Hedge Fund Spotlight

August 2013

Welcome to the latest edition of Hedge Fund Spotlight, the monthly newsletter from Preqin providing insights into the hedge fund industry, including information on investors, funds, performance and more. Hedge Fund Spotlight uses information from our online product Hedge Fund Online, which includes Hedge Fund Investor Profiles and Hedge Fund Analyst.

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Feature Articles

Hedge Fund Investors' Attitudes Towards Fund Terms and Conditions

As hedge fund terms and conditions continue to attract significant attention within the industry, we analyze the results of our latest study of investor attitudes towards terms and conditions conducted in July 2013.

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Can Hedge Fund Managers Justify High Performance Fees?

With hedge fund terms and conditions at the forefront of many investors' minds, we take a look at whether the hedge funds that charge higher performance fees can produce stronger returns.

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Industry News

This month's industry news features Preqin's Amy Bensted's view on the news and issues that are at the forefront of the hedge fund industry, including investor attitudes towards fund terms and conditions, management and performance fees and hurdle rates.

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The Facts

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.

Hedge Fund Investors' Attitudes Towards Fund Terms and Conditions

Amy Bensted examines the results of our latest study of investor attitudes towards hedge fund terms and conditions, including the areas within fund terms and conditions that have seen improvement in the last 12 months and those that still require work in the year ahead.

One of the key topics in the hedge fund industry over the past few years has been the discussion over the terms and conditions of hedge funds, as investors question both the traditional 2 and 20 structures and the liquidity and transparency of these alternative assets. In this new era of heightened regulation and scrutiny of funds, the terms of hedge funds have never been more relevant; as manager costs increase in order to comply with various international regulations, investors will be watching to see if these costs are passed on, as well as the effect regulations have on reporting and transparency requirements. Preqin has conducted studies of investor attitudes towards fund terms and conditions since 2009. Here we present the results of our latest study of investors conducted in July 2013.

Alignment of Interests Remains an Issue for Some Investors

Despite a significant proportion (42%) of all investors interviewed witnessing a shift in favour of the investor regarding changing terms and conditions over the past 12 months, as displayed in Fig. 1, fewer investors in 2013 feel that manager and investor interests are aligned than in the previous year. In the July 2013 study, 64% of investors either agreed or strongly agreed that manager and investor interests are properly aligned, as shown in Fig. 2, compared to 74% in 2012. With more than half of respondents (54%) indicating that they had seen no change in fund terms over the past year, managers still have a way to go in reaching an optimum equilibrium of having appropriate fees and structures to run a fund in the best possible way while representing good value for the investor.

Fees Have Shown Improvement

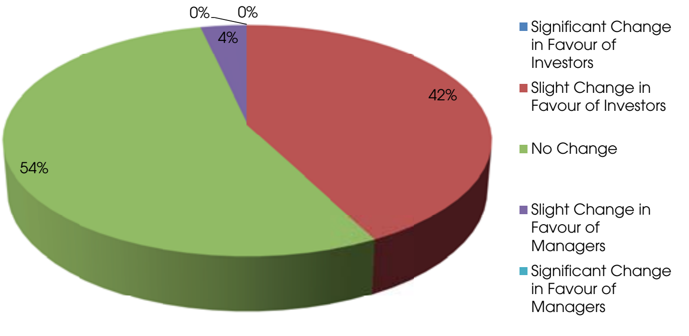
The traditional 2 and 20 fee structure has come under increasing pressure over recent years, with many investors seeking reduced fees. Fig. 3 indicates that managers have responded to this, with 68% of investors seeing an improvement in management fees charged over the past 12 months and 58% stating the same for performance fees. Where there have been improvements, many investors specified that these are often just for the larger investors, on smaller funds, or on funds which only produce "mediocre" performance. As a result, many investors believe there is still room for improvement across the wider industry, with 55% of investors interviewed still seeking further reductions in the level of both management and performance fees. However, for the first time since Preqin began conducting this study, more investors have indicated they have witnessed improvements in management and performance fees than have signalled they want further improvements. Where further improvement seems particularly necessary is on the performance fee side. Investors would like to see more fund managers considering alternative structures for charging fees, such as instigating clawback provisions or putting in a hurdle which must be met before a performance fee is charged or increasing the level of the existing hurdle.

As more managers are setting their fees lower than the perceived 2 and 20 standard, investors are also looking to enter negotiations over terms in the pre-investment stages. Since 2012, we have witnessed more investors asking their managers for concessions; the number of investors looking to negotiate has increased from 46% in 2012 to 57% in 2013, as shown in Fig. 4. Of those that entered into negotiations with their managers, 81% of investors were successful in securing more favourable terms, slightly below the 87% that were successful in negotiations in 2012.

Managers Have Responded to Liquidity and Transparency Demands

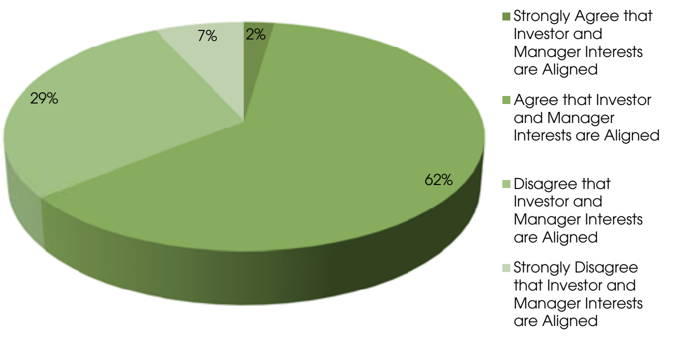
There have been significant improvements in how investors view the liquidity and transparency terms of hedge funds over the past year. In 2012, 39% of investors were looking for increased transparency from their hedge fund managers, whereas in 2013 this has fallen to 22%. However it is important to note that just 8% of investors feel that they have seen improvements in the amount of transparency offered to

Fig. 1: Investor Opinion on Changes in the Alignment of Interests between Investors and Managers over the Past 12 Months



Source: Preqin Investor Outlook, Alternative Assets, H2 2013

Fig. 2: Investor Opinion on the Alignment of Interests between Investors and Managers



Source: Preqin Investor Outlook, Alternative Assets, H2 2013 them by their fund managers over the past year; managers may feel that their work on reporting more data more frequently to investors is complete, whereas many investors still want more transparency on the performance, risk and investments of their funds.

