Hedge Fund Spotlight

April 2011

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Data

You can download all the data in this month's Spotlight in Excel
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Fund of Hedge Funds: The Recovery Begins?

Joanna Hammond analyses the impact of the last few years on the fund of hedge fund industry and looks at what the future holds for the sector.

The fund of funds sector has been through one of the most significantly difficult fundraising and asset-retaining periods of its history. Madoff, poor relative performance and investor withdrawals have all taken their toll on the industry, which has shrunk, in terms of numbers of operating firms, for the third year in a row. However, stability is returning to the industry, and we are beginning to witness the shoots of recovery as industry assets under management start to grow once again. Today Preqin's database contains profiles for 535 fund of hedge funds managers. Using the extensive data Preqin has on these firms, we examine in more detail the size of the industry as it stands today and the changes that have occurred since the financial crisis.

Breakdown of Fund of Hedge Funds Managers by Size

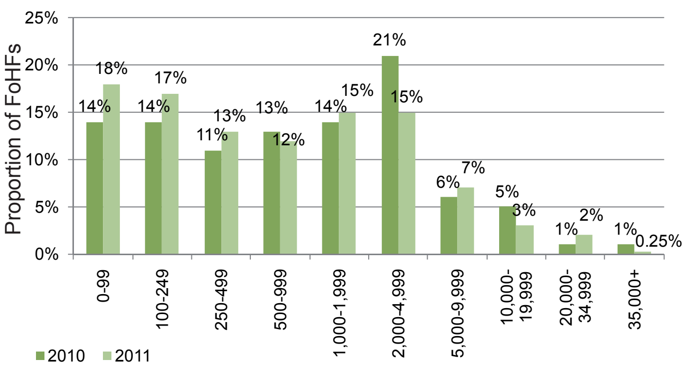
Funds of hedge funds vary in size considerably; the smallest fund monitored by Preqin manages less than $1 million in assets, with the largest running upwards of $35 billion in assets under management. Over the past 12 months, the industry has shifted considerably in terms of the distribution of firms by their assets under management, with a noticeable shift towards the lower end of the scale. In early 2010, 28% of funds of hedge funds had AUM of less than $250 million; this has increased to 35% as of Q2 2011. The most noticeable shift is the decline in the proportion of managers with assets of $2-4.9 billion. The fall in the average fund of funds size over the period was $570 million, from $2.75 billion in 2010 to $2.18 billion in 2011. This is less than half the average fund size in 2009, which was $4.78 billion.

Size of the Fund of Hedge Funds Industry since 2008

Since 2008, the fund of hedge funds sector has seen a decline in aggregate assets from $1.25 trillion to $910 billion as of Q2 2011. As demonstrated in Fig. 3, the largest decline occurred from 2008 to 2009, when total industry AUM decreased by 24.2%. Recently, the sector has seen performance improving, new investors entering the arena, and significant improvement in investor demand following wide scale changes in the industry (including increased transparency and due diligence measures). Consequently, we have seen new allocations to funds of hedge funds and aggregate assets under management have grown slightly between 2010 and 2011. With only a quarter of the year gone, the potential for further growth in the funds of funds sector this year looks strong.

Fig. 4 demonstrates post-2008 the dramatic change in fortunes for the fund of hedge funds sector. From 2007 and into 2008 fundraising was still very positive, with over 55% of firms reporting an increase in AUM over this period and just 23% declining. This trend was reversed from 2008 into 2009, with a significant difference between the proportion of firms reporting a decline in AUM (43%) and the firms reporting an increase (17%). This gap narrowed from 2009 to 2010, although was firmly still in negative territory and as a result the sector continued to shrink. However, the number of firms that have reported an increase in assets from 2010 into 2011 so far outweighs the number of firms that have seen their AUM fall. If this trend continues over 2011, the AUM for the fund of funds industry could rise towards $950 million in AUM by year end, eclipsing the $1 trillion mark over the longer term. Research conducted by Preqin suggests that managers have reasons to be positive, with institutional investors increasing their allocations to funds of hedge funds throughout 2011. Orange County Employees' Retirement System has, for example, increased its commitment to BlackRock, and is searching for another fund of funds manager to award a new

