



Preqin Industry News

[Olivia Harmsworth](#) provides a breakdown of the latest fund of hedge funds news, including strategies targeted by fund of hedge funds managers, new launches and recent mergers and acquisitions.

Despite facing challenges in recent years, funds of hedge funds remain a significant part of the hedge fund industry; the \$810bn managed by fund of hedge funds managers as of December 2012 represents a significant 35% of the assets under management of all hedge fund managers globally. Fund of hedge funds managers are continuing to seek new hedge fund investments and looking for ways to add new strategies to their portfolios.

As shown in the Chart of the Month long/short equity is the strategy targeted by the largest proportion of fund of hedge funds managers (68%) in 2013, followed by macro (46%). Event driven, long/short credit, managed futures/CTA and multi-strategy funds are targeted by 34%, 31%, 31% and 29% of fund of hedge funds managers respectively. Italian fund of hedge funds manager [Kairos Partners](#) expects to add 5-15 new hedge fund investments over the coming 12 months and is focusing on emerging markets equity strategies and UCITS long/short equity. [Basel Asset Management](#) expects to add five new hedge fund managers to its portfolio this year and is looking to increase exposure to European credit and distressed event driven hedge funds.

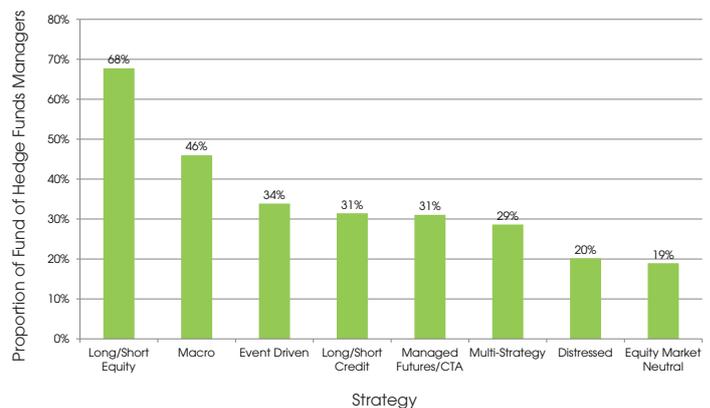
Although the Chart of the Months shows that many fund of hedge funds managers are targeting specific strategies over the next 12 months, 29% of these managers are multi-strategy, investing across a range of hedge fund types. Many investors opt to invest in funds of hedge funds to gain diversified exposure to the asset class, and multi-strategy managers can provide this. UK-based [Baring Asset Management](#) is prepared to invest in all hedge fund strategies, and expects to make two to five new hedge fund investments over the coming 12 months. When selecting new hedge fund managers, Baring Asset Management typically seeks firms that have a proven track record of consistent positive returns and display manageable growth of assets. Usually it requires a minimum of two to three years track record and assets under management of at least \$100mn.

Fund of hedge funds managers are also looking at ways of launching new innovative products for investors. [Gorelick Brothers Capital](#) is set to launch a new fund, [Morrocroft Alternative Fixed-Income Fund](#), which will be a fund of managed accounts in partnership with Wilshire Associates. The fund will have between five and 10 separately managed accounts and will primarily trade mortgage-backed strategies.

Elsewhere, [Persimmon Capital Management](#) recently launched its latest fund of hedge funds offering. The [Persimmon Long/Short Fund](#) is a multi-manager fund that seeks long-term capital appreciation. The fund will initially allocate to six sub-advisers that offer complementary long/short strategies.

Following some high profile M&A activity within the fund of hedge fund industry in 2012, most notably the acquisition of [FRM Capital Advisors](#) by Man Group, 2013 looks set to be another year of industry consolidation. A recent high profile acquisition is London-based [Fauchier Partners](#)

Chart of the Month: Strategies Being Targeted by Fund of Hedge Funds Managers Over the Next 12 Months



Source: Preqin Hedge Fund Investor Profiles

which has been purchased by asset manager Legg Mason. Legg Mason will look to merge Fauchier Partners with its existing fund of hedge funds business [Permal Investment Management](#). It was also recently announced [Wells Fargo Investment Group](#) had acquired a minority stake in [The Rock Creek Group](#), a fund of hedge funds based in Washington, D.C.

Data Source:

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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New York
+1 212 350 0100

London
+44 (0)20 7645 8888

Singapore
+65 6305 2200

Silicon Valley
+1 650 632 4345