Welcome to the latest edition of Hedge Fund Spotlight, the monthly newsletter from Preqin providing insights into hedge fund investors. Hedge Fund Spotlight uses information from our online product Hedge Investor Profiles.

December 2011
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Hedge Fund Spotlight

December 2011

Feature Article

Emerging Hedge Fund Managers - Worth the Risk?

Emerging hedge fund managers have found fundraising difficult in recent years; however, many investors are keen to gain access to the new strategies, agility and performance that such managers can provide. Who are these investors? What is the outlook for emerging managers? This month's feature article reveals all. Page 2.

Expert Comment

Philippe Paquet, Development Director at NewAlpha Asset Management, discusses hedge fund seeding. What are the benefits of being seeded by a specialist? Are there good seeding opportunities? What attributes do seeding platforms look for? Page 5.

Industry News

Institutional Investor News

Each month Preqin's analysts speak to hundreds of investors from around the world, uncovering vital intelligence on hedge fund investment plans. This month's Industry News features important updates regarding the fund of hedge funds industry. Page 8.

Fundraising Assignment

UCITS Long/Short Equity

We evaluate institutional investor appetite for an established European single-manager hedge fund launching a UCITS version of its long/short equity fund. Page 10.

The Facts

- Middle Eastern investors in hedge funds Page 12.
- Conferences - Details of upcoming hedge fund conferences from around the world Page 13.

Data

You can download all the data in this month's Spotlight in Excel

Wherever you see this symbol, the data is available for free download on Excel. Just click on the symbol and your download will begin automatically. Feel free to use the data in any presentations, but please remember to cite Preqin as your source.

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Emerging Hedge Fund Managers - Worth the Risk?

Emerging hedge fund managers looking to raise capital have suffered from heightened investor caution in recent years, but can they still be attractive to institutional investors in 2012? Joanna Hammond investigates current institutional investor sentiment towards less established managers and the future outlook.

Hedge funds managed by new and emerging managers can provide investors with fresh opportunities in the hedge fund space. Although investments in emerging managers are often believed to be riskier than investing in more established funds, due to the lack of track record, they can also provide access to new strategies, are often more nimble due to their size, and have the potential to generate strong returns as they look to establish a name in the market. However, the uncertain economic outlook of recent years has resulted in increased caution amongst investors, and emerging managers have found attracting institutional capital more challenging during 2011.

Institutional Investor Attitudes to Emerging Manager Funds

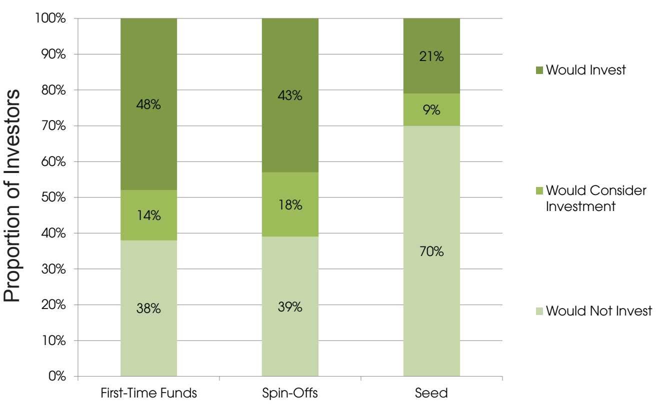
First-time funds remain the most popular type of emerging manager fund amongst institutional investors on Preqin's database, with 48% of investors willing to commit capital to these vehicles. While this is encouraging for new managers, it is worth noting that in 2010 54% of institutional investors would invest in first-time funds, demonstrating that appetite for these funds has fallen. Although 14% of investors would consider making commitments to first-time funds, 38% of investors will definitely not invest in first-time funds, up from 31% in 2010.

Hedge funds managed by spin-off teams saw the largest fall in investor appetite between 2009 and 2010, declining from 61% of investors in 2009 that would invest to just 45% in 2010. In 2011, these vehicles have again failed to attract institutional interest, with a slightly lower 43% of all investors stating they would invest in spin-off funds. Despite the industry experience of spin-off managers, they may not offer the access to value-added niche strategies that investors require from their emerging manager allocations.

Between 2009 and 2010, the proportion of investors willing to provide seed capital to hedge funds has almost doubled, rising from 11% to 21%, and in 2011, investors' willingness to offer start-up capital has remained at this level. Providing funds with seed capital can create a number of benefits for the investor in addition to the potential for stronger returns. In particular, investors that provide early capital are likely to negotiate more favourable terms than other investors. Throughout 2011, fund fees have been an important consideration for institutional investors in hedge funds, and the opportunity to invest with more favourable terms is a key factor for investors providing start-up capital. Seeding also offers the opportunity to create value through fee revenue streams, adding an extra level of incentive to enter into such arrangements. Although funds of hedge funds are the most important source of seed capital for first-time funds, other institutions are entering the space - in 2011, California Public Employees' Retirement System (CalPERS), the $221bn public pension fund, made its maiden allocation of seed capital to a hedge fund manager.