Fig. 1: Breakdown of Funds of Hedge Funds by Assets under Management

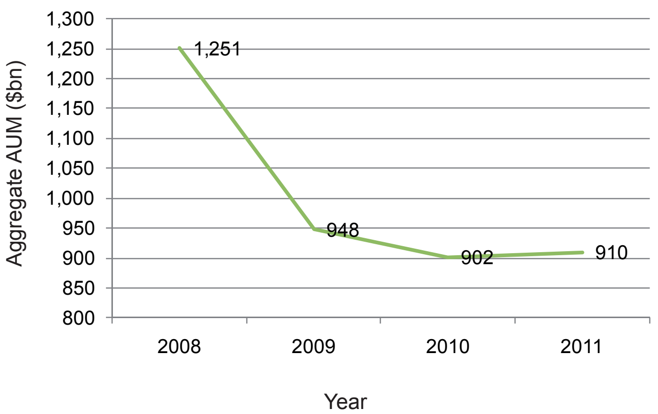


Source: Preqin

Fig. 2: 10 Largest Funds of Hedge Funds

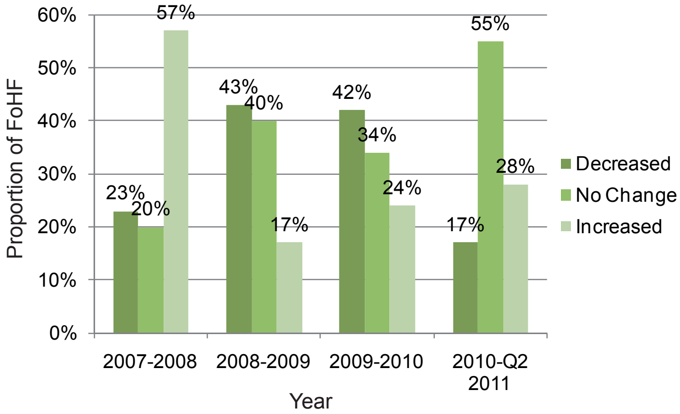
Name of Firm	Primary Location	AUM ($bn)
Blackstone Alternative Asset Management	US	36.0
HSBC Alternative Investments	UK	28.0
Alternative and Quantitative Investments (UBS)	Switzerland	27.9
Grosvenor Capital Management	US	24.0
Goldman Sachs Hedge Fund Strategies	US	22.3
Man Investments	Switzerland	22.1
BlackRock Alternative Advisors	US	21.8
Permal Investment Management	US	21.0
UBP Alternative Investments	Switzerland	21.0
Lyxor Asset Management	France	19.0

Fig. 3: Aggregate Fund of Hedge Funds Assets under Management



Source: Preqin

Fig. 4: Changes in Fund of Hedge Funds' Assets under Management since 2007



Source: Preqin

mandate. Another US public sector pension fund, New York City Police Pension Fund, has approved an initial allocation to a fund of hedge funds, signalling that institutional investors still see the fund of funds approach as a gateway into the hedge fund market.

Adaptation and Growth in the Industry

Since the financial crisis, the fund of funds industry has changed, with many firms adapting in order to remain competitive and gain investors. Following the onset of the financial crisis, many fund of funds investors wanted greater transparency, and as a result managers increased their offering of managed account versions of their funds. For instance, London-based Sciens Capital Management is in the process of transferring its entire funds of funds to funds of managed accounts, in order to provide monthly, weekly and even daily liquidity to its clients. Jersey-based manager Ermitage Group plans to launch a managed account version in 2011, and at this time is seeking long/short equity and multi-strategy managers for the fund.

In Europe, UCITS-compliant products have proved popular, with institutional investors reassured by the regulation of such vehicles. Subsequently, firms have launched UCITS versions of existing funds in order to attract investors that may otherwise be put off committing capital to hedge funds. For instance, the $9.5 billion funds of hedge funds manager GAM has recently announced the launch GAM Star Trading fund, a regulated version of its GAM Trading vehicle.

Through our direct conversations with funds of funds managers we have found that a number of firms are planning to launch new fund of funds vehicles throughout 2011. These firms are increasingly launching niche products over multi-strategy funds in order to cater for a maturing investor environment in which institutions are beginning to turn to funds of funds to run focused strategies on their behalf. Incumbent firms are increasingly seeking more niche strategies and looking towards emerging markets to generate returns. Parker Global Strategies, a US-based manager, is set to launch two new funds of hedge funds focusing specifically on foreign exchange in emerging markets and Brazil. New York-based Old Greenwich Partners is also looking to launch a new multi manager vehicle in 2011, and is seeking managers based in Africa. Banque Privée Edmond de Rothschild, a fund of funds arm of the Rothschild family, is targeting its investment activity towards green investments in the following year, and is set to offer investors a new vehicle, Edmond de Rothschild Prifund Alpha Green fund, specifically to tap into this market.

Outlook

The fund of funds landscape is markedly different to the pre-crisis industry. Assets under management for the industry as a whole are much lower and there is a bimodal distribution of firms emerging, with peaks at the lower end of the scale as the smaller niche boutiques appeal to the maturing hedge fund investors, and at the larger end of the spectrum the “brand name” multi-strategy firms still prove appealing to the newer investor. After a difficult few years for funds of hedge funds, the managers that have appropriately adapted to retain investors from the institutional market have regained some lost confidence and numerous new funds are poised to be launched this year. Growth of industry assets is again in positive territory and if this new era of revived investor interest in funds of funds continues then aggregate AUM will begin to climb towards the $1 trillion mark.

Data Source:

Preqin Hedge Investor Profiles

Preqin tracks 535 funds of hedge funds; 258 in North America, 214 in Europe and 63 in Asia and ROW.

For more information or to arrange a demo please visit:

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All-New Funds of Hedge Funds

Jeremy Alun-Jones, Group Managing Director of Stenham Asset Management, talks to us about the funds of funds industry.

How has the fund of funds industry changed over recent years?

There have been a number of changes. Madoff has had huge implications for the industry; formal operational due diligence is no longer voluntary and a number of funds of funds have had to address how they deal with it. This has organisational and cost implications.

A number of funds of funds have disappeared so there are fewer smaller players; effectively it's consolidation, but rather than being taken over by larger firms, the smaller firms have simply closed down. The main reason for this is the requirement of operational due diligence and the costs that entails. You now need to operate on a much larger scale than say five years ago, when $250mn of AUM was adequate for you to run a reasonably profitable fund of funds business. It is certainly north of $500/600mn, or possibly even $1bn, for you to be comfortable in the space now.

