

Institutional Investors Dedicate More to Alternative Assets

Eighty percent allocate to the industry and over half invest in three or more asset classes

According to Preqin's latest survey of alternative assets investors*, four-fifths currently invest in alternative assets, and over half (52%) invest in three or more asset classes. Investors reported greatest satisfaction with private equity and infrastructure, and found that these two asset classes best met their performance expectations in 2017. However, the greatest proportions of investors are looking to allocate capital to private debt and infrastructure both in the next 12 months and in the longer term. Although the alternative assets industry overall had a banner year in 2017, significant proportions of investors are finding it increasingly difficult to source attractive investment opportunities across all asset classes, and a minority are questioning whether they can expect the industry to maintain its recent strong performance in 2018.

For more information and analysis, see the full *Alternative Assets Investor Outlook: H1 2018* here:

<http://docs.preqin.com/reports/Preqin-Investor-Outlook-Alternative-Assets-H1-2018.pdf>

Key Investor Outlook Facts:

- **Eighty percent of institutional investors currently invest in alternative assets**, and over half (52%) invest in three or more asset classes. The asset classes with the highest engagement are real estate and private equity, with 59% and 58% of investors involved in each respectively.
- **Private equity and infrastructure were the most well-perceived asset classes in 2017:** 63% of investors report feeling positive towards private equity, and 53% feel positive towards infrastructure.
- **Investors also said that private equity and infrastructure best met performance expectations in 2017:** 95% felt that private equity met or exceeded expectations, while 93% reported the same for infrastructure.
- **Looking to the next 12 months, 48% of investors expect natural resources will perform better**, and 32% expect the same of hedge funds.
- For the coming year, **the greatest proportions of investors are looking to increase allocations to private debt and infrastructure.** Forty-two percent plan to allocate more capital to private debt, while 39% plan to do the same for infrastructure.
- **The majority of investors in all private capital asset classes cited valuations as a key concern in 2018**, continuing a trend seen in recent years. Among private equity investors, 88% identified it as an issue.
- Greater proportions of **investors in all asset classes are finding it harder to find attractive opportunities than find it easier compared to 12 months ago.** Notably, half of investors report that it is harder to find private equity opportunities.

Christopher Elvin, Head of Private Equity Products:

"Investors are becoming ever more involved in the alternative assets industry, and we've seen an increase in the percentage of those investing in three or more asset classes over the past few years. Drawn by the benefits alternative assets investments offer – portfolio diversification, strong risk-adjusted returns and low correlation to other asset classes – investors have generally looked to increase their allocations to the industry year-on-year. The industry has generally sustained their confidence, and in most asset classes investor satisfaction remains high.

However, the record influx of capital that the industry has seen in recent years has resulted in high asset pricing and fierce competition among fund managers. With so many vehicles now soliciting investment, investors report that they are finding it harder to identify attractive opportunities. At the same time, valuations concerns mean that significant minorities of investors are questioning whether the industry can sustain its strong past performance in the future. Nonetheless, overall sentiment remains high, and it seems that the industry is likely to see investor allocations grow over the coming months."

**Results based on a survey of 550 institutional investors conducted in December 2017.*

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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