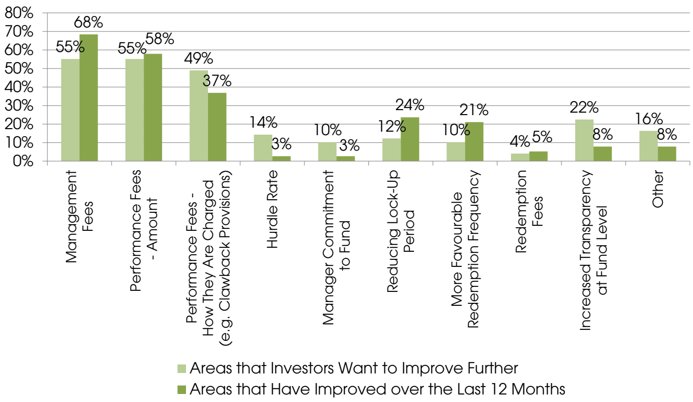
Hedge fund investors have become more comfortable with the level of liquidity in the industry following several years of improvements by fund managers. Approximately a quarter and a fifth of investors interviewed stated they have seen reduced lock-ups and more frequent redemption policies on hedge funds over the past year respectively. In 2012, 37% of investors wanted to see improvements in the lock-up terms of a fund, whereas in 2013 this has fallen to 12%. Similarly, in 2012, 34% of investors wanted to see more appropriate redemption frequencies, while today this has fallen to just 10% of investors. So for some investors, further improvements are needed, but for the industry as a whole, it is largely reaching a level where investors feel that the liquidity terms on funds have become appropriate based on the fund's strategy.

Outlook

Following the immediate aftermath of the credit crisis and other key events of 2008, such as the fall of Lehman and the Madoff revelations, liquidity and transparency were seen as key issues that hedge fund managers needed to address in order to not only attract new investment, but also to retain existing investors. Over the past five years, managers have sought to report more frequently with greater disclosures on the holdings of their funds. With funds also deleveraging and disclosing more information on any illiquid assets or side pockets, investors are finally reaching a level where they feel the industry is reporting enough data and can cater to their liquidity needs. With the rise of regulation over the past few years, reporting and transparency are now often required of managers by regulators. Therefore, those managers that already have robust infrastructures in place to provide this information to their investors will have put in some solid groundwork for some of their compliance concerns.

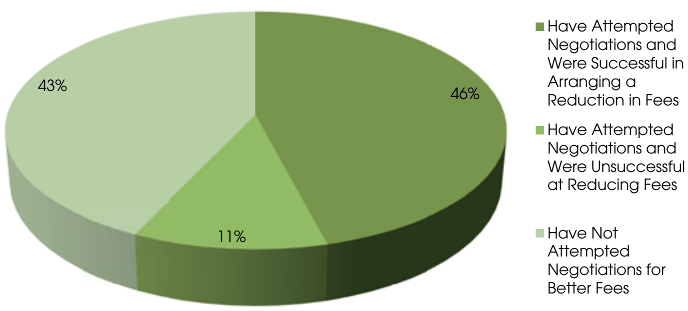
For fund managers, fees and compensation are a contentious issue as a result of regulation; some regulations such as the AIFMD have restrictions on their compensation regimes. Regulations also are driving up the costs of running a hedge fund, as managers need to spend time and money to comply with international regulations. Although many investors have witnessed improvements in the fees they pay to hedge fund managers, more than half want to see further improvements in the levels of fees charged, with a significant number of investors looking for managers to change fee structures or add or increase hurdle rates. For fund managers, the issue of balancing increasing costs with investor demands for more appropriate fees could be resolved by offering more innovative fund structures more aligned to not only investor demands, but their own business strategy as well. For instance, smaller managers could offer concessions to early investors, or for funds which require capital to be locked in for longer, they could structure performance fees to be charged over longer periods.

Fig. 3: Areas of Fund Terms Investors Feel Have Shown the Most Improvement over the Past 12 Months and that Need to Improve Further in the Future



Source: Preqin Investor Outlook, Alternative Assets, H2 2013

Fig. 4: Investor's Fund Terms Negotiation Experiences in the Past 12 Months



Source: Preqin Investor Outlook, Alternative Assets, H2 2013

Data Source:

The data used in this feature article comes from the recently launched Preqin Investor Outlook: Alternative Assets, H2 2013 which draws on the results of extensive interviews with 450 investors across alternative assets conducted by Preqin from June to August 2013. Preqin Investor Outlook: Alternative Assets, H2 2013 explores investor appetite in the coming year, strategies and geographies targeted, key issues and satisfactions with returns, and more.

Preqin tracks over 7,800 active alternative asset investors globally and is in constant contact with these investors in order to maintain accurate and up-to-date information on their activities.

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Can Hedge Fund Managers Justify High Performance Fees?

Selina Sy examines whether hedge funds that charge higher performance fees are producing higher net returns for investors.

As our first feature article "Investor Outlook on Hedge Fund Terms and Conditions" shows, investors are continuing to exert pressure on fund managers to improve fee structures despite witnessing improvements in the past year. Investors are not just seeking changes in the level of fees paid, but also in how fees are charged and many want to see performance hurdles set on funds. Preqin's Hedge Fund Analyst currently tracks 311 funds that charge no performance fee at all, while the highest performance fee currently stands at 55%. Can higher performance fees be justified? In this article, we examine whether funds that charge higher performance fees are providing stronger net returns or whether investors should be looking for savings on performance incentives.

