

\$1bn Club Investors Allocate Three-Quarters of A Trillion Dollars to Hedge Funds

Investors with over \$1bn committed represent just 5% of hedge fund investors, but account for 24% of total industry assets

The \$1bn Club, that group of institutional investors which have committed more than \$1bn to hedge funds, has seen a net growth of 11 participants since 2015, and now includes 238 members. Forty institutions have joined this group of the largest hedge fund investors, while 29 have fallen out of the \$1bn Club after reducing their exposure to the industry. Although investors in the \$1bn Club account for just 5% of all active hedge fund investors, they represent just under a quarter (24%) of the total \$3.13tn AUM held by the industry; the combined sum of capital invested by the \$1bn Club has risen by 4%, from \$735bn as of May 2015 to \$763bn a year later.

Public pension funds account for over a quarter (27%) of total \$1bn Club capital committed to hedge funds, the largest proportion of any investor type. As of May 2016, these investors have \$208bn allocated to the industry, up from the \$190bn they had committed twelve months ago. Despite this increase in capital investment, almost half (49%) of public pension funds have decreased their allocation to hedge funds in the past twelve months, while 47% have increased their exposure. This indicates a division in public pensions' attitudes to the industry: some high-profile investors like NYCERS have cut their allocation to hedge funds, but other large pension funds have been committing increasing levels of capital to the industry.

Other Key \$1bn Investor Club Facts:

- **Fund Investments:** On average, **\$1bn Club investors allocate 16.8% of their AUM to hedge funds, compared to the average of 14.8% allocated by all other investors.** \$1bn Club investors invest in 33 vehicles on average, compared to eight vehicles for smaller investors.
- **Investors by Type:** Private sector pension funds and sovereign wealth funds each account for 16% of \$1bn Club capital. **Private sector pension funds increased their invested capital from \$107bn in 2015 to \$122bn in 2016**, while accounting for a net growth of five members of the \$1bn Club, the most of any type.
- **Investors by Location:** **North America-based investors account for 62% of capital committed to hedge funds by the \$1bn Club.** Europe-based investors account for 23% of the capital committed to the hedge fund industry by the largest investors, a slight increase from 12 months ago (21%).
- **Route to Market:** **Just 7% of \$1bn Club investors prefer to invest through funds of hedge funds, compared to nearly a third (31%) of all other investors.** Forty-six percent of \$1bn Club members prefer to invest through direct hedge funds, while 47% use a mix of direct and funds of hedge funds.

To access further information and analysis, please see the report below:

<https://www.preqin.com/docs/newsletters/hf/Preqin-Hedge-Fund-Spotlight-June-2016.pdf>

Comment:

"Despite the small number of participants in the hedge fund investor \$1bn Club, they are mighty in influence and represent nearly a quarter of all capital at work in the industry. As such, it is understandable why the redemptions of high-profile institutions such as NYCERS in 2016 and CalPERS in 2014 may attract headlines; these investors are the cornerstone of the asset class and a potential mass exit could herald worrying times for hedge funds."

However, the signs in 2016 remain positive, with a further net increase of participants in the \$1bn Club over the past 12 months, and the exposure of these investors to hedge funds has increased by nearly \$30bn. With large resources and the continued support of the hedge fund industry, the \$1bn Club is likely to remain influential and active."

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Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

About Preqin:

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