

Preqin Research Report

Strategy in Focus: Credit Funds

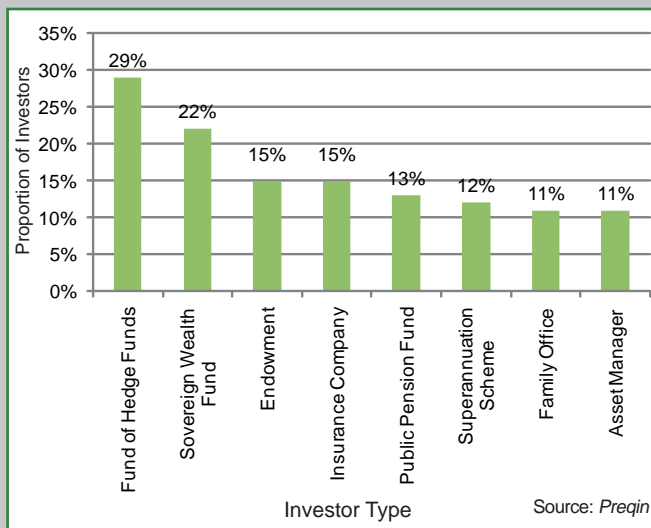
Fig. 1: Key Facts: Investors in Credit Funds

| | |
|---|-----------------|
| % of institutional HF investors that state credit as a preference | 15.5% |
| Median AUM of a credit investor (USD bn) | 1.8 |
| Average allocation to hedge funds of a credit investor | 13.1% / \$236mn |
| Average returns sought from credit fund investments | 7.7% |
| Most favoured investment approach (direct hedge funds, funds of hedge funds, mixture of both) | Direct |
| Average lock-up of a credit fund (months) | 11.3 |
| Maximum lock-up accepted by a credit fund investor (months) | 20.8 |

Hedge funds employing a credit strategy have continued to attract significant interest from around the globe, with 15.5% of institutional hedge fund investors monitored by Preqin declaring an active interest in this fund category. Although credit as a hedge fund strategy preference ranks relatively low relative to the likes of the traditional long/short equity and macro strategies, it is – for a second year running – the fastest growing strategy in terms of investor mandates over the past year. In addition, the growth in popularity comes at a time in which the average lock-up period for credit-focused hedge funds has fallen to below 12 months.

Interest in credit hedge funds over the past year, and going into 2011, is highest amongst fund of hedge funds managers, with approximately 29% of this investor type allocating capital to the space. Other prominent investors in credit managers include endowments and insurance companies, both with 15% of hedge fund investors within each respective category investing in credit hedge fund managers - mostly via direct means, rather than through funds of funds or a mixture of both. Direct investment in these types of funds is the preferred method across

Fig. 2: Proportion of Each Investor Type with a preference for Credit Funds



the board when considering all investor types in each region. Sovereign wealth funds, superannuation schemes and public pension funds are other groups of large investors in the sector. Examples of investors actively pursuing further investments in credit funds include the \$6.1 billion Arizona Public Safety Personnel Retirement System and the \$432 million Davidson College Endowment.

In terms of sheer volume, investors from North America and Europe are the largest sources of capital for credit funds. However, with over 21% of institutional investors in Asia committing capital to these types of funds, this is the region in which credit funds are most popular as a proportion of total institutional hedge fund investors in the region.

Join our group on



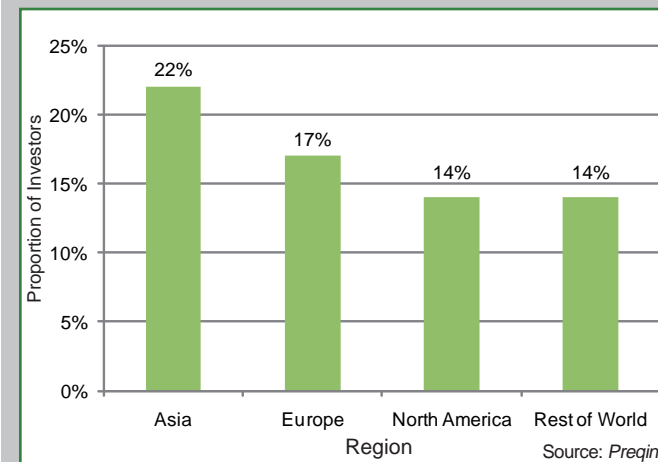
search for Preqin

Follow us on:



www.twitter.com/preqin

Fig. 3: Proportion of Hedge Fund Investors in Each Region with a Preference for Credit Funds



alternative assets. intelligent data.

Preqin Hedge provides the most comprehensive institutional investor information to hedge fund industry professionals available today. Whether you are a fund manager, third-party marketer, prime broker, consultant or advisor, Preqin Hedge is a vital information service. Our unique products include information on:

- > Institutional Investors
- > Funds of Hedge Funds
- > Advisors

Available as:

- > Consultancy and Research Support
- > Hard Copy Publications
- > Online Database Services
- > Tailored Data Downloads

For more information and to register for a demo, please visit:

www.preqin.com/hedge