

The 7th Annual



The Premier Middle Eastern Asset Management Event

17 – 19 November 2013

Ritz-Carlton, Dubai International Financial Centre

<http://www.fundforumme.com/FKN2379PRQELhen>

£100 Reader Offer

Quote **VIP Code: FKN2379PRQEL** to claim

Dear Hedge Fund Spotlight reader

We are delighted to be partnering with the 7th annual **FundForum Middle East 2013 conference**, bringing together **250+** key stakeholders for the asset management industry, including Institutional Investors, Fund Buyers, Family Offices, Heads of Investment, Wealth Managers, Private & Retail Banks, Asset Managers and Investment Bankers all under one roof. This prestigious event will take place in **Dubai** from **17-19 November 2013**.

As a valued Hedge Fund Spotlight reader, we would like to offer you a **£100 discount** off the delegate booking fee.

Please visit the [event website](#) to download the **latest agenda, speaker line-up** and to [register](#) your place online. Bookings can also be made by email info@icbi.co.uk or by telephone +44 (0) 20 7017 7200.
Quote VIP Code: FKN2379PRQEL to claim your discount.

We look forward to seeing you in Dubai.

Kindest regards

Amy Bensted

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.

September 2013
Volume 5 - Issue 9

FEATURED PUBLICATION:

Preqin Investor Outlook: Alternative Assets, H2 2013



Click [here](#) to find out more or to download your complimentary copy.

New York:
One Grand Central Place
60 E 42nd Street
Suite 2544
New York
NY 10165
+1 212 350 0100

London:
Equitable House
47 King William Street
London, EC4R 9AF
+44 (0)20 7645 8888

Singapore:
One Finlayson Green
#11-02
Singapore 049246
+65 6305 2200

San Francisco:
580 California Street
Suite 1638
San Francisco
CA 94104
+1 415 635 3580

www.preqin.com
info@preqin.com

Twitter: www.preqin.com/twitter
LinkedIn: www.linkedin.com
Search for Preqin

Hedge Fund Spotlight

September 2013

Feature Articles

Asia-Pacific-Based Institutional Investor Universe

This month, we take a look at Asia-Pacific-based investors in hedge funds, including a complete breakdown of institutional investors based in the region, as well as their future investment plans and the strategies and regions they plan to target over the next 12 months.

Page 2

US – The Centre of the Hedge Fund Universe

With more hedge fund managers and investors by number located in the US than anywhere else in the world, we take a look at the role this prominent regions plays within the industry.

Page 6

Industry News

This month's industry news features Preqin's Amy Bensted's view on the news and issues within the hedge fund industry, including the global nature of the asset class today, the encouraging performance of event-driven hedge funds and investor appetite for funds of hedge funds.

Page 10

The Facts

[Performance Benchmarks](#) - Preqin's hedge fund performance benchmarks for August [Page 12](#)

[Europe-Based Hedge Fund Managers](#) - A look at managers based in the region [Page 14](#)

[Future Searches and Mandates](#) - We examine investors' latest searches [Page 15](#)

[Conferences](#) - Upcoming hedge fund conferences from around the world [Page 16](#)



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

Wherever you see this symbol, the data is available for free download on Excel. Just click on the symbol and your download will begin automatically. Feel free to use the data in any presentations, but please remember to cite Preqin as your source.

Free Subscription:

Click [here](#) to sign up to receive your free edition of Hedge Fund Spotlight every month!



Asia-Pacific-Based Institutional Investor Universe

Based on the newly-launched [Preqin Special Report: Asia-Pacific Hedge Funds, September 2013](#), Graeme Terry and Ivan Jincheng Han provide an overview of the Asia-Pacific-based institutional investor universe and their future investment plans.

Over recent years, the Asia-Pacific region had been growing in prominence in the investment community at large. Driven by the rapid economic growth of countries like China, one of the key developments has been the rapid expansion of the financial markets in the region. This development offered hedge fund managers in the region a multitude of investment opportunities, and also indirectly led to a gradual maturing of institutional investors in the region, with increasing numbers of investors based in Asia-Pacific looking to invest in hedge funds in search of higher yield and diversification.

Investor Location and Firm Type

Unsurprisingly, most of the investors in the region hail from the highly-developed capital markets. Asia-Pacific-based investors are largely concentrated in the developed economies of Japan (32%), Australia (31%), Hong Kong (11%) and Singapore (10%). Japan is home to a number of the largest investors in Asia-Pacific, including the asset manager Pension Fund Association, which currently allocates more than \$4bn to hedge funds.

Nearly 40% of investors based in the Asia-Pacific region are in the retirement fund sector (Fig. 1). Superannuation schemes from the more mature markets in Australia and New Zealand are the leading investor type, making up 17% of the Asia-Pacific-based investor pool, with fund of hedge funds managers and private sector pension funds each representing approximately 16% of investors. Besides fund of funds managers and pension funds, insurance companies and private wealth institutions, such as asset and wealth managers and family offices, form a significant number of the remaining investors based in the region.

