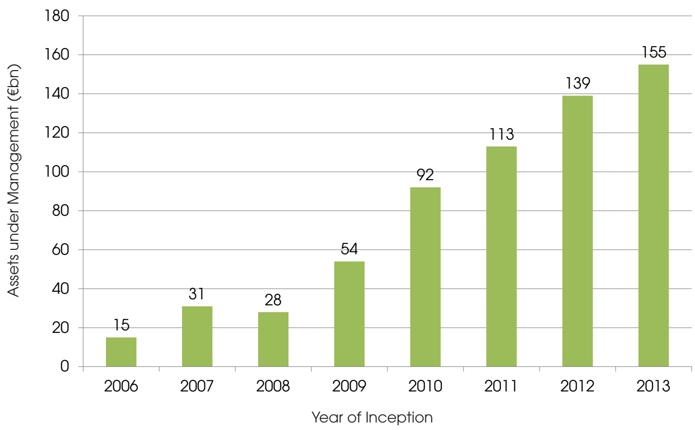
The process of bringing alternative investment strategies into the mainstream began a decade ago when the scope of eligible assets was significantly broadened with the introduction of the UCITS III framework which permitted, among other things, investments in financial instruments such as futures and options. This opened up the possibility for alternative investment managers to offer mainstream investors access to their investment strategies within the liquid, frequently priced, highly regulated, onshore UCITS format.

Consequently, alternative UCITS products have become extremely popular since the peak of the credit crisis in 2008 and assets under management have grown to €155bn[1]. While this is a sizeable absolute number, it constitutes only a small proportion of the broad UCITS industry which manages assets of around €6.7tn[2]. As such, alternative asset managers with strong track records and the ability to package their successful offshore investment strategies within a UCITS wrapper have a huge opportunity to attract assets.

A Huge Opportunity… But Only For Scale Players

While there is clearly an opportunity for alternative investment managers to capitalize on the UCITS market, the barriers to entry can be high and these restrict the ability of smaller players to offer quality alternative UCITS funds. Given the administrative complexities of UCITS regulations, considerable resources and

Rise in Assets under Management of Alternative UCITS Funds



Source: UCITS Alternative Index/Alix Capital

expertise are required to structure hedge funds in a way that does not compromise the ability of the fund manager to harness alpha.

The key obstacles for alternative UCITS providers to consider are compliance with the Eligible Assets Directive (EAD) and other limitations relating to liquidity, diversification and leverage.

Eligible Assets

Introduced in 2007, EAD sought to provide greater clarification as to which assets could potentially be included in the portfolio of a UCITS product. EAD also determined that each instrument a fund manager invests in must be utilized in a cost-effective way either to mitigate risk or to generate additional returns at a level of risk consistent with the UCITS principles. For example, EAD reiterated the requirement that the potential losses relating to any asset or instrument within a UCITS structure must be limited to the amount paid for it. The guidelines in relation to eligible assets are designed to prevent irresponsible managers offering a product that is not suitable for mainstream investors.

Liquidity

The UCITS guidelines state that funds must provide at least bi-monthly liquidity, although in practice most offer weekly or more frequent redemptions. Given the additional requirement that fund managers must be able to redeem 10% of the net asset value of their portfolios on each dealing day, managers wishing to adhere to UCITS requirements inherently need to run highly liquid strategies.

[1] *Source: UCITS Alternative Index/ Alix Capital. As at 31 March 2013.*
[2] *Source: European Fund and Asset Management Association. As at 31 March 2013.*
[3] *As at 31 March 2013.*

Diversification

The 5/10/40 rule that applies to UCITS funds is designed to protect investors from high concentration in single securities, or issuers. In general we welcome this as a positive risk spreading rule. However, for some portfolios, where the manager has a high conviction in a certain security, this can dilute potential returns when compared to a non-UCITS fund. As such, this needs to be taken into consideration prior to launching a UCITS fund.