Another thing is that there is now a need for much more quantitative measure of risk. In the past, due diligence was done and risk was evaluated qualitatively; now there's a requirement that it's done quantitatively. Risk managers are very well bid in our industry at the moment.

Have you made any changes to your processes?

Not really. Stenham has had a three-person ODD team for some time and has a nine-person team in India on the quantitative side, so you can see the amount of resources that need to be dedicated to these areas. We weren't an investor in Madoff, and we feel that our process of identifying Madoff-like funds is robust. Without feeling complacent about it, we feel we have an adequate due diligence process, for example there were a couple of things in the Madoff funds that wouldn't have got through our process – unknown accountants, the absence of independent administrators, neither of which we are prepared to invest in.

A Preqin survey of hedge fund investors showed that there was a trend for institutional investors to move away from funds of funds. Have you noticed this?

The term "institutional investors" is a huge umbrella. There has been some movement away by Swiss intermediaries. They were very heavily invested in Madoff. They represent a pool that has withdrawn money from funds of funds and it's not coming back any time soon. That said, a large Swiss intermediary has just signed a contract with us, and they hadn't previously given us money. We put that down to the fact that they perhaps don't see the fund of funds providers they were using as being as safe as us.

We're seeing money coming in from pension funds, the reason being that there has been a bull market in equities, and bonds to a lesser extent, since March/April 2009. A number of pension funds that had equity portfolios have had a nasty reminder of just how high volatility is in equities; everyone forgets this when equity markets are rising, but historically equity volatility is between 16% and 19%. Institutional pension funds, with their big equity allocations (around 60%) saw the nasty downdraught in 2008, followed by a nice rally in 2009-10. They recognise that we're in a much more uncertain world and want to move into strategies that have a much lower volatility – the most obvious being funds of hedge funds – they understand them and consequently we're seeing more money coming in from these investors. There's definitely no huge drain of assets out of the industry at the moment. In fact, first quarter 2011 inflows into fund of funds have been quite good.

Are you seeing a change in investor's demands, relating to fees for example?

It's the perennial question in the fund of funds business – we all know that the hedge fund fees are high relative to long only and people therefore naturally ask: "Why layer on another fee for a fund of funds?" There's some evidence of people going around the fund of funds, either investing directly in hedge funds, or going through the previous gatekeepers that used to act as consultants, that now offer fund selection and portfolio management services. However, the costs are high.

We have a full-time team of 15 focused on researching funds, looking at the portfolios and their dynamics and unless you're going in blind, you need to invest in a team that can do the analysis and then manage your portfolio.

There is some pressure on fees, but there has always been. Everyone asks for discounts for scale, but is our margin under enormous pressure? No, because most that invest with us know what we do, value it and understand that they couldn't do it cheaper. We're not experiencing greater pressure than we have when we were much smaller. Why am I quite confident that we won't be under pressure going forward? Look at long-only – they've managed to put their fee up in the actively managed area. It's something we're mindful of and we run our business tightly, but they're not the number one question amongst investors.

What are investors' top concerns?

Madoff is very important. Ironically one of the things we're asked a lot is whether we are taking enough risk. It is human nature, you get a period like 2000 and everyone becomes conservative, then it wears off. We run 10 different funds, so we have a range offering different levels of risk: conservative funds – our multi-strategy funds; macro; a long-short equity fund; an Asian-focused fund; a gold fund; and a closed-end fund. There's a range of risk, therefore a range of return.

Is it safe to say investor confidence has returned to the industry?

Are they as confident about funds of funds as they were in 2007? No, Madoff will loom large in people's minds, but are we seeing interest, people due diligencing us, net inflows? Yes. My conclusion is that investors remain sufficiently confident to want to carry on investing in funds of hedge funds because it's a better way to invest in equities and fixed income markets.

What are your thoughts on managed accounts?

We don't offer managed accounts, although we do offer investors the opportunity to build bespoke portfolios. Very few of the hedge funds we're invested in will offer us a managed account. Clearly we choose to invest in the hedge funds we believe to be the best, so our conclusion is that those that do offer managed accounts are almost by definition the less desirable ones. I can't understand why a hedge fund would offer a managed account as it's effectively giving the investor the right to front run.

What changes do you forecast for the industry in the coming years?

I get asked about consolidation a lot because I come from a firm, Montier Partners, that merged its activities with Stenham last year. Is this the beginning of a large number of consolidations? I genuinely believe there were some unique things at both firms which resulted in it being a successful merger and I doubt there are similar incentives out there between many other potential partners. Actually, despite being part of a consolidation, I don't think there will be that much in our industry. There are a lot of individuals with differing investment styles that are the results of small groups of people, and it's not easy to combine them, or they might not necessarily mix well.

I think we will see the strong firms getting stronger; the bar is high in terms of the minimum size, which I believe is now between $600mn and $1bn. More and more small funds of funds will fall by the wayside as pension funds, other institutions, private individuals and family offices demand more services – why would they want to take a risk with a smaller fund of funds when they can get institutional quality with the bigger guys.

Are there any areas in which you see opportunities or problems for the industry?

The American market definitely offers good opportunities. There is a large number of both hedge funds and funds of funds there but they're very introverted, inward looking; 70-80% of underlying managers are American. Ours are global – Japan, Asia, Europe, Brazil, America.

