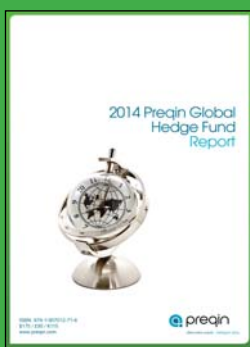


Welcome to the latest edition of Hedge Fund Spotlight, the monthly newsletter from Preqin providing insights into the hedge fund industry, including information on investors, funds, performance and more. Hedge Fund Spotlight uses information from our online product Hedge Fund Online, which includes Hedge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

March 2014
Volume 6 - Issue 3

FEATURED PUBLICATION:

2014 Preqin Global Hedge Fund Report



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Hedge Fund Spotlight

March 2014

Feature Article

What Are Investors Looking For? Size and Track Record Requirements

Although extra-large hedge funds have been the biggest winners in recent years, smaller funds are now being considered by investors. We take a detailed look at the size and track record requirements of investors and consider the outlook for 2014.

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Lead Article

Does Hedge Fund Size Affect Hedge Fund Performance?

We analyze the performance of hedge funds in 2013 by size and examine whether smaller hedge funds can offer investors more favourable returns than larger and more established vehicles.

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Preqin Industry News

We provide a round-up of the latest news in the hedge fund industry, including investor searches, hedge fund performance and event driven fund launches.

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The Facts

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What Are Investors Looking For? Size and Track Record Requirements

Extra-large hedge funds have been the biggest winners in recent years as investors look for the perceived security associated with investing in established firms. Drawing on research featured in [Preqin Investor Outlook: Alternative Assets, H1 2014](#), we assess which funds are being targeted by investors in 2014.

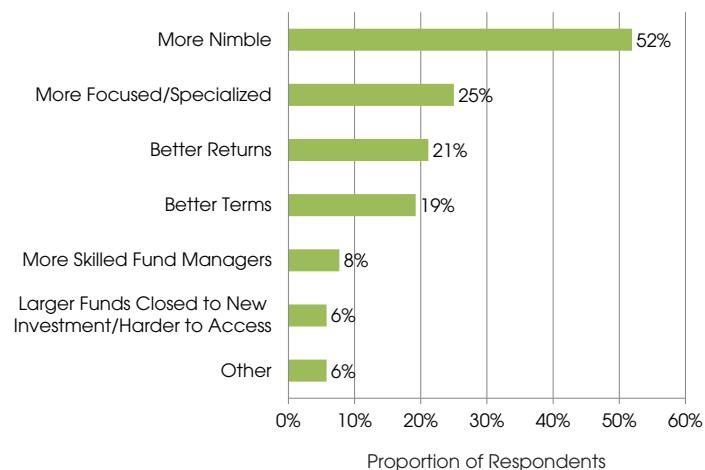
Sizes of Managers Being Targeted in 2014

Much of the capital inflow over the past few years has been to just the largest hedge funds in the industry, meaning it has been difficult for smaller funds to gain traction from the institutional market. With this in mind investors were asked about what sizes of hedge fund managers they were likely to consider for investment in 2014, with the results presented in Fig. 1. Track record and management experience are attractive characteristics for many hedge fund investors, and the largest proportion of investors (57%) stated that they expect to invest with managers with assets under management of \$1-5bn in 2014. However, the size category with the lowest proportion of investor interest was for managers with more than \$5bn in assets, suggesting that investors are beginning to look towards the mid-to-large funds, away from the behemoths of the industry. A number of investors are open to investing with smaller managers in 2014, with 52% of investors set to target managers of between \$100 and 499mn and 42% open to investing in managers with less than \$100mn in assets. This indicates that investors are at least in principle willing to work with smaller managers, although the track record and other characteristics of larger funds remain appealing.

The Case for Smaller Managers

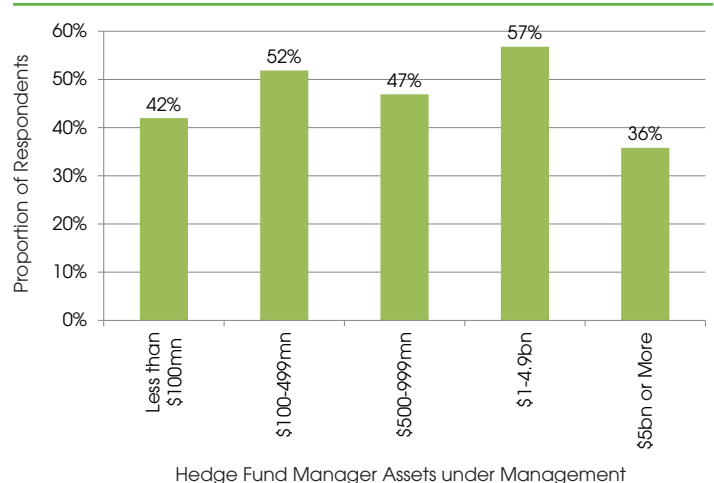
Smaller managers have a number of characteristics which can be attractive to investors (Fig. 2). These managers are often better placed to take advantage of a wider opportunity set due to their smaller position sizes, and more than half (52%) of investors targeting smaller managers cited their nimbleness as a key characteristic. One UK-based investment company stated “smaller managers on the whole tend to be more nimble and less concerned with accumulating management fees than the larger managers”, and overall, 19% of investors said they prefer investing with smaller managers due to

Fig. 2: Reasons for Investors Preferring Managers With Less than \$1bn in Assets under Management



Source: Preqin Investor Outlook: Alternative Assets, H1 2014

Fig. 1: Hedge Fund Manager Sizes Targeted by Investors in 2014



Hedge Fund Manager Assets under Management

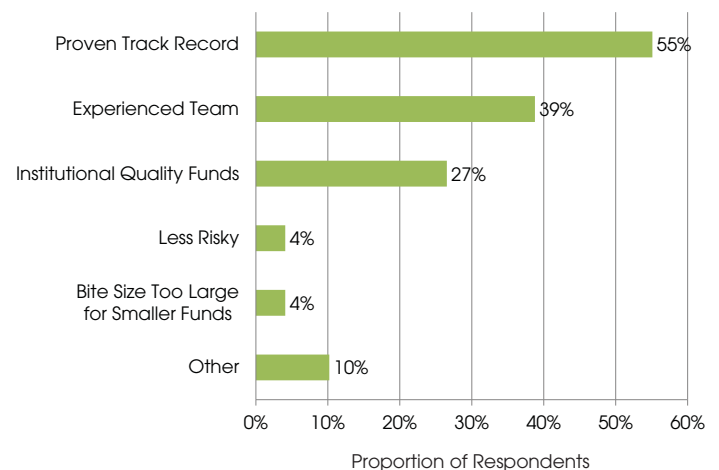
Source: Preqin Investor Outlook: Alternative Assets, H1 2014

these firms offering more attractive fund terms. With investors also seeking unique and individual investment strategies, the more focused edge of smaller fund managers can be appealing, with a quarter of investors naming a more specialized investment approach as a key characteristic of these managers.

