

## Average AUM of Mid-Sized Fund of Hedge Funds Managers up 10% in 2011 Managers with \$1-5bn under management most attractive among investors in past 12 months

Size mattered in the fund of hedge funds sector in 2011, as large managers saw AUM fall while those in the mid-market enjoyed an average 10% increase, the latest Preqin research shows.

In total, 24% of fund of hedge funds managers reported an increase in AUM during the course of 2011, an increase of seven percentage points on the proportion that enjoyed an increase between 2008 and 2009.

Managers with \$10bn or more under management endured an average 2.1% decrease in AUM in 2011, suggesting that while investors are keen to invest with managers with a sizeable level of capital, they are moving away from those at the top end of the spectrum.

A quarter of managers reported a decrease in AUM in 2011, so it is clear that it was very much a year of mixed fortunes for the sector, as investors remained cautious in the uncertain economic environment.

### Funds of Hedge Funds: Facts

- Total assets grew in the past 12 months and have now reached around \$945bn – up from \$910bn at the start of 2011.
- The proportion of fund of funds managers with less than \$250mn in AUM continued to increase in 2011 and now stands at 38%.
- The average AUM of a fund of hedge funds manager fell at a slower rate in 2011 than in previous years, from \$2.18bn to \$2.09bn.
- Large fund of hedge funds managers – those with over \$10bn in AUM – account for 5% of all managers, but 45% of industry assets.
- Funds of hedge funds remain attractive to smaller investors looking to make their first commitments to the asset class.

**For more information, please see the full report:**  
[http://www.preqin.com/docs/newsletters/HF/Hedge\\_Fund\\_Spotlight\\_February\\_2012.pdf](http://www.preqin.com/docs/newsletters/HF/Hedge_Fund_Spotlight_February_2012.pdf)

### Comment:

2011 was a difficult year for the hedge fund industry due to poor performance and investor caution. However, institutional investment in hedge funds is predicted to increase during 2012, meaning that fund of hedge funds managers need to react to investor demand if they are to be on the receiving end of a proportion of these assets.

Investor demands for better fee structures, increased transparency and flexibility in their underlying investments is likely to lead to a surge in niche strategies and innovative products as managers look for ways to attract institutional capital ahead of single managers.

If managers react to the changing demands of investors, the fund of hedge funds industry has the potential to grow further, and for AUM to reach the \$1tn mark once more.

**Amy Bensted, Head of Hedge Fund Research**

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### Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q' – the company name is an abbreviation of its former incarnation "Private Equity Intelligence".

### About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

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