

Welcome to the latest edition of Hedge Fund Spotlight, the monthly newsletter from Preqin providing insights into the hedge fund industry, including information on investors, funds, performance and more. Hedge Fund Spotlight uses information from our online product Hedge Fund Online, which includes Hedge Fund Investor Profiles and Hedge Fund Analyst.

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Hedge Fund Spotlight

May 2015

The \$1bn Club

Largest Hedge Fund Managers

In this month's feature article, we take a look at the '\$1bn Club', a group of the world's largest hedge fund managers, and identify the traits and characteristics that are unique to this distinguished group which controls a vast proportion of industry capital. [Page 2](#)

Largest Investors in Hedge Funds

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Preqin Investor Network

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You can download all the data in this month's Spotlight in Excel.

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The \$1bn Club: Largest Hedge Fund Managers

In this month's feature article, [Joseph McGee](#) takes a look at the '\$1bn Club', a group of the world's largest hedge fund managers, and identifies the traits and characteristics that are unique to this distinguished group which controls a vast proportion of industry capital.

Fig. 1: Top 10 Hedge Fund Managers by Assets under Management

| Firm | Firm Location | Total AUM (\$bn) | AUM Date |
|---------------------------------|---------------|------------------|------------------|
| Bridgewater Associates | US | 169.5 | 31 March 2015 |
| AQR Capital Management | US | 64.9 | 31 December 2014 |
| Man Investments | UK | 50.0 | 31 March 2015 |
| Och-Ziff Capital Management | US | 47.2 | 1 May 2015 |
| Standard Life Investments | UK | 35.3 | 31 December 2014 |
| BlackRock Alternative Investors | US | 31.8 | 31 December 2014 |
| Winton Capital Management | UK | 31.1 | 31 March 2015 |
| Viking Global Investors | US | 30.3 | 31 December 2014 |
| Millennium Management | US | 29.2 | 1 May 2015 |
| Lone Pine Capital | US | 29.0 | 31 December 2014 |

Source: Preqin Hedge Fund Analyst

Over the past year, hedge fund industry assets have increased, surpassing the \$3tn mark as of December 2014. One notable group active in this space is managers with at least \$1bn in assets under management (AUM) – the '\$1bn Club' – comprised of some of the largest hedge fund managers in the world. Being in the Club captures the attention of many institutional investors, but is no easy feat; many have steadily grown their assets over many years, withstanding both turbulent and stagnant periods and delivering returns to investors. New entrants to the Club have demonstrated superior performance to accumulate their assets or have shown credentials from previous firms to attract large amounts of capital.

Preqin's [Hedge Fund Analyst](#) shows that there are currently over 570 managers worldwide with at least \$1bn in hedge fund AUM, an increase of 63 managers from last year, representing a significant proportion (92%) of total industry capital. Here, we take a look at the \$1bn Club of hedge fund managers and identify the characteristics and attributes of what it takes to reach, and remain at, the top of the hedge fund industry.

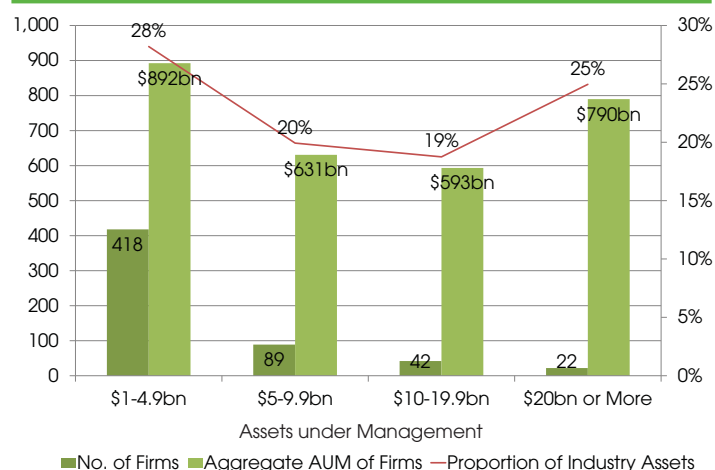
The Composition of the \$1bn Club

The recent growth in industry assets has been particularly noticeable among the largest hedge fund managers. Fig. 1 shows the 10 largest firms by AUM. Within this group, several members have experienced significant changes in AUM over the past 12 months. Bridgewater Associates is currently the largest hedge fund manager globally and increased its assets from over \$154bn in March 2014 to almost \$170bn in March 2015. Among other leading managers, the biggest mover was Man Investments, where a number of major acquisitions such as Numeric Investors (in June 2014) and NewSmith (February 2015) boosted the firm's hedge fund assets from just over \$28bn in March 2014 to \$50bn in March 2015. Not all managers have seen assets increase however, such

as BlueCrest Capital which fell out of the \$20bn+ bracket, partly due to spinning out its BlueTrend funds as Systematica Investments in January 2015.

In order to get a more complete picture of the \$1bn Club, it is necessary to look closer at its overall composition, both in terms of membership and strategies. Fig. 2 shows how assets are distributed between the larger and smaller members of the \$1bn Club. The vast majority of members manage between \$1bn and \$4.9bn, while on the larger end of the scale, 22 firms manage over \$20bn in hedge fund assets. Aggregate capital is heavily distributed at each end of the scale: firms in the \$1-4.9bn category have \$892bn in aggregate assets under management (28% of the industry) and firms managing over \$20bn have \$790bn (25%). The

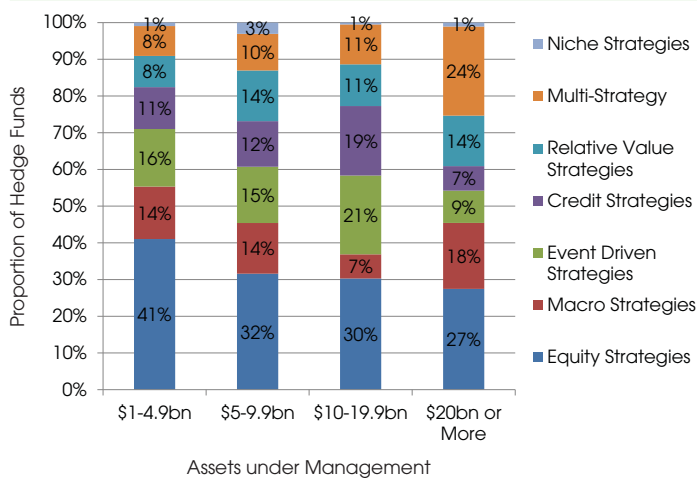
Fig. 2: Assets under Management Distribution Within the \$1bn Club



Source: Preqin Hedge Fund Analyst



Fig. 3: Breakdown of Strategies Used by Hedge Funds Managed by \$1bn Club Managers



Source: Preqin Hedge Fund Analyst

median assets under management for a \$1bn Club firm is \$2.4bn, reflecting the heavy concentration of firms in the \$1-4.9bn segment.

Strategy Preferences of the \$1bn Club

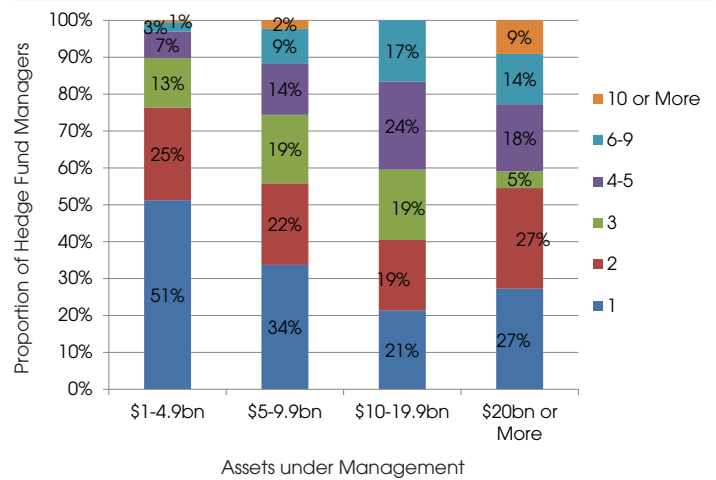
There are also significant differences within the \$1bn Club between the larger and smaller fund managers in terms of the range and number of strategies they employ. Smaller managers in the Club are more likely to offer equity strategies (as shown in Fig. 3) than all other AUM segments. This may reflect the difficulties in scaling core equity strategies funds without affecting performance.

Macro strategies and multi-strategy hedge funds are more common among the offerings of the largest fund managers. Eighteen percent of funds offered by managers with over \$20bn in AUM employ macro strategies. Multi-strategy funds have become more prominent among firms with over \$20bn, rising to 24% of funds from 20% last year. This in part can be explained by investor interest in the strategy's recent performance: in the 12 months to April 2015, the Preqin Multi-Strategy benchmark gained 8.47%, compared with 7.20% for all hedge funds.