The Case for Larger Managers

A strong previous track record continues to be a vitally important factor for a number of hedge fund investors and 59% of respondents stated this as a key reason for targeting investments with larger managers (Fig. 3). The level of experience within these teams was also named as a preferential characteristic of these managers,

Fig. 3: Reasons for Investors Preferring Managers With More than \$1bn in Assets under Management



Source: Preqin Investor Outlook: Alternative Assets, H1 2014



mentioned by 39% of respondents, as investors look to tap into the specialized knowledge of these larger firms, where the principals may have decades of specific sector knowledge. Twenty-seven percent of investors cited institutional quality funds as a reason for targeting larger managers, as smaller funds are often less well developed in terms of infrastructure and back office operations, and may be less equipped to deal with the sizeable assets invested by institutional investors.

Emerging Manager Preferences

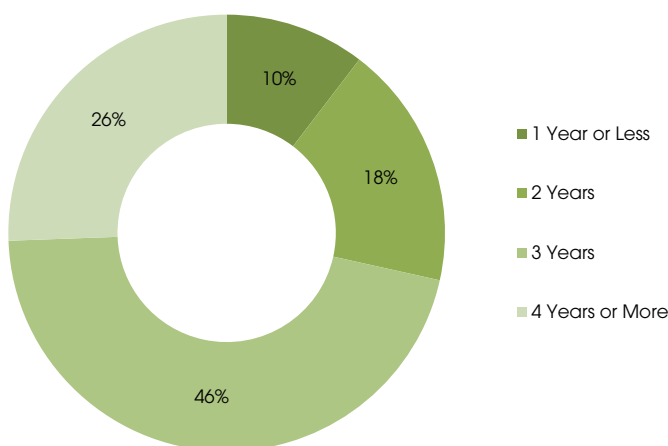
With investors showing a willingness to at least consider smaller managers in 2014, Preqin conducted a more in-depth study into investor attitudes towards emerging funds. There has been an overall reduction in appetite for emerging managers among institutional hedge fund investors since Preqin last conducted this study in October 2012. Thirty-seven percent of investors will invest in first-time funds (Fig. 4), compared to 42% in 2012. This continues a trend of decline from 54% in 2010 and 48% in 2011, suggesting that investors have moved towards investing with more established fund managers as they often perceive such investments to be less risky.

Interest in investing with spin-off teams has also dropped over the past year, with 35% of investors currently targeting such investments compared to 38% in 2012. Spin-off funds provide access to experienced industry professionals but they do not always offer exposure to the value-added niche strategies that investors typically look for in an emerging manager allocation. Seeding new hedge funds is a more niche aspect of the hedge fund industry, with such opportunities typically taken up by fund of hedge funds managers or investors with a large capital base. The proportion of investors interested in seeding opportunities has declined from 19% in 2012 to 15%, with this market dominated by specialist seeding firms.

Minimum Track Record Requirements

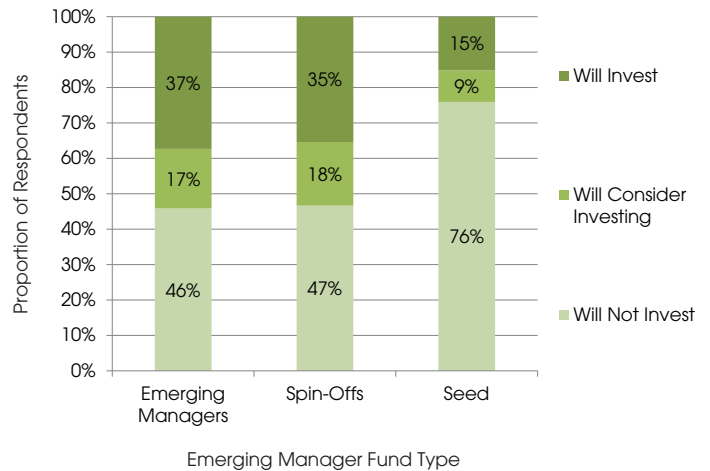
In line with a reduction in appetite for emerging managers, the average minimum track record required by hedge fund investors before committing to a manager has increased. In 2012, 16% of investors were willing to invest with a manager with less than a year's track record, but this has decreased to 10%, as shown in Fig. 5.

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



Source: Preqin Investor Outlook: Alternative Assets, H1 2014

Fig. 4: Institutional Hedge Fund Investor Attitudes Towards Emerging Manager Fund Types



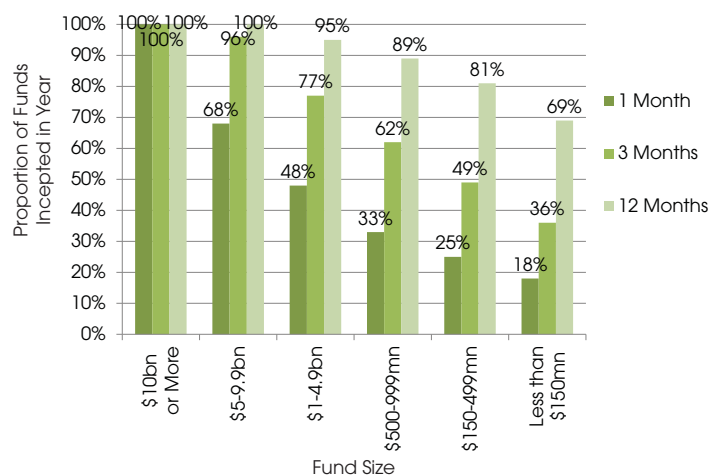
Source: Preqin Investor Outlook: Alternative Assets, H1 2014

5. Investors are becoming more demanding when selecting hedge fund managers and, as a result, they want to see a significant track record before investing. There has been an increase in the proportion of investors requiring four or more years' track record over the past year from 22% to 26%. The most common minimum track record requirement is three years, with 45% of investors having this policy.

Investor Screening of the Market

The investors interviewed by Preqin in December 2013 indicated that they are searching for funds across all size ranges; however, how is this translating into actual fund searches? Looking at investor activity data on Preqin Investor Network, we can see just how proactive investors are in discovering and researching potential investment opportunities across various fund sizes. Over 5,600 accredited investors across 3,200 institutional firms use the Network to obtain overview and contact information for all hedge funds open to investment. More than 140,000 pages of alternatives fund, firm, performance, market overview and benchmark data are reviewed by investors on the Network every month.