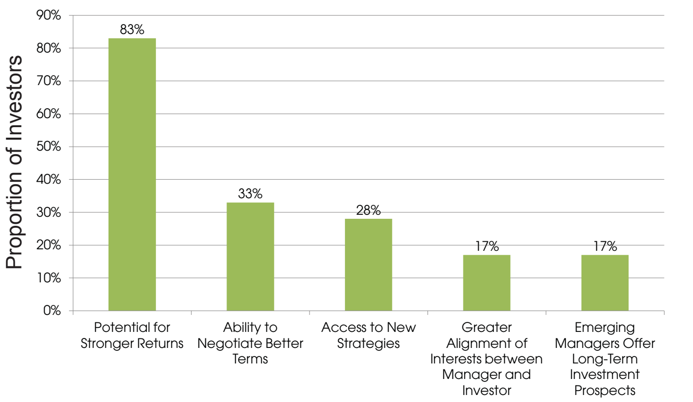
Emerging managers have endured a challenging period for fundraising in recent years, and this looks set to continue into 2012. Nonetheless, of the investors seeking to commit capital to emerging manager vehicles, 83% believe that emerging manager

Fig. 1: Investor Attitude Towards Emerging Managers



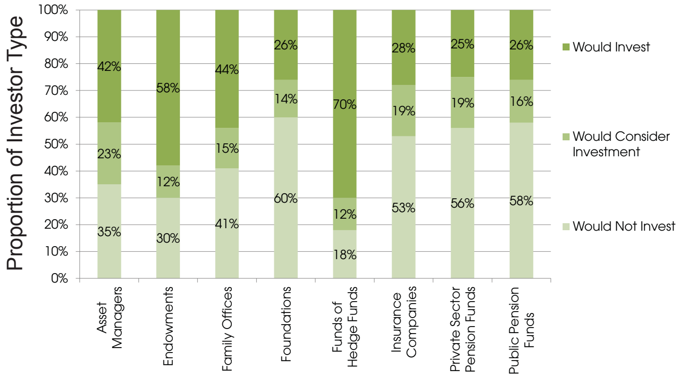
Source: Preqin

Fig. 2: Institutional Investor Reasons for Investing in Emerging Managers



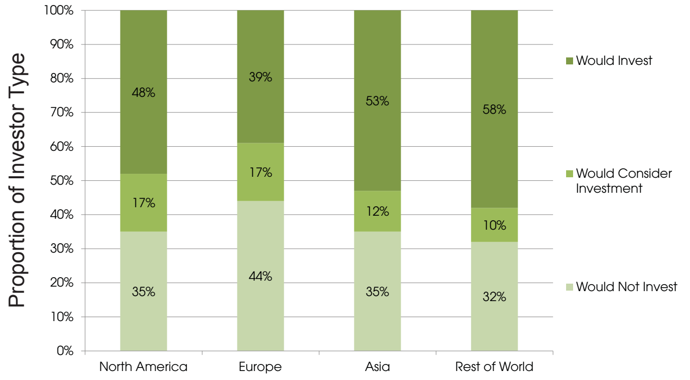
Source: Preqin

Fig. 3: Institutional Investor Attitudes towards Emerging Managers by Investor Type



Source: Preqin

Fig. 4: Institutional Investor Attitudes towards Emerging Managers by Investor Region



Source: Preqin

funds offer better return prospects than more established funds, as Fig. 2 shows. With a number of established funds performing below expectations in 2011, emerging managers can look to capitalize on this when seeking to attract institutional investor capital.

Breakdown of Emerging Manager Investors by Investor Type

2011 has been a difficult year for emerging manager hedge funds, with overall investor appetite declining as economic uncertainty led to increased caution amongst investors. Investors in emerging managers have conventionally been those with considerable experience of the hedge fund industry, or large institutions with sizeable assets and dedicated hedge fund investment teams. As such, it is unsurprising that funds of hedge funds remain the most important source of capital for emerging manager funds. In 2010, 72% of funds of hedge funds on the Preqin database were willing to allocate capital to emerging managers, and this has changed only slightly in 2011.

Endowments are typically experienced investors, with a long-term outlook on the asset class, and between 2009 and 2010 their appetite for emerging managers remained stable at around 65%. Despite this, in 2011 endowments have followed the trend seen amongst other institutional investors, with emerging manager appetite falling by eight percentage points. Although this is disappointing for emerging managers hoping to attract capital, endowments remain second only to funds of hedge funds in terms of their proportional interest in such hedge funds. Elsewhere, asset managers also show significant interesting in emerging manager funds, with 42% of all such investors interested in committing to emerging funds.

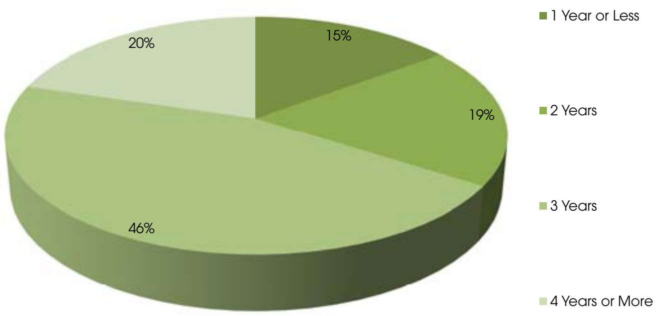
Family offices and foundations, which are also important sources of capital for emerging manager funds in 2009, have also moved away from the emerging manager space over 2011. In 2010, 54% of family offices on the Preqin database stated they would commit capital to emerging managers; however in 2011 the figure has fallen to 44%. Similarly, there has been a notable decrease in the proportion of foundations prepared to invest in emerging manager funds, with a fall of around 10 percentage points from 2010, as well as fewer stating that they would potentially consider such investments.