Furthermore, larger hedge fund managers tend to have the infrastructure and internal resource to construct more complex and multi-layered strategies. With the expertise and experience in the space, such managers can profit from utilizing a multi-strategy approach that can provide further diversification within a single-manager structure, offer more scope to generate absolute returns and reflect the greater scalability of these funds. The model of multi-strategy investing is followed by firms such as Millennium Management, where capital is allocated across a range of separate trading teams with centralized risk controls, reducing the reliance on a single strategy to produce consistent returns and also reducing the risk of concentrated positions moving markets.

Fig. 4 shows that the largest fund managers are more likely to offer a range of strategies to their investors, and this can play a key part in providing managers with the consistency of performance that allows them to grow their assets. Forty-one percent of managers with over \$20bn in assets offered four or more strategies, compared to only 11% of managers with \$1-4.9bn in assets. By contrast, over half of fund managers with \$1-4.9bn in assets only offered a single core strategy to their investors.

Fig. 4: Breakdown of Number of Core Strategies Offered by \$1bn Club Managers



Source: Preqin Hedge Fund Analyst

Previous Experience and Age Help to Break into \$1bn Club

A number of new firms launched over the past year have reached \$1bn or more in assets. 2014 saw the likes of Darsana Capital Partners, Finepoint Capital, Hitchwood Capital Management, Shellback Capital, Three Bays Capital, Thunderbird Partners and Two Creeks Capital Management all launch debut funds that have grown to over \$1bn in AUM. A number of firms are reported to be targeting a similar result in 2015, including former Brevan Howard partner Chris Rokos's Rokos Capital Management and former Eton Park Capital Management partner Isaac Corre's Governors Lane. A common feature of all of these new launches is that the founders were all senior employees at other \$1bn Club hedge fund firms, suggesting the importance that investors attach to a background at a leading firm. In some cases, such as ex-Ziff Brothers employee David Fear's Thunderbird Partners, the managers were able to attract the backing of their former employers, which can help accelerate the growth of assets in a firm's early stages.

The two largest recent launches were both spinouts from other \$1bn Club firms: Systematica Investments taking control of funds it had managed for BlueCrest Capital with \$8.5bn in assets, and DW Partners leaving Brevan Howard Capital Management with \$6bn. While spinning out allows fund managers to bring a track record and some of their existing assets to the new firm, even these managers will likely require more time to become one of the largest firms. As Fig. 5 shows, the largest firms are on average several years older than smaller firms in the \$1bn Club. The series of recent fund launches in the \$1-4.9bn category means that the age difference between the largest and smallest firms is increasing. The mean year of establishment for firms with \$1-4.9bn in assets changed to 2001 from 1997 last year, reflecting an increase in new fund managers breaking into this category. By contrast, the mean year of establishment for firms with over \$20bn in assets changed to 1992 from 1991 over the same period.

New York and London Accommodate the Concentration of \$1bn Club Managers

Even as the overall membership and assets managed by the \$1bn Club have grown, there has been a notable concentration of members in the two financial centres of New York and London (Fig. 6). New York in particular has seen the number of hedge fund



Fig. 5: Mean Year of Establishment for \$1bn Club Managers by Assets under Management

| Assets under Management | Mean Year of Establishment |
|-------------------------|----------------------------|
| \$20bn or More | 1992 |
| \$10-19.9bn | 1995 |
| \$5-9.9bn | 1998 |
| \$1-4.9bn | 2001 |

Source: Preqin Hedge Fund Analyst

managers with at least \$1bn in assets increase from 174 to 202 last year, while the combined assets managed by these firms has increased from \$938bn to \$1,052bn. The number of firms with at least \$1bn in assets has also grown in London, from 80 last year to 83 at present, representing an increase from \$346bn to \$363bn in aggregate AUM over the same period.

Connecticut is home to 38 hedge fund firms in the \$1bn Club, totalling \$407bn in AUM, up from \$400bn last year. The proximity of towns in this state, such as Greenwich and Westport, to the financial hub of New York, combined with the state's historically lower tax rates, has made this an attractive destination for hedge fund managers. The presence of several of the largest managers in Fig. 1, such as Bridgewater Associates (\$170bn), AQR Capital (\$65bn), Viking Global Investors (\$30bn) and Lone Pine Capital (\$29bn) help explain the high density of AUM in the state.

The \$1bn Club remains overwhelmingly concentrated in North America, with 380 fund managers managing \$2,136bn in this region. This is followed by Europe, which accommodates 130 fund managers in the \$1bn Club and manages a total of \$598bn. Fewer members are based in the Asia-Pacific (45) and Rest of World (16) regions, managing an aggregate \$121bn and \$51bn in assets respectively. Asia-Pacific also has the lowest average AUM per fund manager at \$2.7bn, reflecting the challenges of raising assets even for the largest fund managers in this location. Members of the \$1bn Club are spread over 31 countries worldwide, an increase on 25 last year, showing the increasing dispersion of some of the largest fund managers in the world.

Outlook

The \$1bn Club is a notable group of hedge fund managers with a set of unique and desirable characteristics that make them some of the most prominent managers in the industry today, and who will continue to attract the attention of investors in the space. Even within this group, however, there are significant differences between the larger and smaller fund managers. The largest fund managers are more likely to offer a range of core strategies and show a preference for multi-strategy and macro strategy funds. All \$1bn Club firms are concentrated in the main hedge fund centres of New York and London, with a large proportion hailing from North America as a whole.

\$1bn Club members are also likely to be older or at least able to clearly demonstrate a strong track record at a previous firm, showing their ability to navigate through various market cycles and periods in the effort to attract and retain investor capital, as was the case for some new entrants.

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Subscribers to Preqin's **Hedge Fund Analyst** can click [here](#) to view a league table of the largest hedge fund managers in terms of assets under management.

Filter investors in the league table by core strategy, fund types managed and manager location for more precise results.

For more information, or to arrange a demonstration, please visit:

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Fig. 6: Top 12 Locations for \$1bn Club Managers

| Manager Location | No. of Hedge Fund Managers | Total AUM (\$bn) |
|------------------|----------------------------|------------------|
| New York | 202 | 1,052.1 |
| London | 83 | 363.3 |
| Connecticut | 38 | 407.1 |
| California | 35 | 178.7 |
| Massachusetts | 27 | 179.2 |
| Hong Kong | 22 | 56.2 |
| Illinois | 16 | 69.1 |
| New Jersey | 11 | 54.9 |
| Texas | 10 | 58.3 |
| Singapore | 7 | 18.7 |
| Florida | 7 | 24.1 |
| São Paulo | 6 | 28.1 |

Source: Preqin Hedge Fund Analyst



The \$1bn Club: Largest Investors in Hedge Funds

Following on from our feature article, [Simon Dhadwal](#) takes an in-depth look at the '\$1bn Club' of institutional investors allocating at least \$1bn to hedge funds, including the significance of this group, investment preferences and new entrants to the Club.

The past 12 months have seen mediocre performance generated by the industry as a whole and a handful of high-profile pension funds publically announced their intention to scale back their hedge fund allocations. Nevertheless, assets under management (AUM) across the industry increased during this period and inflows from institutional investors continue to pour in. Such inflows are driven by a number of large institutional investors allocating at least \$1bn to the asset class – collectively, they make up the investor \$1bn Club. Here, we take a closer look at the investors that form this elite network, their current hedge fund preferences and plans within the asset class over the next 12 months.

There are currently 227 institutional investors that have at least \$1bn invested in hedge funds. This figure is an increase on the 203 investors that were identified as members of the \$1bn Club of institutional hedge fund investors in a [Preqin study last year](#). Furthermore, growth is also evident in the aggregate capital invested in hedge funds by these larger institutions, which amounts to \$735bn, a 13% increase on the \$650bn allocated to hedge funds as of May 2014.

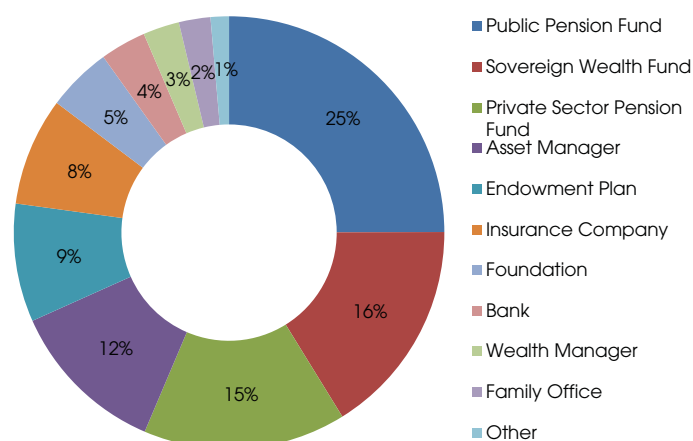
Who Are the New Entrants?