Fig. 6: Proportion of Funds in Each Size Group that Have Been Screened by Investors on Preqin Investor Network, over One, Three and 12-Month Periods



Source: Preqin Investor Network



As Fig. 6 clearly shows, every month all of the largest funds on the platform are reviewed by investors. It is unsurprising that the largest hedge fund in the world today, Bridgewater All Weather Strategy, is the most viewed hedge fund on the Network; however, more surprisingly, among the top 20 most viewed funds on the Network over the past 12 months, there are four funds with less than \$100mn in assets under management. As Fig. 6 also shows, investors are casting a broad net when screening funds on the Network, with at least two-thirds of funds in all size ranges having been considered by investors on the Network over the last year. The wide fund size scope that the surveyed fund investors indicated they are searching across in Fig.1 is translating into fund screening on Preqin Investor Network.

Fig. 7 shows the proportion of funds inception in each year since 2000 that have been reviewed on Preqin Investor Network over the past 12 months. 2013 is excluded as this does not represent a full year of page views on the Investor Network. The reduced appetite for funds with less than a three-year track record, as highlighted in Fig. 5, is apparent as fund views drop off for funds inception since 2010. However, with over 60% of funds with less than a three-year track record being reviewed by the investors on the Network over the past year, managers of newer funds can take confidence that many investors are regularly looking at funds with a shorter track-record, possibly not for immediate investment but more as potential future investments when a longer history of fund returns has been built.

Outlook

Investors are looking at a wide range of hedge fund managers for investment in 2014, with a number of different criteria to be considered in the manager selection process. Track record is the most common reason for investors preferring funds with more than \$1bn in assets and investors value the investment experience typically associated with these managers. As a result there has been an overall reduction in the proportion of investors targeting newer

Fig. 7: Proportion of Funds by Year of Inception that Have Been Screened by Investors on Preqin Investor Network over a 12-Month Period



Source: Preqin Investor Network

managers over the past year as investors focus on investing with established firms.

However, the majority of investors are willing to consider smaller managers with less than \$500mn in assets, with the nimbleness of these firms a particularly attractive characteristic. In addition, a number of the largest hedge funds are becoming closed to new investment and this is another factor which could lead to investors looking at smaller managers. As a result, there are opportunities for these managers, although funds will need to build an impressive track record in order to be successful. There will be opportunities for both smaller and larger managers to secure institutional capital in 2014 and those managers that can differentiate themselves from their competitors in terms of both strategy and performance are likely to be most successful.

Data Source

Preqin's **Hedge Fund Investor Profiles** tracks over 4,500 institutional investors in hedge funds worldwide. Extensive profiles include track record requirements, typical investment size, appetite for first-time funds, assets under management, current and target allocations to hedge funds, future investment plans and more.

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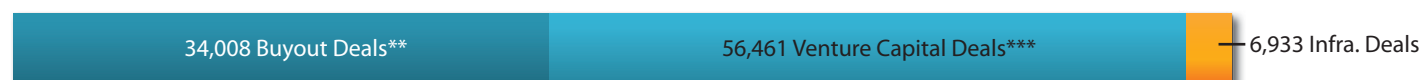
Performance Coverage: **15,450** Funds (IRR Data for 5,382 Funds and Cash Flow Data for 2,489 Funds)



Fundraising Coverage: **14,633** Funds Open for Investment/Launching Soon
Including 2,115 Closed-Ended Funds in Market and 382 Announced or Expected Funds



Deals Coverage: **97,402** Deals Covered; All New Deals Tracked



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Does Fund Size Affect Hedge Fund Performance?

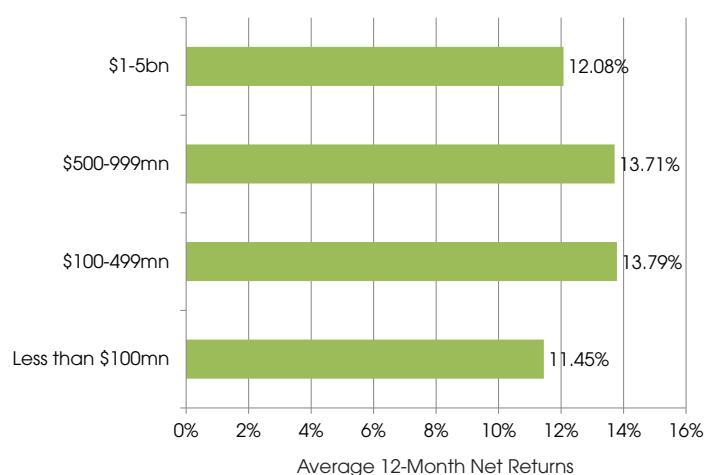
Selina Sy analyzes the performance of hedge funds in 2013 by fund size and examines whether smaller hedge funds can offer investors more favourable returns than larger and more established hedge funds.

As our feature article *What Are Investors Looking For? Size and Track Record Requirements* revealed, investors are looking at a broad range of fund sizes when selecting fund managers for the year ahead. Fund size is related to a variety of characteristics such as fund strategy and scope, as well as the ability of the manager to grow capital and attract larger investors. Twenty-one percent of investors that seek to invest in smaller funds – specifically those with less than \$1bn in assets – told Prequin that they target these funds in order to achieve better returns (see [Prequin Investor Outlook: Alternative Assets H1 2014](#)). With investors turning away from investing in just the largest funds this year, we examine the relationship between assets under management and returns posted by hedge funds both in 2013 and over the longer term.

Hedge Fund Returns vs. Fund Size

As our [2014 Prequin Global Hedge Fund Report](#) revealed, 2013 was a good year for hedge fund performance in the eyes of investors, with 84% of investors interviewed by Prequin stating that hedge fund returns had met or exceeded expectations over the past year. Prequin's Hedge Fund Analyst shows that it was funds with assets under management in the range \$100-999mn that posted the largest gains in 2013, with average returns of these funds in excess of 13.7% (Fig. 1). Funds with assets of less than \$100mn posted lower average returns than their peers in larger size categories in 2013, with average returns of 11.45%. Larger funds with assets in the \$1-5bn category posted returns in between the smallest funds and the mid-large sized funds at 12.08% on average. Funds with more than \$5bn in assets under management represent a very small proportion of the industry, and thus these funds have been omitted from this analysis as there is insufficient data to form any meaningful conclusions.