Investor Allocations to Hedge Funds

Although superannuation schemes and private sector pension funds are the leading investors in Asia-Pacific in terms of numbers, institutions

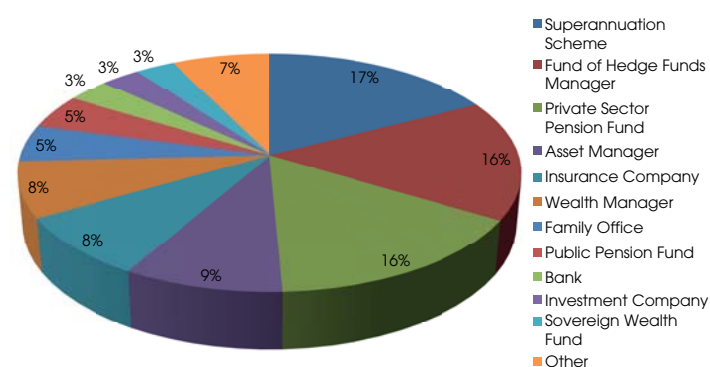
that make investments on behalf of high-net-worth individuals and their families are the leading allocators in terms of the proportion of their assets that target hedge fund investments in the region. On average, institutions that represent private wealth (e.g. wealth managers and family offices) from the region allocate 17% of their total assets to hedge funds, significantly more than that of private sector pension funds (13%) and superannuation schemes (4%), as shown in Fig. 2. This can be attributed to the higher risk tolerance and sophistication of these investors, which typically have been investing in hedge funds for a longer period compared to superannuation schemes and pension funds, that tend to generally operate under certain risk and allocation constraints and are less experienced investors in hedge funds.

The outlook for hedge funds among Asia-Pacific-based institutional investors appears positive, with 41% of investors surveyed by Preqin in Q3 2013 based in the region looking to increase their hedge fund allocations over the coming 12 months (Fig. 3). A further 45% of investors expect to maintain their hedge fund allocations, with just 14% of investors expecting their hedge fund allocations to decrease over the coming year. With such a large proportion of investors looking to put more money to work in the asset class, and a significant proportion directing this towards the Asia-Pacific region, we can expect hedge fund assets in the region to grow significantly in the near future.

Investor Perception of Hedge Fund Performance

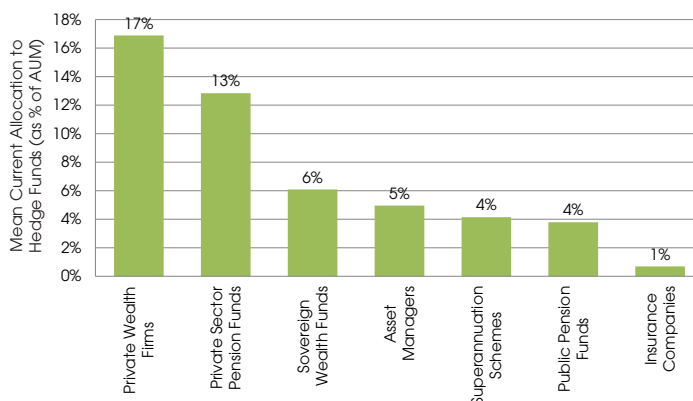
In interviews conducted by Preqin in Q3 2013, the majority of Asia-Pacific-based institutional investors in hedge funds stated that the asset class had met or exceeded their expectations in the last 12 months. Forty-three percent of Asia-Pacific-based investors interviewed felt that hedge funds had met their expectations and a further 38% stated that the asset class had outperformed their expectations (Fig. 4). Only 10% of investors in a similar global study indicated that hedge fund investments had exceeded expectations, highlighting that Asia-Pacific

Fig. 1: Breakdown of Asia-Pacific-Based Investors by Type



Source: Preqin Special Report: Asia-Pacific Hedge Funds, September 2013

Fig. 2: Mean Current Allocations of Asia-Pacific-Based Investors to Hedge Funds by Investor Type (as % of AUM)



Source: Preqin Special Report: Asia-Pacific Hedge Funds, September 2013

investors have been more satisfied with hedge fund returns than their global counterparts. This can largely be attributed to many investors in the region directing capital to local managers, and Asia-Pacific funds performing particularly well over the past 12 months. This also shows a substantial improvement on last year, as a previous Prequin study of Asia-Pacific-based investors in March 2012 revealed that 68% of investors felt hedge funds had fallen short of expectations over the previous 12 months as a result of disappointing performance during 2011. In terms of strategies, those trading equities, such as long/short equity, were commonly cited by Asia-Pacific-based investors as having exceeded expectations, while a number of investors felt that funds with a debt focus such as fixed income strategies had fallen short of expectations.

This strong performance of hedge funds relative to expectations has led to an increase in investor confidence in hedge funds; 43% of Asia-Pacific-based investors surveyed revealed that their confidence in the asset class had grown in the past 12 months, and 48% of them felt that it was unchanged (Fig. 5). Only about 10% of respondents reported a decrease in confidence in hedge funds over the past 12 months. With funds in the region performing well and confidence on the increase (Fig. 5), this is leading to more investors looking to increase their allocations to hedge funds in the future (Fig.3).

