
Institutional Hedge Fund Capital Set To Surge

94% of institutional investors could increase allocations over next three years

The latest Preqin study of institutional hedge fund investors has found that just 7% have no plans to increase their commitments to the asset class over the next three years. The results suggests that there will be a significant inflow of institutional capital into the industry in the next few years.

The study also revealed that 20% of investors had expanded their hedge fund teams over the past year, while a further 20% of those that do not currently have a hedge fund team intend to develop one within the next three years.

The Results:

Investment Plans

- 30% of institutional investors will definitely invest more capital in hedge funds over the next three years and a further 64% are considering doing so.
- 32% of those currently investing in funds of funds will start investing directly and an additional 8% are considering doing so.

Investment Teams: 2008 – May 2011

- 40% of investors have at least one hedge fund-specific investment officer. 50% of these investors employ strategy-specific researchers, and the other half employ generalists
- 39% of investors have increased the size of their general investment teams in the past three years.
- 72% of the investors that have increased the size of their investment teams have done so in the past 12 months.
- 2% of investors reported a fall in the size of their general investment team in the past three years; no investors have decreased the size of their hedge fund-specific team in the same period.
- Over half of investors use an investment consultant; of these investors 31% also employ a hedge fund-specific team.
- 52% of investors that do not employ a consultant have a hedge fund-specific team

Investment Teams: Outlook

- 33% of investors that intend to increase their hedge fund allocation in the next three years will hire additional hedge fund staff.
- 48% of fund of funds investors that are planning to start investing directly will increase the size of their investment team.

The full report can be found here:

<http://www.preqin.com/go.aspx?lid=1682>

Comment:

“Institutional investors are certainly becoming more important to the industry, with both managers reporting more of their assets coming from institutional sources and most institutional investors planning to increase their long term allocations to the asset class. Indeed, a Preqin study conducted in February 2011 found that institutional capital accounted for an average 60.5% of all capital managed by a hedge fund.

The hedge fund universe is difficult to negotiate, therefore it is no surprise that one-fifth of investors have expanded their investment teams over the past year. With many investors planning to increase their allocation to the asset class, as well as to move to a more direct style of investment over the next two or three years, the proportion of investors with hedge fund-specific teams is likely to grow further.”

Amy Bensted, Manager, Hedge Fund Data.

About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

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Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q'.

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