Leverage

One area where the UCITS guidelines are slightly unclear, and a high degree of co-ordination with the regulatory authorities is necessary, is with regards to leverage limits. Typically, regulators will analyze the gross exposure of the portfolio without taking into account offsetting trades. As such, it is easy to quickly gain (what appears to be) a significant level of leverage in the portfolio and regulators unfamiliar with alternative investment strategies may decline approval for the portfolio when it is taken at face value. Where this is the case, it is important to have a strong dialogue with the regulatory authorities in order to fully explain the nature of the portfolio. Such discussions should include an explanation of how the risk management process ensures that high exposure is not actually detrimental to investors, but seeks to ensure that they receive enhanced risk-adjusted returns.

As such, to be able to offer successful alternative investment strategies within a UCITS framework, providers need scale, significant product structuring resources and regular dialogue with regulators.

Going Forward

There are several upcoming developments within the UCITS space which providers of alternative investment strategies need to consider.

1. ESMA: The ESMA guidelines on ETFs and other UCITS issues came into force in February this year (there is however a one year grandfathering period for some of the guidelines, specifically those relating to index-tracking UCITS funds). In short, these guidelines stipulate that investment managers provide clearer descriptions of the indices that the fund is tracking, more transparency on index calculation/the component parts and a slower re-balancing speed. This is expected to result in a number of funds, particularly ones running managed futures programmes, experiencing some difficulty in executing their strategies. Potential solutions include more complex structures that enable funds to trade the same strategy or alternatively narrowing the field of investments in order to allow the funds to continue trading.

2. UCITS V: The upcoming UCITS V changes will be primarily aimed at fund governance with three main areas being addressed:

1 - The depositary/custodian function will be harmonized to ensure consistency across all EU states.

2 - The introduction of manager compensation rules.

3 - Harmonization of the sanctions for breach of the main investor protection sanctions.

While these changes will need to be carefully considered by providers, they are not expected to have a huge impact on the types of funds that managers are able to be run within a UCITS framework and should provide investors with additional protection.

3. UCITS VI: There are still several unanswered questions surrounding the exact form of UCITS VI. Eight main topics have been raised for discussion so far and it is likely that they will have far reaching consequences for providers of alternative UCITS funds. Our assumption is that these changes will impact provisions around the list of eligible assets, how efficient portfolio management techniques are employed, OTC derivatives, liquidity management and the use of long-term investments. Consequently, we are already considering potential impacts on new fund launches.

Conclusion

The ongoing broadening of the UCITS framework that began in earnest in 2003 constitutes a tremendous leap forward in terms of both diversification and choice. However, it also provides some well-intentioned challenges that investment managers must overcome in order to comply with the series of directives. There is little doubt that genuine appetite for alternative products exists and that many investors are fully cognizant of the importance of diversifying their investment portfolios in the aftermath of the 2008 crisis and the broader 'lost decade' for equities. While there is considerable scope to capture assets, the UCITS framework acts as a form of quality control and only the larger-scale players are likely to have the capabilities necessary to satisfy the complexities associated with this opportunity.

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Man is a world-leading alternative investment management business. It has expertise in a wide range of liquid investment styles including managed futures, equity, credit and convertibles, emerging markets, global macro and multi-manager, combined with powerful product structuring, distribution and client service capabilities. At 31 March 2013, Man managed $54.8bn.

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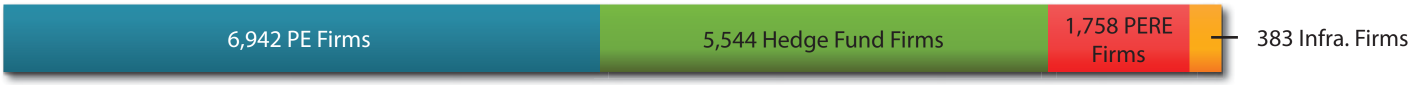
Preqin Global Data Coverage

