



Editor's View – Industry News

Amy Bensted provides her view on the news affecting the hedge fund industry at present, including the global nature of the asset class today, the encouraging performance of event-driven hedge funds and investor appetite for funds of hedge funds.

This month's features draw on two recently released Preqin Special Reports, our [Asia-Pacific Hedge Funds](#) and [US Hedge Fund Industry](#) reports, both released in September, and [Europe-Based Fund Managers](#) on page 13 takes a closer look at the hedge fund industry in Europe. Preqin, with offices in UK, the US, and Singapore, is perfectly placed to evaluate the hedge fund sectors across each region. As our latest research shows, the hedge fund industry is truly a global one, with funds and investors based across the globe. However, the hedge fund industries in different regions are in markedly different stages of development and relative health.

The US is faring well in 2013, with the hedge fund industry based in the country growing by \$150bn in assets under management already. Investors in both the US and beyond have been making significant allocations to US-based hedge funds in 2013; for example, [Pennsylvania State Employees' Retirement System](#) hired [Hoplite Capital Management](#), [Luxor Capital Group](#), [Pine River Capital Management](#), [Southpoint Capital Advisors](#) and [MKP Capital Management](#) over the summer and it is continuing to shortlist funds for further investment later this year.

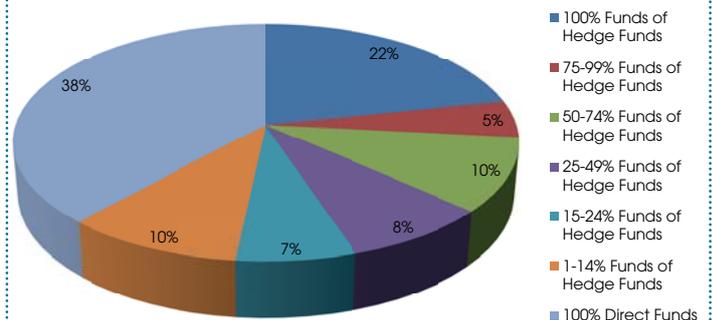
The Asia-Pacific hedge fund industry is still in its relative infancy compared to the established European and US markets. However, following strong 12-month returns, we are seeing more investors from both within the borders of Asia-Pacific and beyond consider the region. The lack of choice of funds in the region and the relatively shorter track record of Asia-Pacific-focused hedge funds can be a deterrent for some institutional investors. However, with 20% of investors based outside of the region looking to include exposure to Asia-Pacific-focused hedge funds in their portfolios, and 53% of these planning to increase their exposure over the next 12 months, there could be some inflows from established markets into the region over the rest of 2013 and into 2014. For instance, Italy-based [Kairos Partners](#) is searching for Japan-focused long/short equity funds to add to its holdings, following the top performance of these funds.

Europe is in a much more uncertain state; the incoming AIFMD and the effects of the recent sovereign debt crisis and recession have undoubtedly impacted hedge fund managers based in the region. This has led to fewer fund launches in the region over the past 12 months, as shown in a recent Preqin [blog](#). So far in 2013, 74 new Europe-based hedge funds have been launched; these include [Kola Global Opportunities Fund](#), a macro strategy vehicle launched by [Kola Capital Partners](#) in July 2013. Kola Capital Partners was formed in 2012.

Event driven funds perform well; investor appetite increases for the strategy

Event driven funds continue to post impressive returns, as the only strategy in positive territory in August. The strategy is up 9.04% for the year, leading the next top performing strategy long/short by over three percentage points. Among the top performing event driven funds for the year is the \$6.3bn [Third Point Offshore](#), up 15.04% in 2013, and with a 12-month Sharpe ratio (RFR = 2%) of 4.27. Investor appetite for

Chart of the Month: Breakdown of Investor Hedge Fund Allocations by Proportion of Allocation Invested via Funds of Hedge Funds



Source: Preqin Investor Outlook: Alternative Assets, H2 2013

the longer-term strategy also appears to be on the increase, following its successful benchmark-beating streak. Sixteen percent of investor searches in August included event driven strategies; these include New York-based [Bessemer Trust](#), and [Texas Treasury Safekeeping Trust Company](#).

Reports of Death of Funds of Hedge Funds Are Greatly Exaggerated?

The chart of the month, taken from our recently released [Preqin Investor Outlook: Alternative Assets, H2 2013](#), shows that 62% of institutional investors currently have some exposure to funds of hedge funds. Although the report shows that 38% of investors in both funds of funds and single-manager vehicles are looking to put more money to work directly rather than through funds of funds, 8% are looking to do the opposite. Among those investors looking for funds of hedge funds over the next year is [Wayne State University Foundation](#), which is searching for a risk-parity focused fund with access to global regions. This is good news for fund of funds managers such as [Morgan Creek Capital Management](#), which launched [Morgan Creek Tactical Allocation Fund](#) in August 2013. This is a mutual fund-structured fund of hedge funds offering smaller investors exposure to hedge funds. It has a minimum investment of \$2,000 and offers daily liquidity.

Do you have any news you would like to share with the readers of Spotlight?

Send your updates to spotlight@preqin.com and we will endeavour to publish them in the next issue.

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