Pension funds are important players in the hedge fund industry, representing some of the largest groups of investors in terms of dollar allocations. Despite this, however, pension funds have traditionally been more conservative investors and it can be little surprise that appetite for emerging manager funds has fallen significantly throughout the past 12 months. Just 27% of public pension funds, and 24% of private sector pension funds, will commit to emerging manager vehicles, down from 44% and 46% respectively in 2009. The past three years have seen a trend towards the use of well-established ‘brand name’ funds in many pension funds’ portfolios, as trustees favour the perceived security offered by reputation. Nevertheless, some pension funds are still looking for emerging manager investments in order to diversify their holdings and tap into new sources of alpha.

Geographic Breakdown of Emerging Manager Investors

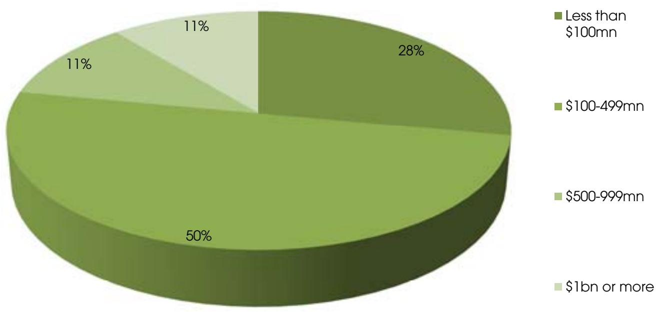
North American investors are the most significant investors in emerging managers, in terms of capital invested. Investors in the region are generally the most experienced, and the number of fund launches is higher than in other parts of the world, meaning that there are more opportunities for investors to access emerging manager funds. Over the past 12 months, overall appetite for emerging manager funds has fallen, and the proportion of institutional investors based in North America that will commit to such funds has decreased from 60% in 2010 to 48% in 2011. European investors are also now less likely to commit capital to emerging managers than they were in 2010, with 39% of European investors currently willing to invest in emerging managers, compared to 45% last year. Europe is the only region in which there are more investors that will not allocate to emerging managers than will actively allocate to them. The Eurozone crisis has caused even more uncertainty and hedge fund investors in the region are noticeably more cautious than

Fig. 5: Minimum Fund Manager Track Record Required by Institutional Investors



Source: Preqin

Fig. 6: Minimum Fund Manager Assets under Management Required by Institutional Investors



Source: Preqin

elsewhere, and some institutions that previously invested in emerging managers have left the asset class altogether, such as Trinity College Endowment, Cambridge University.

The recent past has seen institutional investors in Asia and Rest of World gain additional experience as investors in hedge funds. Investors in these regions were generally less exposed to the financial downturn than investors in Europe and North America and consequently they remain more confident about the asset class. Investors from Asia and Rest of World are more likely to allocate to emerging managers than their North American and European counterparts. The region is home to the highest proportion of institutions prepared to commit capital to emerging manager funds, with 58%, compared to 47% last year. The past 12 months have also seen an increase in appetite for emerging manager vehicles in Asia, with 53% now willing to invest in such funds, up from 47% in 2010.

Barriers to Entry

Between 2009 and 2010, institutional investors became increasingly cautious towards their hedge fund investments decisions. Last year, Preqin found that investors had raised their investment requirements in terms of manager track record and existing fund assets under management, and this trend has continued in 2011. In 2009, 54% of investors on Preqin's database would commit capital to managers with a track record of two years or less; however in 2010 this fell to 38%, and has declined further to 34% of investors in 2011. The majority (66%) of investors will not allocate to managers with a track record of less than three years, an increase from 62% a year ago. Managers with a good track record over three or more years have demonstrated their ability to perform even in challenging economic circumstances, making them more attractive to institutions during this time of heightened investor caution.

In terms of assets under management requirements, 78% of institutional investors will invest with managers with less than $500mn under management, a similar proportion to 2010. Some investors prefer smaller funds as they feel that these funds are in a better position to adapt quickly to market changes. For example, asset management firm VPAI seeks to invest in firms with a proven track record, but will not allocate to funds that have more than $100mn in assets under management. Despite this, certain types of investor still prefer larger vehicles, and the past 12 months have seen the proportion of investors requiring managers to have assets of at least $1bn almost double, from 6% to 11%. In general, pension funds and endowments are in particular less keen to allocate to smaller vehicles.

Outlook

The financial crisis has made fundraising more challenging for all hedge funds. Over the past three years fundraising conditions for newer funds has become increasingly difficult as many institutions eschew emerging managers in favour of vehicles with longer track records. However, our results indicate that nearly half, 48%, of investors would still invest or consider investing in emerging managers, even in this difficult fundraising environment. As 2011 has proved, even the biggest funds can be hit hard by market volatility, therefore in 2012 emerging manager vehicles are likely to appeal to investors disappointed by the returns from their existing hedge fund portfolios. Similarly, with fees also a key issue for institutional investors at present, emerging managers willing to negotiate fund terms with potential investors could also be successful in attracting capital.

