

500 Largest Hedge Fund Managers Control 90% of Industry Assets

The 505 hedge fund managers with more than \$1bn in AUM currently manage \$2.39tn of the industry's \$2.66tn total assets, but account for just 11% of active firms

The "\$1bn Club" of the largest hedge fund managers represents just under 11% of the 4,621 active managers worldwide. New York is the undoubted home of this "\$1bn Club", with 174 of these firms headquartered there representing a total of \$938bn in AUM. The May 2014 edition of Preqin's Hedge Fund Spotlight also shows the importance of investors allocating at least \$1bn to hedge funds. There are currently 203 institutional investors in this "\$1bn Club", an increase of 46 from a similar study in May 2013, and these firms represent approximately \$650bn in terms of combined capital allocated to hedge funds.

"\$1bn Club" Hedge Fund Managers:

- London is home to the second highest number of \$1bn plus managers (80), although Connecticut is second in terms of capital managed by these firms with a combined total AUM of \$400bn, largely as a result of the \$157bn managed by Bridgewater Associates.
- The largest managers are split in their approach; 29% of \$20bn plus managers focus on a single core strategy such as long/short equity, while 38% are diversified across six or more strategies.
- 69% of \$1bn Club managers have received at least one commitment from an investor allocating at least \$1bn to hedge funds, compared to just 23% of managers with less than \$1bn in AUM.

"\$1bn Club" Hedge Fund Investors:

- Public pension funds represent the largest proportion of capital invested by \$1bn plus hedge fund investors (25%), followed by sovereign wealth funds (16%, up from 7% a year ago) and private sector pension funds (15%).
- North America-based institutions represent more than half of this capital (54%), although this is a decrease from the 67% of this capital that these firms represented in May 2013, showing that there have been notable allocations from large investors in other regions over the past year.
- \$1bn plus investors, on average, require a track record of at least 2.9 years and minimum AUM of \$700mn before investing with a hedge fund manager.
- Long/short equity and macro are the most targeted strategies among \$1bn plus investors over the next year, with these strategies being targeted by 50% and 42% of these investors respectively.

For more information and analysis, please see

https://www.preqin.com/docs/newsletters/hf/Preqin_Hedge_Fund_Spotlight_May_2014.pdf

Comment:

"The \$1bn Club is one which many emerging hedge fund managers strive to be a member of, although there are a number of requirements for firms to grow to this level. The largest managers have typically shown consistent performance through many market cycles and demonstrated that they can outperform competitors. They have also settled on two approaches – specialization in a core strategy or diversification across several different strategies. Both of these approaches have their own advantages, but the largest fund manager, Bridgewater Associates, has achieved success through its two flagship macro funds.

The increase in hedge fund assets is being driven by allocations from the largest investors in hedge funds, those which currently allocate more than \$1bn to the asset class. With these investors allocating approximately \$650bn to hedge funds, an 18% increase from this time last year, it will be important for hedge fund managers to attract inflows from these prominent institutional investors. With some of the largest hedge funds becoming closed to new investment, these investors may be looking to find new investment opportunities. This could present an opportunity for those mid-to-large hedge fund managers to secure investment from this important section of the institutional investor universe."

Amy Bensted, Head of Hedge Funds Products

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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