Fig. 1: 12-Month Average Returns over 2013 by Fund Size



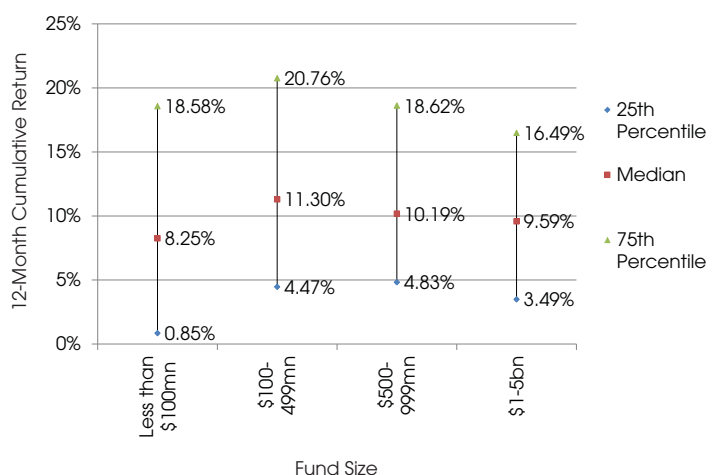
Source: Prequin Hedge Fund Analyst

Distribution of Returns in 2013

According to the Prequin Investor Outlook: Alternative Assets H1 2014, 29% of respondents cited high absolute returns as their main returns objective from their hedge fund investments, and performance remains one of the key factors when evaluating or exiting a fund. Fig. 2 shows performance over 2013 according to the 25th percentile, median and 75th percentile values among each of the fund size categories, and this data shows that the top three-quarters of all fund groups achieved positive returns in 2013. The top quarter of funds in the size range \$100-499mn saw cumulative returns exceed 20.76%, and these funds were the main contributors to the impressive performance of this size category over the course of the year. Twenty-seven percent of funds in this size category posted returns in excess of 20% in 2013, and this is higher than the proportion of funds in the \$500-999mn and \$1-5bn categories that achieved this (19%).

Funds with assets of less than \$100mn had the largest range between the 25th and 75th percentiles out of all the fund size categories, with the top quarter delivering returns surpassing 18.58%. Nearly a quarter (23%) of funds with less than \$100mn in assets made a loss in 2013, which is notably higher than the proportion of funds in other size categories which were in the red for the year. As a result of this wide dispersion in returns, investment in small funds is a difficult task and it is usually just the most experienced investors, which can take on the risk of investing in a fund with a greater chance of failure, that are able to invest in these funds. Investors which are successful in picking top performing funds are likely to be rewarded when the fund grows, as funds in the \$100-499mn size range have on average higher returns with less variation in performance. Funds with more than \$500mn had the lowest range between the 25th and

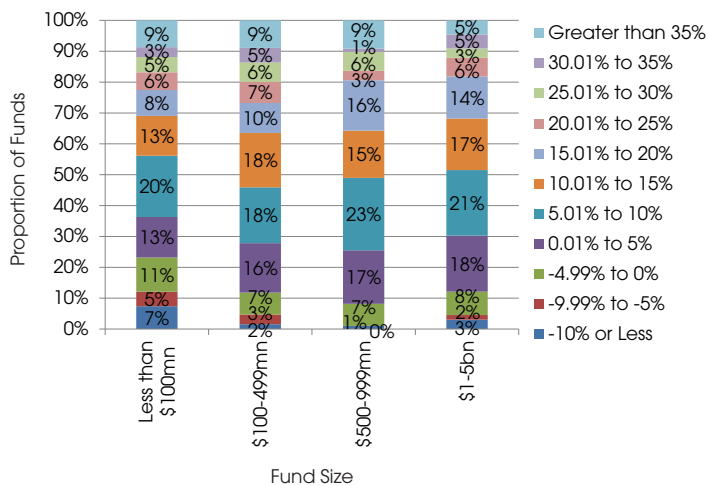
Fig. 2: 2013 12-Month Cumulative Return Quartiles by Fund Size



Source: Prequin Hedge Fund Analyst



Fig. 3: Distribution of 2013 12-Month Cumulative Returns by Fund Size



Source: Preqin Hedge Fund Analyst

75th percentiles, with 70% of these funds posting returns of between 0% and 20% in 2013.

Fund Size and Volatility

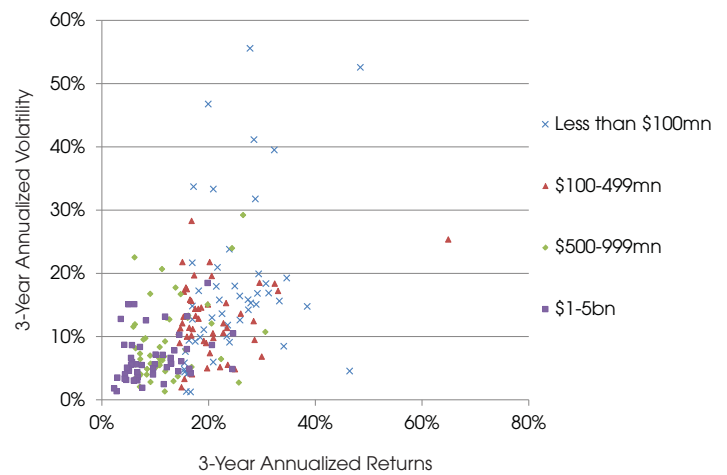
While the majority of investors were happy with the performance of hedge funds in 2013, it is still vital that fund managers demonstrate strong risk-adjusted returns. According to the Investor Outlook, 28% of hedge fund investor respondents cited consistency or low volatility of returns as their top returns objective from their hedge fund investments, while 25% named high risk-adjusted returns as the key factor. The case for the top 50 performing funds over the last three years by volatility from each size category is displayed in Fig. 4, with funds grouped according to their most recently reported AUM figure. It illustrates that the largest funds have tended towards lower returns with the lowest volatility over the three-year period, and as a result, these funds are more concentrated towards the bottom left of the chart. For many investors, long-term low volatility of hedge fund performance is attractive and these funds with \$1-5bn in assets are generally able to provide this. Larger top performing funds have clearly demonstrated a tendency towards lower risk, albeit with lower returns, over the three-year period, which has no doubt satisfied the more risk-averse investors that are looking towards established track records with minimum volatility.

Top performing funds with assets of less than \$100mn have shown the largest variation in risk-return profile over the three-year period, with these funds exhibiting higher returns and higher volatility than their larger counterparts. This again indicates that although smaller funds can provide attractive returns to investors, a high degree of investor skill is required to select the best funds due to the variation in returns. This combined with the higher volatility of these funds means that they may not be attractive to most investors, and it is likely to be the more established investors that are willing to take on the risk associated with investing in smaller funds.

Outlook

Our feature article shows that investors are looking at a variety of fund sizes for investment in 2014 and different investors have different return objectives from their hedge fund investments.

Fig. 4: Top Performing Funds by 3-Year Annualized Return and Volatility



Source: Preqin Hedge Fund Analyst

Although investors look at a variety of features when assessing potential investment opportunities, performance remains the key factor in the selection process. Forty-eight percent of investors stated that returns are a key factor when looking at a fund manager and 21% of investors also stated the potential for better returns from smaller managers as a reason for preferring funds with less than \$1bn in assets. Many investors lack the skill and risk appetite to make meaningful allocations to these smaller funds and instead look to invest in more established funds. However, there are opportunities for the smallest fund managers to grow from investors which are looking to gain access to niche opportunities and markets, or indeed to gain other benefits through seeding arrangements.

