

Investors Confident in Hedge Fund Performance Prospects

Two-thirds are satisfied with 12-month returns, and 83% expect them to hold or improve

According to Preqin's latest survey of alternative assets investors*, 45% of institutional investors allocate to hedge funds, with the majority of investors reporting satisfaction with the performance of the asset class. In June 2018, two-thirds of investors found that hedge fund performance had met or exceeded expectations over the past 12 months, including 16% which found that performance had exceeded expectations. This marks a significant switch in sentiment from June 2016, when 79% of investors felt that hedge fund performance had fallen short of expectations. Looking ahead, almost a third (32%) of investors believe their hedge fund portfolio will perform better in the next 12 months compared to the previous year, and over half (51%) expect returns to be about the same. In fact, over two-thirds (69%) of investors planning to allocate to the asset class expect to make their next hedge fund investment in H2 2018, while 16% are looking to invest in 2019. The majority (63%) of investors view North America as presenting the best opportunities in the year ahead, while a notable 28% are looking to Asia.

For more information and analysis, see the full *Preqin Investor Update: Alternative Assets H2 2018* here: <http://docs.preqin.com/reports/Preqin-Investor-Update-Alternative-Assets-H2-2018.pdf>

Key Hedge Fund Investor Facts:

- Currently, **45% of investors allocate to hedge funds**, with investors allocating an average of 15% of total assets to the asset class.
- **Investors are increasingly satisfied with hedge fund performance**: as at June 2018, 66% of investors report hedge fund performance had met expectations.
- In fact, **16% of investors found that hedge funds had exceeded expectations over the past 12 months**, twice the proportion which reported the same the year prior.
- **Thirty-two percent of investors believe their hedge fund portfolio will perform better in the next 12 months**, and 51% expect returns to be about the same.
- **Over two-thirds (69%) plan to make their next hedge fund investment in H2 2018**, while 16% of investors which plan to allocate to the asset class are looking to invest in 2019.
- **The largest proportion (28%) of investors plan to increase their exposure to systematic CTAs** over the next 12 months, while 26% plan to increase their exposure to macro strategies.
- The majority (63%) of investors view North America as presenting the best opportunities in the year ahead, while a notable **28% of investors are looking at opportunities in Asia** and 25% are looking to Europe.

Amy Bensted, Head of Hedge Funds:

"Investor satisfaction with the performance of their hedge fund investments points to the fact that, even though the industry has not seen exceptionally strong performance this year, over the longer term hedge funds have been able to generate positive returns. However, investors are concerned that equity markets could be approaching a peak, and with the instability of the political and macroeconomic climate it has been difficult to generate consistent momentum. Investors perceive several benefits of hedge funds, citing diversification, low correlation to other asset classes and high-risk adjusted returns as key reasons to invest in the asset class. It is perhaps due to the current volatility in the market that that four out of five investors expect hedge fund performance to maintain or improve in the coming year."

***Results based on a survey of 530 institutional investors conducted in June 2018.**

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