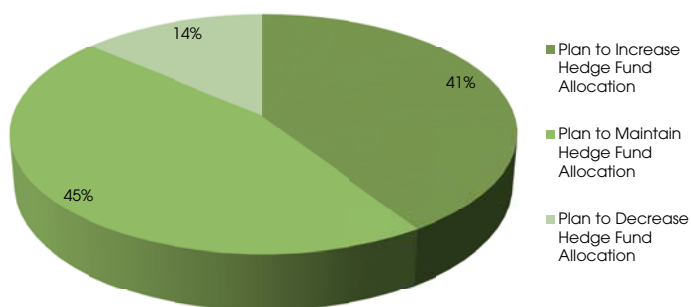
Despite the largely positive outlook among Asia-Pacific-based investors, general concerns remain with regards to the hedge fund industry looking

forward. A number of Asia-Pacific-based investors said they expected hedge fund returns to be lower in 2013 than 2012, suggesting that there are still concerns about the ability of hedge funds to produce consistent returns as a result of a drop-off in performance in Q2 2013. Risk profile was cited as a key consideration in the fund selection process by 48% of Asia-Pacific-based investors surveyed (Fig. 6) and a number of respondents mentioned volatility as a key issue for the industry currently. Volatility of returns is typically higher in Asia-Pacific funds than in other funds globally and this is something which may worry more conservative investors. A number of investors also indicated that transparency and performance remain key issues for the industry going forward.

Key Investment Considerations of Asia-Pacific Investors

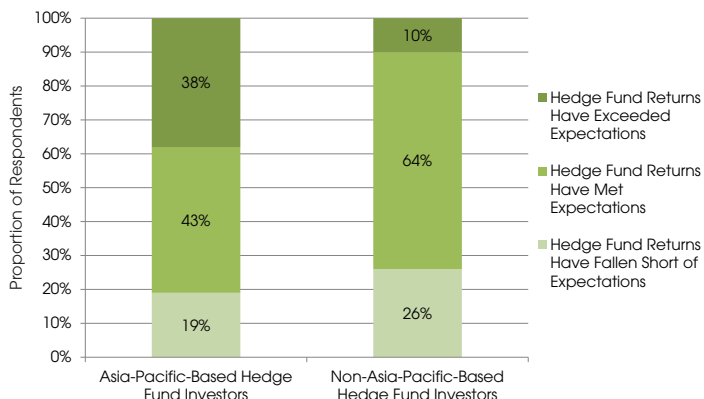
Although, in general, investors based in the region are looking into alternative assets in order to achieve greater returns over traditional assets, Fig. 6 shows that returns are not the most common consideration when these investors are assessing hedge fund managers. Eighty-three percent of respondents feel that how fund managers achieve their returns is a key consideration when they assess managers, with 65% highlighting performance as a key factor. This is similar to the trend noticed in Prequin's global investor study and highlights that investors are keen to thoroughly assess the strategy of funds rather than simply selecting funds with positive short-term performance. Other than fund

Fig. 3: Asia-Pacific-Based Investor Plans for their Hedge Fund Allocations over the Next 12 Months



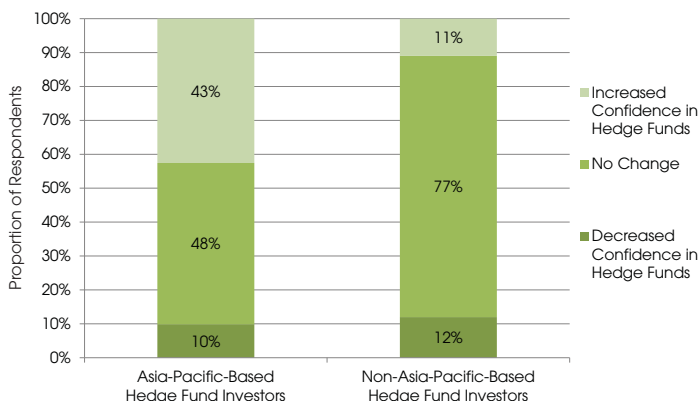
Source: Prequin Special Report: Asia-Pacific Hedge Funds, September 2013

Fig. 4: Hedge Fund Portfolio Performance Relative to Expectations of Institutional Investors: Asia-Pacific Based vs. Non-Asia-Pacific-Based Hedge Fund Investors



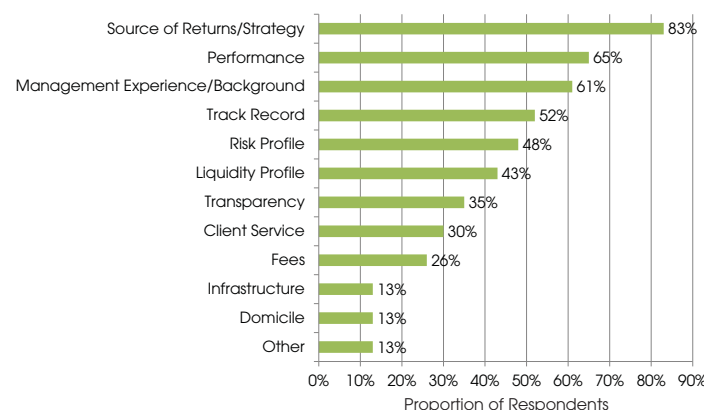
Source: Prequin Special Report: Asia-Pacific Hedge Funds, September 2013

Fig. 5: Change in Investor Confidence in Hedge Funds over the Last 12 Months: Asia-Pacific-Based vs. Non-Asia-Pacific-Based Hedge Fund Investors



Source: Prequin Special Report: Asia-Pacific Hedge Funds, September 2013

Fig. 6: Key Factors Used by Asia-Pacific-Based Institutional Investors to Evaluate Hedge Fund Managers



Source: Prequin Special Report: Asia-Pacific Hedge Funds, September 2013

strategy and performance, investors firmly believe that the track record of both the fund and fund manager is an important factor, with 61% of the Asia-Pacific-based investors surveyed naming the experience and background of fund managers as an important consideration and 52% looking into the track record of funds.