As of 1 June 2013

Fund Coverage: 30,190 Funds

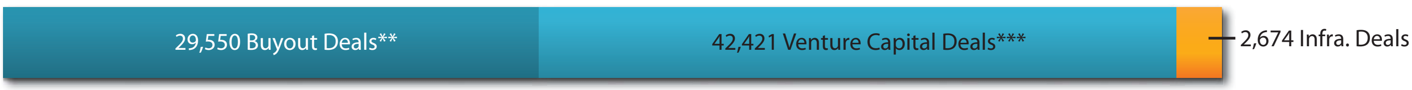
Firm Coverage: 14,627 Firms



Performance Coverage: 11,743 Funds (IRR Data for 4,993 Funds and Cash Flow Data for 2,275 Funds)

Fundraising Coverage: 12,322 Funds Open for Investment/Launching Soon Including 1,939 Closed-Ended Funds in Market and 403 Announced or Expected Funds

Deals Coverage: 74,645 Deals Covered; All New Deals Tracked



Investor Coverage: 10,801 Institutional Investors Monitored, Including 7,700 Verified Active**** in Alternatives and 81,211 LP Commitments to Partnerships

Alternatives Investment Consultant Coverage: 447 Consultants Tracked

Fund Terms Coverage: Analysis Based on Data for Around 7,500 Funds

Best Contacts: Carefully Selected from Our Database of over 239,873 Active Contacts

Plus

Comprehensive coverage of:

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- Law Firms
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****Preqin contacts investors directly to ensure their alternatives programs are active. We emphasize active investors, but clients can also view profiles for investors no longer investing or with programs on hold.

Preqin Industry News

Olivia Harmsworth examines the latest hedge fund industry news, including investors targeting emerging hedge fund managers and new launches in May 2013.

A number of investors are targeting emerging hedge fund managers in the next 12 months:

Pulteney Street Capital Management plans to add new managers to its fund of separately managed account hedge funds. The firm actively targets emerging manager hedge funds, although it typically requires a minimum track record of two to three years. It has a focus on low volatility liquid strategies including long/short equity and it also plans to consider credit strategies.

Protégé Partners focuses exclusively on investing in established smaller hedge funds and select emerging managers. It expects to make between six and 11 new hedge fund investments over the coming 12 months as part of its annual portfolio turnover. The group considers opportunities in regions worldwide and maintains a core focus on directional, event driven and relative value strategies.

Larch Lane Advisors expects to make two new seeding hedge fund investments over the coming 12 months, pending a capital rise. It also expects to make four to six new hedge fund investments for its fund of hedge funds operation. At this time the group is focusing on Asia, event driven and global macro funds for new investments.

Various notable hedge fund launches occurred in May:

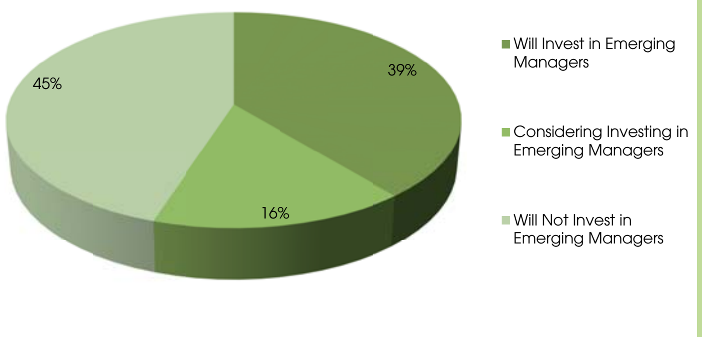
Helium Performance combines equity arbitrage strategies with a complementary directional systematic trend following strategy. The arbitrage strategies consist of merger arbitrage, event driven, dividend arbitrage and mean reversion, and comprise around two-thirds of the portfolio.

5D Steppenwolf Macro Alpha UI is a Germany-based UCITS fund which invests on a discretionary basis in macro opportunities across most asset classes. The fund offers investors daily liquidity.

Sagemont Partners is a global long/short equity fund. The portfolio is generally concentrated in approximately 10 to 20 investments across multiple industries. The fund primarily invests in large businesses that are facing short-term issues and are thus temporarily out-of-favour with the market.