The key to navigating these difficult times is to understand the institutional community of investors and to market an emerging fund to the appropriate sources of capital. With information on over 850 institutional investors that have indicated a preference for younger and smaller funds, Preqin's Investor Profiles database can be indispensible for those managers looking to gain the attention of the institutional marketplace.

Phillippe Paquet of NewAlpha Asset Management

Claire Wilson interviews Phillippe Paquet, Development Director at fund of hedge funds and seeding specialist NewAlpha Asset Management, regarding the key issues surrounding hedge fund seeding.

What are the benefits of seeding hedge funds?

Hedge fund seeding is very attractive because it gives investors access to a pool of untapped investment talents AND it generates higher returns thanks to the monetization of the risk premium attached to these early stage managers. All in all it aligns truly investors' and managers' interests, which is something investors are looking for these days.

Over the past three years, we invested $260 million with seven managers, and these managers now manage $2.5 billion – so you can see that it's a good multiple. This capital raising has been possible thanks to the visibility and the credibility brought by the seeding.

Emerging managers have some unique characteristics:

1. Emerging managers generally have smaller portfolios: they are more nimble. The managers tend to have an expertise in a certain area: smaller managers are not obliged to diversify into strategies in which they have less expertise. Also, emerging managers and their investment teams are generally more motivated. They have a significant amount of their own capital in the fund, and they put their reputation at stake

> " Over the past three years, we invested $260 million with seven managers, and these managers now manage $2.5 billion... This capital raising has been possible thanks to the visbility and credibility brought by the seeding."

2. If we take into account the age and size of the fund, and look at stats, the young or small managers do better than larger managers. It's true not only in hedge funds, but also in equities. One study found that they outperform bigger managers by 3-5%.

The problems or risks of course are that emerging managers don't have a track record, or a large set up.

There is therefore a risk premium. Seeding is a fantastic solution to transform this premium into an additional return.

What sets NewAlpha apart from other seeding firms?

The idea behind the venture was to provide investors access to emerging managers. We're unique in two ways:

1. We only consider pure players. We don't run funds of funds, or funds of emerging manager funds. We only run funds investing in emerging managers, and structure a partnership with these managers.

2. We invest money we raise from external investors. It's not proprietary money, or our own capital, which makes us very unique. We raise capital from investors; if capital is put in a fund, then the fund allocates capital into an emerging manager. We don't do it the opposite way round. It gives us a competitive advantage, because all the managers in the market know that we have the capital and that we can invest.

How do you structure your partnerships?

We negotiate with the managers a share of their income – generally between 20% and 30% depending on the schedule and the business prospects, and this includes management and performance fees, it's on the top line. The income sharing scheme can be subject to negotiation, for example we might say 25% up until $1bn, then 20% up until $2bn…These income sharing schemes are negotiated for eight years.

The manager has the right to opt out by paying a fixed multiple of the previous year's income, after year three or four. In the hedge fund universe, the managers are very entrepreneurial and independent, so they like the idea of having a partner, but they also like knowing that if they are really successful they may be able to get out of the partnership at a predefined point and can then be totally independent.

Investors like this structure and going to a seeding specialist helps them to get exposure to emerging managers without the risks (reputation, etc..) and drawbacks (dedicate sufficient resources to originate, select and monitor managers..)

A Preqin study last year found that investors were keen to seed hedge funds; what have been your experiences? How has the scene changed since 2004 when you first started?

Conditions are now a lot more favourable for us than pre-2008. There was plenty of money, it was the early days of hedge fund investing, almost everyone had plenty of money on day one – it was raining money, people were keen to invest from day one and they were less conscious of the risk.

Interestingly, the first cause of death for a hedge fund manager is the lack of development; they throw in the towel after two or three years because they've burnt their cash and the fund hasn't developed. It's now a lot more difficult to start a hedge fund, the vast majority are struggling to raise money. You can start a fund with $20-50 million, but really it's not enough; you need quickly to overtake $100 million to gain visibility and attract further assets.

Seeding specialists like us have a well-defined role and that is to provide the bridge capital, between $50-100 million, which gives the highest leverage if you take into account the risk.

If you see a manager on day one, you have no visibility on the operation, or the net prospects, or the portfolio even; you have only pictures. The risk is higher. If you make acceleration deals with someone who maybe has a one-year track record, you can see how things are set up, can see the marketing, see how they interact with investors. Investors make promises to invest subject to the fund reaching a certain size, so it's a win/win for both the portfolio manager and for the investors. You provide comfort for the portfolio manager, you're providing resources for the next two or three years so they're less stressed. You provide the capital gap which can push a manager from the young fund level to the next level, where the manager can be introduced to larger allocators across the world. It's like giving the hand to a child to help him making his first steps…

What benefits can investors enjoy when they go to a seeding specialist?

Some Canada and New York-based pension funds I've spoken to recently are setting aside capital to invest specifically with emerging managers because of the transparency they will get, because they want to diversify their portfolios and because of the returns they will get.

Going to a seeding specialist is a very good way for these investors to get exposure to emerging managers without the risk/drawbacks:

1. They don't have to spend a lot of time selecting their manager, setting up meetings etc.

2. They don't need to carry out negotiations.

3. Specialists ensure that interests are aligned when it comes to management fees, there are no performance fees, the correct share of the income.