Performance Fees vs. Net Returns

Fig. 1 illustrates the net returns generated by funds with different levels of performance fee between 2008 and 2013 YTD. Funds that charge performance fees higher than 20% have delivered the highest net returns in four out of the last six years, suggesting that the higher fees charged by these managers are at least partly justified by their outperformance of their peers. Funds charging performance fees of more than 20% have also achieved the highest net returns over the last three and five years on an annualized basis, as shown in Fig. 2, with funds charging 20% outperforming those that charge 20% or less. This shows that funds with higher performance fees are generally producing better and more consistent longer-term net returns, which is attractive to many investors in this low interest rate environment. However, funds charging less than 20% have achieved the highest net returns over the past 12 months (as of 31st July), highlighting the fact that higher fees do not always correlate to better short-term performance.

Volatility and Consistency of Net returns

When investing in hedge funds there is no guarantee that positive returns will always be delivered. Investors allocate to hedge funds for a variety of reasons, with diversification and reducing volatility among the leading attractions of the asset class. As a result, many investors are seeking consistent absolute returns from their hedge fund investments rather than substantial returns in the short

Fig. 1: Annual Hedge Fund Performance by Performance Fee Charged , 2008 - 2013 YTD (As of 31st July)

Source: Preqin Hedge Fund Analyst

term. Using Preqin's Hedge Fund Analyst to identify hedge funds with a track record of at least three years, Fig. 3 illustrates that those funds generating the highest percentage of positive monthly net returns are typically able to charge higher performance fees without pressure from investors for reductions. At the highest end of the scale, funds with a positive return every month have an average performance fee of 19.50%, while funds with positive performance in less than a quarter of the months studied have an average performance fee of 16.67%. This shows that the funds performing consistently well come at a higher cost to investors, whereas the funds which are performing less consistently come under more pressure from investors for lower performance fees.

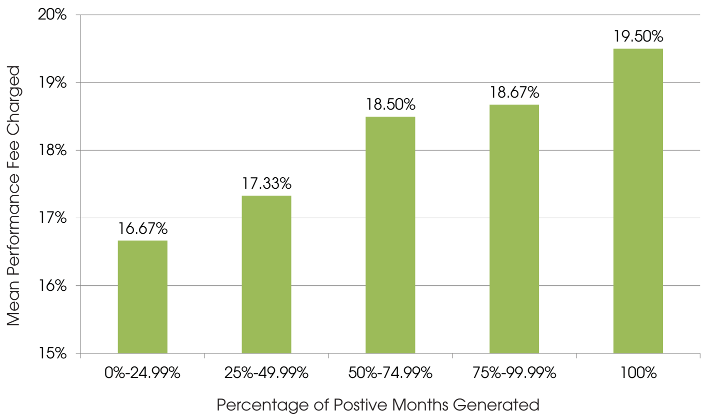
Fig. 4 shows the rolling three-year volatility of single-manager hedge funds by the performance fee charged. The figure highlights that funds charging a performance fee of over 20% have tended to have less volatile performance compared to their peers with a lower performance fee. Higher performance fees are justified for managers achieving consistent net returns over the longer term and those investors looking for low volatility of net returns will are prepared to pay extra for this. The three-year Sharpe

Fig. 2: Comparison of Hedge Fund Net Returns by Performance Fee Charged

	Less than 20%	20%	More than 20%
2013 YTD Returns (As of 31st July)	6.35%	4.10%	7.29%
12-Month Returns	13.32%	8.69%	13.29%
3-Year Annualized	6.89%	7.98%	10.73%
5-Year Annualized	7.31%	8.34%	10.55%
Sharpe Ratio (2%) - 3 Years	0.70	1.18	2.11

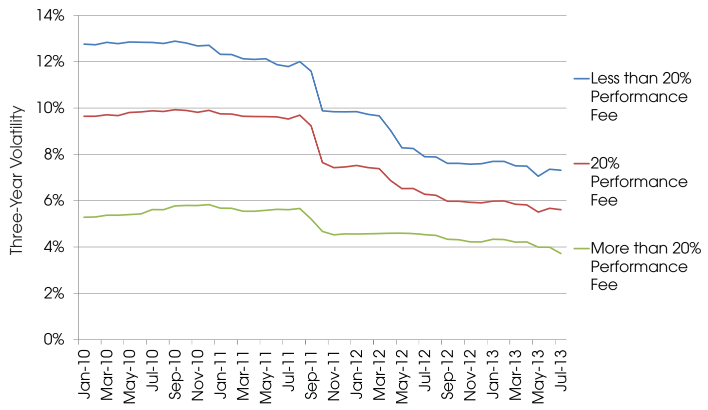
Source: Preqin Hedge Fund Analyst

Fig. 3: Mean Hedge Fund Net Performance Fee since Inception vs. Percentage of Positive Months*



Source: Preqin Hedge Fund Analyst

Fig. 4: Three-Year Rolling Volatility of Long/Short Hedge Funds by Performance Fee Charged



Source: Preqin Hedge Fund Analyst

** Based on hedge fund within a minimum three-year track record.*

ratio, measured with a risk-free rate of 2% for funds charging a performance fee of greater than 20%, was 2.11 as of 31st July 2013, which was significantly higher than funds charging 20% and those charging less than 20% which had Sharpe ratios of 1.18 and 0.70 respectively over the same timeframe. Therefore, the funds that charge the highest performance fees have been the most successful at providing strong risk adjusted net returns over the past three years.

Outlook

Investors have been demanding lower fees from hedge fund managers in recent years, moving away from the days when they seldom questioned the standard 2 and 20 fee structure. In this challenging fundraising environment, managers have been quick to respond to investor demands for lower fees, but despite some progress being made on these terms over the last 12 months, investors are still looking for further improvements. So why are some performance fees still so high, and is this bad news for investors? Not necessarily. Preqin data shows that funds charging higher performance fees are more successful at producing consistent long-term absolute returns. For investors seeking consistent, strong, risk-adjusted returns, the larger fees being charged by managers are justified and they have been willing to pay higher fees. However, that is not to say that funds with higher fees are generating higher net returns: in fact in the past 12 months it is the funds that have charged fees below 20% that have produced the strongest performance. Managers that fail to live up to expectations regardless of what fee they charge will find that investors will not hesitate to appeal against performance-based bonuses incongruent to returns, or even exit the fund completely.