Canosa is a global macro fund which invests in fixed income, currencies, equity indices and commodities. Canosa employs top-down analysis and invests opportunistically. The highly-liquid portfolio is structured around three to four themes with six or seven trades in each.

Chart of the Month: Institutional Investors' Attitudes to Emerging Managers



Source: Preqin Hedge Fund Investor Profiles

The Chart of the Month reveals that the majority of institutional investors will either invest in emerging managers (39%), or will consider doing so (16%). This is positive news for new hedge fund managers, although it is worth noting that investors often have minimum requirements for managers' assets under management. Additionally, 45% of investors will not invest in emerging managers.

Do you have any news you would like to share with the readers of Spotlight?

Perhaps you're about to launch a new fund, have implemented a new investment strategy, or are considering investments beyond your usual geographic focus?

Send your updates to spotlight@preqin.com and we will endeavour to publish them in the next issue.

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Preqin Performance Benchmarks: May 2013

Selina Sy examines Preqin's preliminary benchmarks for May 2013.

Fig. 1: Summary of Preliminary May 2013 Performance Benchmarks (Net Return, %)

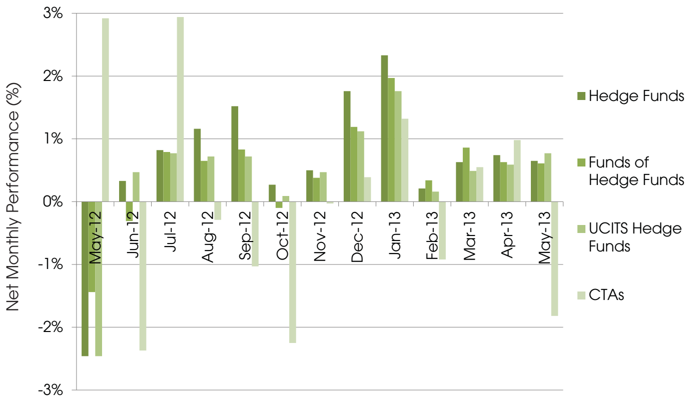
	May 2013	April 2013	Year To Date	Last 12 Months
Hedge Funds (All Strategies & Regions)	**0.65**	**0.74**	**4.63**	**11.45**
Long/Short	0.75	0.70	5.39	13.02
Event Driven Strategies	2.10	1.13	7.60	17.25
Relative Value	0.36	0.94	3.87	7.80
Macro Strategies	0.13	0.60	2.15	6.76
Multi-Strategy	0.58	0.66	3.54	9.48
North America	1.20	0.24	6.02	14.15
Europe	1.61	0.38	5.11	11.54
Asia-Pacific	0.29	2.51	9.38	18.48
Emerging Markets	0.39	1.28	3.86	13.15
Developed Markets	0.42	0.81	4.31	9.00
USD	0.79	0.86	5.36	13.12
EUR	0.99	0.58	4.50	8.73
JPY	0.27	6.67	20.90	30.63
GBP	0.93	0.21	3.39	5.85
BRL	0.27	0.49	2.33	9.55
Funds of Hedge Funds (All Strategies & Regions)	**0.61**	**0.63**	**4.48**	**8.11**
Long/Short	1.74	0.61	6.59	11.50
Macro Strategies	-0.36	-0.44	0.37	0.90
Multi-Strategy	0.29	0.78	4.13	7.16
USD	1.00	0.71	5.03	9.07
EUR	0.27	0.73	3.85	6.21
UCITS (All Strategies & Regions)	**0.77**	**0.59**	**3.83**	**8.41**
Long/Short	1.49	0.67	6.27	13.32
Relative Value	0.77	0.32	2.23	4.41
Macro Strategies	-0.60	0.25	-0.25	2.24
USD	0.44	0.76	3.88	9.68
EUR	1.08	0.64	4.28	7.26
CTAs (All Strategies & Regions)	**-1.82**	**0.98**	**0.07**	**-2.64**
USD	-2.20	1.16	-0.15	-3.38
EUR	-2.09	1.37	-0.16	-4.67

Source: Preqin Hedge Fund Analyst

Hedge funds posted positive returns across all strategies and regions this month with event-driven strategies, in particular, contributing a healthy return of 2.10% for May. Hedge funds focusing on Asia-Pacific markets continued to perform strongly this month, generating a year-to-date return of 9.38% which is currently outperforming the benchmark for all hedge funds (YTD of 4.63%). Other funds also posted positive returns this month with the exception of CTAs, which saw a loss of 1.82%.

