

Preqin Research Report

Investor in Focus: US Investors in Emerging Markets

Key Facts: US Investors With A Preference for Emerging Markets

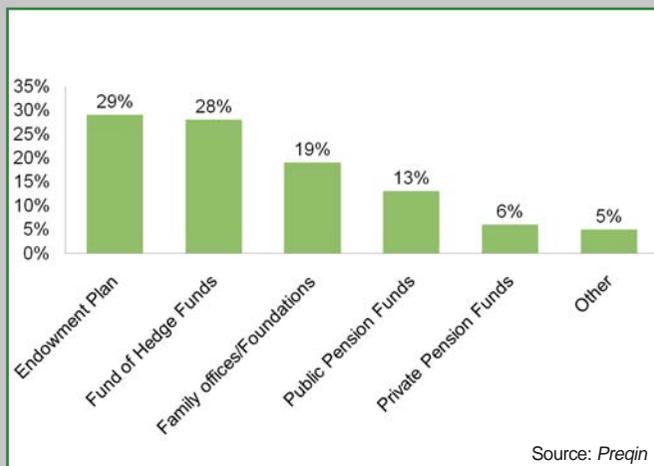
% of US investors that have a preference for emerging market hedge funds	17%
Most favoured investment approach (fund of hedge funds, direct hedge funds, mixture of both)	Direct
Average overall allocation to hedge funds for US investors allocating to emerging markets	19%

Source: Preqin

Approximately 54% of all active hedge fund investors on Preqin's investor database are US-based. Due to the vast expertise and range of both managers and funds available, many such investors have a tendency to invest the majority of their hedge fund allocation domestically. However, following the global financial crisis in 2008, many investors began to look for alternative investment opportunities and as a result, emerging markets have been a growing area of interest for US investors. Today, approximately 17% of all US-based hedge fund investors have an active interest in emerging markets. Although emerging markets have traditionally been viewed as highly volatile investments, many institutions have invested in the region because of the potential for high returns. This is at the forefront of many investors' immediate plans in the current economic climate due to the huge losses incurred during the market crash in 2008. The majority of US investors prefer to make direct investments, and approximately 50% of all US investments in emerging markets are in single manager hedge funds.

Long/short equity and macro strategies are the most popular strategies employed by US institutions investing in emerging markets. These are highly liquid strategies, which is of great importance to many investors in the current economic climate. Other strategies that are of interest to US investors include distressed securities, CTA and credit. Unsurprisingly, many funds of hedge funds managers are offering US investors exposure to emerging markets

Fig. 2: Breakdown by Type of US Institutional Investors Active in Emerging Markets



through their fund of funds vehicles. US endowment plans, foundations and pension funds are also looking to diversify their portfolios and increase their activity in emerging markets. These institutions are more established hedge fund investors with more hedge fund investment experience and are often the larger allocators to the asset class, with the ability to reposition their exposure to different regions.

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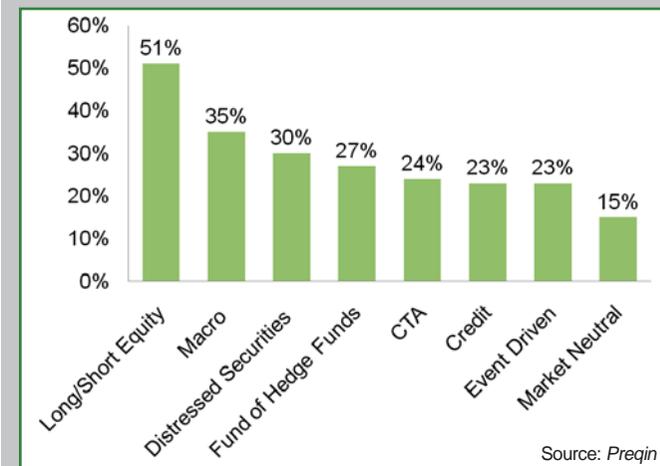
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Fig. 3: Strategic Preferences of US Investors Active in Emerging Markets



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