

Preqin Research Report

Strategy in Focus: Event-Driven Hedge Funds

Fig. 1: Key Facts: Investors Active in Event-Driven Funds

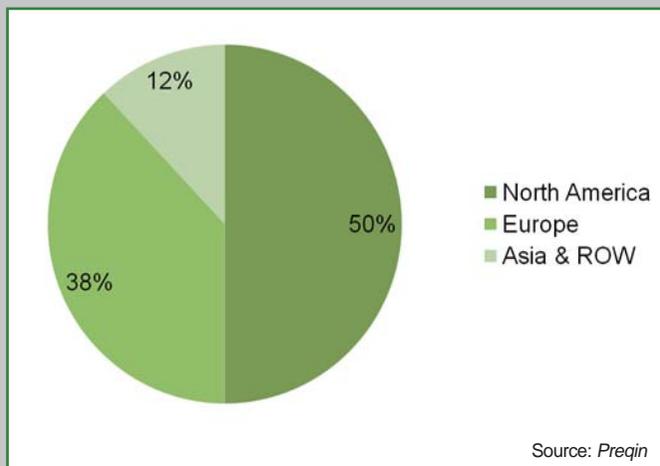
% of institutional investors that state event-driven as an active preference	12%
Median AUM of an event-driven investor (\$bn)	1.55
Average allocation to hedge funds of an event-driven investor	14.1%
Average returns sought from event-driven investments	8.3%
Average lock-up of an event-driven fund (months)	11
Most favoured investment approach	Direct HF

Source: Preqin

According to Preqin's database, there has been an upsurge of interest in event-driven hedge funds in 2009, which has carried over into 2010. Event-driven funds are predicted to offer some of the best returns this year due in part to the relative uncertainty in the overall market and the increase in the number of event-driven deals, such as mergers and distressed acquisitions taking place. Currently 12% of all institutional investors express an active interest in event-driven funds (Fig. 1). Half of such investors are based in North America (the majority are US-based), with a further 38% located across 16 countries in Europe (with 16% based in the UK) (Fig. 2). The remaining 12% of institutional investors are situated in Asia and Rest of World. Event-driven strategies are typically used by large institutional investors, that have the expertise and flexibility to allocate to a variety of strategies.

According to Preqin's database, which currently holds profiles for 301 investors with an active interest in event-driven funds, the majority (58%) of institutional investors active in event-driven hedge funds are funds of hedge funds (Fig. 3). These investors represent the most important sources of capital for event-driven managers, followed by endowment plans (11%) and public sector pension funds (10%). Some of the largest public pension funds stating this preference, include CalPERS, Texas TRS and New York State Common Retirement Fund. The

Fig. 2: Regional Breakdown of Investors Active in Event-Driven Funds



demand for event driven hedge funds has increased this year with strong returns encouraging other institutions to invest in event-driven strategies, including asset managers, foundations, private sector pension funds, insurance companies, family offices and investment banks.

The outlook for event-driven hedge funds this year is good as it is likely they will experience continued growth, as more institutional investors across the globe add these funds to their portfolio.

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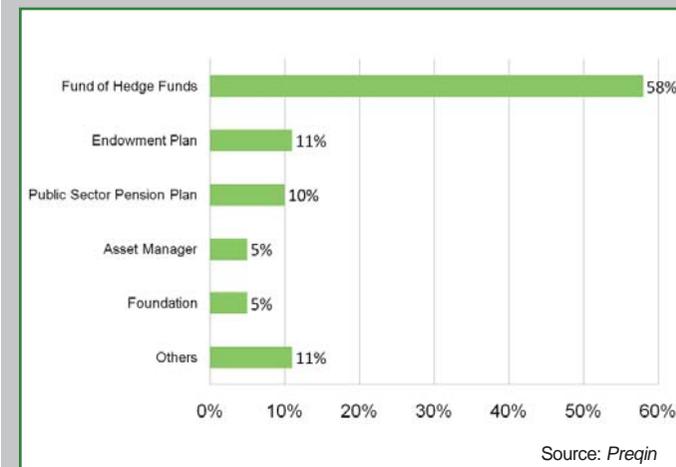
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Fig. 3: Breakdown by Type of all Institutional Investors Active in Event-Driven Hedge Funds



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