What are the key attributes you look for when deciding whether or not to offer seed capital?

We value, almost equally, the portfolio management capabilities, the business development prospects and the entrepreneurial skills . A fund of funds on the other hand is mainly only interested in the investment capabilities and the returns, operations are second place.

It's very venture capital-like; entrepreneurship is very important and we want the manager to build their project, move forward, hire people consistently with what they're saying they will do, and their decisions over the past few years. Investment capabilities are obviously important, as is what they have already invested.

On the business development side, we want to look at how much can the manager can raise, whether he is capable of raising money and maintaining relations with investors. There are a lot of good portfolio managers, but they're mainly interested in returns; they never develop their company because they're not interested in speaking with investors, or sometimes they are just too arrogant! You can have good returns, but you won't develop unless you cultivate good relationships with investors.

> "...[investors] are setting aside capital to invest specifically with emerging managers because of the transparency they will get, because they want to diversify their portfolios and because of the returns they will get..."

How is your firm helping the French hedge fund industry develop?

There are plenty of talents in France that are struggling to develop and cross the finance gap, so we tested the idea with large investors and they were very interested for a number of reasons.

Firstly, it's sensible for political reasons: for one hedge fund portfolio manager position, five jobs are created. One to five is the ratio for hedge funds, for long only equity managers it's one for three, and for cash/money markets it's even lower. Alternative investments are the most complex investment strategies, which is why they require five additional jobs, and is one of the reasons the regulators are keen to stimulate the asset management industry.

“Everyone’s talking about transparency now, but its always been the case for us. Seeding is ahead of the curve! It’s the cornerstone of seeding; when you commit so much with someone you need to know...”

Hedge fund managers are smarter than other kinds of asset manager! So if you have a successful hedge fund manager in your neighbourhood you benefit from better information flow than if you provide money to a manager based elsewhere. Large investors in France are keen to have strong links with hedge fund managers in France to benefit from their information flow, as well as from their returns.

Our firm can also act as an advisory; we’re discussing with a pension fund at the moment an investment mandate where we are going to originate and select emerging managers and negotiate the economic incentives, before proposing them to the pension fund.

Can you tell me a bit about your investment process?

Three perspectives are equally rated. We have an origination team, our structure on the ground, which is in contact with the market and prime brokers, and we try to be the first call for fund managers looking to launch or accelerate their own business. This team listens to investors, and finds themes. For example we’re looking more for Asian managers than US/European managers at the moment, and we’re more focused on event driven or equity strategies, because we believe this is where the potential over the next 2-3 years is the most important.

After that, we start discussions with interested managers, we assess quickly the quality of the manager and their background story, their past returns and so on. We visit them, and we write reports which are then approved by the selection committee that we hold internally. The more we are moving, the more selective the committee is.

After the final due diligence, looking at legal issues, documentation issues, etc, we have the final approval from the investment committee. Of course, we will have already agreed the terms. We all agree, then invest, with a significant amount of money, usually $25-50mn. Then we enter into the investment stage, where we have a few different focuses, and monitor:

1. Risk – we get full transparency on a weekly basis, so we can measure the market risk.
2. Financial partnership – as we have an economic incentive, we monitor the development, which is very important. The cash flows resulting from the income sharing scheme will be transformed into returns
3. We support the manager to develop the business – to help them enhance communication, to approach investors and to help them grow. For example, an Asian/North American manager doesn’t know European investors very well, so we will help them learn about them, introduce them etc.
4. At the end of the seeding period, two or three years, we gradually redeem our capital, and the partnership continues for an additional five to six years, during which we continue to support the manager.

Have you always monitored transparency on a weekly basis?

Everyone’s talking about transparency now, but it’s always been the case for us. Seeding is ahead of the curve! It’s the cornerstone of seeding; when you commit so much with someone you need to know how that capital is being managed. Emerging managers have no problem in providing that transparency.

People keep on talking about transparency now, but very few actually have access to smart and useful transparency. Soon at NewAlpha, our partnering managers will input their positions into our risk systems, to provide us immediate and real-time market risk monitoring at the underlying fund or fund of funds level. It works like a managed account platform, but without the costs of a managed account platform. This is another advantage of hedge fund seeding.

Data Point:

Of the 2,943 institutional investors on Preqin’s Hedge Investor database, no fewer than 306 investors are interested in seed investment opportunities.

To find out more, please visit:
www.preqin.com/hedge

Industry News

Claire Wilson rounds up the latest industry news based upon intelligence gathered by Preqin analysts. Preqin Online subscribers can click on the investor name to view the full profiles.

Fund of Hedge Funds Assets on the Rise – Multi-Managers Seek New Funds

The fund of hedge funds sector has transformed following the economic downturn. The AUM of the sector fell from $1.25tn in 2008, to $910bn in 2009. This decline in assets is reflected in the mean size of funds of hedge funds, standing at $2.18bn in Q2 2011, less than half the average size in 2008. Over one-third of fund of hedge funds managers now have below $250mn in AUM, an increase from the 28% of multi-managers of this size in 2010.

While many investors have begun to channel capital into direct investments, a significant number are still seeking to commit to multi-manager funds. A Preqin investor study conducted in July 2011 found that just under half, 47%, of those seeking new commitments in the following 12 months were looking for opportunities to invest in funds of hedge funds.

