

## 79% of Institutional Investors Globally Invest in at Least One Alternative Asset Class

**Alternative assets no longer considered “alternative” as investors diversify their portfolios and seek greater exposure to non-traditional asset classes**

Research for Prequin’s latest Investor Outlook has found that four out of five institutional investors invest in at least one alternative asset class. Private equity, hedge funds and real estate are the most targeted alternative asset classes, with over half of investors having an allocation to each of them in their portfolios. Although the benefits vary significantly between asset classes, common reasons cited by investors for holding allocations to alternative assets include diversification, high returns, reliable income streams and inflation hedging characteristics.

Investment in almost all asset classes is likely to increase over the coming year. In particular, 42% of private equity investors, 38% of private debt investors, and 36% of infrastructure investors plan to invest more capital in the next 12 months than they have in the previous year. A third of hedge fund investors are looking to invest less capital over the coming year compared to the last 12 months, compared to 19% that are looking to invest more.

### Key Findings from Prequin’s Latest Investor Survey\*:

- **Positive perception of asset classes:** The vast majority of investors have a positive or neutral view of each asset class. For investors in private equity and real estate, this stands at 95% and 94% respectively. Twenty percent of investors in hedge funds have a negative perception of the asset class.
- **Long-term growth:** Growth in investment also looks set to continue in the longer term, as the largest proportion of investors plan to increase their allocations to each asset class. In particular, 51% of private equity investors, and 44% of infrastructure investors are aiming to **allocate more capital to these asset classes**.
- **Target returns:** Over 60% of investors in real estate, infrastructure and private debt target returns of at least 8% annually. Just under 60% of private equity investors seek returns of at least 14%. A significant 15% of **private equity investors target annualized returns of 20% or more**.
- **Interest alignment:** The majority of investors in all asset classes believe that their interests align with those of fund managers. **Private debt and real estate have the highest level of investor satisfaction**, with 83% and 80% of investors respectively stating that their interests are represented by fund managers.
- **Changes in fund terms:** The largest proportion of investors in all asset classes believes that **fund terms are changing in their favour**. Forty-seven percent of hedge fund investors, and 44% of private equity investors, feel that terms are becoming more favourable for investors.

**For more information and to view the full results from the survey, split by asset class, please see the report:**  
<https://www.prequin.com/docs/reports/Prequin-Investor-Outlook-Alternative-Assets-H2-2015.pdf>

### Comment:

“Institutional investors allocate to alternative assets to diversify their portfolios and to achieve a broad range of other objectives. The high absolute returns generated by private equity, hedge funds’ ability to reduce volatility, the reliable income generated by private debt and the inflation-hedging characteristics of real assets are just some of the attractions for sophisticated investors.

It is clear that the institutional community remains confident in the ability of alternative assets to help them meet their return objectives. The majority feel returns are meeting or exceeding expectations and, as a result, a much larger proportion of investors plan to increase their exposure to alternatives than plan to reduce it. There remains huge scope for the alternative assets industry to grow in future years, both as investors build up existing allocations, and as they also further diversify their portfolios to include a wider range of asset classes.”

### Mark O’Hare – CEO, Prequin

*\* The findings in this press release and Preqin Investor Outlook: Alternative Assets, H2 2015 are based on Preqin's survey of 460 investors in alternative assets. By investor location, 43% of these investors were based in North America, 31% in Europe, 22% in Asia and 4% in Rest of World. When broken down by investor type, 16% were private sector pension funds, 13% public pension funds, 10% foundations, 10% endowment plans, 10% insurance companies, 9% asset managers, 8% family offices, 6% banks, and the remaining 18% fell into other institutional investor categories.*

**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.
- Preqin considers private equity, hedge funds, private debt, real estate and infrastructure as the five core alternative asset classes.

**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)

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