

The \$5.5tn Alternative Asset Industry Set to Grow Significantly

The vast majority of institutional investors in private equity, real estate, infrastructure, and hedge funds are looking to put more capital to work in these funds in the coming years

Despite demonstrating concerns surrounding recent regulatory changes, the vast majority of alternative asset investors interviewed by Preqin do not anticipate making any changes to their alternative asset allocations based on new regulations. In fact, over 80% of investors interviewed in each asset class expect to commit the same or more capital to their respective asset class in the next 12 months compared to the last 12 months. This strong investor confidence in the industry is encouraging news for alternative asset fund managers looking to raise capital for their vehicles and for the sector as a whole.

These findings are based on extensive interviews with 450 investors across alternative assets conducted by Preqin from June to August 2013. These investors, which manage a combined \$11.7tn in assets, have a total of over \$750bn invested in alternatives. 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.

Key Findings:

Allocations to Alternatives on the Rise:

- The majority of both real estate (54%) and infrastructure (59%) investors are below their target allocations to the asset class, with 45% of private equity and 41% of hedge fund investors also under-allocated, demonstrating the potential for significant growth in the next 12 months and in the longer term.

Alternatives Living up to Performance Expectations:

- The majority of all investors across private equity, hedge funds, real estate and infrastructure feel that the performance of their investments has either met or exceeded expectations.
- The proportion of investors that believe their private equity fund investments have exceeded their expectations has reached its highest level yet at 18%, an increase from June 2012 when just 9% of investors had the same sentiment.
- However, a notable 26% and 25% of hedge fund and real estate investors respectively feel their investments in these asset classes have fallen short of expectations.

Investors Concerned About Regulations:

- Regulation is a key issue facing investors in alternative assets according to Preqin's interviews. Private equity investors most strongly believe that they are not beneficial to their industry, with 41% of respondents stating so, and only 19% believing they are beneficial to the industry.
- In comparison, 35% of hedge fund investors view recent regulations as beneficial to their industry and 22% view them as not beneficial.

Majority of Investors Satisfied with Alignment of Interests:

- On the topic of fund terms and conditions, over half of investors interviewed in each asset class feel that fund managers' and investors' interests are properly aligned.
- However, a significant 48% of infrastructure investors either disagreed or strongly disagreed that there was alignment of interests, showing a greater level of dissatisfaction with terms in this asset class than investors in other alternatives.
- Investors across all alternative asset classes cited management fees as the area where alignment of interests most needs to be improved; the highest proportion of investors naming it was in infrastructure, at 76%.

For more information and to view more detailed results from the interviews, split by asset class, please see the report:

https://www.preqin.com/docs/reports/Preqin_Investor_Outlook_Alternative_Assets_H2_2013.pdf

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Comment:

“Preqin has a long history of speaking directly to investors in alternatives and we have thousands of conversations with investors each year in addition to our regular investor studies. We are excited to be able to combine our studies of investor attitudes to private equity, hedge funds, real estate and infrastructure into one report, a definitive and extensive guide to investors in alternatives.

“The results of the survey are hugely positive for the future of the alternatives industry, with the vast majority of allocators, from family offices to pension funds, satisfied with the returns they have been receiving from their alternatives allocations. Regulations, though a concern, do not seem to be having any impact on investors’ plans for new investments in the majority of cases, and many are setting aside a significant amount of capital for new alternative investments.”

Helen Kenyon – Senior Manager, Preqin

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

Note to Editors:

- Preqin is spelled without the letter ‘U’ after the ‘Q’.
- The findings in this press release and Preqin Investor Outlook: Alternative Assets, H2 2013 are based on Preqin’s survey of 450 investors in alternative assets. By investor location, 42% of these investors were based in Europe, 40% in North America, 9% in Asia and 9% in Rest of World. When broken down by investor type, 19% were public pension funds, 14% insurance companies, 13% private sector pension funds, 10% asset managers, 9% foundations, 7% endowment plans, 5% banks and investment banks, 4% family offices, 2% superannuation schemes, 2% government agencies, and the remaining 15% fell into other institutional investor categories.

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