

## Hedge Fund Investors Prepare to Commit

### 20% of institutional investors make an average of four or five investments per year

Hedge fund investors are keen to commit to the asset class, with more than half making two or more investments on average per year, a Preqin study reveals. Just under one-third make between two and three new investments per year, while 17% make between six and ten.

The study also found that institutional investors can be a long-term and stable source of capital for hedge funds; over one fifth of investors are keen to keep capital invested in a fund for over five years and 16% state that this is the minimum time for which they will stay invested in a fund.

The study also found:

- 33% of investors invest in a hedge fund for a minimum of six months to one year
- 32% have a minimum holding period of 25 months to three years
- The majority of investors make at least one redemption a year
- 39% of investors make redemptions due to performance concerns
- 20% make redemptions due to an internal change in portfolio strategy
- 41% of investors use consultants as one method of sourcing new hedge funds
- 38% look to source new funds directly from proposals received from fund managers
- 66% will invest within six months of first viewing the fund proposals
- 20% of investors stated that returns were the most significant factor when looking at new fund investment proposals
- 20% stated that the source of returns and the strategy were the most important factor

**Please see the report for the full run down of findings:**  
[http://www.preqin.com/docs/newsletters/HF/Hedge Fund Spotlight May 2012.pdf](http://www.preqin.com/docs/newsletters/HF/Hedge_Fund_Spotlight_May_2012.pdf)

#### Comment

“Flow of capital through the hedge fund portfolios of institutional investors is very dynamic, with the majority of investors making regular redemptions and replacements of hedge funds in their efforts to boost portfolio returns, diversify holdings and gain access to managers providing elusive alpha. Therefore managers seeking new capital can expect good opportunities from even those investors that have filled their target allocations to hedge funds, as well as investors with unfilled allocations to the asset class. Institutional investors are also good long-term sources of capital; almost half will keep their capital in a fund for more than three years if the vehicle performs as projected. However, many investors have been disappointed by the returns from their hedge fund investments over the past year and, as such, those managers with a strong track record and proof of solid returns are likely to be the most successful in attracting institutional capital in the coming year.”

**Amy Bensted – Head of Hedge Funds Research**

#### 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.

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin’s services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: [www.preqin.com](http://www.preqin.com)

For more information on this release, please contact: Amy Bensted on +44 (0)20 7397 9420 or [abensted@preqin.com](mailto:abensted@preqin.com)  
For general press information, please contact [press@preqin.com](mailto:press@preqin.com)

New York: One Grand Central Place, 60 E 42nd Street, Suite 2544, New York NY 10165 Tel: +1 212 350 0100  
London: Equitable House, 47 King William Street, London EC4R 9AF Tel: +44 (0)20 7645 8888  
Singapore: Asia Square Tower 1, #07-04, 8 Marina View, Singapore, 018960 Tel: +65 6407 1011  
Web: [www.preqin.com](http://www.preqin.com) / [info@preqin.com](mailto:info@preqin.com)