US investors in funds of funds see quite high correlations between returns, so there is a desire by investors to diversify, leaving an opportunity we believe for us to come in with our more global portfolio and fill this gap.

I am worried about certain UCITS products. The blame for Madoff was applied across the whole industry, despite the fact that most of us weren't involved. What worries me about UCITS is that it's a solution that has been drawn up by a group of people in Brussels that don't really understand the industry. There are a number of factors intrinsic to UCITS that we don't think pass stress tests. They apparently offer very good liquidity: daily, weekly, semi-monthly – much shorter than most funds of funds and hedge funds, but certain instruments that these UCITS vehicles invest in could not be sold tomorrow, despite these funds offering daily liquidity. There's an inbuilt mismatch between the liquidity they give investors and the liquidity available to them in the underlying investments. I'm not quite sure how you can get any comfort from the UCITS umbrella when there's such a clear mismatch. I worry that the next time the financial markets are really stress tested, some UCITS funds will be unable to deliver the liquidity they state, which will reflect badly on the rest of the industry.

News Exclusives

News Exclusives features the latest intelligence uncovered by Preqin's analysts, all gathered via direct communication. Preqin Online subscribers can click on the investor name to view the full profiles.

OGCP Starts Second Seed Fund

Old Greenwich Capital Partners is launching its second fund of hedge funds.

The OGCP II Seed Fund, due to be launched this year, will make investments in African funds and provide seed capital for emerging managers and spin-off teams. Other specifics are yet to be decided. The New York-based manager typically invests in a range of strategies and targets returns of between 12% and 15% against absolute return.

Old Greenwich Capital Partners began managing a fund of hedge funds in 2005 and is invested in around 8-10 underlying hedge funds.

New Investments Ahoy!

Frey Quantitative Strategies will invest with up to 15 new managers this year.

The fund of funds manager, which is currently invested in 25 underlying vehicles, will consider a range of opportunities but is particularly interested in high frequency CTA managers. The firm has a global mandate, although the majority of its current investments are in North America and Europe.

Frey Quantitative Strategies invests between $1mn and $5mn per hedge fund, and managers should have at least $50mn in AUM. The firm will consider emerging managers and spin-off teams, but will not provide seed capital for new funds. Funds with lock-up periods will not be ruled out.

As well as adding to its investment portfolio, the firm anticipates opening offices in both Asia and the Middle East in the near future.

Allocation Achieved by Pension Fund

Dorset County Council Pension Fund has made two more hedge fund investments worth a combined £15mn.

The £1.5bn pension fund is now at its target 6% allocation to the asset class after making commitments to International Asset Management and Gottex Fund Management. It invested £10mn and £5mn with the managers respectively. Its hedge fund portfolio already included investments in two funds of hedge funds.

The pension fund has been an active hedge fund investor since 2004 and had made investments in three funds of funds. However, it redeemed its investment in Pioneer Alternative Investments in 2009 as the fund was caught up in the Madoff scandal, and this, along with good performance in other asset classes, took the pension fund below its target allocation to hedge funds.

The pension fund typically commits $25mn per investment, and expects returns of between 7% and 10%. It does not have a particular strategic preference and will consider investing in opportunities anywhere in the world. However, it will not provide seed capital or invest with emerging managers.

Out with the Old...In with the New

Croydon Council Pension Fund has appointed a new investment consultant.

Aon Hewitt took over from Mercer Investment Consulting at the beginning of 2011, and is conducting a strategic and structural review in time for the next trustee meeting, scheduled for May.

The pension fund has a 4% target allocation to hedge funds, and a current allocation of 3.9% through its investments in two UK-based funds of funds. It made its first commitment in Q1 2010. It will invest globally, though has a slight preference for European-based managers, and will consider funds with a lock-up period of up to six months.

Testing the Water in Herts...

Hertfordshire County Pension Scheme could invest in hedge funds..

The £2bn public pension fund is undertaking a strategic review which could result in it setting an allocation to the asset class. If it decides to go ahead, it would be the scheme's first hedge fund investment, and it will publish an RFP in the Official Journal of the European Union.

The pension fund currently allocates 11% of AUM to alternatives.

A Billion Rand Opportunity

FirstRand Alternative Investment Management is to invest up to ZAR 1bn in hedge funds

The ZAR 1.5bn funds of hedge funds manager will commit to a maximum of five new funds over the next 12 months. It will consider a variety of strategies, including CTA, commodities and market neutral. The firm is also considering launching another two funds of funds.

FirstRand is a wholly owned subsidiary of Momentum and was established as a separate business unit in 2007. At present it manages three funds of hedge funds, and is invested in a total of 25 underlying managed account funds.

Seeking Diversity

Regents of the University of California has increased its hedge fund allocation.

Hedge fund investments are currently made through both its $5.7bn General Endowment Pool and its $34.4bn University of California Plan, and allocations from both will increase 2%. It is hoped that the increase will enable the university to take advantage of the opportunities in the hedge fund market at present.

The university is considering a range of investment opportunities, and is looking to diversify its existing portfolio, which includes 39 fund managers. It has a particular interest in emerging markets, especially Latin America and Indonesia.

2011 Preqin Global Hedge Fund Investor Review

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The 2011 Preqin Global Hedge Fund Investor Review provides profiles and analysis for the most important institutional investors in hedge funds from around the world.