Strategic and Geographical Preferences

Fig. 7 shows the breakdown of the top 10 hedge fund strategies that investors from Asia-Pacific will be looking to invest in over the next 12 months. Diversified portfolios are the most common, followed by the traditionally sought after and currently successful long/short equity vehicles, as well as macro funds. Macro and managed futures funds are more sought after among Asia-Pacific-based investors than among all investors globally; long bias strategies are also more prominent in the region. Investors based in Asia-Pacific are also showing a significant interest in investing in fixed income and credit strategies in comparison to their non-Asia-Pacific-based peers. This indicates that investors based in Asia-Pacific have recognized that the deepening credit markets in the region are providing hedge fund managers with ample trading opportunities; this can provide investors with an alternative means of gaining credit exposure.

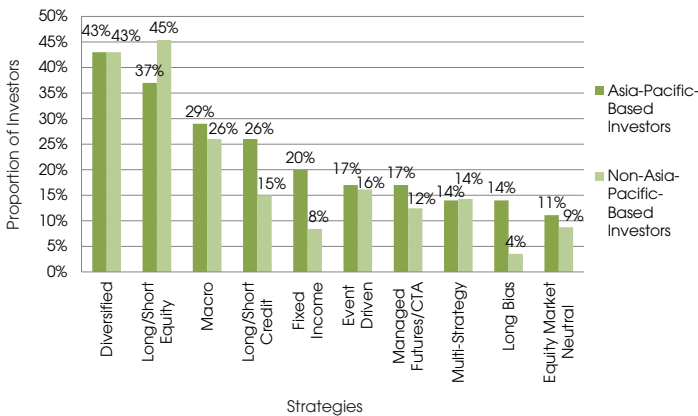
Most of the investors from Asia-Pacific will look to invest globally over the coming year (70%). However, investors based in Asia-Pacific continue to maintain a healthy interest in their home region, with 43% of these

investors expressing interest in gaining further hedge fund exposure in Asia-Pacific. This is in contrast with North America and Europe, with only 23% and 20% of Asia-Pacific-based investors specifically targeting these regions respectively.

Outlook

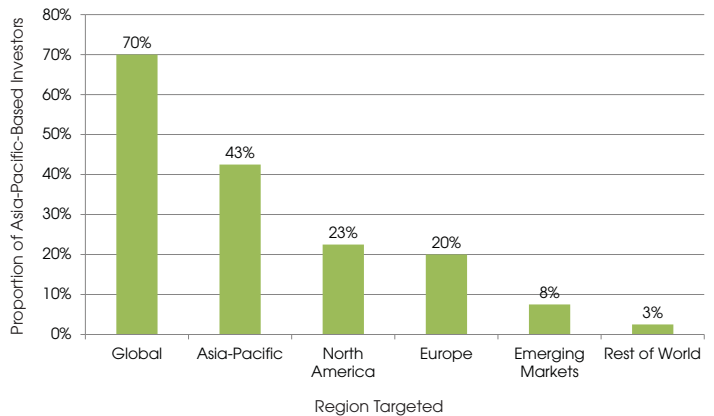
Asia-Pacific has been a growing region in the hedge fund industry in recent years as both investors and managers have realized the potential of this emerging region for alternative investments. However, the industry in the region has still yet to reach the share of wealth contributed by the wider economy in Asia-Pacific, meaning that there remains the potential for substantial growth in the future. Asia-Pacific-based firms represent approximately 13% of all hedge fund managers tracked by Preqin, but these firms represent less than 4% of total industry capital, largely due to the fact that funds within Asia-Pacific are both newer and smaller than those in the established regions of North America and Europe. However, hedge fund investment activity in the region seems to be in fairly good health, with encouraging performance recorded by Asia-Pacific funds over the past 12 months leading to investors within the region looking to increase their allocations to hedge funds over the next year.

Fig. 7: Breakdown of Hedge Fund Mandates Issued by Strategies Targeted: Asia-Pacific-Based Investors vs. Non-Asia-Pacific-Based Investors



Source: Preqin Special Report: Asia-Pacific Hedge Funds, September 2013

Fig. 8: Breakdown of Hedge Fund Mandates Issued by Asia-Pacific-Based Investors by Region Targeted



Source: Preqin Special Report: Asia-Pacific Hedge Funds, September 2013

Data Source:

The newly-launched [Preqin Special Report: Asia-Pacific Hedge Funds, September 2013](#) provides a detailed overview of the hedge fund industry in Asia-Pacific with a complete breakdown of institutional investors based in the region, as well as their future investment plans, including the strategies and regions they plan to target over the next 12 months. Click [here](#) to download your free copy today.