Over the past year, there have been 51 new entrants into the \$1bn Club. While insurance companies represented the largest proportion (22%) of new entrants last year, private sector pension funds make up the largest proportion of new entrants at this time, accounting for 29% of the group. One example of a private sector pension fund that has joined the ranks of the \$1bn Club is Novartis Pension Fund, which over the past 12 months has increased its allocation to hedge funds from 5% to 8.2% of its total assets. Foundations make up the next highest proportion (16%) of new entrants to the \$1bn Club. By geography, the vast majority (77%) of these new large hedge fund investors that have entered the club are based in North America, followed by 15% based in Europe.

Characteristics of \$1bn Club Investors

Public pension funds account for the largest proportion of capital invested in hedge funds (25%) by the \$1bn Club of institutional investors (Fig. 1), a figure which remains unchanged from the Preqin study conducted last year. Over this period, hedge funds saw a handful of high-profile pension schemes, such as US-based CalPERS and Netherlands-based PFZW, withdraw from the space. At least for now, this appears to be the case among the very few, with other investors and public pension funds filling these vacated spaces, such as Employees' Retirement System of Texas and California State Teachers' Retirement System (CalSTRS) allocating more than \$1bn to the asset class.

Fig. 1: \$1bn Club Investors: Capital-Weighted Breakdown by Investor Type



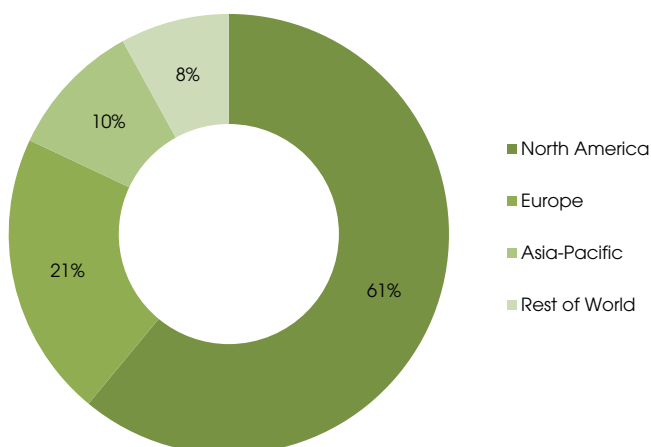
Source: Preqin Hedge Fund Investor Profiles

Moreover, sovereign wealth funds feature prominently among institutional investors with at least \$1bn committed to hedge funds and represent 16% of the total capital invested by this group. These funds continue to gain influence within the institutional hedge fund investment sphere, despite less than 10 such investors belonging to the roster of the \$1bn Club. One example of a sovereign wealth fund with over \$1bn allocated to hedge funds is Texas Permanent School Fund State Board of Education, which made its first investment in the asset class in 2008 as part of a strategic move to diversify its assets into the alternatives space.

Of investor capital held within the \$1bn Club, the largest proportion comes from investors based in North America (61%), as shown in Fig. 2, up from 54% of capital invested in 2014. North America is home to some of the largest hedge fund managers in the world (see page 4) and the region remains significant in \$1bn Club hedge fund investment activity. While North America has witnessed more capital being poured into hedge funds by its largest institutional hedge fund investors, this is to the detriment of investor capital coming in from Europe. The proportion of hedge fund capital invested by Europe-based investors in the \$1bn Club has fallen from 28% last year to 21% as of May 2015, representing a \$30bn decrease in the capital allocations to hedge funds made by Europe-based \$1bn Club members since last year. Stricter regulatory reforms have posed major challenges for many of the largest Europe-based institutional investors and the amount of capital they can commit to hedge funds. This includes Basel III for banks and the AIFMD across European Union-based investors which only previously deployed capital to hedge fund managers based outside the region.



Fig. 2: \$1bn Club Investors: Capital-Weighted Breakdown by Investor Location



Source: Preqin Hedge Fund Investor Profiles

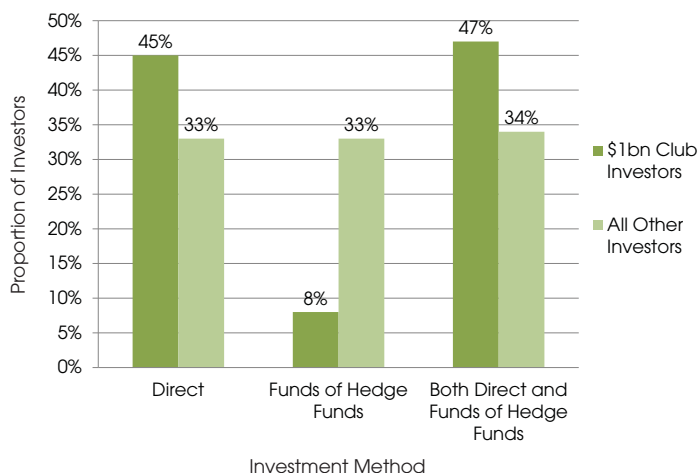
Moreover, Europe-based insurance companies have had to consider their allocations to hedge funds following Solvency II regulation that will levy capital charges of 49% on hedge fund investments. This directive is due to come into effect from January 2016 and has caused some of these insurance companies to weigh up moves to reduce their hedge fund allocations, or even exit the space entirely. This was the case with Norway-based insurance company, Storebrand, which withdrew from hedge funds in Q2 2014. This upcoming regulation may also have had some impact on the aforementioned reduction in the proportion of capital allocated by Europe-based \$1bn Club investors over the year, given that insurance companies account for 8% of total capital invested in hedge funds (Fig. 1), with around half of these investors based in Europe.

Meanwhile, the proportion of hedge fund capital invested by Asia-Pacific-based investors in the \$1bn Club stands at 10%, a minimal decline from 11% last year. However, thanks to a fundraising revival in the Asia-Pacific market in 2014 (123 funds launched in 2014 compared with 90 funds in 2013) there are more opportunities for the largest investors to allocate capital to these newest funds, and could translate into aggregate gains in capital invested in the region over the course of the year. Rest of World regions see large sovereign wealth funds account for the entire 8% of total capital invested in hedge funds by \$1bn Club investors.

\$1bn Club Investors vs. All Other Investors

While it appears that investors outside the \$1bn Club favour utilizing solely multi-manager vehicles in their hedge fund portfolios equally to single-manager hedge funds, or using a combination of both structures (Fig. 3), investors in the \$1bn Club are more inclined

Fig. 3: Preferred Method of Investing in Hedge Funds: \$1bn Club Investors vs. All Other Investors



Source: Preqin Hedge Fund Investor Profiles

to utilize a mixture of direct hedge funds and fund of hedge funds structures, accounting for nearly half of the \$1bn Club. Meanwhile, a small proportion (8%) of the \$1bn Club allocate to hedge funds solely through funds of hedge funds, principally as large investors tend to have the resources and experience available to them to manage hedge fund investments, bypassing the need to rely on the expertise of a fund of hedge funds manager. Investors in the \$1bn Club demonstrate their experience and expertise in the industry over their smaller counterparts in Fig. 4. On average, their first hedge fund investment was made 12 years ago while other investors, on average, entered the marketplace two years later. Moreover, \$1bn Club members tend to have a significantly larger number of hedge funds in their portfolio (typically 30) compared to the rest of the investor universe (8).

Furthermore, the \$1bn Club has increased its mean allocation of its total assets to hedge funds from 2014 (14.8%) to 2015 (15.9%), further demonstrating the positive sentiment which is driving long-term allocation plans for many institutional hedge fund investors. This is endorsed by the results of a survey conducted by Preqin in late 2014 to assess investors' allocation plans in 2015: 84% of respondents signalled their intention to either increase or maintain their hedge fund allocations over at least the next 12 months.

Furthermore, institutional investors with at least \$1bn invested in hedge funds require an average track record of three years from a fund, which is lower than the minimum expectation of all other investors at 3.7 years. However, primarily due to policies preventing them from making outsized investments in a single fund, they have a higher minimum requirement for an underlying fund's assets under management, which stands at \$695mn compared with \$515mn requested by other, smaller sized investors.