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- Profiles include fund preferences by strategy and geography, key financial information, direct contact details for key personnel, sample investments
- Analysis and league tables for investors from each region
- Analysis for investors in each of the ten most important hedge fund strategies with listings for active investors
- Analysis and listings for investors looking to allocate to UCITS or managed account vehicles
- Exclusive results of Preqin investor surveys
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Long/Short Equity

This month Sarah Corran examines a UK-based long/short equity fund which is seeking to market to an institutional audience in order to increase its assets towards the £1 billion mark.

Fig. 1: The Assignment

Fund strategy	Long/short equity
Fund size (GBP million)	600
Fund location	UK
Track record (years)	5

Source: Preqin

The Long List

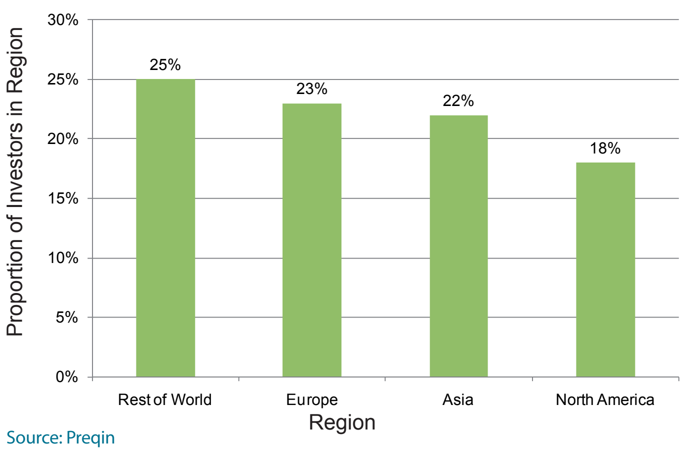
This month we are taking a closer look at a UK-based long/short equity fund which is seeking to market to an institutional audience in order to increase its assets towards the £1 billion mark. The fund has £600 million in assets under management, along with a five-year track record and 12-month lock-up period. Using these investment criteria, Preqin's Hedge Fund Investor Profiles reveals 503 institutional investors potentially interested in this fund. The mean maximum lock-up period accepted by these investors is 20.8 months, indicating that the lock-up period will not present a barrier to investment to most of them. Furthermore, 96% of this group of investors will consider managers with a track record of less than five years.

The fund meets the investment criteria for 25% of hedge fund investors in Rest of World, which represents the highest proportion of all the regions, as shown in Fig. 2. 23% of European institutional investors on Preqin's database represent potential investors, including the fund of hedge funds manager Castlestone Management, followed by 22% in Asia and 18% in North America. These figures highlight the popularity of such established long/short equity funds across the globe.

Funds of hedge funds are the investor type most likely to invest in this long/short equity fund (see Fig. 3), with 43% of all such firms on Preqin's database expressing an active interest in this type of fund. These include Pioneer Alternative Investments, the UK-based manager with £2.3 billion in AUM, and New Providence Asset Management, a US-based manager with $2.5 billion in AUM. The fund is also likely to attract capital from endowment plans and family offices, 21% of endowment plans and 16% of family offices on the Preqin database interested in the vehicle. Examples of such investors include the Dickinson College Endowment and Murphy Family Office, both based in the US. Pension funds are also marketing candidates – the fund meets the investment criteria of 11% of both private and public pension funds. Pension fund investors interested in the fundraising assignment vehicle include the public pension fund Florida State Board of Administration, which currently has $900 million invested in hedge funds but is in the process of growing its exposure to $2.6 billion over the next two to three years.

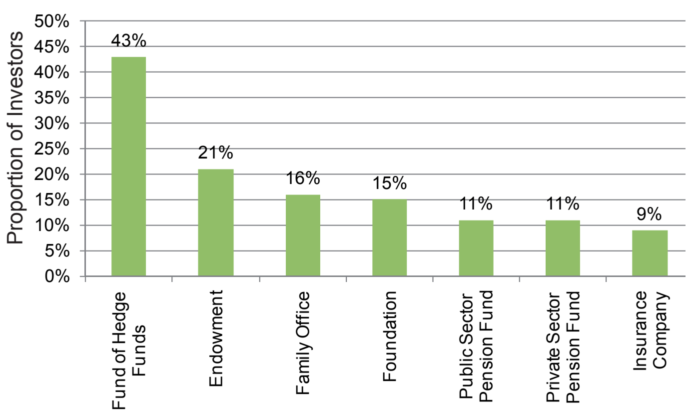
The Investor Barometer in Fig. 4 shows the distribution of interest amongst the Long List of 503 investors. Although family offices are less likely than public pension funds to invest in a long/short equity fund, when the fund location and direct nature of