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Preqin Global Data Coverage

As of 5 August 2013

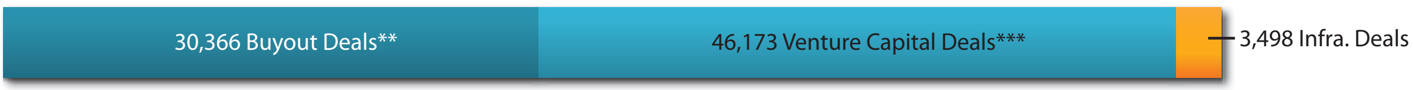
Fund Coverage: 31,415 Funds

Firm Coverage: 15,075 Firms

Performance Coverage: 12,870 Funds (IRR Data for 5,002 Funds and Cash Flow Data for 2,317 Funds)

Fundraising Coverage: 12,919 Funds Open for Investment/Launching Soon Including 1,968 Closed-Ended Funds in Market and 404 Announced or Expected Funds

Deals Coverage: 80,037 Deals Covered; All New Deals Tracked



Investor Coverage: 11,067 Institutional Investors Monitored, Including 7,863 Verified Active**** in Alternatives and 83,385 LP Commitments to Partnerships

Alternatives Investment Consultant Coverage: 450 Consultants Tracked

Fund Terms Coverage: Analysis Based on Data for Around 7,500 Funds

Best Contacts: Carefully Selected from Our Database of over 249,160 Active Contacts

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***Venture capital deals: Preqin tracks cash-for-equity investments by professional venture capital firms in companies globally across all venture capital stages, from seed to expansion phase. The deals figures provided by Preqin are based on announced venture capital rounds when the capital is committed to a company.
****Preqin contacts investors directly to ensure their alternatives programs are active. We emphasize active investors, but clients can also view profiles for investors no longer investing or with programs on hold.

Editor's View – Industry News

Amy Bensted provides her view on the news affecting the hedge fund industry at present, including investor attitudes towards hedge fund terms and conditions and the fees charged by hedge funds.

This month's feature article was taken from the newly released Preqin Investor Outlook: Alternative Assets, H2 2013, a definitive and extensive guide to investors in alternatives based on interviews with 450 institutional investors. As the feature article shows, many investors have witnessed improvements in the levels of fees being charged by managers, and the majority of participants believe that interests between managers and investors are suitably aligned. However, further improvements in fees are still being sought by 55% of investors and many are continuing to enter into negotiations to reduce fees.

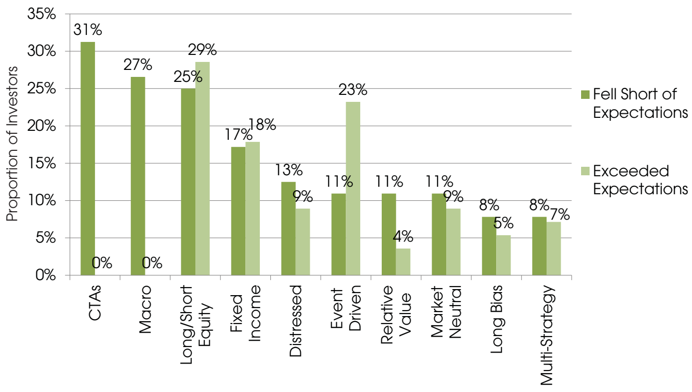
For some institutions fees have been cited as among the reasons they have abandoned investing in hedge funds. Pensionskassen for Borne og Ungdomspaedagoger (PBU), Rahn & Bodmer Banquiers and Pohjola Insurance, all Europe based, have either exited hedge funds over the past year or are in the process of redeeming, with the high fees involved in hedge fund investment cited as one of the deciding factors to leave the asset class. However, as our article *Can Hedge Fund Managers Justify High Performance Fees* on page 5 shows, funds that charge the highest fees, those with performance incentives over 20%, can produce the strongest returns. Therefore investors seeking long-term sources of absolute returns should not discount funds that charge the highest fees.

Funds with the highest fees more commonly have performance hurdles (see *The Facts: Fees and Hurdles in Focus* on page 12) which must be met before the incentives are charged. This provides some guarantees to investors that they will not be charged if the fund is not performing well. One of the top 20 best performing funds over the last 12 months, Pabrai Investment Fund 3, which has returned 58.37% over the past 12 months, uses a 0-6-25 fee structure. This is where there is no management fee and a performance fee is charged once the fund clears a 6% hurdle rate.

Over the past 12 months, hedge funds have posted cumulative returns of 10.83%. Another finding from Preqin Investor Outlook: Alternative Assets, H2 2013 shows that 74% of hedge fund investors have stated that returns have either met or exceeded their expectations in the past 12 months, the highest level since we started gathering this intelligence back in 2008. July's benchmark returns of 1.53% go some way to recovering the disappointing negative returns in June, with long/short funds leading the way posting 2.04% in July. The CTA strategy was chosen by the largest number of investors as a strategy that has fallen short of expectations, as our Chart of the Month shows. Although returns across CTAs continue to disappoint, two managed futures funds, both with a gold theme, feature in the top five best performing vehicles in July: AIS Gold and FortyEighters II Gold Program.

The strong performance of long/short funds in 2013 has not gone unnoticed by investors. Twenty-nine percent of investors interviewed by Preqin stated that these funds have exceeded returns expectations, the top rated strategy among institutional investors, and 51% of investor mandates issued in July were for a long/short equity fund. Among these investors is Pitcairn Financial Group, which is looking for European long/short equity and convertible arbitrage managers. Pitcairn Financial Group looks for funds that are smaller, growing and entrepreneurial in nature.

Chart of the Month: Hedge Fund Portfolio Performance Relative to Investor Expectations by Strategy



Source: Preqin Investor Interviews, July 2013

CTAs were named by the highest proportion of investors (31%) as having fallen short of expectations, followed by macro strategy funds (27%). In comparison, long/short equity funds were named by 29% of investors as having exceeded expecations and event driven hedge funds were named by 23% of investors.

In other news:

As our spotlight on California on page 11 shows, the state plays a prominent role in the hedge fund industry and there has been some significant activity there over recent months:

Intel Corporation Pension Fund is looking at long/short equity and macro funds to tap into opportunities in the ASEAN region and Japan.

