

UCITS Hedge Fund Industry Experiences Rapid Growth The number of UCITS hedge funds has grown by 260% since 2008

Preqin Special Report: UCITS Hedge Funds reveals that the alternative UCITS sector has grown significantly in recent years, particularly following the global financial markets events of 2008. In 2002, UCITS hedge funds became possible with the UCITS III directive; Preqin now tracks over 550 UCITS vehicles.

UCITS hedge funds increasingly appeal to institutional investors due to their regulated, transparent and liquid format. Although the vast majority (86%) of institutional investors in UCITS-compliant hedge funds are based in Europe, the structure is now being utilized by investors in other regions worldwide, with North America and Asia-Pacific home to 8% and 5% of UCITS investors respectively.

Other Key Facts:

- More than 70% of UCITS hedge funds made gains over the three-year period to the end of December 2012 and more than half of these posted net returns exceeding 10%.
- From January 2010 to March 2013 the volatility of UCITS fund returns was in the range of 5-8%, significantly lower than the S&P 500's level, which ranged between 15% and 22%.
- Half of all UCITS funds follow a long/short investment strategy; long/short UCITS funds posted gains of more than 8% in the three years to the end of 2012.
- Prominent Europe-based investor groups in UCITS hedge funds include banks, funds of hedge funds and asset managers; 50% of all Europe-based banks that invest in hedge funds, which have an increased demand for liquidity and regulation, invest in UCITS-compliant vehicles.
- A Preqin study in June 2012 revealed that 63% of investors indicated that liquidity was a key factor when considering investing in UCITS-compliant funds.
- Just under a quarter of all mandates issued by Europe-based hedge fund investors looking for new investments in the next 12 months include alternative UCITS funds.

To read the full report, please visit:

https://www.preqin.com/docs/reports/UCITS_Hedge_Funds_Report_June_2013.pdf

Comment:

“Although alternative UCITS funds remain a niche part of the industry, representing around 7% of all hedge funds in the market today, they are an increasingly important part of the hedge fund landscape as we move into an era of regulation in the alternatives space. UCITS hedge funds have demonstrated a capacity to deliver absolute returns over the long term, while maintaining a low risk profile relative to equity markets. The use of the UCITS structure could grow further in the coming years as investors look for alternatives to traditional hedge funds and the larger investors, such as public pension funds, increase their exposure to UCITS funds.

However, the limited universe, lower returns and smaller size of UCITS funds means that it will not be suitable for all hedge fund investors. These concerns may need to be addressed in order to convince the majority of the hedge fund universe of the benefits of UCITS hedge fund structures.”

Amy Bensted, Head of Hedge Fund Products

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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

For more information, please contact: Amy Bensted on +44 (0)20 7397 9420 or abensted@preqin.com

For general press information, please contact: Helen Kenyon +44 (0)20 7645 8880 or press@preqin.com