

## Institutional Investors Want High Quality not High Returns from Hedge Funds

**67% of hedge fund investors look for returns between 4% and 6%; only 6% of investors seek returns over 10%**

New research from Preqin shows that the majority of hedge fund investors are not looking for double digit returns from their hedge fund investments; instead, Preqin's survey of over 100 institutional investors shows they are looking for their hedge fund portfolios to produce returns uncorrelated to equity markets (59% of investors named this), produce robust risk-adjusted returns (53% of investors) and dampen portfolio volatility (46% of investors).

### Investors Are Satisfied with Hedge Fund Performance

- Hedge funds are achieving the returns investors are seeking; in 2013, hedge funds produced a net return of 11.53%, and in the last 12 months they have achieved 7.87%.
- 84% of investors surveyed feel their hedge fund return expectations have been met or exceeded in the past 12 months.
- 80% of investors believe that portfolio risk would increase if they ceased investing in hedge funds.
- At least 95% of investors feel hedge funds have met their key objectives over a 12-month, 3-year and 5-year period.
- 87% of hedge fund investors are maintaining or increasing their allocations to the asset class in the next 12 months.

### Investors Increasingly See Public Indices as an Irrelevant Benchmark for Hedge Fund Success

- The largest proportion of investors (36%) stated that they think different benchmarks should be used for separate strategies in hedge fund portfolios.
- This may be influenced by the fact that 51% of investors stated that hedge funds are a diverse group of strategies and aggregating performance across styles is irrelevant to benchmarking.
- 63% of investors use an external hedge fund specific benchmark to assess their hedge fund portfolio's performance.
- Although the S&P 500 is the most favored non-hedge fund specific benchmark among investors, with 19% of investors surveyed using it to assess hedge fund performance, nearly a quarter (24%) of investors stated that the S&P 500 and other public indices are no longer relevant to hedge fund performance.

**For more information and analysis, please see the full report:**

[http://www.preqin.com/docs/reports/Preqin\\_Special\\_Report\\_Investing\\_in\\_Hedge\\_Funds\\_June\\_14.pdf](http://www.preqin.com/docs/reports/Preqin_Special_Report_Investing_in_Hedge_Funds_June_14.pdf)

### Comment:

"Investors are looking for hedge funds to do more than produce high returns; in fact, it is their ability to produce risk-adjusted absolute returns which are uncorrelated to equity markets that appeals to these institutions. Investors are the most satisfied with returns they have ever been, with hedge funds having largely lived up to investors' expectations on an absolute and risk-adjusted basis over the short, medium and longer term. The amount of money they invest in hedge funds has increased over recent years and is likely to grow significantly in the years to come. Hedge fund managers looking to raise capital from these investors need to market the positive impact that their vehicle can have on an investor's portfolio outside of returns in order to attract an increasingly sophisticated investor base.

Our findings also demonstrate that the frequent, broad comparisons of hedge fund performance to standard market indices, such as the S&P 500, are generally viewed as irrelevant by the institutions making the investments and judging their success, as these indices do not reflect the diversity of the hedge fund industry or its risk/return characteristics.

### Amy Bensted, Head of Hedge Funds Products

New York: One Grand Central Place, 60 E 42nd Street, Suite 630, New York NY 10165 Tel: +1 212 350 0100

London: Equitable House, 47 King William Street, London EC4R 9AF Tel: +44 (0)20 7645 8888

Singapore: One Finlayson Green, #11-02, Singapore 049246 Tel: +65 6305 2200

San Francisco: 1700 Montgomery Street, Suite 134, San Francisco CA 94111 Tel: +1 415 835 9455

Web: [www.preqin.com](http://www.preqin.com) / [info@preqin.com](mailto:info@preqin.com)

**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:**

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

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin's services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: [www.preqin.com](http://www.preqin.com)

For more information, please contact: Amy Bensted +44 (0)20 7397 9420 or [press@preqin.com](mailto:press@preqin.com)

For general press information, please contact: Nicholas Jelfs +44 (0)20 7645 8882 or [press@preqin.com](mailto:press@preqin.com)