Los Angeles-based Shinnecock Partners has launched a new fund of hedge funds, Shinnecock Niche Opportunity Fund, which is looking to tap into niche strategies on a global basis.

Another California-based fund of hedge funds, T2AM, is currently considering new fund opportunities in liquid strategies. This follows its latest fund of CTA launch, AT-Research Managed Futures Fund, on 1st August.

Do you have any news you would like to share with the readers of Spotlight? Perhaps you're about to launch a new fund, have implemented a new investment strategy, or are considering investments beyond your usual geographic focus?

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

Preqin Performance Benchmarks: July 2013

Preqin's preliminary benchmarks for July 2013.

Fig. 1: Summary of Preliminary July 2013 Performance Benchmarks (Net Return, %) (As of 20 July 2013)

	July 2013	June 2013	Year to Date	Last 12 Months
Hedge Funds (All Strategies & Regions)	**1.53**	**-1.63**	**5.23**	**10.83**
Long/Short	2.04	-2.09	6.14	12.55
Event Driven Strategies	1.84	-0.80	8.67	17.46
Relative Value	0.70	-0.56	4.34	6.95
Macro Strategies	0.39	-1.45	0.25	2.99
Multi-Strategy	1.43	-1.07	3.68	8.97
North America	2.53	-0.76	9.27	15.38
Europe	1.96	-1.14	6.30	11.97
Asia-Pacific	2.12	-2.22	9.52	18.61
Emerging Markets	0.77	-3.31	1.24	8.83
Developed Markets	0.74	-0.46	5.44	9.64
USD	1.56	-1.69	5.81	11.92
EUR	1.01	-1.25	3.54	6.76
JPY	0.35	-0.31	19.04	26.42
GBP	-0.42	-0.92	1.17	3.49
BRL	0.88	-1.75	1.21	6.36
Funds of Hedge Funds (All Strategies & Regions)	**1.02**	**-1.58**	**4.01**	**7.10**
Long/Short	1.71	-1.91	5.90	10.39
Multi-Strategy	0.62	-1.31	3.75	6.40
USD	1.04	-1.66	4.05	7.50
EUR	1.10	-2.06	3.13	5.30
UCITS Hedge Funds (All Strategies & Regions)	**1.52**	**-2.08**	**2.95**	**6.36**
Long/Short	2.40	-2.33	5.93	11.29
Relative Value	0.33	-0.52	1.73	3.55
Macro Strategies	0.38	-2.42	-2.14	-0.41
USD	1.40	-2.61	2.27	6.60
EUR	1.36	-1.90	3.23	5.56
CTAs (All Strategies & Regions)	**-0.77**	**-1.56**	**-2.18**	**-5.13**
USD	-0.74	-1.38	-2.26	-5.50
EUR	-0.89	-2.54	-4.01	-8.63

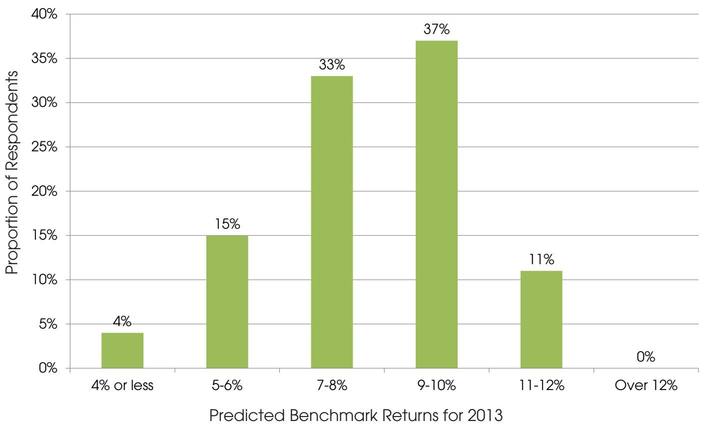
** Please note, all performance information includes preliminary data for July 2013 based upon net returns reported to Preqin in early August 2013. Although stated trends and comparisons are not expected to alter significantly, final benchmark values are subject to change.*

Source: Preqin Hedge Fund Analyst

Preqin's latest market benchmarks show that hedge funds bounced back from negative returns in June, posting an average net return of 1.53% in July, as shown in Fig. 1. Long/short funds, in particular, enjoyed a positive July, with returns of 2.04%, while event driven funds continue to lead the way for 2013, with July returns of 1.84% taking the strategy to year-to-date returns of 8.67%. North America-focused funds also enjoyed a successful month, with an average net return of 2.53% in July, and Asia-Pacific-focused funds maintained their strong year-to date performance, with returns of 2.12%. CTAs, however, continue to struggle, with these funds posting negative returns for the third consecutive month (-0.77%).

Fig. 2 shows current investor predictions for benchmark hedge fund returns in 2013, with data taken from surveys of leading institutional investors in August. A significant 70% of investors expect hedge funds to generate returns in the region of 7-10% for 2013, with 37% expecting returns in the region of 9-10%. In terms of regions, North America was the majority choice as a result of strong recent performance, selected by 56% of investors, followed by Europe and developed markets, which were both mentioned by 19% of investors.

Fig. 2: Investor Predictions for Benchmark Returns for Hedge Funds in 2013



Source: Preqin Investor Outlook, Alternative Assets, H2 2013

California: Industry Overview

We take a look at the hedge fund industry in California, including investors and fund managers based in the region, as well as key figures for the state.

California is the most populous state in the US and boasts the largest pension fund in the region, California Public Employees' Retirement System, with over $262bn in assets under management. CalPERS is currently the largest non-fund of funds investor in the state, with $5.3bn at work in the hedge fund industry today. California as a whole has a significant role in the hedge fund universe and is second only to New York in terms of both the number of investors and managers based in the state. Preqin's Hedge Fund Investor Profiles currently tracks almost 300 institutional hedge fund investors based in California and Preqin's Hedge Fund Analyst tracks more than 400 active hedge fund managers headquartered in California.