As funds become larger, the distribution of returns among the best performing funds moves towards the lower end of the return spectrum, in line with lower volatility. Fund managers in the mid-sized groups, i.e. those from \$100-499mn or from \$500-999mn, have shown the highest mean and median returns in 2013. The size range \$500-999mn had the lowest proportion of funds suffering a loss in 2013, and the longer term return and volatility characteristics of these funds are similar to funds with assets of more than \$1bn. Therefore, those investors which are looking to move away from investing in just largest funds, but without taking on too much volatility, may choose to look towards investing in those funds with more than \$500mn in assets.

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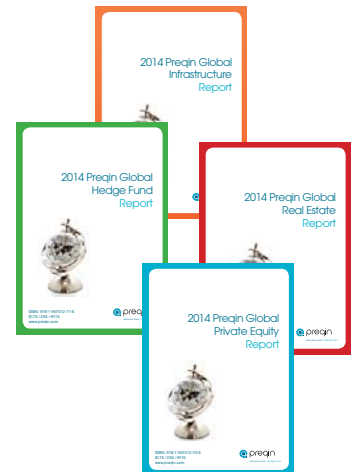


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Graeme Terry provides a round-up of the latest news in the hedge fund industry, including investor searches, hedge fund performance and event driven fund launches.

Investor Searches

This latest edition of Hedge Fund Spotlight focuses on the differences between various hedge fund sizes and in particular looks at what sizes of funds investors are targeting over the coming year. As shown in our feature article *What are Investors Looking For? Size and Track Record Requirements* on page 3, investors are targeting a wide variety of sizes of hedge fund managers and further evidence for this can be seen in the fund searches issued by investors in the early part of 2014. [Wyoming Retirement System](#) is looking to add at least two new hedge funds over the next 12 months but will only consider managers with at least a three-year track record and a minimum of \$600mn in assets under management.

There is also search activity for small and emerging funds; [Pulteney Street Capital Management](#), which manages a fund of separately managed accounts, plans to make at least eight new investments in 2014 and is actively targeting emerging managers with a track record of at least two years. Pulteney Street maintains a focus on long/short equity funds but it will also consider other relatively liquid strategies on a global scale.

Fund Performance

Does Fund Size Affect Hedge Fund Performance? on page 7 shows that funds in the \$100-499mn size category were the best performing funds, on average, in 2013, and the \$262mn [Ping Exceptional Value Fund](#) was the leading performer in February 2014. This is a global macro fund that targets emerging markets, in particular China and Latin America, managed by [Ping Capital Management](#). Six of the top 10 performing funds for the month have assets of less than \$100mn, highlighting the fact that these funds can post impressive returns, although the dispersion of these funds is greater, with all of the 10 worst performing funds in February falling into this size category.

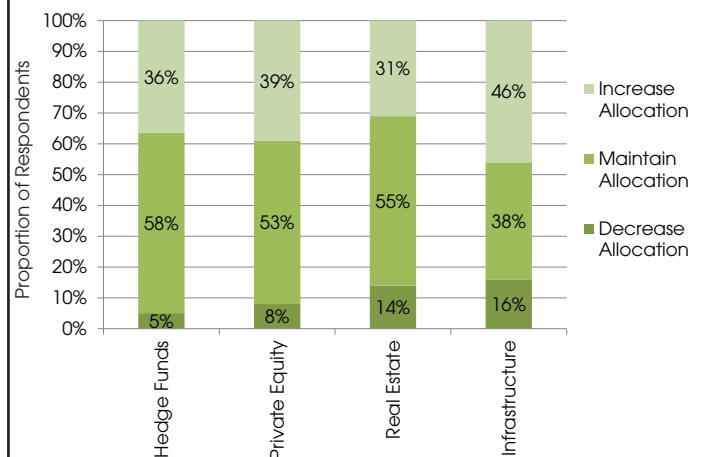
The article also shows that funds in the largest size category (greater than \$1bn in assets) typically have more muted returns on average than their smaller counterparts, although the lower volatility of these funds can make them attractive to investors. Some of the larger managers managed to post impressive returns in February, with funds managed by [Third Point Management](#) and [Bridgewater Associates](#) managing monthly returns in excess of 4%.

Event Driven Fund Launches

As shown in our article on page 13, event driven strategies funds are thriving, having outperformed all other hedge fund strategy benchmarks over the past two years. There has been some launch activity in this sector so far in 2014, with [Valtura Capital Partners](#) launching its [Valtura Partners Fund](#), a fund focused on event-driven

What are investors' plans for their allocations to alternative assets?

Chart of the Month: Institutional Investors' Intentions for Their Alternative Assets Allocations in the Longer Term



Source: Preqin Investor Outlook: Alternative Assets, H1 2014

Data from the recently released **Preqin Investor Outlook: Alternative Assets, H1 2014** highlights the ever-increasing importance of alternative assets to institutional investors, with many investors planning to increase allocations to each alternative asset class over the longer term.

The outlook for hedge funds, in particular, looks positive with just 5% of surveyed hedge fund investors stating that they plan to decrease their allocation to hedge funds in the future. The majority of investors (58%) stated that they plan to maintain their existing hedge fund allocation, with a significant 36% of respondents planning to increase their allocation over the longer term.

value investing primarily in US equities. Meanwhile, [AUK Capital](#) has opened up its private investment fund, [AUK Capital Partners](#), to external investors. The fund is a long/short event driven fund which invests in companies undergoing spin-offs, restructurings, bankruptcies and other unique situations.

Our recent blog [Activist Hedge Funds Enjoy Impressive Performance amid Recent Rise in Exposure](#) also highlights the increased prominence of activist hedge funds, with these funds retuning an average of 17.52% in 2013. In February 2014, Chicago-based firm [Kabouter Management](#) launched offshore and onshore long bias funds which engage in friendly shareholder activism.

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.

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Preqin Performance Benchmarks

February 2014

Preqin's preliminary benchmarks for February 2014.

Fig. 1: Summary of Preliminary February 2014 Performance Benchmarks (Net Return, %)

	February 2014	January 2014	YTD	Last 12 Months
Hedge Funds (All Strategies & Regions)	1.72	-0.29	1.42	9.66
Long/Short	2.08	-0.57	1.50	11.91
Event Driven Strategies	2.67	0.36	3.04	16.04
Relative Value	0.83	0.51	1.34	6.87
Macro Strategies	0.56	-0.37	0.19	1.96
Multi-Strategy	1.63	-0.20	1.43	7.72
North America	2.55	0.47	3.03	16.24
Europe	1.79	1.11	2.92	13.08
Asia-Pacific	1.28	-0.70	0.57	12.26
Emerging Markets	0.94	-2.10	-1.18	2.15
Developed Markets	1.87	0.75	2.64	12.45
USD	2.10	-0.32	1.77	10.26
EUR	1.45	0.52	1.97	7.71
JPY	0.03	-0.56	-0.53	17.04
GBP	1.46	-0.06	1.40	2.44
BRL	-0.27	-1.72	-1.99	1.46
Funds of Hedge Funds (All Strategies & Regions)	1.70	-0.37	1.32	7.05
Long/Short	2.20	-0.77	1.41	10.09
Multi-Strategy	1.45	-0.22	1.22	6.73
Macro	1.97	-0.69	1.27	0.97
USD	1.90	-0.40	1.49	7.44
EUR	1.24	-0.54	0.69	5.49
UCITS Hedge Funds (All Strategies & Regions)	1.28	-0.52	0.76	5.25
Long/Short	1.95	-0.89	1.04	9.00
Relative Value	0.24	0.08	0.32	2.67
Macro Strategies	0.43	-0.58	-0.15	-0.80
USD	1.34	-1.22	0.11	4.05
EUR	1.28	-0.22	1.06	5.45
CTAs (All Strategies & Regions)	1.76	-1.01	0.73	-0.09
USD	1.73	-1.03	0.67	0.33
EUR	2.27	-1.50	0.74	-3.06