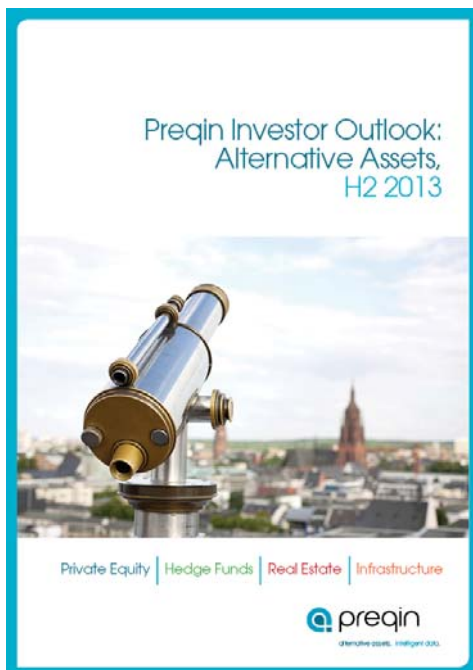
The report draws on data from Preqin's [Hedge Fund Investor Profiles](#) which contains detailed profiles for all 438 Asia-Pacific-based investors, including current and target allocation to hedge funds, strategy and regional preferences, future investment plans, key contact information and more.

For more information, or to register for a demonstration, please visit:

www.preqin.com/hedge

Preqin Investor Outlook: Alternative Assets, H2 2013

Based on the results of extensive interviews with 450 institutional investors in alternative assets, Preqin Investor Outlook: Alternative Assets, H2 2013 features in-depth analysis on:



- ▶ Investor appetite in the year ahead
- ▶ Strategies and geographies targeted
- ▶ Key issues in the industry today
- ▶ Satisfactions with returns
- ▶ Fund terms and conditions and more

For more information, or to download a free copy, please visit:

www.preqin.com/investoroutlook

US – The Centre of the Hedge Fund Universe

Drawing on data from the recently released [Preqin Special Report: US Hedge Fund Industry, September 2013](#), Amy Bensted takes a look at the role this prominent region plays within the hedge fund industry.

Since its inception in 1949 by Australian born but US-residing Alfred Winslow-Jones, the hedge fund industry in the United States has become an established hub. With \$1.74tn managed by hedge fund firms based in the country as of 1st September 2013, the US is home to more than 70% of the total capital at work in hedge funds today.

There are over 8,500 hedge funds managed by firms based in the US, with 46 of the nation's 50 states having at least some hedge fund management activity (Fig. 1). From Alabama to Wyoming there are investors in all 50 states which make some use of hedge funds as part of their wider portfolios.

In this article we will take a closer look at the US hedge fund industry today. Using Preqin's database of 2,726 US-based institutional investors and 3,257 US-based fund managers, we will examine the 10 most influential states in the hedge fund industry in the US in closer detail, as well as looking at the overall importance of the US in the global hedge fund industry. The 10 most influential states were categorized based on both the number and capital allocations of investors and fund managers based in each state.

US-Based Hedge Fund Investors

US-based institutional investors account for 55% of all institutional capital invested in hedge funds today. The US is home to a wide variety of investors with exposure to hedge funds, from banks with trillions in assets under management but tiny allocations to hedge funds (following the fall-out of Dodd-Frank and the Volcker Rule), to small family offices with more than 80% of their assets invested in hedge funds. As Fig. 2 demonstrates, the largest proportion of capital, when discounting funds of hedge funds, is invested by public pension funds. When looked at in combination with their corporate sector counterparts, pension funds account for 50% of the non-fund of hedge funds capital invested in hedge funds by US-

based institutions. Endowment plans and foundations comprise the remaining "big four" sources of capital for hedge funds looking to market in the US today.

Funds of hedge funds headquartered in the US manage a total of \$508bn, 65% of the capital managed by funds of hedge funds globally today. By state, New York is home to over 50% of this capital. Surprisingly however, Illinois, which is fifth in terms of the amount of single-manager hedge fund assets managed from the state, is the second largest region for funds of hedge funds in the US. Some notable funds of hedge funds, such as Grosvenor Capital Management and Mesriow Advanced Strategies, are headquartered in Chicago.