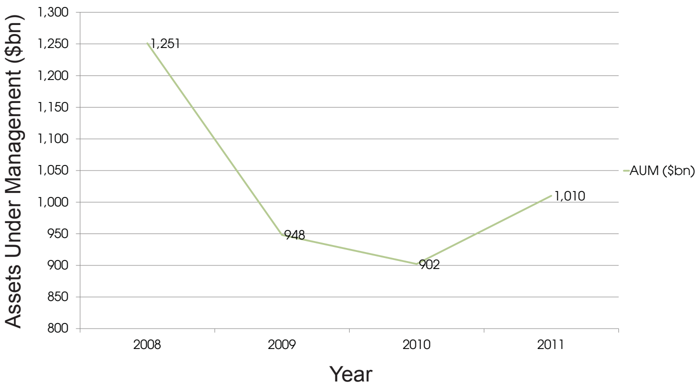
GL Funds, an $800mn fund of hedge funds, is planning to invest in up to 10 new funds over the next year. The firm, which manages six fund of hedge funds vehicles and is currently invested in around 50 underlying funds, will commit $50-150mn to new funds and does not have any particular strategic preferences.

Another US-based fund of hedge funds manager, Atrevida Partners, is also thinking about adding more managers to its portfolio. The $100mn investment manager is particularly keen to invest in long/short equity strategies, and will consider managers of varying levels of experience when choosing its investments.

Aveon Management, meanwhile, has just launched its first multi-manager product, Little Harbor Advisors Global Trading Composite. The fund will focus on global macro and trading strategies, and unlike a typical fund of hedge funds vehicle, the fund will create a partnership between Aveon and its underlying managers. This means that each underlying manager will manage an equal share of the fund's assets and will all share an income stream.

Over in Paris, HDF Finance has announced plans to launch a new fund of hedge funds. The €1.1bn fund of hedge funds manager expects to invest in credit, fixed income, CTA and long/short equity managers and the vehicle is expected to launch by January 2012.

Industry News Graph of the Month: Aggregate Assets of Funds of Hedge Funds, 2008 - 2011 YTD (As at 6th December 2011)



Source: Preqin

Subscriber Quicklink:

Preqin's Hedge Fund Investor Profiles currently has profiles for 598 institutional investors with an interest in investing in funds of hedge funds. Subscribers can click here to see the full list.

Preqin gathers industry news from our direct communication with hedge fund investors and regular news can be found on Preqin Hedge Fund Investor Profiles. In the last month Preqin's team of dedicated research analysts have added 77 new investors and updated 413 investor profiles.

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2012 Preqin Hedge Fund Investor Review

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The 2012 Preqin Hedge Fund Investor Review provides profiles and analysis for the most important institutional investors in hedge funds from around the world. This invaluable resource contains the following key features:

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- Analysis for investors from each region.
- Analysis for investors in each of the ten most important hedge fund strategies with listings for active investors.
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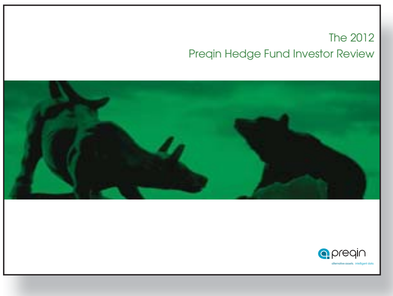
- Analysis of emerging manager investors.
- Exclusive information gained through direct contact with institutional investors.



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UCITS Long/Short Equity

Each month, Spotlight examines the make-up of investors that are most likely to be interested in specific fund types. This month, Joanna Hammond looks at the best prospects for an established Europe-based single-manager team targeting investors for a UCITS version of its long/short equity fund.

Fig. 1: The Assignment

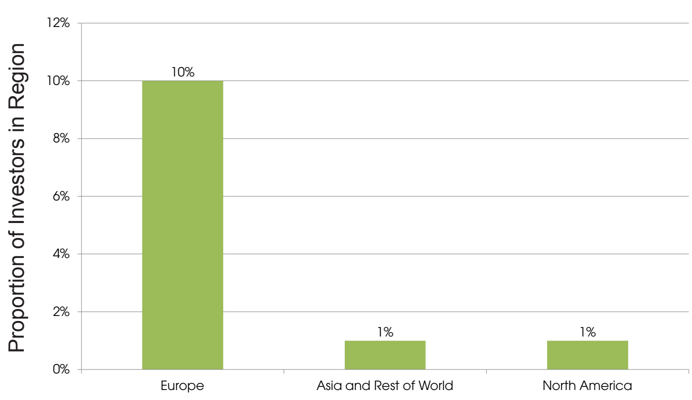
Fund Strategy	Long/Short Equity
Fund Structure	UCITS
Fund Location	Europe

The Long List

In this month's fundraising assignment we look at an established firm launching a UCITS-compliant version of their existing long/short equity fund. Preqin's Hedge Fund Investor Profiles shows 101 potential institutional investors for the fund. Institutional interest in UCITS funds has increased in recent years as investors, wary after Maddoff and other scandals, seek greater transparency and liquidity in their hedge fund portfolios. UCITS funds are restricted by the types of securities they can invest in, how much leverage they can employ, and must offer at least semi-monthly liquidity. This makes them particularly appealing to more conservative investors, and funds of hedge funds managers seeking to increase liquidity in their underlying investments.