Fig. 2: Proportional Appetite of Investors by Region



Source: Preqin

Fig. 3: Proportional Appetite of Investors by Investor Type



Source: Preqin

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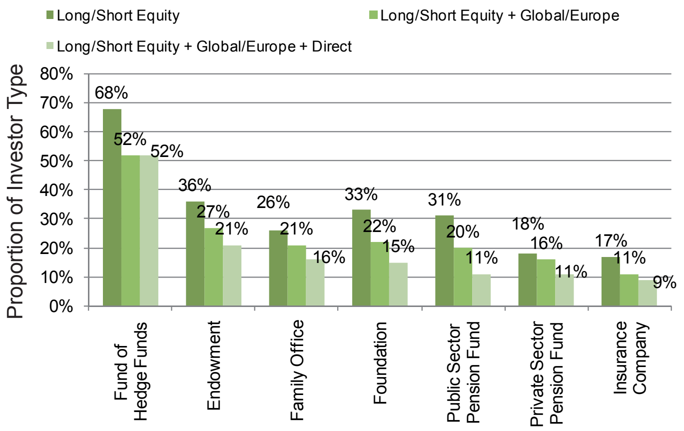
the investment is taken into account, a higher proportion of family offices remain interested than the proportion of public pension funds. It is interesting to note that the fact that this is a single-manager long/short equity fund has a marked effect on the interest of the public pension fund investor in the vehicle (more so than for any other group of investor, including private sector pension funds). Although many public pension funds demonstrate a preference for long/short equity vehicles, they are still predominantly gaining access to such funds via holdings in funds of funds. Therefore until the numbers of public bodies investing directly in hedge funds grows (which is a trend we are beginning to witness) then marketing to this section of the institutional market as a single-manager hedge fund will remain relatively difficult.

Fig. 4: Investor Barometer - Proportion of Investors with Interest in Fundraising Assignment by Type



Source: Preqin

Data Source:

Preqin Hedge Investor Profiles

There are currently profiles for 923 hedge fund investors with a preference for long/short equity funds on Preqin Hedge Investor Profiles

537 are based in North America, 290 in Europe, 33 in Asia and 63 in ROW.

For more information or to arrange a demo please visit:

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Fig. 5: The Short List

Investor	Type	Location	Required Track Record	Details
Pepperdine University Endowment	Endowment	US		• Planning to invest in strategies including long/short equity over the next 12 months. • Accepts lock-up periods with no maximum time length.
Nordea Life & Pensions	Insurance Company	Finland		• Particularly interested in long/short equity strategies. • Invests on a global scale including Europe.
NLI International	Insurance Company	Japan	2 years, USD 100 million	• Looking to increase the amount invested in hedge funds, interested in strategies including long/short equity. • Accepts lock-up periods with no maximum time length.
La Fondation Lucie et André Chagnon	Foundation	Canada	2 years, CAD 1 billion	• Intends to add one or two additional long/short equity managers over the coming 12 months. • Looking for managers that operate on a global scale. • Seeking managers with a track record of around five to 10 years.
Blue Rock Advisors	Fund of Hedge Funds	US		• Will invest in funds with lock-up periods, accepting a maximum one-year hard lock. • Looking to invest in 7-10 hedge funds over the next 12 months, employing long/short equity strategies with low net exposure.

Source: Preqin

Download Data

Merger Arbitrage

In this month's Strategies section, Suganniya Kanaganayagam takes a look at institutional investor appetite for merger arbitrage funds.

Fig. 1: Key Facts - Merger Arbitrage

% of institutional HF investors that state merger arbitrage as a preference	6%
Median AUM of a merger arbitrage investor	$1.46bn
Average allocation to hedge funds of a merger arbitrage investor	16% / $234mn
Average returns sought from a merger arbitrage investment	6.8%
Most favoured investment approach (direct hedge funds, funds of hedge funds, mixture of both)	Direct Hedge Funds
Average lock-up of a merger arbitrage fund	2.4 months
Maximum lock-up accepted by a merger arbitrage investor	3.2 months

Source: Preqin

Data Source:

Preqin Hedge Investor Profiles

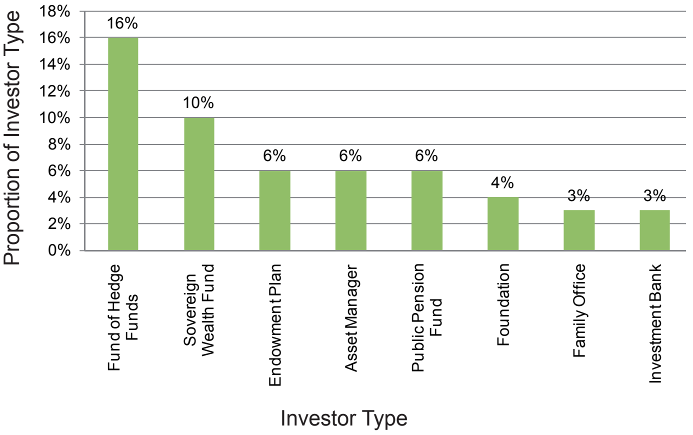
Data on the following pages is taken from Hedge Investor Profiles, which has information on:

- 158 investors that state a preference for merger arbitrage hedge funds
- 351 foundations that have previouly invested in, or are actively investing in, hedge funds
- 86 Australia-based hedge fund investors

Find out more:

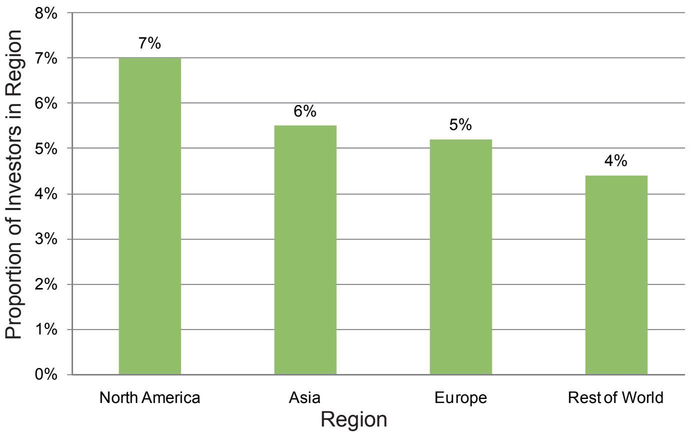
www.preqin.com/hedge

Fig. 2: Proportion of Each Type of Institutional Investor with an Active Preference for Merger Arbitrage Funds