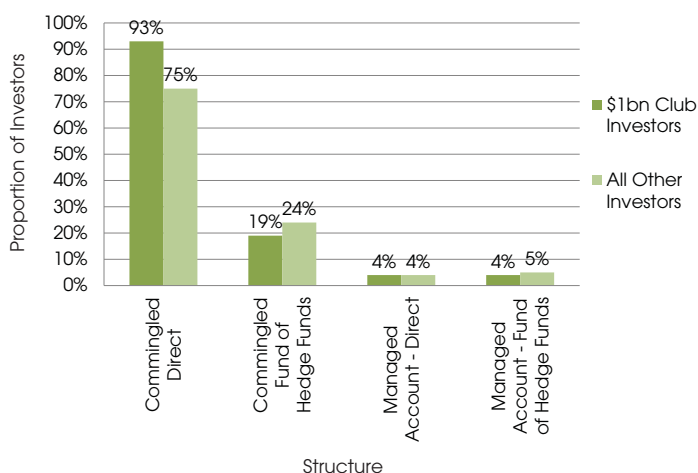
Fig. 4: Key Facts: \$1bn Club Investors vs. All Other Investors

| Key Facts | \$1bn Club Investors | All Other Investors |
|--|----------------------|---------------------|
| Mean Allocation to Hedge Funds (%) | 15.9 | 14.3 |
| Typical Number of Hedge Funds in Portfolio | 30 | 8 |
| Average Track Record Required (Years) | 3.0 | 3.7 |
| Average AUM Required for Underlying Funds (\$mn) | 695 | 515 |

Source: Preqin Hedge Fund Investor Profiles

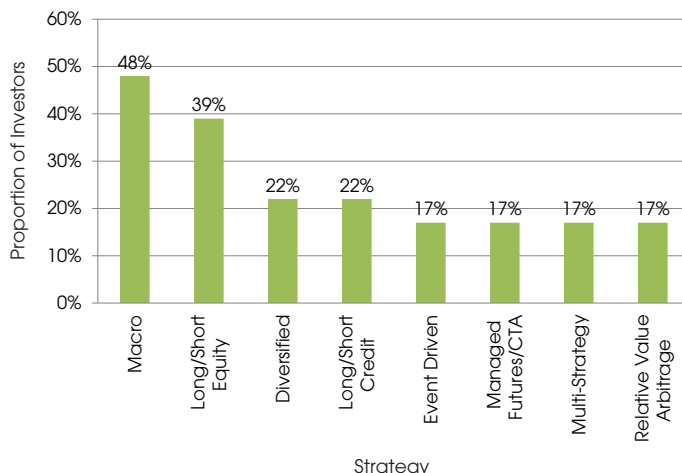


Fig. 5: Structures Sought over the Next 12 Months: \$1bn Club Investors vs. All Other Investors



Source: Preqin Hedge Fund Investor Profiles

Fig. 6: Strategies Sought by \$1bn Club Investors over the Next 12 Months



Source: Preqin Hedge Fund Investor Profiles

Investment Plans for the Next 12 Months

The appetite of investors in the \$1bn Club for hedge funds is further demonstrated by the future investment plans of some of the world's largest investors looking to access the potential rewards and benefits associated with the asset class. To emphasise the shift of the \$1bn Club towards direct investments, Fig. 5 shows that a significant proportion (93%) of these investors are targeting a commingled direct method of investment over the next 12 months, an increase on 87% of such investors identified by Preqin in May 2014.

Among the \$1bn Club, macro strategies are the most sought-after hedge fund strategy over the next 12 months, as Fig. 6 illustrates. Political tensions and significant economic policies such as the end of quantitative easing in the US and Europe have created many potential opportunities for macro investors, which have propelled macro strategies into 48% of \$1bn Club investors' searches. This is a notable reversal from this time last year when long/short equity was favoured by 50% of \$1bn Club investors (compared with 39% of searches in May 2015).

Meanwhile, long/short credit has gained more interest from these institutional investors over the past year, as the strategy currently features in the allocation plans for 22% of investors, compared with 17% in May 2014.

Outlook

Investors that form the \$1bn Club are significant players within the hedge fund industry, not just for the notable amounts of aggregate industry capital they manage, but also in the way they lead as key drivers of growth for hedge funds. Collectively, these investors allocate approximately \$735bn to hedge funds today, and their large ticket sizes make them valuable and desirable sources of institutional capital among hedge fund managers. These seasoned investors have been gaining exposure to hedge funds longer than their counterparts and continue to seek strong, risk-adjusted returns over the longer term. The rise in the number of \$1bn Club investors over the past few years shows that the appetite for major investment in the asset class remains strong, and with a healthy number of new entrants joining this elite group of investors, this appetite shows no signs of abating.

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Filter investors in the league table by investor type and location to pinpoint the largest investors of interest to you.

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Editor's View - Industry News

All eyes were on the UK earlier this month as the general election unfolded. [Selina Sy](#) takes a look at the hedge fund industry in the UK at this time and the notable activity taking place within the space.

With the Conservative Party, backed by many UK-based hedge funds, winning its first majority government since 1992, the election result has largely been seen as positive by the UK alternative assets sector.

Hedge Fund Launches in the UK

[Alternative Currency Management Fund](#) was launched on 1 January 2015 by Kent-based [Alternative Asset Management Limited](#). The fund employs a unique 100% systematic approach to trading the FX markets and seeks portfolio diversification and reduced risk exposure wherever possible by selecting only the most liquid 'major' currency 'pairs' that demonstrate very high daily liquidity. The firm has been running the strategy via a managed account since September 2012.

[Cairn Strata Credit Fund](#) was launched in January 2015. The fund is a long-biased fund investing across credit asset classes. The investment philosophy is to create a balanced portfolio with a view to delivering consistent and strong risk-adjusted returns by investing across diversified credit strategies in a range of market environments.

Hedge Fund Manager Launches in the UK

[Sealark LLP](#) was founded in 2015 by former Merrill Lynch head of proprietary option trading Ola Rosengren and ex-CEO of oil-based fund manager Vector Commodity Management, Edmund Gordon Clark. The firm is based in London and manages the [Lasham Commodity Fund](#) which was launched in May 2015. The fund trades volatility and relative value opportunities in commodity markets, with a focus on energy, renewable energy, dry freight and iron ore.

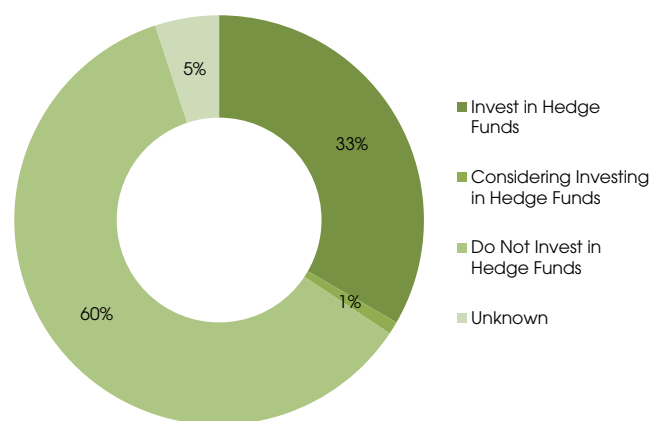
UK-Based Investors Investing in Hedge Funds

[Church Commissioners for England](#) is looking to make new hedge fund commitments over the next 12 months. With nearly £7bn in total assets, the endowment plan is likely to add at least one long/short equity hedge fund to its portfolio, but may also consider adding one or two new hedge funds that employ global macro, CTA, structured credit, relative value credit or event driven strategies. The endowment plan is a global investor in the asset class and will also consider emerging market funds. The endowment plan has a preference for managers with a minimum three-year track record and a fund size of at least £100mn. It will consider committing to new hedge fund managers as well as managers with which it already invests.

[London Borough of Havering Pension Fund](#), a Conservative borough, has continued to show support to hedge funds in 2015. The UK-based public pension fund invested £100mn in [GMO Global Real Return Fund](#) in January 2015. As of Q1 2015, the public pension fund had approximately 18.3% of its total assets allocated to hedge funds. It invests in the asset class through UCITS funds and seeks global exposure through a variety of strategies, including foreign exchange, long/short equity, long/short credit and macro.

Sovereign Wealth Funds Investing in Hedge Funds

Chart of the Month: Proportion of Sovereign Wealth Funds Investing in Hedge Funds



Source: 2015 Preqin Sovereign Wealth Fund Review

According to the recently launched [2015 Preqin Sovereign Wealth Fund Review](#), 33% of sovereign wealth funds worldwide currently invest in hedge funds. Such investors are unique in their positions as long-term allocators to the asset class as well as having large amounts of capital at their disposal. Many sovereign wealth funds active in the hedge fund space are equipped with the experience and expertise to profit from the complex strategies and potential rewards offered by hedge funds.

[Abu Dhabi Investment Authority \(ADIA\)](#) is one such sovereign wealth fund that has been an active investor in the asset class since 1986 as part of its financial alternatives strategy. The sovereign wealth fund looks to the asset class to provide diversification and gain positive returns during periods of market volatility when its other investments are in decline or producing low returns. ADIA's portfolio includes a broad range of investment strategies including global macro, relative value, event driven and market-neutral equity-focused funds.