Despite increasing interest from investors, not every fund strategy can be transferred to a UCITS-compliant structure. The limits on leverage and the types of assets that UCITS funds can invest in mean that less liquid strategies, such as distressed debt and other private equity-style strategies would not be feasible as UCITS funds. In contrast, liquid strategies such as long/short equity, global macro and managed futures work well as UCITS-structured funds.

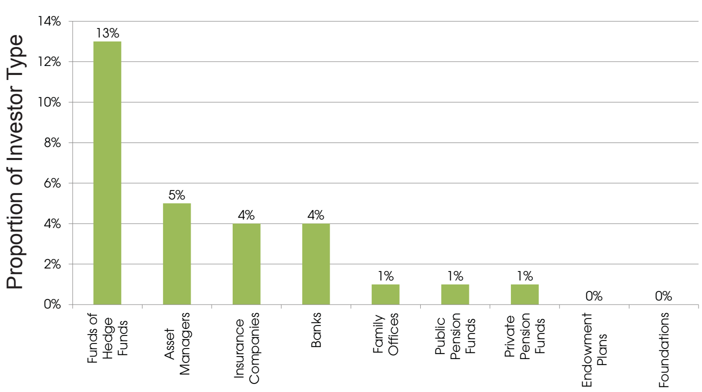
Fig. 2: Proportional Appetite of Investors by Region



Source: Preqin

As UCITS vehicles fall under a European Union directive, it is no surprise that European investors are most likely to invest in such funds. 23% of European institutions currently have a preference for UCITS-compliant funds, compared to 6.6% of all investors worldwide. As shown in Fig. 2, this fund meets the investment criteria of 10% of European investors, including Erste Bank Alternative Investments, an Austrian fund of hedge funds that launched its first UCITS-focused vehicle in 2010. Although the fund is less appealing to investors located outside Europe, it could still attract capital from Asia and Rest of World-based investors, with Tokyo-based Sumitomo Mitsui Asset Management Company a potential investor from the region. North American investors are the least likely to show interest in the fund, however, with only 0.6% of investors in the region potentially interested in the offering. Despite this, North American investors are becoming more receptive to UCITS vehicles, and Nexar Capital - a New York-based fund of hedge funds - already has exposure to the structure, as well as long/short equity vehicles.

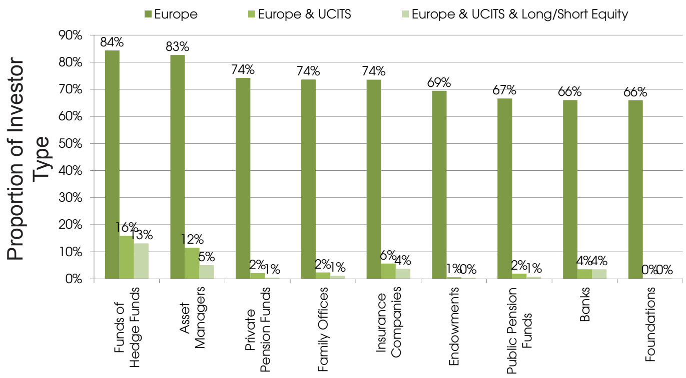
Fig. 3: Proportional Appetite of Investors by Investor Type



Source: Preqin

The fund manager should principally target funds of hedge funds in its fundraising efforts, as 13% of such firms could be prepared to invest in the fund, as shown in Fig. 3. Multi-manager funds' interest in UCITS funds has increased as they seek to provide their own investors with better liquidity terms. Similarly, asset managers, such as UK-based Cheviot Asset Management, are also important potential investors for the fund. Elsewhere, endowments and foundations are unlikely to commit to the fund. Not only are the majority of these institutions based in the US, where UCITS is less popular, but they are also long-term

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



Source: Preqin

investors, and liquidity is not such an important concern when it comes to hedge fund selection.

The investment barometer in Fig. 4 shows how the 101 investors that may invest in the fund are derived from the total universe of investors on Preqin's database. Although a high proportion of all investor types are prepared to invest in European managers, the take-up for UCITS vehicles is lower, and when this criterion is applied there is a large fall in the number of potential investors in the fund. Nevertheless, not all hedge fund strategies can be packaged as UCITS funds, and many UCITS investors also invest in long/short equity, so there is much less difference when the strategy criteria is added to the barometer.

The Short List

Fig. 5 reveals the key details of three of the 101 prominent institutional investors that would be potentially interested in such a fund.

Subscriber Quicklink:

There are currently 101 investors profiled on Hedge Fund Investor Profiles that express an interest in investment in long/short equity UCITS funds. 10 are in North America, 88 are in Europe and 3 are based in Asia and Rest of World. Subscribers can click here to view a full list of investors.

