

Preqin Hedge Fund Research Report Strategy in Focus Convertible Arbitrage

Fig. 1:
Key Facts
Convertible Arbitrage Investors

Key Facts	
% of institutional HF investors that state convertible arbitrage as a preference	5.93%
Average AUM of a convertible arbitrage investor	USD 9,974 million
Average allocation to hedge funds of a convertible arbitrage investor	19.80%
Average returns sought from convertible arbitrage investments	8.95%
Most favoured investment approach (fund of hedge funds, direct hedge funds, mixture of both)	Direct Hedge Funds

Despite a strong start, 2008 proved to be an *annus horribilis* for convertible arbitrage, with short selling bans, the nationalization of Fannie Mae and Freddie Mac and the bankruptcy of Lehman Brothers. These factors all contributed to certain managers losing six years of performance returns in six months over the latter half of the year. 2009, however, has marked a rally in the convertibles sector and some good investment opportunities have started appearing.

2008 saw a huge contraction in the number of managers running convertible arbitrage strategies, but, with fewer managers chasing these opportunities, many investors are seeing convertible arbitrage as a smart option, encouraged by the solid returns that managers have been producing over the first half of 2009.

The current investor interest in convertible arbitrage funds is dominated by funds of hedge funds in both North America and Europe. FoHFs are well equipped to react to the rapidly changing economic landscape, and convertible arbitrage funds have proved to be a good means of generating solid returns during 2009. Consequently, funds of funds are increasingly inclined to add these managers to their portfolios.

Providing convertible arbitrage continues to post consistent returns,

and institutional confidence picks up, we at Preqin predict that other groups of institutional investors will begin to invest greater sums of capital into such funds and convertible arbitrage managers will be able to pick up new mandates from a broader spectrum of investors.

Preqin currently holds profiles for 141 investors with an active interest in this sector, including 68 North America-based, 54 Europe-based and 19 Asia and Rest of World-based institutions.

Investor Profiles Online

See detailed profiles for over 2,400 investors of all types globally - pension funds, insurance companies, banks, foundations, endowments, family offices, funds of hedge funds and others.

Profiles include background, contact details, investment plans, preferences, assets under management, firms previously invested with and more.

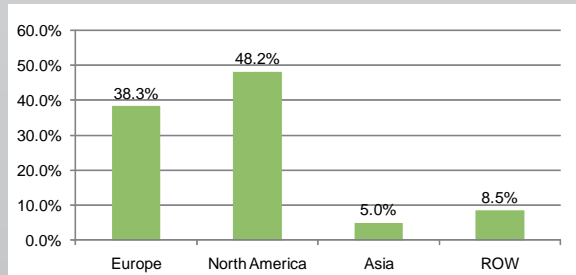
Investor News section keeps you up-to-date with the latest developments in the market.

Database constantly updated by our team of dedicated analysts.

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Fig. 2:
Regional Breakdown of Institutional Investors Active in Convertible Arbitrage Funds

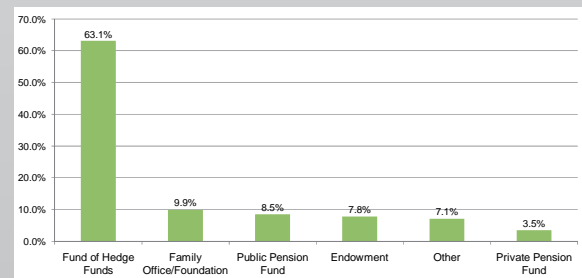


HF Investor Spotlight

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Fig. 3:
Breakdown by Type of Institutional Investors Active in Convertible Arbitrage Funds



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