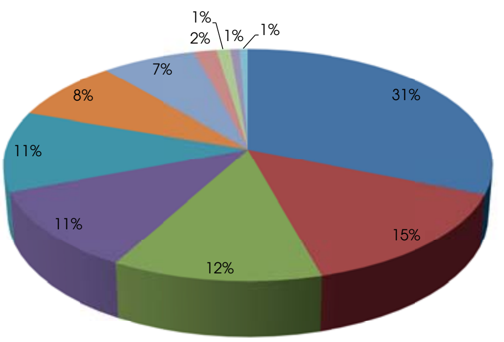
Although there are a large number of management groups in California with assets in excess of $1bn, just two of the hedge funds in the state, Farallon Capital Management and Canyon Partners, feature in the top 20 largest hedge fund managers in North America. This, coupled with the fact that 45% of California-based investors are under their target allocations to hedge funds, shows that there is room for further expansion on the West Coast.

Data Source:

Preqin's Hedge Fund Online service offers a complete resource for those looking for intelligence on the hedge fund market in California, including 291 investors and 442 fund managers based in the region.

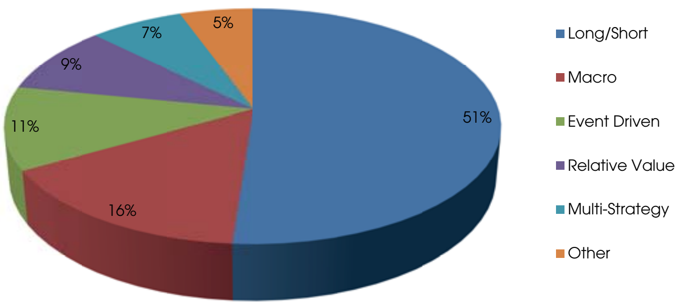
For more information, or to register for a demonstration, please visit: www.preqin.com/hedge

Fig. 1: Breakdown of California-Based Hedge Fund Investors by Type



Source: Preqin Hedge Fund Investor Profiles

Fig. 2: Breakdown of Hedge Funds Managed by California-Based Managers by Strategy



Source: Preqin Hedge Fund Analyst

California in Numbers

15.3% Mean hedge fund allocation of a California-based hedge fund investor.

$210mn Median assets under management of a California-based hedge fund manager.

28% Percentage of California-based hedge funds managing over $1bn in assets.

$2.7tn Total assets under management of active Californian hedge fund investors.

+1.10% Year-to-date performance of California-based hedge funds.

6 years Average track record of a hedge fund vehicle managed by California-based managers.

29% Proportion of investors globally with an allocation to a California-based fund manager. 52% of investors in California have an investment in a fund in their local state.

2 Number of the top 20 largest single fund managers in North America based in California.

Fees and Hurdle Rates in Focus

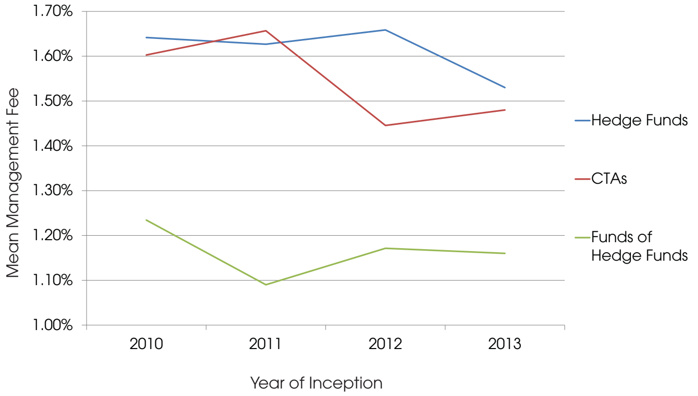
We examine hedge fund management and performance fees, as well as hurdle rates, including breakdowns by type of hedge fund and strategy.

Fig. 1: Mean Hedge Fund Management Fee and Performance Fees by Strategy and Fund Type

	Mean Management Fee (%)	Mean Performance Fee (%)	Mean Lock-up Period (Months)
Single-Manager Funds	1.61	19.14	6.0
Funds of Hedge Funds	1.29	8.57	6.2
UCITS Funds	1.42	16.72	0.0
CTAs	1.72	19.81	2.2
Event Driven Strategies	1.57	18.56	10.0
Macro Strategies	1.65	18.59	3.1
Long/Short	1.56	17.45	6.1
Multi-Strategy	1.39	12.19	6.0
Relative Value	1.47	18.5	4.5
Other Strategies	1.50	16.88	10.1

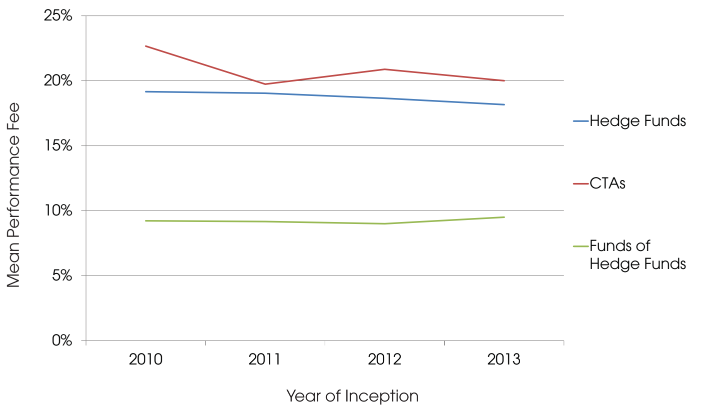
Source: Preqin Hedge Fund Analyst

Fig. 2: Mean Hedge Fund Management Fee Charged by Year of Inception



Source: Preqin Hedge Fund Analyst

Fig. 3: Mean Hedge Fund Performance Fee by Year of Inception



Source: Preqin Hedge Fund Analyst

Subscriber Quicklink:

Subscribers to Preqin's Hedge Fund Analyst can click here to view the 2,214 hedge funds that have a hurdle rate. Use the Advanced Search to analyze these funds further by manager location, fund focus, strategy and more.