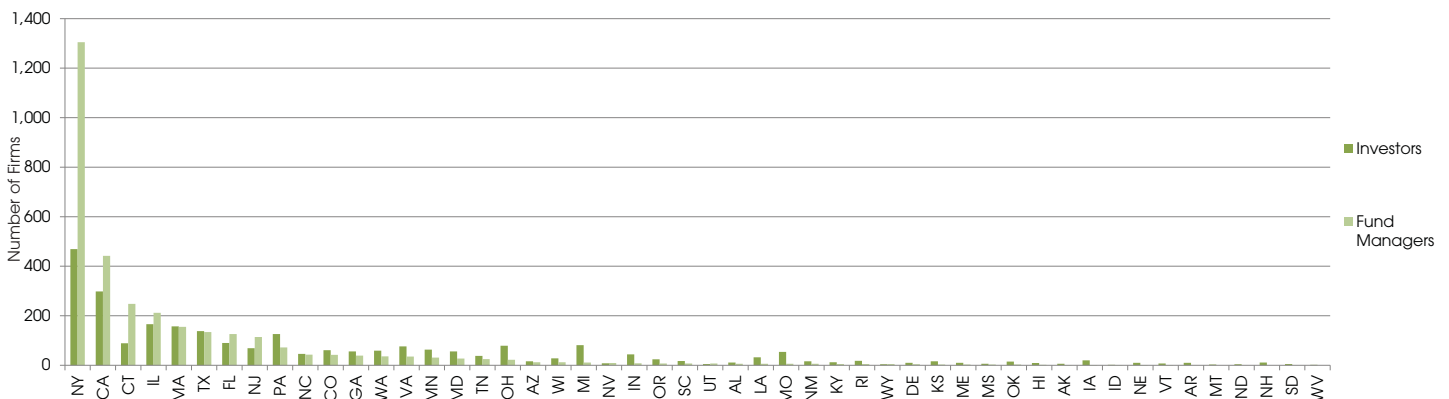
US-Based Hedge Funds

US-based hedge fund managers represent \$1.74tn in assets under management, 73% of all capital managed by hedge funds globally. Direct funds dominate the US hedge fund landscape: two-thirds of the vehicles run by US-based firms are single-manager hedge funds, with a further 19% in the multi-manager space. CTAs form a small but significant 8% of US-based funds, and interestingly 5% of funds managed by US-based hedge fund firms are structured under the European UCITS regime. The UCITS regime is an EU scheme to regulate and passport funds across the EU; although these vehicles are primarily attractive to Europe-based investors, we have seen an increased uptake of funds that follow the directive over the past few years from retail or smaller investors within the US looking to access hedge fund strategies in a regulated and liquid way.

Performance of US-Based Hedge Funds

US-based hedge funds have enjoyed strong performance over the past 12 months, posting a net return of 13.54%, easily

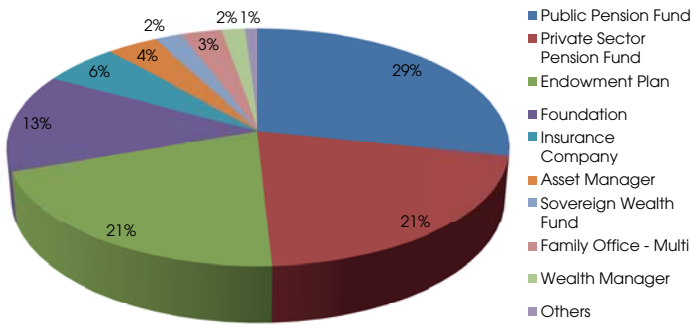
Fig. 1: Number of US-Based Hedge Fund Managers and Hedge Fund Investors by State



Source: Preqin Special Report: US Hedge Fund Industry, September 2013

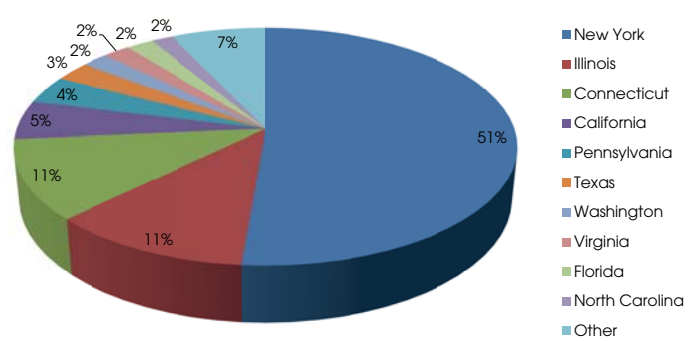


Fig. 2: Breakdown of Capital Invested in Hedge Funds by US-Based Institutional Investors by Investor Type



Source: Preqin Special Report: US Hedge Fund Industry, September 2013

Fig. 3: Breakdown of Assets under Management of US-Based Funds of Hedge Funds by Manager Location



Source: Preqin Special Report: US Hedge Fund Industry, September 2013

beating the global benchmark of 11.09%, and just falling short of the performance of Asia-Pacific hedge funds, which had an exceptionally strong start to 2013, largely down to a rally in Japan creating opportunities for hedge funds to trade off the interventions of Shinzo Abe and the so-called “Abenomics”.

In fact, US-based hedge funds have outperformed the global benchmark on a three- and five-year annualized basis. With such consistent performance and the presence of the largest and most

established funds on the globe, it is clear why investors both in the country and from overseas are attracted to hedge fund investment in the US.

Outlook

Despite hedge funds having had a rocky few years globally, as the credit crisis hit performance and the fundraising environment became more difficult, the US has enjoyed a faster and stronger

5th Annual

GAIMOps

International

12-14 November, 2013
Crowne Plaza Paris-République
Paris, France

Best Practices in
DUE DILIGENCE, COMPLIANCE,
and RISK MANAGEMENT for the
Alternative Asset Management Industry

WHY ATTEND?

➤ 150+ **CFOs, COOs, CCOs,** and **Heads of Operational Due Diligence** from leading global institutions and top-tier funds of funds and hedge funds in attendance

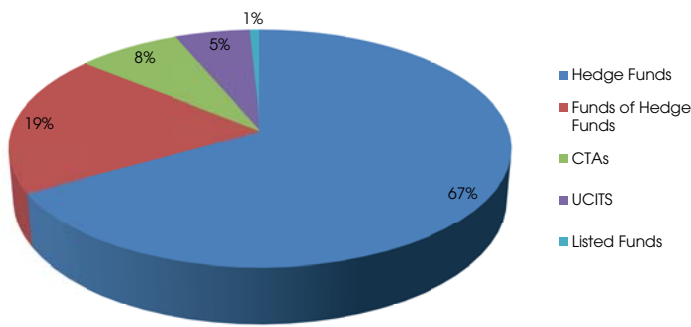
➤ **Best practices in due diligence,** from the perspective of the manager AND the investor, and **tips on meeting the compliance challenges** of the new European regulatory regime from compliance professionals

➤ Speaker-hosted **VIP lunch tables, champagne roundtables,** and **cocktail receptions** to give you the opportunity to share ideas with your peers and expand your network

SPONSORS

www.GaimOpsInternational.com

Fig. 4: Breakdown of US-Based Hedge Funds by Structure



Source: Preqin Special Report: US Hedge Fund Industry, September 2013

recovery than other regions across the globe and is currently growing the fastest in terms of assets under management, having grown by \$150bn in 2013 year to date.

