

Preqin Research Report

Strategy In Focus: Multi Strategy

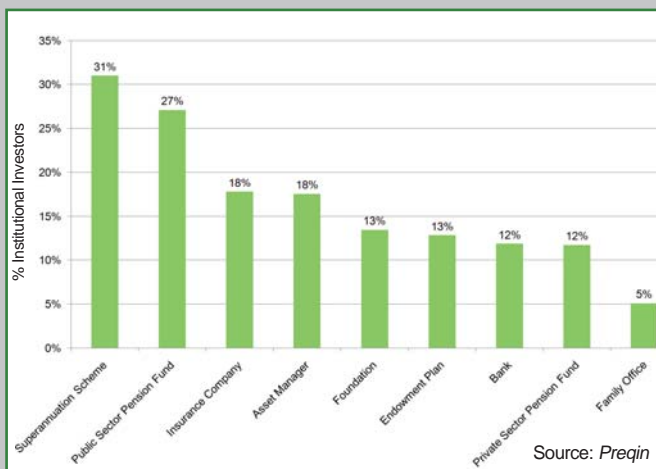
Key Facts: Investors Active in Multi-Strategy (Single Manager) Funds

% of institutional investors which state multi-strategy as an active preference	16%
Median AUM of multi-strategy investor (\$bn)	2.2
Average allocation to hedge funds of a multi strategy investor	10.1%
Average returns sought from multi strategy investments	7.9%
Average lock-up of a multi strategy fund (months)	7

Source: Preqin

This month we examined investors in multi-strategy hedge funds. Only a relatively small proportion of the institutional investors on the Preqin database, 16%, state a preference for such vehicles, with most investors either investing in funds of funds in order to diversify their portfolios or preferring to invest in a range of strategy-specific funds instead. However multi-strategy funds can offer the institutional market reduced volatility, steady sources of returns and reduced exposure to any one style asset class or investment style, thus reducing portfolio concentration risks. This risk mitigated diversification is appealing to the more conservative institutional investor and use of this type of fund is common amongst the superannuation schemes of Australasia as well as public pension funds in Europe and North America. They are also used to a lesser extent by insurance companies and asset managers (Fig. 2). The multi-asset, multi-style nature of multi-strategy funds often necessitates this kind of fund to be larger than the average single strategy hedge fund. As a result, it is mainly investors with larger ticket sizes that will commit to such funds. As such it is the investors with the most assets under management and the largest allocations to hedge funds that tend to be active in the

Fig. 2: Percentage of Institutional Investors With An Active Interest In Multi Strategy Hedge Funds



multi-strategy space. Investors in multi-strategy funds use this kind of vehicle for asset protection, rather than asset growth within their hedge fund portfolios, and on average seek absolute returns of 7.9% from their multi-strategy managers.

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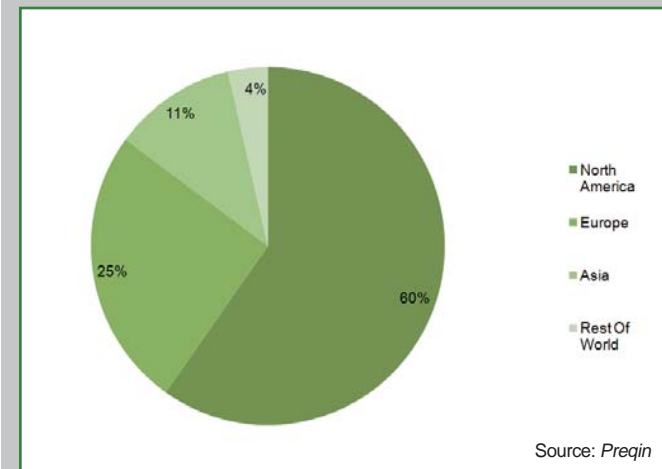
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Fig. 3: Regional Breakdown of Institutional Investors With An Active Interest In Multi Strategy Hedge Funds



Preqin monitors 274 institutional investors with an interest in multi-strategy hedge funds and 261 multi-strategy funds of funds.

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