Not yet a subscriber? For more information please visit:
www.preqin.com/hedge

Fig. 5: The Short List

Investor	Type	Location	Details
Valira Asset Management	Fund of Hedge Funds	Spain	• Planning to focus its investments on UCITS funds over the next 12 months. • Prefers liquid strategies, such as long/short equity. • Has previously invested in emerging managers, but focusing on established managers in 2012.
Cheviot Asset Management	Asset Manager	UK	• Seeking to increase liquidity in its portfolio by redeeming some of its fund of hedge funds investments and will add single-manager UCITS funds in 2012. • Predominately invests in European managers with a good track history. • Plans to invest in long/short equity funds over the next 12 months.
Swiss National Accident Insurance Institution (SUVA)	Insurance Company	Switzerland	• Revealed that it is prepared to invest in UCITS. • Will invest in up to seven funds over the next 12 months. • Employs a range of strategies, including long/short equity. • Will not invest in managers without a track record of at least three years.

Source: Preqin

Middle Eastern Investors

In this month's Regions section, Graeme Terry takes a look at Middle Eastern-based institutional investors in hedge funds.

Fig. 1: Key Facts: Middle Eastern Institutional Investors

Mean allocation to HFs	10.2%
Mean target allocation to HFs	8.2%
Most favoured investment approach (direct, funds of hedge funds, mixture of both)	Mixture of Both
Average number of hedge fund investments in portfolio	18-22
Typically been investing for	12 years

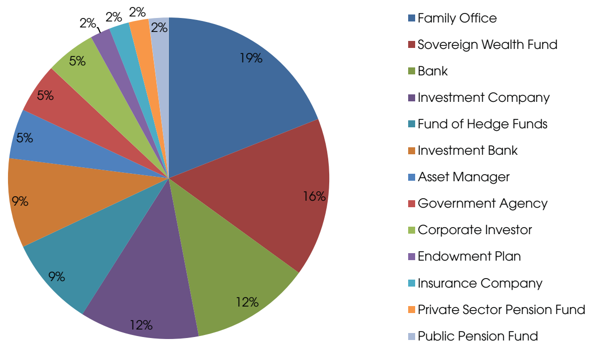
Source: Preqin

Subscriber Quicklink:

Preqin Hedge Fund Investor Profiles currently has detailed profiles for 43 hedge fund institutional investors headquartered in the Middle East. Subscribers can click here to see a list of investors.

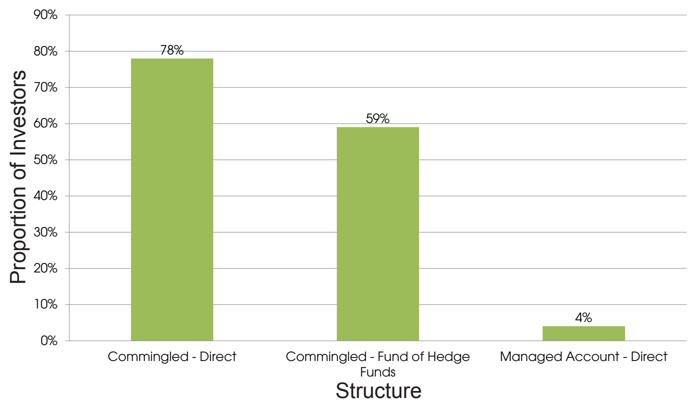
How can Hedge Fund Investor Profiles help you target the most likely investors for your fund? Please visit: www.preqin.com/hedge

Fig. 2: Breakdown of Middle Eastern Institutional Investors by Type



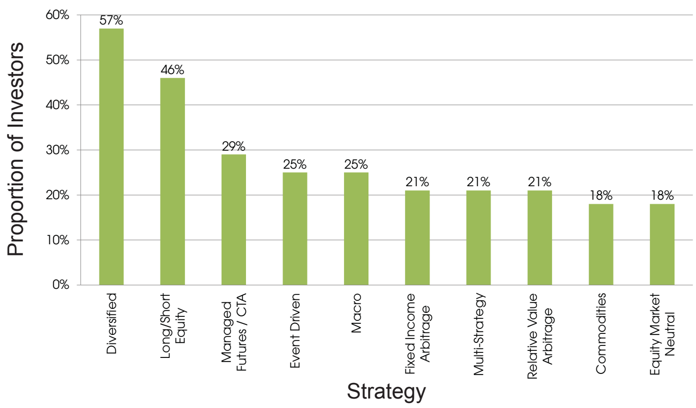
Source: Preqin

Fig. 3: Structural Preferences of Middle Eastern Institutional Investors



Source: Preqin

Fig. 4: Strategic Preferences of Middle Eastern Institutional Investors



Source: Preqin

Fig. 5: Key Middle Eastern Institutional Investors

Investor	Investor Type	AUM ($mn)	Allocation to HF (%)
Abu Dhabi Investment Authority	Sovereign Wealth Fund	627,000	N/A
Securities & Investment Company	Investment Bank	133	5
Global Investment House	Fund of Hedge Funds	70	N/A

Source: Preqin

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

Conferences Spotlight
Forthcoming Events

Conference	Dates	Location	Organizer
London School of Economics Alternative Investments Conference	23 - 24 January 2012	London	LSE
HedgeNews Africa Symposium	23 February 2012	Cape Town	HedgeNews Africa
GAIM Ops Cayman	22 - 25 April 2012	Grand Cayman	IIR USA
Emerging Hedge Funds World Middle East 2012	08 March 2012	Dubai	Terrapinn
Shorex Singapore	22 - 23 May 2012	Singapore	Shorex