The US is a key destination for those fund managers looking to pick up assets from institutional investors. Some of the largest and most prolific investors are based in the country, and these investors have stayed the course with hedge funds despite performance concerns over the past few years. Institutional investors in the region recognize the value that hedge funds can add to their portfolio to provide strong risk-adjusted returns and we have seen a shift in how investors in the US view hedge funds since the mid-2000s. Hedge funds are no longer the reserve of the wealthy individuals, family offices and a select group of endowments; institutional investors, in particular public and private sector pension funds, have begun to allocate significant sums to hedge funds to complement their traditional equity and fixed income portfolios, and we have seen investors using hedge funds as way to diversify their existing 60/40 model.

Data Source:

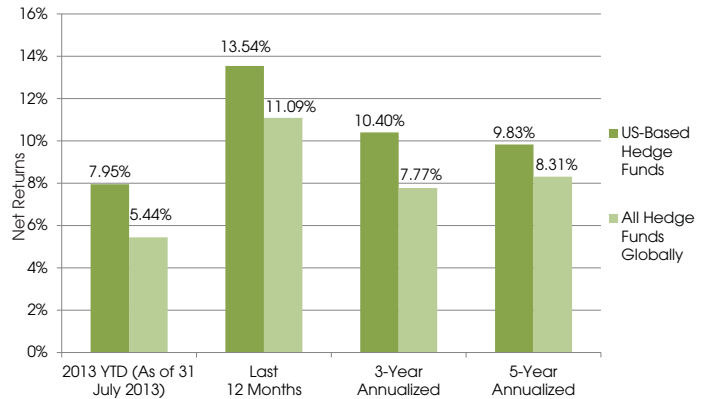
The data in this article is taken from the recently released [Preqin Special Report: US Hedge Fund Industry, September 2013](#), which provides a complete overview of the hedge fund industry in the US, covering how US-based hedge funds have performed in recent years and which structures they are utilizing, as well as key data about investors based in the country. Click [here](#) to download your free copy today.

Preqin's [Hedge Fund Online](#) tracks in-depth data on the US hedge fund market. Access detailed profiles of over 8,500 hedge funds managed by US-based firms, and over 2,700 hedge fund investors based in the country.

For more information on how Preqin's hedge fund data can help you, please visit:

www.preqin.com/hedge

Fig. 5: Performance of US-Based Hedge Funds Compared to All Hedge Funds Globally



Source: Preqin Special Report: US Hedge Fund Industry, September 2013

Fig. 6: Top 10 Largest States by Allocation to Hedge Funds of Investors Based in the State (Excluding Funds of Hedge Funds)

| State | Allocation to Hedge Funds (\$bn) |
|---------------|----------------------------------|
| New York | 74 |
| California | 61 |
| Texas | 40 |
| Illinois | 31 |
| Massachusetts | 25 |
| Pennsylvania | 23 |
| Ohio | 22 |
| New Jersey | 20 |
| Michigan | 18 |
| Connecticut | 15 |

Source: Preqin Special Report: US Hedge Fund Industry, September 2013

Fig. 7: Top 10 Largest States by Assets Managed by Hedge Funds Based in the State (Excluding Funds of Hedge Funds)

| State | Assets under Management (\$bn) |
|---------------|--------------------------------|
| New York | 838 |
| Connecticut | 334 |
| California | 155 |
| Massachusetts | 128 |
| Illinois | 76 |
| Texas | 53 |
| New Jersey | 36 |
| Minnesota | 31 |
| Florida | 22 |
| Pennsylvania | 7 |

Source: Preqin Special Report: US Hedge Fund Industry, September 2013

alternative assets. intelligent data.

Fund Coverage: **31,851** Funds



Firm Coverage: **15,218** Firms



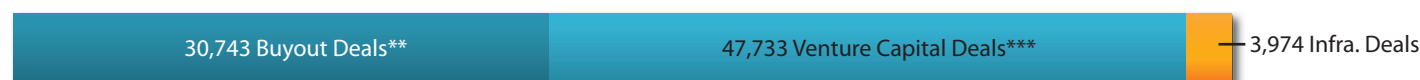
Performance Coverage: **13,231** Funds (IRR Data for 5,051 Funds and Cash Flow Data for 2,317 Funds)



Fundraising Coverage: **13,133** Funds Open for Investment/Launching Soon
Including 2,002 Closed-Ended Funds in Market and 388 Announced or Expected Funds



Deals Coverage: **82,450** Deals Covered; All New Deals Tracked



Investor Coverage: **11,161** Institutional Investors Monitored,
Including 7,977 Verified Active**** in Alternatives and 83,385 LP Commitments to Partnerships



Alternatives Investment Consultant Coverage: **450** Consultants Tracked

Fund Terms Coverage: Analysis Based on Data for Around **7,500** Funds

Best Contacts: Carefully Selected from Our Database of over **252,325** Active Contacts

Plus

Comprehensive coverage of:

- Placement Agents
- Fund Administrators
- Law Firms
- Debt Providers
- Dry Powder
- Compensation
- Plus much more...

