

Hedge Fund Managers Set for Windfall

Only 20% of hedge fund investors plan to focus solely on maintaining existing relationships with managers over the next 12 months.

Hedge fund managers will be able to access new capital sources over the next 12 months as 80% of investors are at least considering investing with new managers, the latest Preqin research reveals. Furthermore, 38% of investors are planning to increase the amount of capital they invest in hedge funds over the coming 12 months, meaning capital inflows are likely to increase throughout the industry.

In a study conducted for the 2012 Preqin Hedge Fund Investor Review, 10% of investors stated that they plan to invest only with new managers in the next year, while 49% intend to seek new relationships alongside maintaining those they already have. An additional 21% are looking at new proposals opportunistically.

The study found:

- Just 9% of investors plan to reduce the amount of capital they invest in hedge funds during 2012.
- 40% of investors were dissatisfied with returns produced by their hedge fund investments in 2011.
- One-fifth stated that they had more confidence in hedge funds now than they did in 2010, while 66% stated that they felt the same level of confidence.
- 38% of investors are seeking long/short equity investments, making it the most popular strategy.
- 26% are seeking global macro hedge funds.
- 79% intend to invest directly in hedge funds, while the proportion of investors planning to invest in commingled funds of hedge funds has fallen significantly in the past 12 months from 42% to 24%.
- 15% of institutions looking to make investments in the next 12 months prefer their capital to be held in separately managed accounts.
- Firm track record is the most important criterion for an investor when choosing a fund manager, followed by fund performance and strategy.

Click here to see the report:

http://www.preqin.com/docs/newsletters/HF/Hedge_Fund_Spotlight_November_2011.pdf

Comment:

Although institutional confidence has been dented as a result of poor returns towards the end of this year, the outlook for next year remains positive. Hedge fund managers can expect a large influx of capital from institutional sources over the next 12 months, and assets could potentially reach the pre-crisis watermark of \$2.6 trillion.

While we expect demand for further liquidity and transparency to continue, with increasing numbers of investors opting for separately managed accounts, traditional fund structures are likely to remain at the forefront of investment portfolios.

Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q' – the company name is an abbreviation of its former incarnation "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.

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