

Australasia-Based Alternative Assets Investors Focus on Real Estate and Real Assets

Investors in Australia & New Zealand favour allocations to these asset classes, and fund managers have more assets in them than in private equity

Investors based in Australia & New Zealand allocate to alternative assets at a lower rate than the global average: 61% of investors based in these countries allocate to at least one alternative asset class, compared to 78% of investors globally. However, just 40% of investors in Australia & New Zealand allocate to private equity, 16 percentage points below the rate for global investors. Conversely, the proportions of investors based here that allocate to infrastructure and natural resources funds are 16 and 18 percentage points respectively above the global average.

This trend is mirrored in the AUM held by alternative assets fund managers based in the two countries. While the global industry is dominated by hedge funds (\$3.38tn) and private equity (\$2.58tn), this is not true in Australia & New Zealand. Hedge funds still form the largest part of the market, but real estate funds hold more assets than private equity funds, and infrastructure and natural resources account for significantly higher proportions of fund manager assets than in the global industry.

For more information and analysis, see the full *Alternative Assets in Australia & New Zealand* report here:
<https://www.preqin.com/docs/reports/Preqin-Insight-Alternative-Assets-in-Australia-and-New-Zealand-September-2017.pdf>

Key Australia & New Zealand Alternative Assets Facts:

- **Sixty-one percent of Australia & New Zealand-based investors allocate to alternative assets**, compared to 78% of investors globally.
- Globally, 56% of investors allocate to private equity, the joint-highest proportion alongside real estate. **In Australia & New Zealand, just 40% of investors allocate to private equity**, while 60% allocate to real estate.
- By contrast, **49% and 56% of investors based in the countries allocate to infrastructure and natural resources respectively**. This is significantly higher than the global average (33% and 38% respectively).
- Australia & New Zealand-based fund managers hold A\$118bn in assets. Of this, **hedge funds account for A\$39bn, and private capital funds represent A\$79bn**.
- However, **AUM held by real estate funds (A\$28bn) surpasses that of private equity funds (A\$27bn)**.
- Additionally, **infrastructure (A\$17bn) and natural resources (A\$8bn) account for 31% of private capital assets** collectively, compared to just 13% of the global industry represented by these asset classes.

Selina Sy, Editor – *Preqin Insights: Alternative Assets in Australia & New Zealand*:

“The alternative assets industry in Australia & New Zealand is sizeable: Preqin currently tracks over 400 active fund managers, and an equal number of investors, across the two countries. It is clear, though, that the landscape of the industry is somewhat different from the global average. Investors are active in alternative assets at slightly lower rates than average, and much lower proportions allocate to private equity while much higher proportions put capital towards real estate and real assets opportunities.

This is mirrored by the relative size of the various asset classes. While the large size of the hedge fund industry is indicative of the two countries’ developed and diverse economies, the fact that real estate assets are larger than those held by private equity funds is atypical among their peers. This may reflect the relatively large role that natural resources play in the economies of the two countries: while most European nations are primarily services-driven economies, Australia & New Zealand have large industries focused on mining, food and energy production. As a result, although the investment landscape is as varied as in other developed economies, these sectors play a larger role in the activities of both investors and fund managers based in these countries.”

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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