Source: Preqin

Fig. 3: Proportion of Investors within Each Region with an Active Preference for Merger Arbitrage Funds



Source: Preqin

Fig. 4: Key Investors in Merger Arbitrage Hedge Funds

Investor	Type	Location	AUM ($mn)	Allocation to HF (%)
Spider Management Company	Endowment Plan	US	2,300	45
Prairie Capital Management	Asset Manager	US	4,000	30
RBC Capital Markets	Investment Bank	US	68,100	26.4
Church Pension Group	Private Sector Pension Fund	US	9,136	20.6
Gordon and Betty Moore Foundation	Foundation	US	5,000	30

Preqin Hedge Investor Online subscribers can click on the firm name to see the full profile

Source: Preqin

Australia

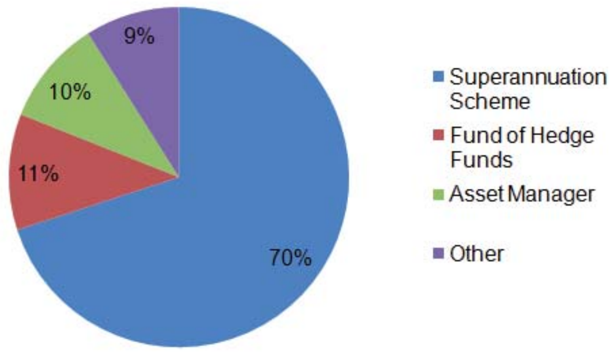
Alex Chalikiopoulos takes a look at hedge fund investors domiciled in Australia and explores their investment preferences.

Fig.1: Key Facts: Australia-Based Investors

Number of investors in the region	86
Median AUM (AUD mn)	1,781
Mean allocation to HF	5.6%
Mean target allocation to HF	6.1%
Typical portfolio size	10-15 hedge funds
Typically been investing for	6 years

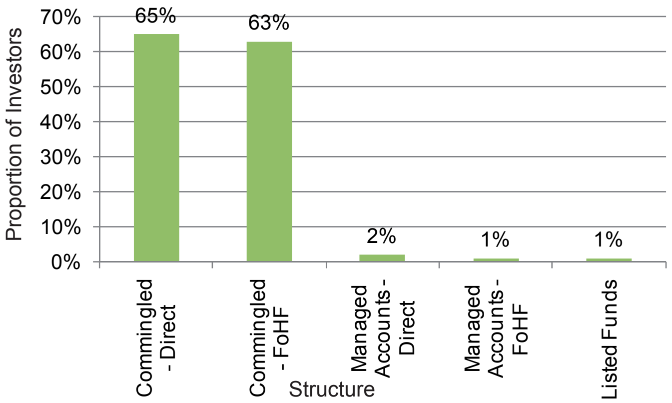
Source: Preqin

Fig. 2: Breakdown of Australian Institutional Investors by Type



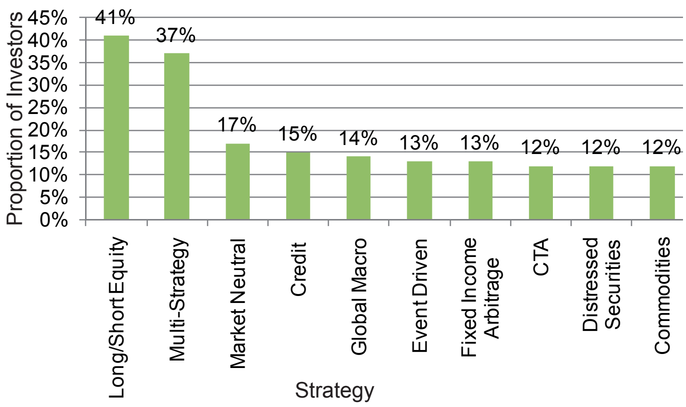
Source: Preqin

Fig. 3: Fund Structures Invested in by Australian Institutional Investors



Source: Preqin

Fig. 4: Strategic Preferences of Australian Institutional Investors



Source: Preqin

Fig. 5: Key Australian Institutional Investors

Investor	Investor Type	AUM (AUD mn)	Allocation to HF (%)
Future Fund	Sovereign Wealth Fund	71,800	14.6
Victorian Funds Management Corporation	Asset Manager	34,700	3.4
State Super	Superannuation Scheme	31,098	10
Australian Reward Investment Alliance	Superannuation Scheme	18,089	12.8
Mercer Investment Management	Asset Manager	12,000	5

Source: Preqin

Preqin Hedge Investor Online subscribers can click on the firm name to see the full profile