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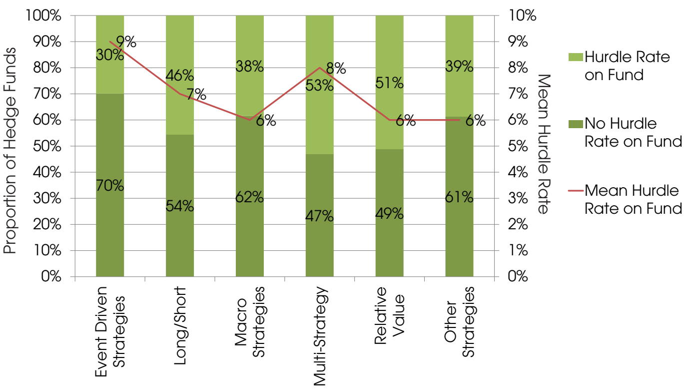
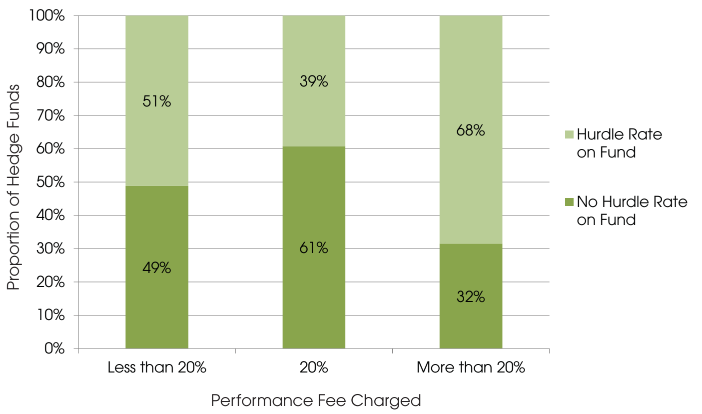
www.preqin.com/hfa

Fig. 4: Proportion of Hedge Funds that Use Hurdle Rates and Mean Hurdle Rate by Top-Level Strategy



Source: Preqin Hedge Fund Analyst

Fig. 5: Proportion of Hedge Funds that Use Hurdle Rates by Performance Fee Charged

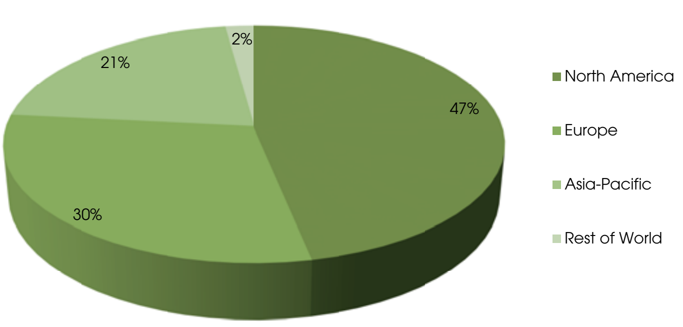


Source: Preqin Hedge Fund Analyst

Fund Searches and Mandates

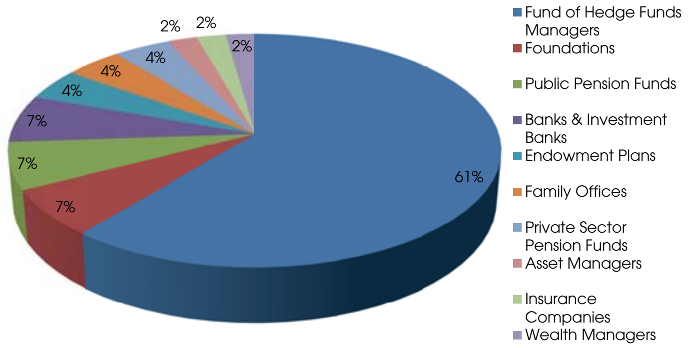
A look at investors' fund searches and mandates issued in July 2013, including breakdowns of investors searching for funds by location and type.

Fig. 1: Breakdown of Hedge Fund Searches Issued by Investor Location, July 2013



Source: Preqin Hedge Fund Investor Profiles

Fig. 2: Breakdown of Hedge Fund Searches Issued by Investor Type, July 2013



Source: Preqin Hedge Fund Investor Profiles

Subscriber Quicklink:

Subscribers can click here to view detailed profiles of 731 institutional investors in hedge funds searching for new investments via the Fund Searches and Mandates feature on Preqin's Hedge Fund Investor Profiles.

Preqin tracks the future investment plans of investors in hedge funds, allowing subscribers to source investors actively seeking to invest capital in new hedge fund investments.

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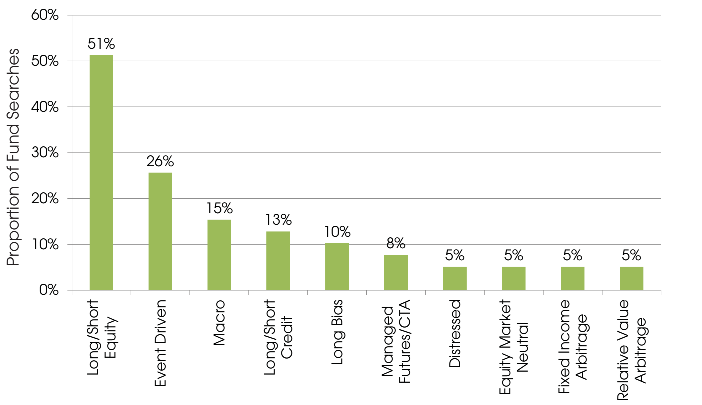
Fig. 3: Hedge Fund Searches Issued by Strategy, July 2013



