



# European Credit Fund

This month [Katherine Johnson](#) takes a look at investor appetite for a credit fund based in Europe with a four-year track record and \$350mn in assets under management.

Fig. 1: The Assignment

Fund Strategy	Credit
Fund Location	Europe
Assets under Management	\$350mn
Track Record	4 years

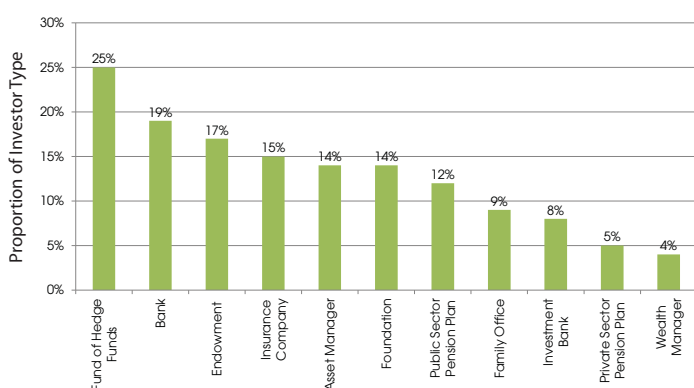
In this month's fundraising assignment, we look at a Europe-based hedge fund manager looking to grow its credit vehicle through marketing to the institutional investor community. The fund has assets under management of \$350mn and the manager has a track record of four years. Which types of institutional investor should such a fund target?

## The Long List

Preqin's Hedge Fund Investor Profiles shows that there are potentially 529 investors interested in the fund. Credit has remained attractive to hedge fund investors, with the strategy having the potential to offer outsized returns, even during the low return environment of 2012. Additionally, many investors are interested in credit hedge funds as they are considered a lower-risk strategy than other fund types.

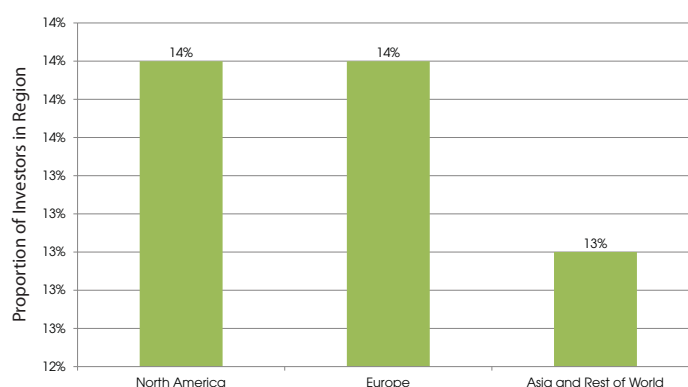
As seen in Fig. 2, 14% of hedge fund investors in both Europe and North America have an interest in a fund of this particular strategy and manager experience. Asia and Rest of World-based investors have a slightly lower appetite for this particular fund, as

Fig. 3: Proportional Appetite of Investors by Investor Type



Source: Preqin Hedge Fund Investor Profiles

Fig. 2: Proportional Appetite of Investors by Investor Region



Source: Preqin Hedge Fund Investor Profiles

these investors tend to prefer the more traditional equity-based hedge fund strategies.

With respect to the investor type, funds of hedge funds have the highest proportional interest in this type of fund, with 25% willing to invest in a Europe-based credit vehicle of this kind. Banks, endowments and insurance companies also show a higher interest in this strategy than other firm types.

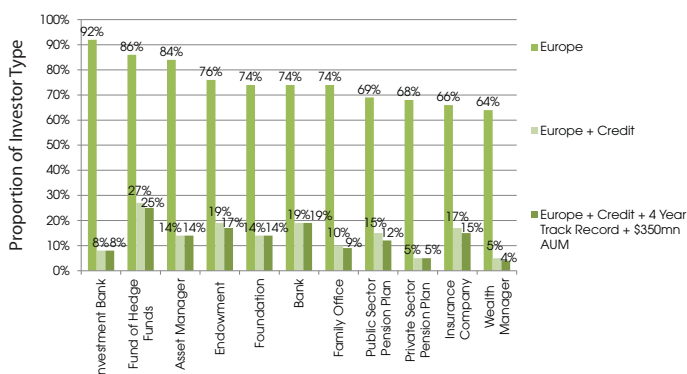
The 'Investor Barometer' shown in Fig. 4 outlines the distribution of interest among different institutional investor types, demonstrating how the overall list of investors has been reduced to the remaining 529 investors potentially interested in the fund in question. A large proportion of hedge fund investors across all investor types will invest in a European hedge fund manager; however, when adding the credit strategy into the equation, the number of potential investors decreases significantly. For example, a high percentage of investment banks (92%) would consider a European manager, but only 8% would consider a European credit manager. Strategy has a much greater impact on interest in the fund than the manager's track record and assets under management – both of which indicate the firm is already relatively established in the market.

## The Short List

Of the 529 investors interested in this type of fund, Preqin has picked three investors of particular interest, as shown in 'The Short List' in Fig. 5. These are the institutions that not only meet



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



Source: Preqin Hedge Fund Investor Profiles

the criteria for this manager type but also meet other requirements - for example being under their target allocation to hedge fund investments.

## Subscriber Quicklink:

Preqin's database contains information on 571 investors that have expressed interest in investing in a European Credit Fund. 361 of these potential investors are based in North America, 154 are located in Europe and the final 56 are Asia and Rest of World-based investors. Subscribers can click [here](#) for a full list of all potential investors for this fund.

Not yet a subscriber? Hedge Fund Investor Profiles is the leading tool in helping fund managers find institutional investors with a pre-qualified stated preference for their vehicle, along with the direct contact details to get you in touch with the key decision makers.

For more information please visit:

[www.preqin.com/hedge](http://www.preqin.com/hedge)

Fig. 5: The Short List

Investor	Type	Location	Details
AIG	Insurance Company	US	<ul style="list-style-type: none"> <li>Looking to invest up to \$500mn in hedge funds over the next 12 months.</li> <li>Expects to add 5-10 new managers to its portfolio.</li> <li>Will consider all strategies and regions including credit hedge funds.</li> </ul>
Commercial Broadcasting Pension Fund	Private Sector Pension Fund	Japan	<ul style="list-style-type: none"> <li>Plans to increase its exposure to the hedge fund asset class over the next 12 months.</li> <li>Is interested in long/short credit hedge fund vehicles.</li> <li>Will employ a global mandate for its investments.</li> </ul>
Finles Capital Management	Fund of Hedge Funds	Netherlands	<ul style="list-style-type: none"> <li>Is looking to increase its exposure to long/short credit hedge fund vehicles.</li> <li>Plans to invest up to €50mn in up to 10 hedge fund managers.</li> <li>Looks for managers with a track record of at least one year and assets under management of €40mn.</li> </ul>

Source: Preqin Hedge Fund Investor Profiles