Foundations

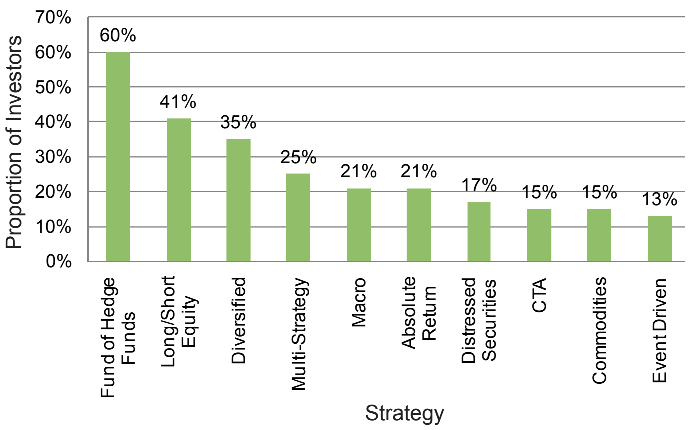
Graeme Terry presents a detailed round-up of foundations investing in hedge funds.

Fig. 1: Key Facts: Foundations

Average allocation to hedge funds	15.7%
Average target allocation to hedge funds	16.6%
Most favoured investment approach (direct funds, funds of funds, mixture of both)	Funds of funds
Average number of hedge fund investments in portfolio	10
Typically been investing for	6 years

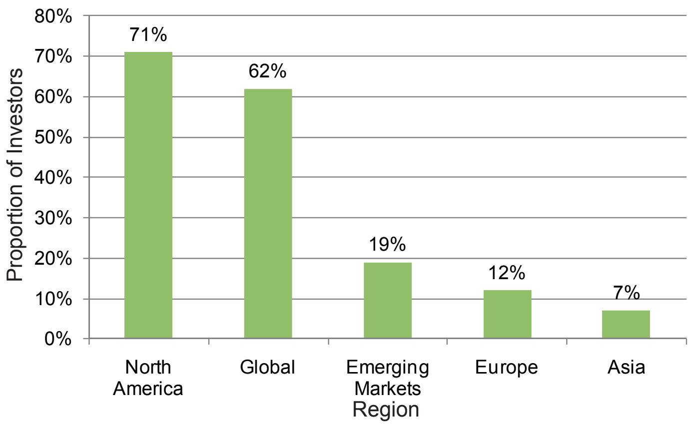
Source: Preqin

Fig. 2: Strategic Preferences of Foundations Investing in HFs



Source: Preqin

Fig. 3: Regional Preferences of Foundations Investing in HFs



Source: Preqin

Fig. 4: Geographic Location of Foundations Investing in HFs

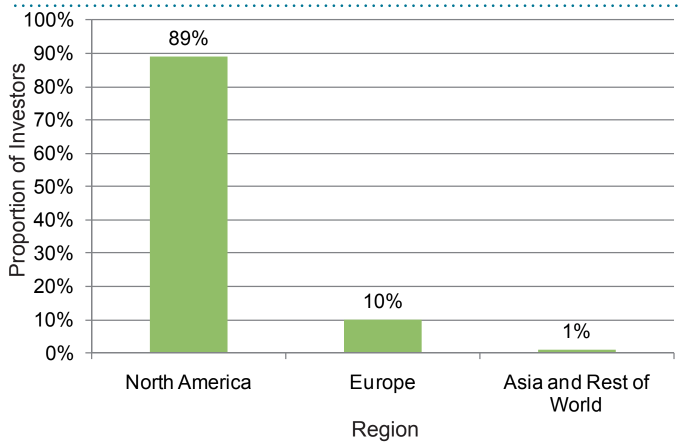


Fig. 5: Top Five Foundations Active in Hedge Funds

Name	Currently Committed to HFs ($mn)	Location
Wellcome Trust	3,940	UK
Howard Hughes Medical Centre Endowment	3,493	US
Gordon and Betty Moore Foundation	1,500	US
New York Public Library	276	US
La Fondation Lucie et Andre Chagnon	177	Canada

Source: Preqin

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Conferences Spotlight
Forthcoming Events

Conference	Dates	Location	Organizer
Global Hedge Fund Summit	1 - 3 May 2011	Bermuda	Institutional Investor
GAIM Ops Cayman	1 - 4 May 2011	Cayman Islands	IIR USA
EuroHedge Summit 2011	4 - 5 May 2011	Paris	Hedge Fund Intelligence
FX Investment World	14 - 16 June 2011	London	Terrapinn
GAIM International 2011	21 - 23 June 2011	Monaco	ICBI

SALT Conference 2011

Date: 11th -13th May 2011
Location: The Bellagio, Las Vegas
Organiser: SkyBridge Capital

The SkyBridge Alternatives (SALT) Conference, taking place May 11-13 in Las Vegas, will provide an unmatched opportunity to connect with global leaders and network with industry peers. Speakers and attendees will discuss current global issues as well as investment ideas and strategies within the context of a changing economic environment.

Information:
www.saltconference.com

Hedge Fund Re-Domiciliation

Date: 24th May 2011
Location: Hesperia London Victoria
Organiser: IBC Global Conferences

Information: www.informaglobalevents.com/KM3181HFS

The landscape for Hedge Funds has changed. The introduction of the AIFMD and the increasing use of UCITS have led to many managers considering whether to re-domicile their funds. This event brings together industry experts from the UK, Switzerland, Luxembourg, Malta, Jersey, Bermuda, France and Ireland to discuss the practicalities of moving and what each jurisdiction can offer.