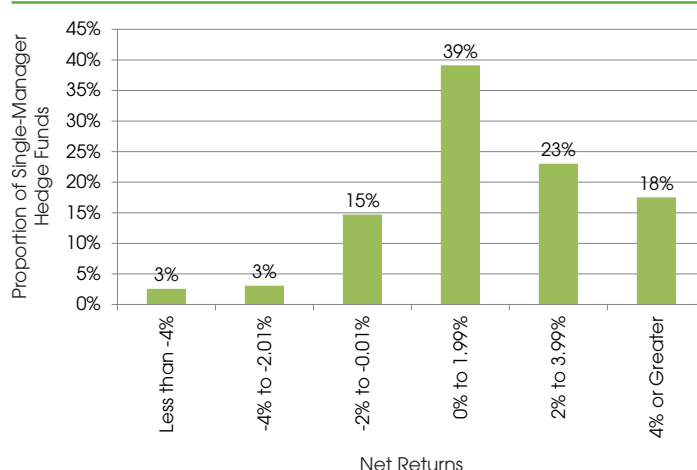
* Please note, all performance information includes preliminary data for February 2014 based upon net returns reported to Preqin in early March 2014. Although stated trends and comparisons are not expected to alter significantly, final benchmark values are subject to change.

Source: Preqin Hedge Fund Analyst

Hedge funds recovered from a disappointing January to post positive returns in February 2014, with the All Strategies Benchmark up 1.72% for the month (Fig. 1). Event driven strategies was again the top performing strategy benchmark with returns of 2.67%, and this benchmark has now recorded eight consecutive months of positive performance. CTAs also returned to positive territory by adding 1.76% in February, representing the benchmark's first monthly return of over 1.50% since July 2012.

The encouraging performance of hedge funds in February is further highlighted in Fig. 2, which shows that 80% of funds recorded positive monthly returns. Eighteen percent of managers managed to post impressive monthly returns in excess of 4%. Only 4% of funds following event driven strategies suffered negative returns in February, with 35% of macro strategies funds in the red for the month.

Fig. 2: Distribution of Net Hedge Fund Returns, February 2014



Source: Preqin Hedge Fund Analyst



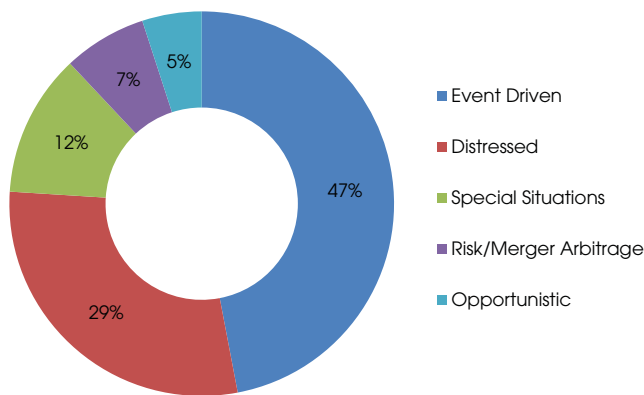
Event Driven Strategies Funds in Focus

We focus on event driven strategies hedge funds, including a breakdown of sub-strategies utilized and where the managers of these funds are based.

Hedge funds following event driven strategies have performed well in recent years, with Preqin's [Hedge Fund Analyst](#) showing that this was the top performing strategy category in both 2012 and 2013. The economic environment in recent years has presented a number of opportunities for these funds as they seek to take advantage of corporate events such as mergers, acquisitions, bankruptcy and spin-offs. Event driven strategies are also leading the way in terms of performance after the first two months of 2014, with average returns of 3.04%.

Fig. 1 shows a breakdown of event driven strategies funds in terms of their core strategy. Forty-seven percent of funds utilize a core event driven approach, with distressed (29%) and risk/merger arbitrage funds (12%) also prominent strategies. The vast majority (78%) of event driven funds are run by managers based in North America (Fig. 2); the more illiquid nature of event driven funds lends itself more easily to North American investors which often have a long-term investment focus.

Fig. 1: Breakdown of Event Driven Funds by Core Strategy



Source: Preqin Hedge Fund Analyst

Data Source

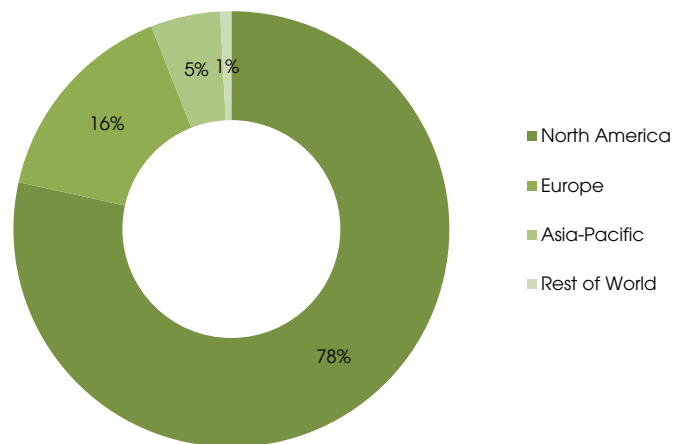
Subscribers to Preqin's **Hedge Fund Analyst** can click [here](#) to view detailed profiles for over 2,000 hedge funds that follow an event driven strategy, including geographic focus and industry preferences.

Subscribers to Preqin's **Hedge Fund Investor Profiles** can click [here](#) to view detailed information for 1,975 active investors that have a preference for investing in event driven hedge funds. Profiles include allocation to hedge funds, geographic preferences, typical investment size and more.

For more information, or to register for a demo, please visit:

www.preqin.com/hedge

Fig. 2: Breakdown of Event Driven Funds by Fund Manager Location



Source: Preqin Hedge Fund Analyst

In Numbers: Event Driven Strategies Funds

15.89% 12-month performance of the event driven strategies index in 2013, outperforming the overall hedge fund benchmark which returned 11.19%.