Do you have any news you would like to share with the readers of Spotlight?

Perhaps you're about to launch a new fund, have implemented a new investment strategy, or are considering investments beyond your usual geographic focus?

Send your updates to spotlight@preqin.com and we will endeavour to publish them in the next issue.



More from Preqin: New Hedge Fund Research

In addition to our monthly Spotlight newsletters and publications, Preqin also publishes special reports and daily blogs covering all alternative asset classes. Read on to see what's new from Preqin this month in the hedge fund universe.

Blog of the Month

[Hedge Fund Investors Based in Middle East Emerge as Large, Sophisticated Global Investors](#)



Middle East-based investors have become an important source of capital for the hedge fund industry in recent years, owing to the large resources available to them and their level of activity within the asset class. Here, we take a look at the different groups of Middle East-based investors active in hedge funds and their significance within the industry as a whole.

According to Preqin's [Hedge Fund Investor Profiles](#), large investors in the Middle East, such as banks, sovereign wealth funds and family offices, each make up the largest proportion (11% each) of investors allocating capital to hedge funds...[click here to read the full blog](#).

New Research

[Liquid Alternatives: Investor and Fund Manager Outlook](#)



In this report, we examine the current universe of hedge funds structured under the UCITS and '40 act regimes, taking a closer look at the barriers to entry and the investors in these funds. [Download a copy](#)

[Preqin Quarterly Update: Hedge Funds, Q1 2015](#)



In Q1 2015 the Preqin All-Strategies Hedge Fund benchmark posted its best quarterly figure since Q4 2013. Here we present the latest fundraising, investor, fund manager and performance data for Q1. [Download a copy](#)

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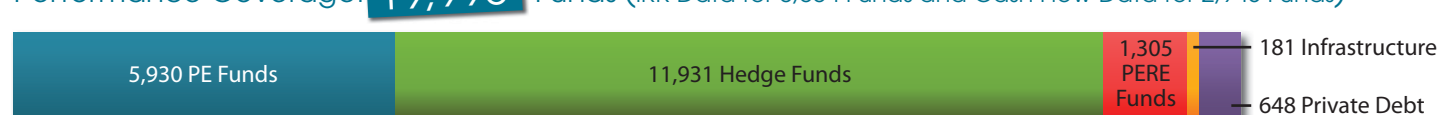
Fund Coverage: **43,073** Funds



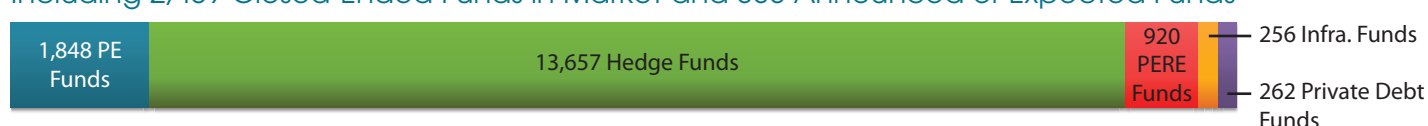
Firm Coverage: **20,448** Firms



Performance Coverage: **19,995** Funds (IRR Data for 6,004 Funds and Cash Flow Data for 2,948 Funds)



Fundraising Coverage: **16,943** Funds Open for Investment/Launching Soon
Including 2,459 Closed-Ended Funds in Market and 333 Announced or Expected Funds



Deals Coverage: **136,100** Deals Covered; All New Deals Tracked



Investor Coverage: **13,002** Institutional Investors Monitored,
Including 9,152 Verified Active**** in Alternatives and 96,128 LP Commitments to Partnerships



Alternatives Investment Consultant Coverage: **513** Consultants Tracked

Fund Terms Coverage: Analysis Based on Data for Around **10,390** Funds

Best Contacts: Carefully Selected from Our Database of over **318,897** Active Contacts

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*Private Equity includes buyout, venture capital, distressed, growth, natural resources and mezzanine funds.

**Buyout deals: Preqin tracks private equity-backed buyout deals globally, including LBOs, growth capital, public-to-private deals, and recapitalizations. Our coverage does not include private debt and mezzanine deals.

***Venture capital deals: Preqin tracks cash-for-equity investments by professional venture capital firms in companies globally across all venture capital stages, from seed to expansion phase. The deals figures provided by Preqin are based on announced venture capital rounds when the capital is committed to a company.

****Preqin contacts investors directly to ensure their alternatives programs are active. We emphasize active investors, but clients can also view profiles for investors no longer investing or with programs on hold.



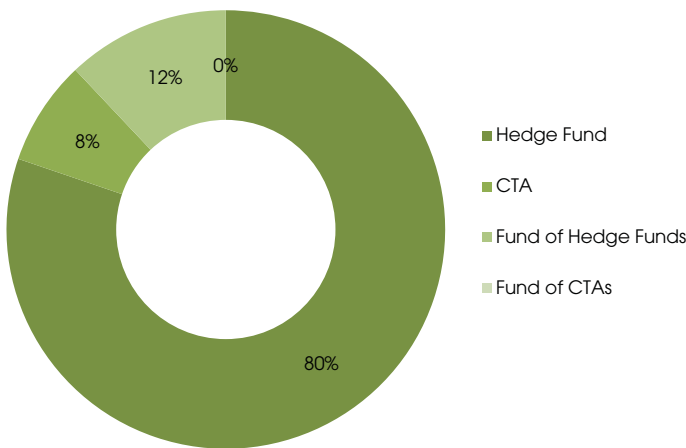
On the Network This Month: What Are Investors Searching For?

In this feature, we examine the activity of investors on [Preqin Investor Network](#) to see which fund types, strategies and regions are of current interest to investors, as well as which institutional investor types have been proactively looking at funds in April.

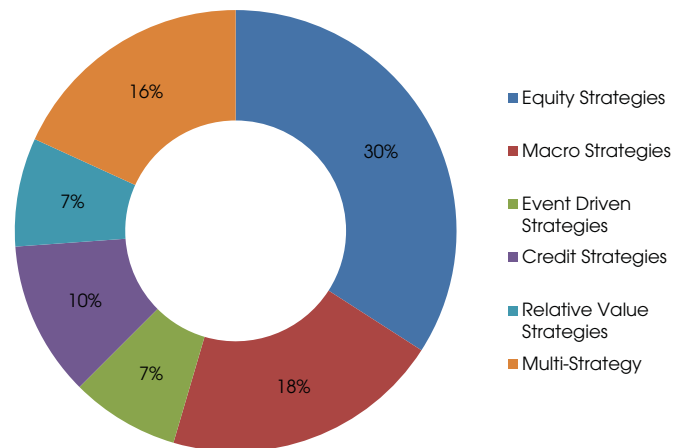
Preqin Investor Network is a unique system designed to help investors source and connect with alternative fund managers. Currently over 7,000 individuals at more than 3,600 institutional investor firms are using the Network to find and reach out to the 15,000 alternative investment funds open for investment. If you would like to find out more, please email: pin.info@preqin.com.

Fig. 1: Breakdown of Hedge Funds Reviewed by Investors on Preqin Investor Network by Fund Type, April 2015

Fig. 2: Breakdown of Hedge Funds Reviewed by Investors on Preqin Investor Network by Core Strategy, April 2015



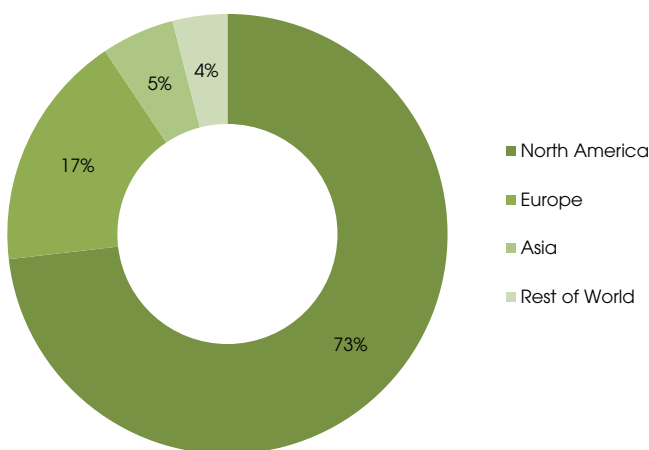
Source: Preqin Investor Network



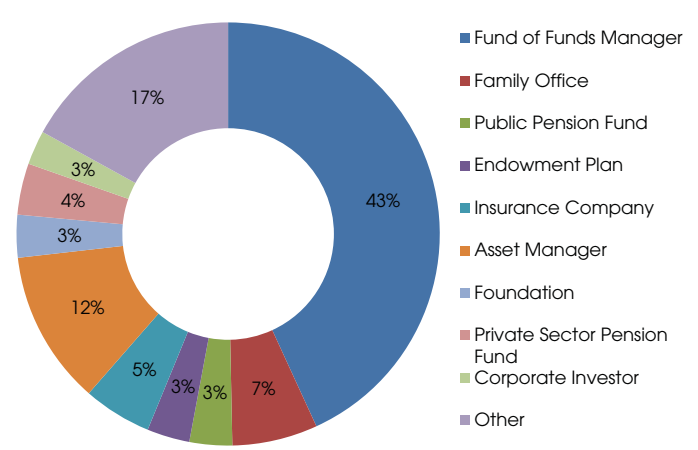
Source: Preqin Investor Network

Fig. 3: Breakdown of Hedge Funds Reviewed by Investors on Preqin Investor Network by Geographic Headquarters, April 2015

Fig. 4: Breakdown of Investors Searching for Hedge Funds on Preqin Investor Network by Type, April 2015



Source: Preqin Investor Network



Source: Preqin Investor Network

In Numbers: On the Network This Month

13,365

The total number of hedge funds currently available to review on the Network (as of 5 May 2015).