Fig. 2 shows the monthly performance of different fund types from May 2012 to May 2013. While hedge funds, funds of hedge funds and UCITS hedge funds have generally posted positive returns since the middle of last year, the performance of CTAs and managed futures funds has been more volatile. After outperforming other fund types last month, the loss posted by CTAs in May brought the cumulative return for the last 12 months to -2.64%.

Fig. 2: Monthly Hedge Fund Performance by Fund Type, May 2012 - May 2013

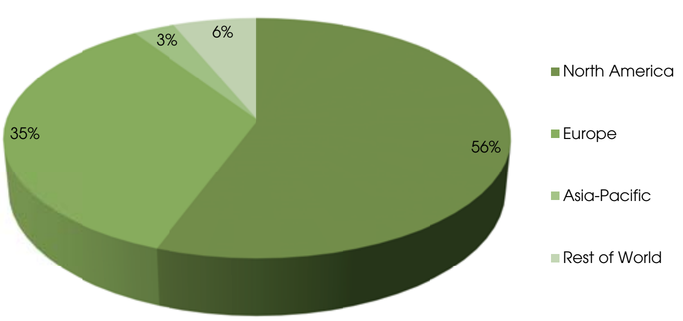


Source: Preqin Hedge Fund Analyst

Fund Searches and Mandates

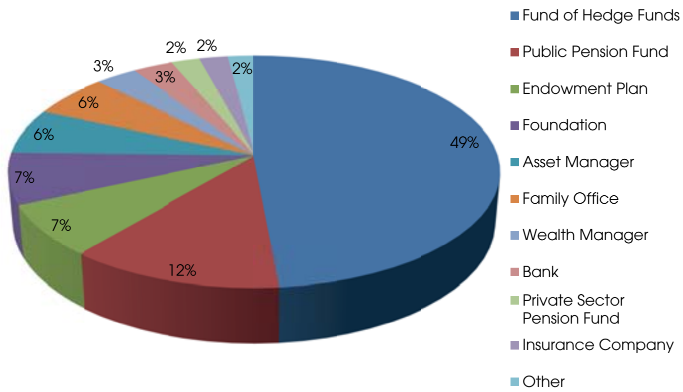
Katherine Johnson looks at investors' fund searches and mandates in May 2013, including breakdowns of investors by location and type.

Fig. 1: Breakdown of Hedge Fund Searches Issued by Investor Location, May 2013



Source: Preqin Hedge Fund Investor Profiles

Fig. 2: Breakdown of Hedge Fund Searches Issued by Investor Type, May 2013



Source: Preqin Hedge Fund Investor Profiles

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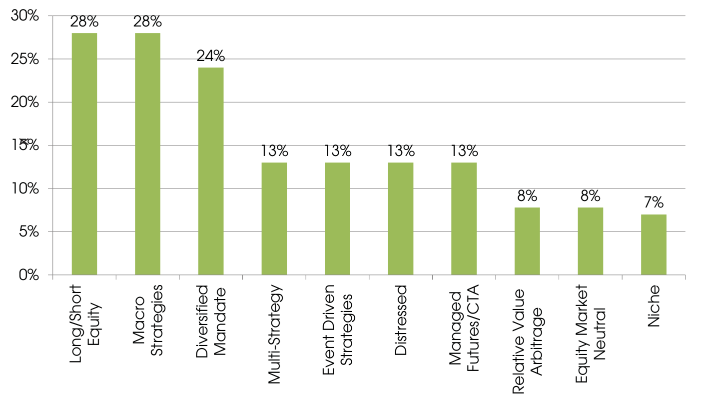
Fig. 3: Hedge Fund Searches Issued by Strategy, May 2013