\$15.6bn Assets under management of the largest event driven strategies fund, Elliott International.

\$110mn Median assets under management of an event driven strategies fund.

1.57% Average management fee charged by an event driven strategies hedge fund.

18.69% Average performance fee charged by an event driven strategies hedge fund.

12 months Median lock-up period of an event driven strategies hedge fund.

21% Proportion of institutional investors looking for new hedge fund investments in the next 12 months that are targeting event driven strategies.

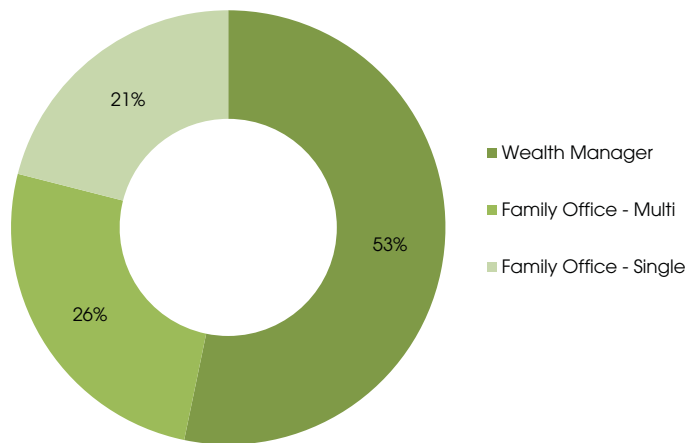
6.40% Average three-year volatility of an event driven strategies fund (as of 28 February 2014).



Private Wealth Firms

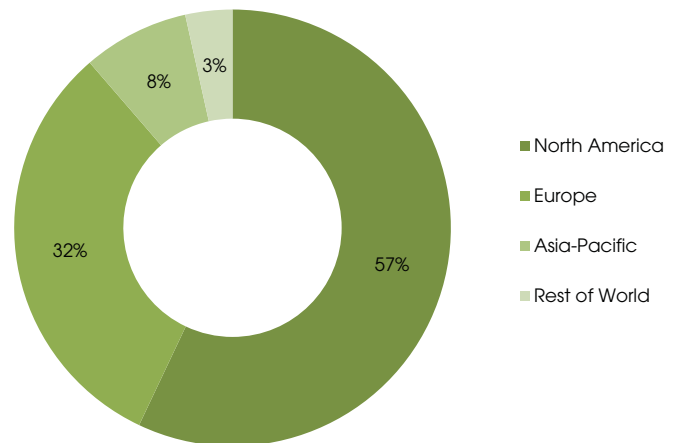
We take a detailed look at private wealth firms investing in hedge funds, including a breakdown of these investors by type and location, as well as the strategy preferences and investment methods of private wealth firms.

Fig. 1: Breakdown of Private Wealth Firms Investing in Hedge Funds by Type



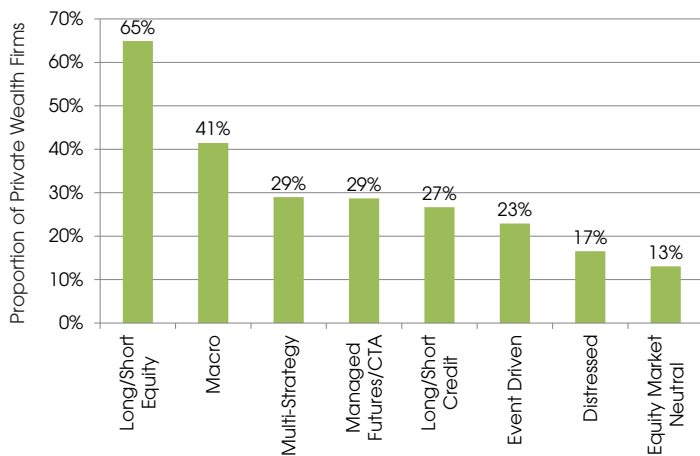
Source: Preqin Hedge Fund Investor Profiles

Fig. 2: Breakdown of Private Wealth Firms Investing in Hedge Funds by Region



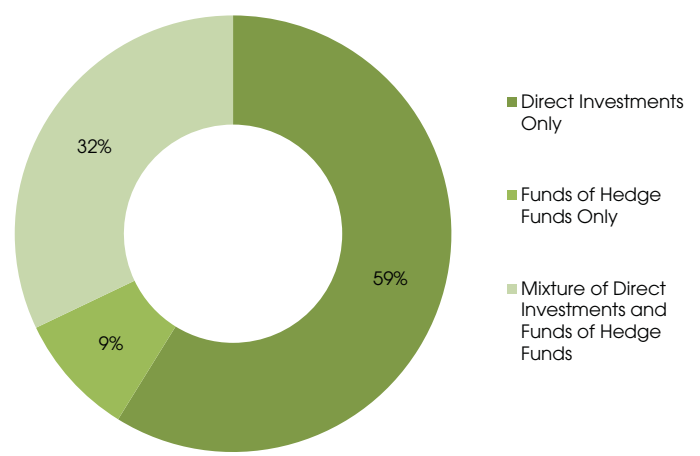
Source: Preqin Hedge Fund Investor Profiles

Fig. 3: Strategy Preferences of Private Wealth Firms



Source: Preqin Hedge Fund Investor Profiles

Fig. 4: Investment Method Used by Private Wealth Firms



Source: Preqin Hedge Fund Investor Profiles

In Numbers: Private Wealth Firms

16.8% Mean hedge fund allocation of a private wealth firm investing in hedge funds.

\$1.05bn Median assets under management of a private wealth firm investing in hedge funds.

22 Average number of funds in a private wealth firm hedge fund portfolio.

55% of private wealth firms investing in hedge funds are willing to invest with emerging managers.

47% of private wealth firms looking for new hedge fund investments in the next 12 months are targeting long/short equity funds.

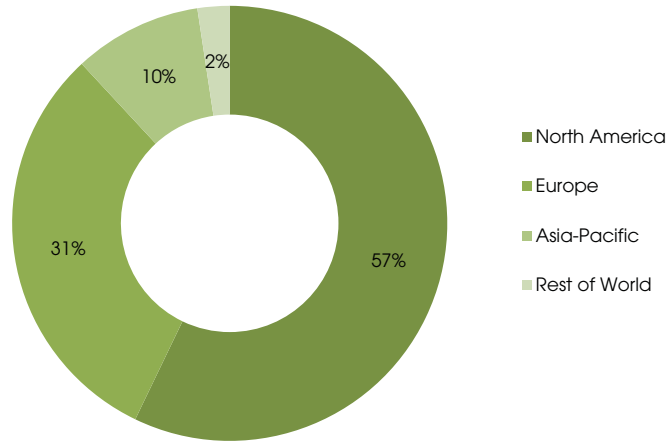
35% of European private wealth firms investing in hedge funds are based in Switzerland.



