

Hedge Fund Investors Eager to Sow Seeds of Capital as Sector Enjoys Renaissance

Difficult fundraising conditions have fuelled demand for seed capital injections that investors are increasingly keen to meet.

The latest Preqin survey shows that the number of hedge fund investors expressing an interest in seed investments has almost doubled, from 11% in 2009 to 21% in 2010. Investors feel that the benefits of investing in these funds, such as fund ownership, fee negotiations and early access to the next generation of hedge funds, far outweigh the disadvantages in the current climate. Seed investments are also evolving post-crisis, as investors award seed capital to more established vehicles that may have encountered fundraising difficulties or lost assets through the crisis.

Other Survey Findings:

- Investors are setting higher barriers to entry for their fund managers, with the proportion of investors that would consider investing with managers with a track record of two years or less falling from over 50% in 2009 to 38% in 2010.
- Investors are more willing to invest in smaller funds. In 2009, 25% would only consider investing in funds with at least \$500 million in assets under management. In 2010, this figure has fallen to 19%.
- 72% of funds of hedge funds on the Preqin database will invest with an emerging manager and a further 13% would consider such an investment.

To view the report in full, please view this month's Preqin Hedge Fund Spotlight:

[http://www.preqin.com/docs/newsletters/HF/Preqin Hedge Fund Spotlight Dec 2010.pdf](http://www.preqin.com/docs/newsletters/HF/Preqin_Hedge_Fund_Spotlight_Dec_2010.pdf)

Comment:

"The industry contracted following the market crisis, and most funds lost assets. Investors have recognized this and are now willing to invest in smaller funds. Although investors are wary of investing in funds in their very early stages, fund managers that are able to build up a track record through investment of their own capital, or of a small fund, will be attractive to the institutional market. In 2011 we can expect investors to continue to look at smaller, and indeed emerging fund managers, and more capital to flow into the sector."

Amy Bensted, Manager - Hedge Fund Data.

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:

- Please note that Preqin has completely replaced Private Equity Intelligence as the official company name.
- Preqin is spelled without the letter 'U' after the 'Q'.

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