191

The number of hedge funds added to the Network in April.

To share information on your fund with hedge fund investors and have LPs contact you for information, email us at: pin.info@preqin.com.



Preqin Performance Benchmarks

April 2015

Fig. 1: Summary of Preliminary April 2015 Performance Benchmarks (Net Return, %)*

| Benchmark Name | Apr-15 | Mar-15 | 2015 YTD | 12 Months |
|---------------------------------|--------------|--------------|-------------|--------------|
| Hedge Funds | 1.28 | 0.74 | 4.23 | 7.20 |
| HF - Equity Strategies | 1.87 | 0.73 | 5.12 | 8.39 |
| HF - Event Driven Strategies | 0.97 | 0.47 | 3.24 | 1.76 |
| HF - Relative Value | 0.65 | 0.76 | 2.86 | 5.56 |
| HF - Macro Strategies | 0.11 | 1.17 | 3.37 | 7.58 |
| HF - Multi-Strategy | 1.21 | 0.95 | 4.94 | 8.47 |
| HF - Credit Strategies | 0.63 | 0.51 | 2.62 | 5.43 |
| Activist | 1.75 | 1.02 | 5.21 | 10.47 |
| Volatility | 0.14 | 0.55 | 2.45 | 3.93 |
| Discretionary | 0.92 | 1.01 | 4.29 | 7.53 |
| Systematic | 0.13 | 1.27 | 3.15 | 7.57 |
| HF - North America | 0.44 | 0.65 | 3.19 | 6.09 |
| HF - Europe | 0.44 | 0.74 | 4.41 | 4.46 |
| HF - Asia-Pacific | 5.18 | 1.61 | 9.07 | 16.23 |
| HF - Developed Markets | -0.20 | 0.77 | 3.66 | 8.44 |
| HF - Emerging Markets | 3.70 | 0.67 | 6.13 | 9.39 |
| HF - USD | 1.48 | 0.63 | 4.09 | 6.63 |
| HF - EUR | -0.03 | 0.38 | 3.06 | 2.76 |
| HF - GBP | 0.25 | 0.46 | 3.09 | 2.15 |
| HF - JPY | 0.62 | 0.88 | 2.43 | 9.89 |
| HF - BRL | 2.14 | 1.84 | 4.43 | 10.65 |
| Funds of Hedge Funds | 0.30 | 0.84 | 3.35 | 6.94 |
| FOHF - Equity Strategies | 1.04 | 0.91 | 4.68 | 8.91 |
| FOHF - Macro Strategies | -0.40 | 0.83 | 2.81 | 6.40 |
| FOHF - Multi-Strategy | 0.08 | 0.79 | 2.97 | 6.42 |
| Funds of CTAs | -5.56 | 2.13 | 1.49 | 23.17 |
| FOHF - USD | 0.40 | 0.67 | 3.01 | 5.55 |
| FOHF - EUR | 0.06 | 0.89 | 3.33 | 5.82 |
| Alternative Mutual Funds | -0.48 | -0.33 | 0.70 | 2.15 |
| UCITS | 0.64 | 0.52 | 3.79 | 4.94 |
| UCITS - Equity Strategies | 1.58 | 0.68 | 5.76 | 7.54 |
| UCITS - Relative Value | 0.36 | 0.32 | 1.72 | 1.84 |
| UCITS - Macro Strategies | -0.18 | 0.58 | 3.04 | 4.68 |
| UCITS - USD | 1.16 | 0.04 | 3.15 | 3.59 |
| UCITS - EUR | 0.20 | 0.78 | 4.18 | 5.72 |
| CTAs | -1.65 | 0.64 | 2.48 | 12.00 |
| Discretionary | -0.70 | 0.64 | 1.32 | -0.73 |
| Systematic | -2.10 | 0.81 | 3.11 | 14.81 |
| CTA - USD | -2.00 | 0.53 | 1.84 | 11.88 |
| CTA - EUR | -1.77 | 1.34 | 4.08 | 14.49 |

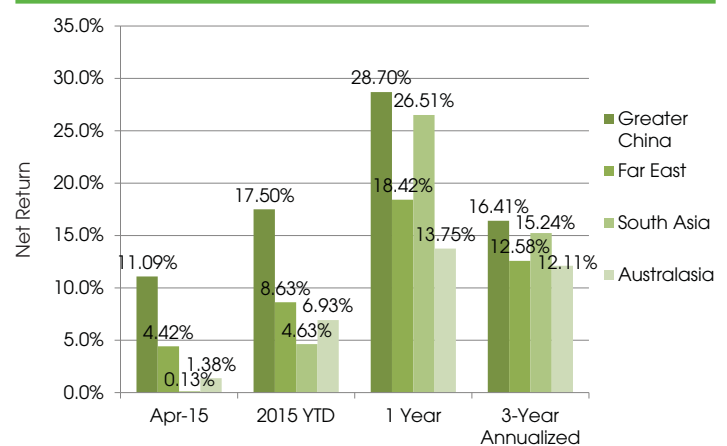
* Please note, all performance information includes preliminary data for April 2015 based upon net returns reported to Preqin in early May 2015. Although stated trends and comparisons are not expected to alter significantly, final benchmark values are subject to change.

Source: Preqin Hedge Fund Analyst

Hedge funds continued to generate positive returns in 2015 as April saw them deliver 1.28%, building on a first quarter return of 2.91%. While April saw all top-level strategies generate positive returns for investors, equity strategies were the top performing strategy for the second month in 2015, delivering 1.87% for the month.

Asia-Pacific was the best performing region throughout April (+5.18%) despite a strong month for emerging markets hedge funds (+3.70%) – the regional benchmark's best since January 2012. As shown in Fig. 2, Eastern Asia was the driving force behind Asia-Pacific's performance in April as Greater China-focused funds generated 11.09% for investors. CTAs bucked their recent trend of positive returns throughout 2015 to register their lowest return since October 2012, as both discretionary and systematic funds fell to -0.70% and -2.10% for April respectively. Funds of hedge funds have now achieved six consecutive months of positive returns, generating 4.95% for the six-month period.

Fig. 2: Performance of Asia-Pacific-Focused Hedge Funds



Return Period

Source: Preqin Hedge Fund Analyst

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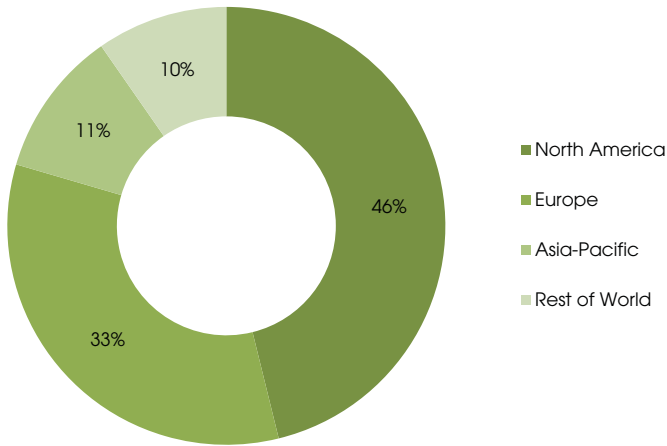
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In Focus: Macro Strategies Hedge Funds

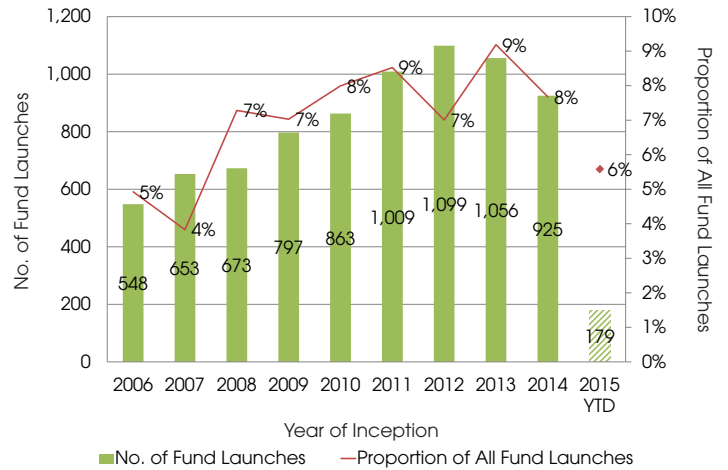
We provide a breakdown of Preqin's latest data on macro strategies hedge funds.

