

Asia-Pacific Investors Consider Value of Hedge Funds

Despite plans to reduce exposure in the short term, investors in Asia-Pacific remain more upbeat about the asset class than their counterparts in other regions

Hedge fund investors in Asia-Pacific are mixed on their future allocations to the asset class, but remain more positive about the industry compared to investors in other regions. In November 2016, a survey conducted by Preqin found that although investor dissatisfaction with 2016 performance was prevalent, less than half of Asia-Pacific-based investors said their portfolios had not met expectations, compared with two-thirds of all other investors.

Asia-Pacific-based investors also have mixed intentions for their hedge fund portfolios over the short and long term. The majority intend to invest less capital in 2017 than in 2016, but over the longer term less than a third intend to reduce their exposure, while an equal proportion will look to increase it. This is twice the proportion of investors in other regions that will look to invest more in hedge funds in the long term.

For more hedge fund manager and investor views, see the full Asia-Pacific hedge fund factsheet here:
<https://www.preqin.com/docs/reports/Preqin-Hedge-Funds-Asia-Pacific-March-2017.pdf>

Other Key APAC-Based Hedge Funds Facts:

- **Asia-Pacific-based hedge fund managers posted gains of 2.81% through 2016**, their lowest annual return since 2011 (-5.95%). This compares with gains of 7.40% for the global industry.
- Despite this, **57% of APAC-based investors believe 2016 performance met or exceeded their expectations**, almost twice the proportion (33%) of investors in other markets that think the same.
- However, **investor confidence in hedge funds remains low in Asia-Pacific**: just 14% of investors plan to invest more capital in hedge funds in 2017, compared to 57% that plan to decrease their short-term exposure to the asset class.
- Over the longer term, **29% of Asia-Pacific-based investors intend to increase their exposure to hedge funds**, while the same proportion intend to reduce it.
- A similar proportion of global investors (31%) intend to reduce their long-term investment in the asset class, but **only half the proportion (15%) of investors in other regions also plan to invest more in hedge funds**.
- **Equity strategies, macro strategies and relative value strategies funds are all set to see inflows** from Asia-Pacific-based investors in 2017, as significant proportions of investors indicate that they intend to invest more to these strategies.

Amy Bensted, Head of Hedge Fund Products:

“Although the hedge fund industry in Asia-Pacific is smaller than in North America and Europe, it has seen significant growth in recent times. Many investors in the region have only begun investing in recent years, and typically invest smaller proportions of their portfolios in hedge funds. However, the region could be a source of significant capital inflows in future years, as the portfolios of these investors grow and mature.

However, the short-term outlook is less positive, with investors in the region, in a similar vein to investors globally, planning to reduce their exposure to hedge funds in the next 12 months. Like other regions across the globe, the twin issues of fees and performance will be central to the discussion around hedge funds in 2017, and something that will need to be addressed to improve investor sentiment in Asia-Pacific and beyond.”

Preqin is the leading source of information for the alternative assets industry, providing insight and analysis gathered by its global teams of dedicated researchers. Founded in 2003, the company is a frequent source of intelligence used in the global financial press, through its online databases, regular publications and bespoke data requests.

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