



US-Based Global Macro Fund

This month [Dami Solebo](#) takes a look at investor appetite for a global macro fund based out of the US with a five-year track record and \$500mn in assets under management.

Fig. 1: The Assignment

Fund Strategy	Global Macro
Fund Location	US
Assets under Management	\$500mn
Track Record	5 years

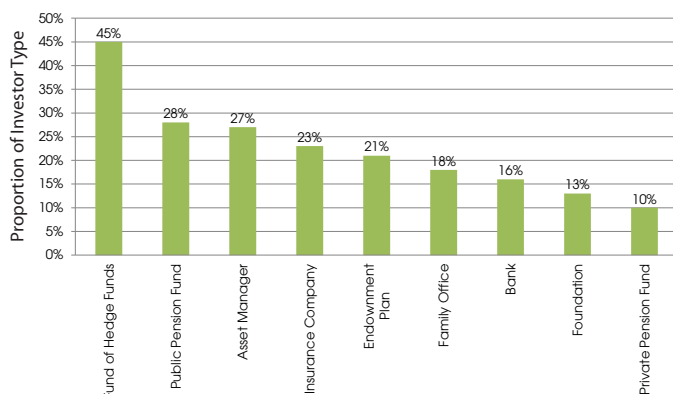
In this month's fundraising assignment, we look at a US-based hedge fund manager attempting to market its vehicle to the institutional market. The fund has assets under management of \$500mn and the manager has a track record of five years.

The Long List

Preqin's Hedge Fund Investor Profiles shows that there are potentially 816 investors interested in the fund. Global macro-oriented hedge funds have been among the biggest draws in the asset class in recent times. In an investment climate increasingly affected by macroeconomic events, such strategies have been a popular play for institutions looking to capitalise on market dislocations resulting from economic and government-related events. As numerous institutional investors look for high risk-adjusted returns in addition to diversification benefits, we will continue to see considerable inflows into global macro funds.

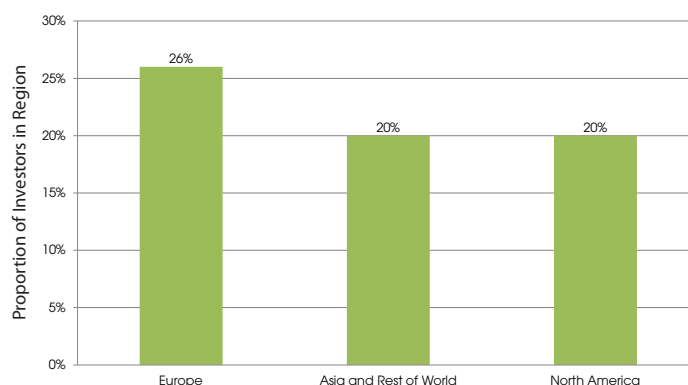
As demonstrated by Fig. 2, approximately 20% of investors in both North America, and Asia and Rest of World have expressed an interest in this particular type of strategy and manager;

Fig. 3: Proportional Appetite of Investors by Investor Type



Source: Preqin Hedge Fund Investor Profiles

Fig. 2: Proportional Appetite of Investors by Investor Region

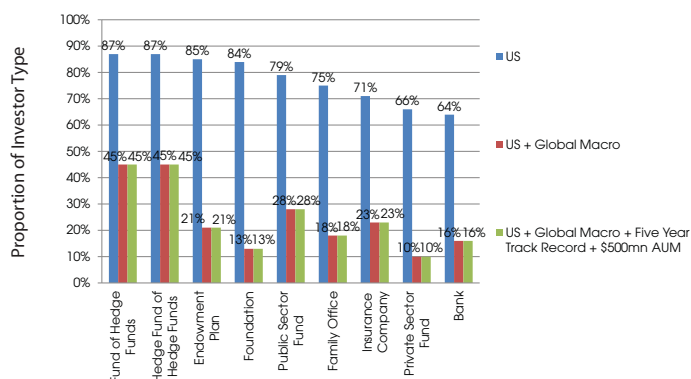


Source: Preqin Hedge Fund Investor Profiles

however, the manager would be more appealing to a Europe-based investor. Investors in this region may feel they are suited to capitalize on opportunities occurring as a result of the European sovereign debt crisis. The policy-oriented environment in Europe may favour global macro funds because of the difficulties in utilizing bottom-up security selection. The appreciation of socio-economic factors creates a superior risk on/risk off atmosphere that is better suited to the trading styles of many sophisticated investors.

With respect to investor type, funds of hedge funds have the biggest preference for these types of hedge funds, with 45% willing to invest in such a vehicle (see Fig. 3). Asset managers also have a strong appetite for this particular form of hedge fund, and these firms are typically highly sophisticated investors in various hedge fund strategies.

The 'Investor Barometer' shown in Fig. 4 outlines the distribution of interest amongst different institutional investor types and demonstrates how the overall list of investors has been reduced to the final 816 interested in this fund. The majority of institutional investors will allocate capital to US-based investment firms; however, the percentage decreases considerably when the global macro strategy is taken into consideration. For example, approximately two-thirds of private sector pension funds invest in US-based structures, but only 10% will consider macro-oriented funds in this region. This contrasts strongly with public pension funds, as 28% of these institutions will consider US global macro funds. Interestingly, the impact from the addition of the

**Fig. 4: Investor Barometer: Proportion of Investors with Interest in Fundraising Assignment by Type**

Source: Preqin Hedge Fund Investor Profiles

track record and assets under management is negligible. Very few investors have a prerequisite for managers with a level of experience of beyond five years, and the substantial size of the fund makes it attractive to a plethora of potential investors. More embryonic investors would find the size large enough to alleviate concerns about the ability of the manager and strategy, and more sophisticated investors would consider the fund small enough to still be alpha-driven and offer a degree of flexibility.

The Short List

Of the 816 investors interested in this type of fund, Preqin has picked three investors of particular interest, as shown in 'The Short List' in Fig. 5 below. These are the institutions that not only meet the criteria for this manager type but also meet other

requirements - for example being under their target allocation to hedge fund investments.

Fig. 5: The Short List

Investor	Type	Location	Details
Pepperdine University Endowment	Endowment	US	<ul style="list-style-type: none"> Invests 14% of its total assets in both fund of hedge funds and single-manager structures. Looking to invest in at least one macro-oriented fund. Makes initial investments of \$2-6mn.
Dainippon Ink & Chemicals Pension Fund	Private Sector Pension Fund	Japan	<ul style="list-style-type: none"> Currently below its target allocation of 20% of total assets. Has an inclination for direct hedge fund managers due to greater levels of transparency in periodic disclosure reports. Looking to invest predominantly in new managers and will look to augment global macro portfolio.
Tages Capital SGR	Fund of Hedge Funds Manager	Europe	<ul style="list-style-type: none"> Manages three funds of hedge funds, with a multi-strategy focus. Invests in funds with conservative volatility preferences. Will look to make redemptions in a number of funds this year and invests in liquid strategies, including global macro.

Source: Preqin Hedge Fund Investor Profiles

Subscriber Quicklink:

Preqin's database contains information on 816 investors that have expressed interest in investing in a US global macro hedge fund. 465 of these potential investors are based in North America, 272 are located in Europe and the final 79 are Asia and Rest of World-based investors. Subscribers can click [here](#) for a full list of all potential investors for this fund.

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