Fig. 1: Breakdown of Macro Strategies Hedge Funds by Manager Location



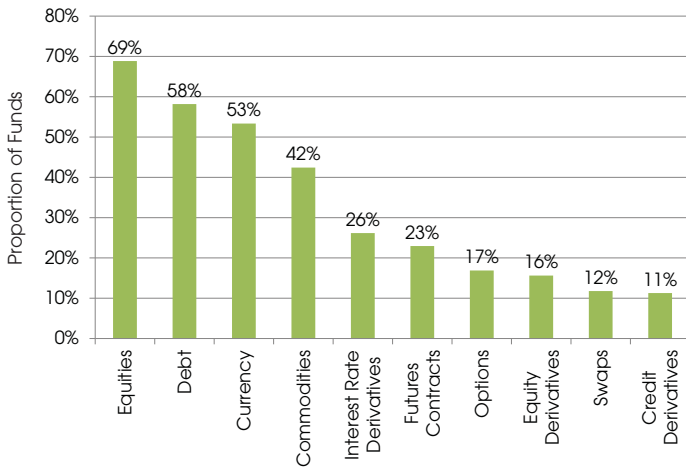
Source: Preqin Hedge Fund Analyst

Fig. 2: Number and Proportion of Macro Strategies Hedge Fund Launches by Year of Inception



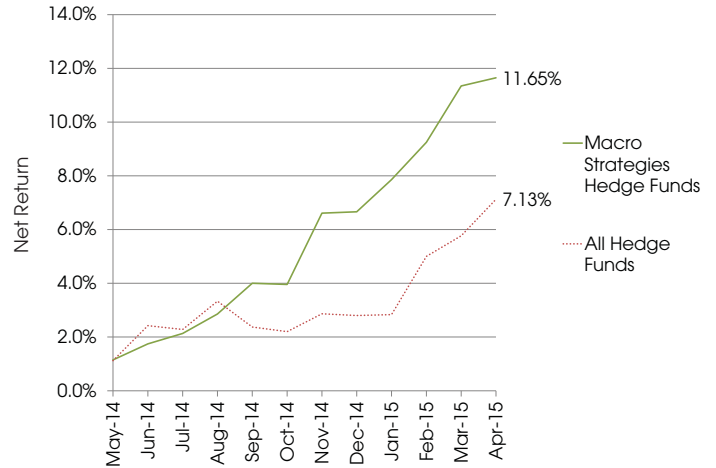
Source: Preqin Hedge Fund Analyst

Fig. 3: Top 10 Instruments Traded by Macro Strategies Hedge Funds



Source: Preqin Hedge Fund Analyst

Fig. 4: Cumulative Return of Macro Strategies Hedge Funds vs. All Hedge Funds, May 2014 - April 2015



Source: Preqin Hedge Fund Analyst

Fig. 5: Five Largest Macro Strategies Hedge Funds by Assets under Management

| Fund | Firm | AUM (\$mn) | Firm Location |
|--------------------------------------|----------------------------------|------------|---------------|
| Bridgewater All Weather Strategy 12% | Bridgewater Associates | 77,582 | US |
| Bridgewater Pure Alpha Strategy 12% | Bridgewater Associates | 72,350 | US |
| Brevan Howard Master Fund | Brevan Howard Capital Management | 25,800 | Jersey |
| Tudor BVI Global Portfolio | Tudor Investment Corporation | 10,228 | US |
| BlueCrest Capital International | BlueCrest Capital | 9,400 | Jersey |

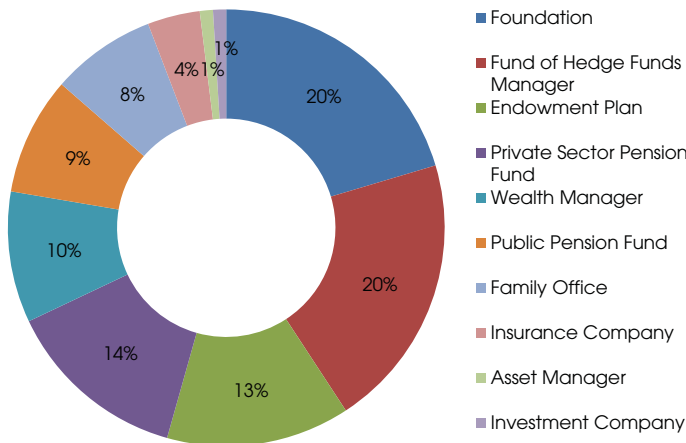
Source: Preqin Hedge Fund Analyst



In Focus: Chicago-Based Investors

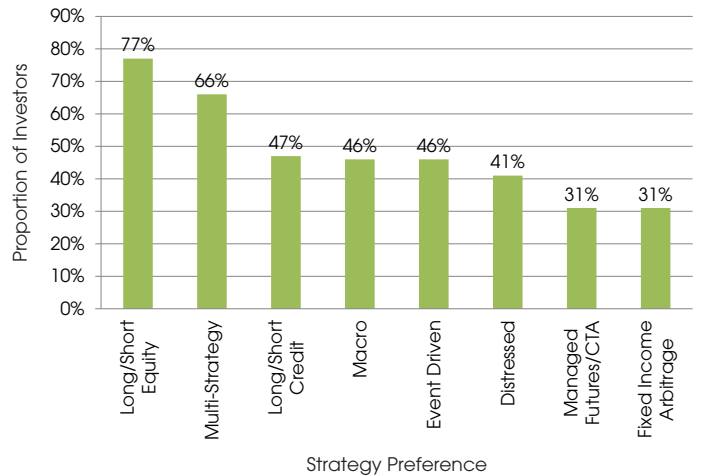
We take a look at hedge fund investors based in Chicago and find out which investor types are the most prominent in the city, which are the most utilized strategies and structures, and who are the largest investors.

Fig. 1: Breakdown of Chicago-Based Investors in Hedge Funds by Type



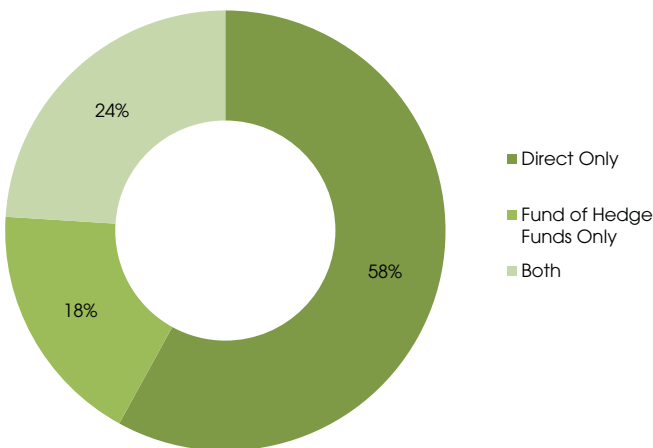
Source: Preqin Hedge Fund Investor Profiles

Fig. 2: Strategy Preferences of Chicago-Based Investors in Hedge Funds



Source: Preqin Hedge Fund Investor Profiles

Fig. 3: Structure Preferences of Chicago-Based Investors in Hedge Funds



Source: Preqin Hedge Fund Investor Profiles

Data Source

Preqin's **Hedge Fund Investor Profiles** tracks 102 investors in hedge funds based in Chicago, Illinois.

Detailed profiles include information on previous and current firm and fund investments, asset allocation, hedge fund investment preferences, key contact details and more.