Source: Preqin Hedge Fund Investor Profiles

Fig. 4: Examples of Fund Searches Issued in May 2013

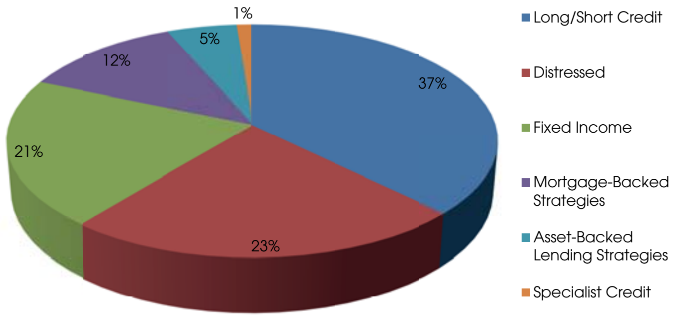
Investor	Investor Type	Location	Fund Search Details
Rockefeller University Endowment	Endowment	US	The New York-based endowment plan is looking to allocate $60-100mn in capital to two new hedge fund managers in the coming 12 months. The endowment is seeking one fund focused on long/short equity, and another absolute return fund which may either be multi-strategy or credit-focused. The endowment will consider managers on a global basis, and is seeking emerging markets exposure through at least one of these investments. The endowment invests in single-manager hedge funds with track records of at least three years in length and assets under management of at least $100mn. It typically allocates $30mn to $50mn per fund and is willing to accept lock-ups for a maximum duration of 12 months.
Delta Lloyd Insurance	Insurance Companies	Netherlands	Delta Lloyd Insurance will invest in two new managers over the next six months. It plans to hire both a discretionary macro and a multi-strategy manager. Delta Lloyd will not consider emerging or spin-off managers, nor is it prepared to provide seed capital to managers. Delta has no set criteria with regards to lock-up periods; however, it is targeting managers that consistently outperform the HFRX index.
Construction and Building Industries Superannuation Fund	Superannuation Fund	Australia	The AUD 22bn superannuation fund is looking to gain exposure to developed markets by investing in commingled direct hedge funds in the next 12 months. Construction and Building Industries Superannuation Fund is currently invested in two commingled direct hedge funds and has so far focused on pure alpha and long/short strategies. It has yet to decide on how much to commit to the asset class or which strategies to invest in for its next round of investments and will only consider investing in emerging managers and spin offs, and will also seed funds, but only under certain circumstances.

Source: Preqin Hedge Fund Investor Profiles

Credit Hedge Funds

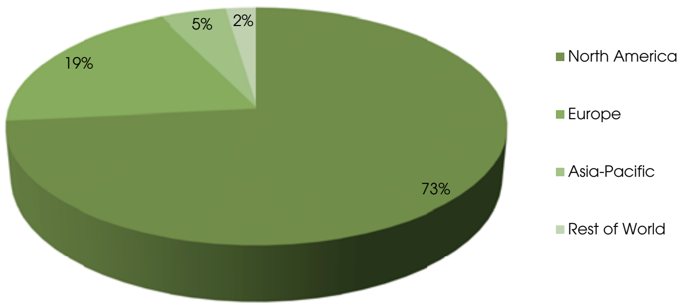
Ross Ford takes a closer look at credit hedge funds, including breakdowns by strategy, headquarter and launches by year.

