



Editor's View – Industry News

Amy Bensted provides her view on the news affecting the hedge fund industry at present, including the AIFMD and H1 2013 performance.

As our feature article (pages 2 - 4) shows, despite the AIFMD now being written into law, uncertainty and inaction still surrounds the new directive. In a financial climate where government intervention can have huge effects on hedge funds, notably in Japan where Prime Minister Shinzo Abe's aggressive efforts to revive his country's economy led to the opportunity for strong gains for long/short equity funds focusing on the region (page 13), the uncertainty surrounding the new European directive is leading to some consternation in the hedge fund management industry. However, many investors remain upbeat about the prospect of regulation in the industry, and the positive impact of regulation could be further inflows into the asset class as institutions feel more comfortable investing in a newly regulated environment. In Q2 2013, 90 European investors instigated new searches for funds, looking to deploy up to \$7.5bn between them. These include the Madrid-based fund of hedge funds, [BanSabadell Inversión](#), which is looking for long/short and event driven fund managers, and [Railways Pension Trustee Company \(Railpen\)](#), which is looking to deploy a hefty £450mn in single-manager vehicles as it continues to move from funds of funds to a direct hedge fund portfolio.

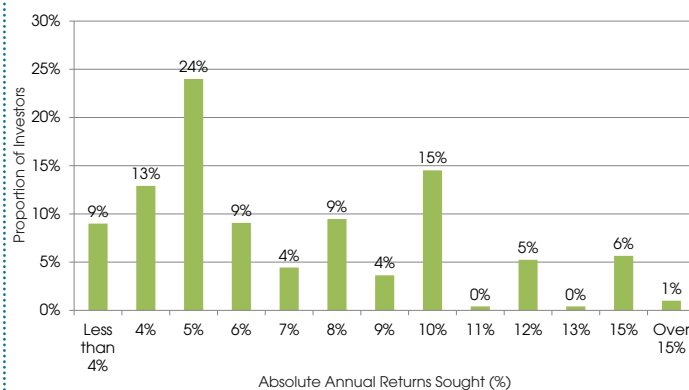
The shadow of the impending AIFMD has been cast across the European landscape when it comes to fund launches; in the first half of 2012, 340 new hedge funds launched into the market place, whereas in 2013, early estimates show this figure at closer to 150, as managers show their "wait and see" attitude through holding back on launching new vehicles. However, there have been some significant European launches over the first half of this year, including a new macro vehicle by the \$5.2bn [Cantab Capital Partners](#), [CCP Core Macro Fund](#), which has already accumulated more than \$300mn in investor assets.

Not all news on the regulation front has been cause for concern among the hedge fund management industry. The JOBS Act, a regulation which half of fund managers believed would be positive for the industry according to the results of a survey in our [2013 Preqin Global Hedge Fund Report](#) (compared to 20% of managers that felt the same about the AIFMD) was finally approved in the beginning of July. This act lifts the 80-year ban on general solicitation and advertising of private placements and could have significant impact on how funds can attract interest going forwards. However, some of the last minute caveats added to the act by the SEC could mean that many fund managers choose to avoid any potential problems with the regulator and stay away from general solicitation of new investors entirely.

Finally, as our first half round-up of 2013 shows (page 6), a disappointing June has dampened an otherwise strong run of returns for the hedge fund industry. Event driven funds continue to be the stand-out strategy and look set to beat their top of the league performance in 2012, when these funds posted returns of 12.54%. Among the top performers in the strategy for the year is [Hildene Opportunities Fund](#), a \$811mn fund which seeks to take advantage of opportunities in the distressed structured finance market. The onshore fund is currently up 17.68% and is closed to new investment.

However, the overall benchmark for hedge funds for year to date (+3.60%) could be on target to satisfy the majority of investors tracked by Preqin. As our chart of the month shows, 59% of investors seek

Chart of the Month: Distribution of Annual Returns Sought by Investors from their Hedge Fund Investments



Source: Preqin Hedge Fund Investor Profiles

The Chart of the Month shows that over a quarter (27%) of hedge fund investors expect an annual return of 10% or more from their hedge fund investments. An additional 26% look for an annual return of between 5% and 9%. However, a notable 46% of hedge fund investors expect an annual return of 5% or less.

annualized returns of 7% or less from their hedge fund investments. If the industry can recover from its June difficulties and show a similar rebound after its Q2 dip in 2012, then it could be on its way to recovering some of the disappointment in hedge fund performance by investors expressed at the turn of the year.

In other news:

Long/short equity funds continue to be popular among institutional investors, with 47% of mandates issued in Q2 (see [Preqin Quarterly Update: Hedge Funds, Q2 2013](#)) including a long/short equity component. Investors searching for long/short equity include [Feri Trust](#), which is seeking funds to gain exposure to Latin American or Asian markets through long/short equity or distressed vehicles over the rest of the year.

Pension funds continue to take their first steps in the asset class, making up seven of the nine new first-time investors that Preqin has tracked in 2013. These include the [City of Omaha Employees' Retirement System](#), which entered the asset class in 2013 after conducting invitation-only searches earlier in the year, hiring SSARIS for this first investment.

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.

Preqin Quarterly Update - Q2 2013 Out Now!

The [Preqin Quarterly Updates](#) outline the latest developments in the private equity, hedge fund, real estate and infrastructure industries over the most recent quarter-year period.

The [Preqin Quarterly Updates](#) feature in-depth analysis of the following key areas:

- Investors
- Fundraising
- Fund Managers
- Deals
- Exits
- Dry Powder
- Performance
- Fund Terms

And Much More...



Click below to download your free copy now:

[Private Equity](#)

[Hedge Funds](#)

[Private Real Estate](#)

[Infrastructure](#)

www.preqin.com/quarterlyupdate