Fund Searches and Mandates

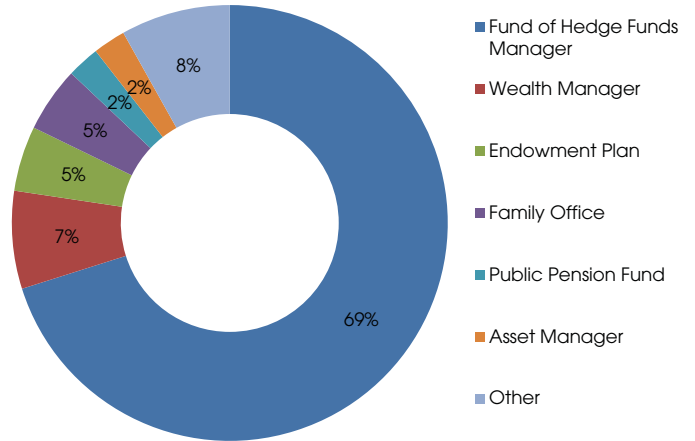
We analyze the fund searches and mandates issued by hedge fund investors in February 2014.

Fig. 1: Breakdown of Hedge Fund Searches Issued by Investor Location, February 2014



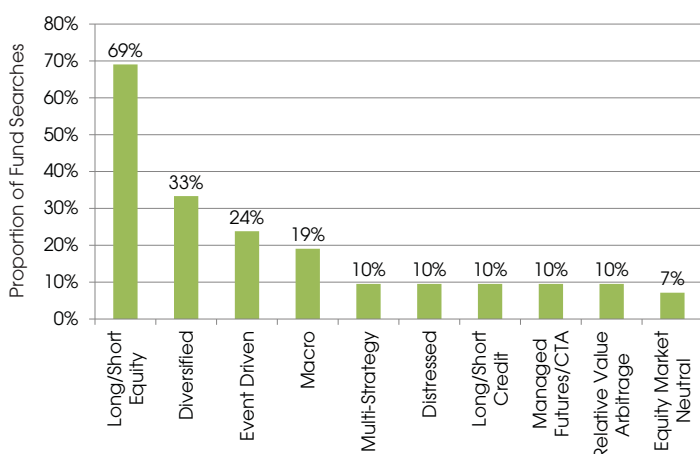
Source: Preqin Hedge Fund Investor Profiles

Fig. 2: Breakdown of Hedge Fund Searches Issued by Investor Type, February 2014



Source: Preqin Hedge Fund Investor Profiles

Fig. 3: Hedge Fund Searches Issued by Strategy, February 2014



Source: Preqin Hedge Fund Investor Profiles

Data Source

Subscribers can click [here](#) to view detailed profiles of 476 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. 4: Examples of Fund Searches Issued in February 2014

Investor	Investor Type	Location	Fund Search Details
Sentinel Trust Company	Family Office - Multi	US	The \$2.4bn multi-family office is assessing a number of strategies but is specifically looking at opportunities in emerging and frontier markets where it is seeking relative value, event driven and low net exposure strategies. Domestically, it is considering short biased US credit and US equity strategies. Its typical portfolio turnover is approximately 10% per annum.
BK & Associates	Wealth Manager	Switzerland	The Zurich-based wealth manager will invest €5-10mn per hedge fund, as it looks to increase its allocation to the asset class from 20% to a minimum of 30%. BK & Associates is looking to invest in four or five hedge funds and has a preference for long/short equity and event driven strategies, but is open to investing in other hedge fund types. It views a low correlation to equity and bond markets as the most important factor when selecting hedge funds and will only invest in hedge funds that commenced investing prior to 2008.
Nationwide Insurance	Insurance Company	US	The \$70bn insurance company is likely to target investments in new managers as it redeems from existing investments. It is looking to increase its exposure towards long/short equity and relative value strategies on a global basis. Nationwide Insurance only invests in single-manager funds and typically requires that managers have a three-year track record and assets under management of at least \$200mn.

Source: Preqin Hedge Fund Investor Profiles



Conferences Spotlight

Conference	Dates	Location	Organizer	Preqin Speaker	Discount Code
FundForum Asia	31 March - 3 April 2014	Hong Kong	ICBI	Amy Bensted	10% Discount - FKN2393PRQWB
GAIM Ops Cayman 2014	7 - 9 April 2014	The Ritz-Carlton, Grand Cayman	IIR	-	-
Liquid Alternative Strategies	28 - 29 April 2014	San Francisco	IRR USA	-	-
Hedge Fund Startup Forum	7 May 2014	London	Informa	-	10% Discount - FKW52399PQNAD
HedgeAnswers LAUNCH Series	14 May 2014	Teleconference	HedgeAnswers	-	-
GAIM International 2014	16 - 18 June 2014	Monte Carlo	ICBI	Amy Bensted	-
FundForum International	23 - 26 June 2014	Monaco	ICBI	-	-
Hedge Funds World Asia 2014	2 - 4 September 2014	Hong Kong	Terrapinn	-	-
Alpha Hedge West conference	21 - 23 September 2014	San Francisco	IMN	-	-
Quant Invest 2014	23 - 25 September 2014	Paris	Terrapinn	-	-

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Preqin attends and speaks at many different alternative assets conferences throughout the year, covering topics from infrastructure fundraising trends to alternative UCITS.

All of the conference presentations given by Preqin speakers, which feature charts and league tables from Preqin's online products, can be viewed and downloaded from Preqin's **Research Center Premium**, for free.

For more information, and to register for Preqin's **Research Center Premium**, please visit:

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GAIM Ops Cayman

Date: 6 - 9 April 2014

Information: www.GaimOpsCayman.com

Location: The Ritz-Carlton, Grand Cayman

Organiser: IIR

Focused on hedge fund due diligence, operations, compliance, and risk management, and attracting 500+ senior delegates, GAIM Ops Cayman is the flagship meeting for Operational Due Diligence professionals. Covering all aspects of your day to day responsibilities, GAIM Ops Cayman provides you with an unparalleled opportunity to get up to speed in an increasingly complex regulatory environment.

For more information, please visit www.GaimOpsCayman.com



Liquid Alternative Strategies West 2014

Date: 28 - 29 April 2014

Information: www.liquidalternativestrategieswest.com

Location: Hyatt Fishermans's Wharf, San Fransisco CA

Organiser: IIR USA

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The Liquid Alternatives event will bring alternative fund managers and distributors together to capitalize on the retail market's growing demand for alternative strategy mutual fund products.

Hedge Fund Startup Forum 2014

Date: 7 May 2014

Information: www.informaglobalevents.com/FKW52399PQNAD

Location: London

Organiser: IIR

Designed with the aid of hedge fund industry veterans, this brand new event has been put together to provide those looking to start a Hedge Fund with an in depth guide to setting up a fund and gaining investment.

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- Regulation around marketing

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