Fig. 1: Breakdown of Credit Hedge Funds by Strategy



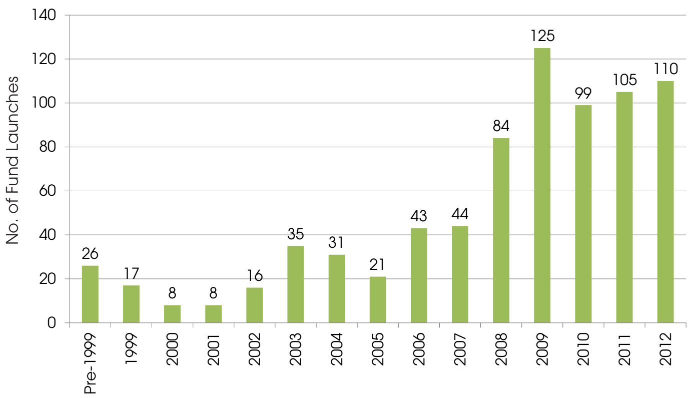
Source: Preqin Hedge Fund Analyst

Fig. 2: Breakdown of Credit Hedge Funds by Headquarter



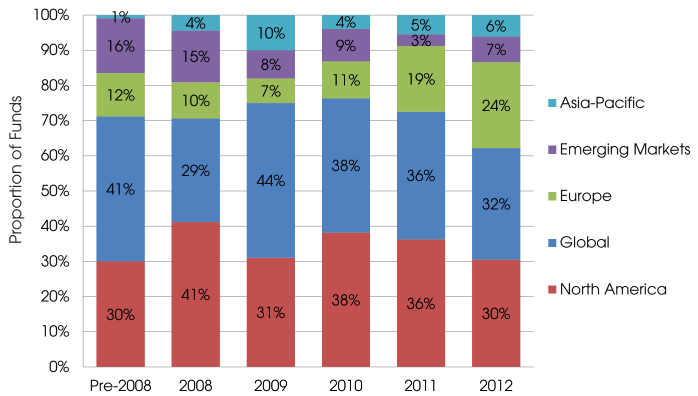
Source: Preqin Hedge Fund Analyst

Fig. 3: Number of Credit Hedge Fund Launches by Year



Source: Preqin Hedge Fund Analyst

Fig. 4: Breakdown of Credit Hedge Funds by Year of Inception and Regional Focus



Source: Preqin Hedge Fund Analyst

Fig. 5: Credit Hedge Fund Terms vs All Other Hedge Fund Terms

Mean Terms	Credit Hedge Fund	All Other Hedge Funds
Minimum Investment ($mn)	2.6	1.7
Management Fee (%)	1.57%	1.62%
Performance Fee (%)	18.69%	19.26%
Redemption Frequency (Months)	2.6	1.0
Redemption Notice Period (Days)	69	22
Initial Lock-Up Period (Months)	11.4	6.0

Source: Preqin Hedge Fund Investor Profiles

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Conferences Spotlight

Conference	Date	Location	Organizer
Hedge Funds World Asia 2013	3 - 5 September 2013	Hong Kong	Terrapinn
Global Alpha Forum	10 - 11 September 2013	New York	Financial Research Associates
Alpha Hedge West Conference	15 - 17 September 2013	San Francisco	IMN
Quant Invest 2013	24 - 26 September 2013	Paris	Terrapinn
Global ARC Boston	28 - 30 October 2013	Boston	Global ARC
Hedge Funds World Zurich 2013	20 - 21 November 2013	Zurich	Terrapinn

The 16th Annual Hedge Funds World Asia 2013

Date: 3 - 5 September 2013
Location: Harbour Grand, Hong Kong
Organiser: Terrapinn

Information: www.terrapinn.com/hedgefundsasia

This is the executive forum for Asia's hedge funds industry. The event will bring together senior executives from institutional investors, hedge funds and fund of funds to discuss the latest investment strategies, hedge fund allocations, portfolio management tactics and fund structuring.

19th Annual Alpha Hedge West Conference

Date: 15 - 17 September 2013
Information: http://www.imn.org/investment-management/conference/Alpha-Hedge-West/Home.html
Location: Ritz-Carlton, San Francisco, CA
Organiser: Information Management Network (IMN)

Session topics include dynamic investment and dynamic asset allocators, the role of volatility, growth of 40 Act alternatives, and more. Speakers include Joseph Brusuelas of Bloomberg, Jason Huemer of Visium Asset Management, and a debate between Kyle Bass of Hayman Advisors, L.P. and John H Burbank III of Passport Capital.