For more information, or to arrange a demonstration, please visit:

www.preqin.com/hfip

Fig. 4: Top Five Chicago-Based Investors by Allocation to Hedge Funds

| Investor | Type | Hedge Fund Allocation (\$bn) |
|--|-----------------------------|------------------------------|
| Boeing Company Pension Fund | Private Sector Pension Fund | 3.1 |
| CNA Financial | Insurance Company | 2.3 |
| Alan M. Gold Development Co. Inc. Pension Plan | Private Sector Pension Fund | 1.9 |
| University of Chicago Endowment | Endowment Plan | 1.8 |
| Illinois State Board of Investment | Public Pension Fund | 1.5 |

Source: Preqin Hedge Fund Investor Profiles

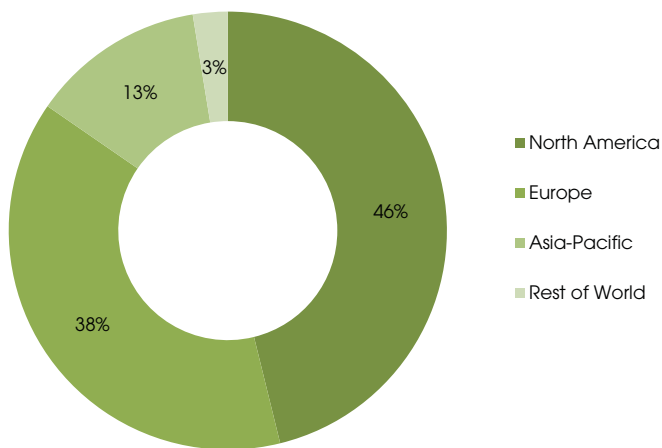


Fund Searches and Mandates

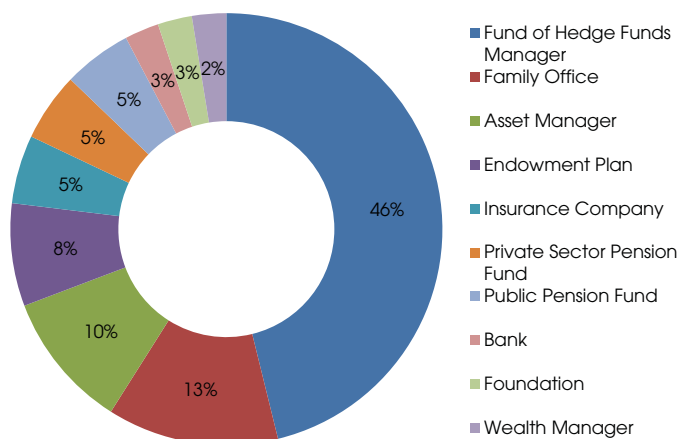
We look at the strategies and regions hedge fund investors plan to target in the year ahead, as well as which investors are planning new investments.

Fig. 1: Breakdown of Hedge Fund Searches Issued by Investor Location, April 2015

Fig. 2: Breakdown of Hedge Fund Searches Issued by Investor Type, April 2015

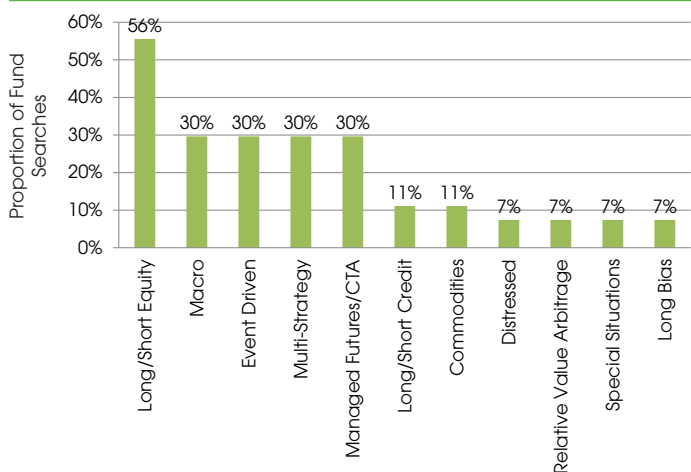


Source: Preqin Hedge Fund Investor Profiles



Source: Preqin Hedge Fund Investor Profiles

Fig. 3: Hedge Fund Searches Issued by Strategy, April 2015



Source: Preqin Hedge Fund Investor Profiles

Subscriber Quicklink

Subscribers can click [here](#) to view detailed profiles of 356 institutional investors in hedge funds searching for new investments via the **Fund Searches and Mandates** feature on Preqin's **Hedge Fund Investor Profiles**.

Preqin tracks the future investment plans of investors in hedge funds, allowing subscribers to source investors actively seeking to invest capital in new hedge fund investments.

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www.preqin.com/hfip

Fig. 4: Examples of Fund Searches Issued in April 2015

| Investor | Type | Location | Fund Search Details |
|---|-----------------------------|-------------|--|
| Pictet Alternative Advisors SA | Fund of Hedge Funds Manager | Switzerland | Pictet Alternative Advisors SA expects to increase its exposure to long/short and event driven strategies (particularly in Europe) in addition to CTAs and macro strategies funds. The firm is also looking to maintain its activity in liquid alternatives/UCITS funds. |
| Pontificia Universidad Javeriana | Endowment Plan | Colombia | Pontificia Universidad Javeriana is planning to invest in two new hedge funds over the next 12 months. It seeks new managers that will provide exposure to event driven and convertible arbitrage strategies. The endowment plan will only invest in single-manager funds. |
| Tulare County Employee Retirement Association | Public Pension Fund | US | Tulare County Employee Retirement Association will be actively looking for a new fund of hedge funds investment in the coming 12 months. The pension fund plans to set up further educational reviews on different hedge fund strategies in which the pension fund can invest. When committing to funds, it typically invests between \$5mn and \$30mn, and is willing to accept lock-up periods. The pension fund prefers to invest with managers with at least a five-year track record and at least \$100mn in assets under management. |

Source: Preqin Hedge Fund Investor Profiles



Conferences Spotlight

| Conference | Dates | Location | Organizer | Preqin Speaker | Discount Code |
|---|------------------------|-------------------|-----------------------------|----------------|------------------------------|
| European Family Office & Institutional Investment Forum | 3 - 4 June 2015 | Amsterdam | Opal Finance Group | - | - |
| Emerging Managers Summit | 8 - 9 June 2015 | Chicago, IL | Opal Finance Group | - | - |
| Catalyst Cap Intro: Emerging Markets Alternative Investing | 22 June 2015 | New York | Catalyst Financial Partners | - | - |
| gaim | 22 - 24 June 2015 | Monte Carlo | ICBI | Amy Bensted | £100 Discount - FKR2368PRQW |
| FundForum Africa 2015 | 22 - 24 June 2015 | London | ICBI | - | - |
| FundForum International 2015 | 29 June - 2 July 2015 | Monaco | ICBI | - | £100 reader offer for Preqin |
| Hedge Fund Startup Forum Asia 2015 | 8 July 2015 | Hong Kong | Informa | - | - |
| Family Office & Private Wealth Management Forum | 20 - 22 July 2015 | Newport, RI | Opal Finance Group | - | - |
| Cap Intro: L/S Equity Event Driven Alternative Investing | 21 September 2015 | New York | Catalyst Financial Partners | - | - |
| 21st Annual Alpha Hedge West Conference | 27 - 29 September 2015 | San Francisco, CA | IMN | - | - |
| Hedge Fund Startup Forum Zurich | 22 October 2015 | Zurich | Informa | - | - |
| Cap Intro: Credit Fixed Income Alternative Investing | 26 October 2015 | New York | Catalyst Financial Partners | - | - |
| Family Office & Private Wealth Management Forum – West | 28 - 30 October 2015 | Napa, CA | Opal Finance Group | - | - |
| The 7th Annual Women's Alternative Investment Summit (WAIS) | 5 November 2015 | New York | Falk Marques Group | - | - |
| Quant World Canada 2015 | 12 November 2015 | Toronto, ON | Terrapinn | - | - |
| Wealth Management Americas | 18 - 19 November 2015 | Miami, FL | Terrapinn | - | - |
| America's Family Office Forum | 18 - 19 November 2015 | Miami, FL | Terrapinn | - | - |
| Alternative Investing Summit | 9 - 11 December 2015 | Dana Point, CA | Opal Finance Group | - | - |
| Cap Intro: Private Equity Fund Investing | 14 December 2015 | New York | Catalyst Financial Partners | - | - |

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Preqin attends and speaks at many different alternative assets conferences throughout the year, covering topics from hedge fund fundraising trends to alternative UCITS.

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Catalyst Cap Intro: Emerging Markets Alternative Investing

Date: 22 June 2015

Information: <http://catalystforum.com/node/313>

Location: New York City

Organizer: Catalyst Financial Partners

Catalyst Cap Intro Events are sector focused, investor driven events that host hand-picked investment managers and investors that are introduced to each other with a view to become investment partners. This Catalyst Cap Intro Event focuses only on the Emerging Markets alternative investing space.

Introductions are accomplished through private meetings which are arranged prior the events, in an investor driven fashion based on the merits of each investment manager and the requests made by the investors. If a manager has not enough interest, they may cancel their participation, with full refund of fees.

Hedge Fund Startup Forum Asia

Date: 8 July 2015

Information: <http://www.iirbcfinance.com/FKW52883PSPOT>

Location: Hong Kong, Asia

Organizer: IIR Finance Events

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