Source: Preqin Hedge Fund Investor Profiles

Fig. 4: Examples of Fund Searches Issued in July 2013

Investor	Investor Type	Location	Fund Search Details
Kentucky Retirement Systems	Public Pension Fund	US	The $14.5bn retirement system plans to add 15-20 new commingled direct hedge fund investments and will begin allocating towards the end of Q3 2013. It expects to allocate between $15mn and $40mn to each fund and it is looking for funds that give exposure to diversified strategies globally. The retirement fund will not invest in first-time funds but has no specific requirements regarding length of track record or assets under management. It will reduce exposure to its three existing funds of hedge funds in order to fund the new allocations, maintaining its overall hedge fund allocation at 10% of total assets.
Asahi Mutual Life Insurance Company	Insurance Company	Japan	The insurance company is looking to allocate JPY 2-5bn to two to five new hedge funds in the next 12 months. It is open to investing through commingled direct funds or commingled funds of hedge funds with a preference for the US market. However, it will also consider making one or two investments in Europe and Asia. The insurance company is interested in customized funds and is looking to invest in funds that provide a low correlation to its current portfolio of long/short equity, equity market neutral and credit funds.
UAW Retiree Medical Benefits Trust	Private Sector Pension Fund	US	The Michigan-based pension fund is looking to add between five and eight new hedge fund investments over the next 12 months. It is seeking exposure to long/short equity, long/short credit and relative value arbitrage strategies. The pension fund has a preference for established managers with track records of at least three years and assets under management of at least $500mn. As a result, it will not seed funds or invest in emerging managers and spin-off teams.

Source: Preqin Hedge Fund Investor Profiles

Conferences Spotlight

Conference	Date	Location	Organizer	Preqin Speaker	Discount Code
2013 K-Alpha Hedge Fund Conference	4 September 2013	Seoul, South Korea	KDB Daewoo Securities	-	-
Hedge Funds World Asia 2013	3 - 5 September 2013	Hong Kong	Terrapinn	Amy Bensted	-
Global Alpha Forum	10 - 11 September 2013	New York	Financial Research Associates	Amy Bensted	FMP187 – 10% Discount
Alternative Strategy Mutual Funds Forum	10 - 11 September 2013	New York	IIR USA	-	-
Alpha Hedge West Conference	15 - 17 September 2013	San Francisco	IMN	-	PQ15 - 15% Discount
Quant Invest 2013	24 - 26 September 2013	Paris	Terrapinn	-	-
Global ARC Boston	28 - 30 October 2013	Boston	Global ARC	Mark O'Hare	-
FundForum USA 2013	28 - 30 October 2013	Boston	ICBI	Amy Bensted	FKN2373PRSPOT – 15% Discount

2013 K-Alpha Hedge Fund Conference

Date: 4 September 2013
Location: Conrad Hotel, Seoul, South Korea
Organiser: KDB Daewoo Securities

Contact Point: Kwangjin Sim, Head of AI Solution Team
Tel.: +8210 3404 0990
Email: kwangjin.sim@dwsec.com

We cordially invite you to join our exclusive 2013 K-Alpha Hedge fund conference in Seoul. We're confident that K-Alpha will guide to Global & Korean Hedge Fund market with valuable insights. Please come and join our exclusive event, and remember KDB Daewoo is here to support you.

The 16th Annual Hedge Funds World Asia 2013

Date: 3 - 5 September 2013
Location: Harbour Grand, Hong Kong
Organiser: Terrapinn

Information: www.terrapinn.com/hedgefundsasia

This is the executive forum for Asia's hedge funds industry. The event will bring together senior executives from institutional investors, hedge funds and fund of funds to discuss the latest investment strategies, hedge fund allocations, portfolio management tactics and fund structuring.

Alternative Strategy Mutual Funds Forum

Date: 10 - 11 September 2013
Location: India House, New York, NY
Organiser: IIR USA

Information: www.alternativefundsforum.com

The Alternative Strategy Mutual Funds Forum brings liquid alternative fund managers and distributors together to grow assets under management. This is the only program for traditional and non-traditional asset managers to capitalize on the retail market's growing demand for alternative strategy mutual fund products.

5th Annual Global Alpha Forum

Date: 10 - 11 September 2013
Information: www.globalalphaforumcom
Location: The New York Athletic Club, New York, NY
Organiser: Financial Research Associates

You'll hear directly from leading institutional investors, strategists and innovative money managers about new and exciting ways to boost alpha in your portfolio. Subsribers of Preqin are eligible for a 10% registration discount. Mention FMP187 during registration to enjoy this offer.

19th Annual Alpha Hedge West Conference

Date: 15 - 17 September 2013
Information: http://www.imn.org/investment-management/conference/Alpha-Hedge-West/Home.html
Location: Ritz-Carlton, San Francisco, CA
Organiser: Information Management Network (IMN)

Session topics include dynamic investment and dynamic asset allocators, the role of volatility, growth of 40 Act alternatives, and more. Speakers include Joseph Brusuelas of Bloomberg, Jason Huemer of Visium Asset Management, and a debate between Kyle Bass of Hayman Advisors, L.P. and John H Burbank III of Passport Capital.

UCITS & AIFMD

Date: 17 - 18 September 2013
Information: http://www.iiribcfinance.com/FKW52633PREQ
Location: The Bloomsbury Hotel, London
Organiser: IBC

Hear the latest commercial solutions and fund success stories behing UCITS & AIFMD Implementation and Distribtuion. 10% Discount-Quote VIP code FKW52633PREQ

Quant Invest 2013

Date: 24 - 26 September 2013
Information: www.terrapinn.com/2013/quant-invest/?utm_source=prequin&utm_medium=listing&utm_campaign=prequin
Location: Hotel Lutetia, Paris, France
Organiser: Terrapinn Ltd

Quant Invest and CTA World is the premier business event in Europe for quant and CTA investors and managers and examines the latest strategies and innovations in this dynamic field of finance.

HEDGEAnswers Launch Session series

Date: 2013: 18 September, 13 November | 2014: 15 January, 19 March 19, 14 May
Information: http://www.hedgeanswers.com/index.php/series
Location: Virtual
Organiser: HEDGEAnswers

The Launch Sessions are unique, tightly packed educational opportunities, for interactive discussions that will raise your Hedge Fund IQ. Experienced hedge fund professionals share how they got started, their daily responsibilities, and explain the critical issues essential for forming, beginning and operating in the hedge fund industry.

FundForum USA 2013

Date: 28 - 30 October 2013
Information: www.fundforumusa.com/FKN2373PRQSP
Location: Mandarin Oriental Boston
Organiser: ICBI

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