The Preqin Difference

- Over 150 research, support and development staff
- Global presence - New York, London, Singapore and San Francisco
- Depth and quality of data from direct contact methods
- Unlimited data downloads
- The most trusted name in alternative assets

New York: +1 212 350 0100 - London: +44 (0)20 7645 8888 - Singapore: +65 6305 2200 - San Francisco +1 415 635 3580

www.preqin.com

*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.



Editor's View – Industry News

Amy Bensted provides her view on the news affecting the hedge fund industry at present, including the global nature of the asset class today, the encouraging performance of event-driven hedge funds and investor appetite for funds of hedge funds.

This month's features draw on two recently released Preqin Special Reports, our [Asia-Pacific Hedge Funds](#) and [US Hedge Fund Industry](#) reports, both released in September, and [Europe-Based Fund Managers](#) on page 13 takes a closer look at the hedge fund industry in Europe. Preqin, with offices in UK, the US, and Singapore, is perfectly placed to evaluate the hedge fund sectors across each region. As our latest research shows, the hedge fund industry is truly a global one, with funds and investors based across the globe. However, the hedge fund industries in different regions are in markedly different stages of development and relative health.

The US is faring well in 2013, with the hedge fund industry based in the country growing by \$150bn in assets under management already. Investors in both the US and beyond have been making significant allocations to US-based hedge funds in 2013; for example, [Pennsylvania State Employees' Retirement System](#) hired [Hoplite Capital Management](#), [Luxor Capital Group](#), [Pine River Capital Management](#), [Southpoint Capital Advisors](#) and [MKP Capital Management](#) over the summer and it is continuing to shortlist funds for further investment later this year.

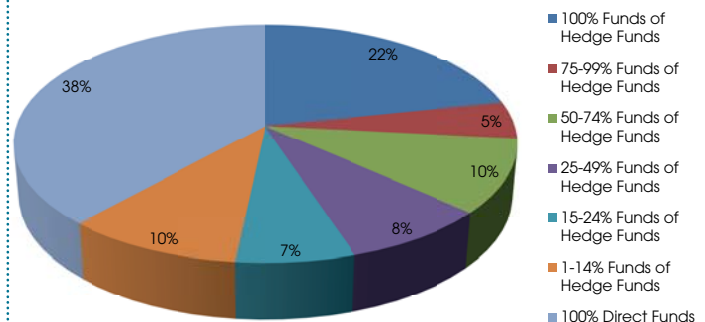
The Asia-Pacific hedge fund industry is still in its relative infancy compared to the established European and US markets. However, following strong 12-month returns, we are seeing more investors from both within the borders of Asia-Pacific and beyond consider the region. The lack of choice of funds in the region and the relatively shorter track record of Asia-Pacific-focused hedge funds can be a deterrent for some institutional investors. However, with 20% of investors based outside of the region looking to include exposure to Asia-Pacific-focused hedge funds in their portfolios, and 53% of these planning to increase their exposure over the next 12 months, there could be some inflows from established markets into the region over the rest of 2013 and into 2014. For instance, Italy-based [Kairos Partners](#) is searching for Japan-focused long/short equity funds to add to its holdings, following the top performance of these funds.

Europe is in a much more uncertain state; the incoming AIFMD and the effects of the recent sovereign debt crisis and recession have undoubtedly impacted hedge fund managers based in the region. This has led to fewer fund launches in the region over the past 12 months, as shown in a recent Preqin [blog](#). So far in 2013, 74 new Europe-based hedge funds have been launched; these include [Kola Global Opportunities Fund](#), a macro strategy vehicle launched by [Kola Capital Partners](#) in July 2013. Kola Capital Partners was formed in 2012.

Event driven funds perform well; investor appetite increases for the strategy

Event driven funds continue to post impressive returns, as the only strategy in positive territory in August. The strategy is up 9.04% for the year, leading the next top performing strategy long/short by over three percentage points. Among the top performing event driven funds for the year is the \$6.3bn [Third Point Offshore](#), up 15.04% in 2013, and with a 12-month Sharpe ratio (RFR = 2%) of 4.27. Investor appetite for

Chart of the Month: Breakdown of Investor Hedge Fund Allocations by Proportion of Allocation Invested via Funds of Hedge Funds



Source: Preqin Investor Outlook: Alternative Assets, H2 2013

the longer-term strategy also appears to be on the increase, following its successful benchmark-beating streak. Sixteen percent of investor searches in August included event driven strategies; these include New York-based [Bessemer Trust](#), and [Texas Treasury Safekeeping Trust Company](#).

Reports of Death of Funds of Hedge Funds Are Greatly Exaggerated?

The chart of the month, taken from our recently released [Preqin Investor Outlook: Alternative Assets, H2 2013](#), shows that 62% of institutional investors currently have some exposure to funds of hedge funds. Although the report shows that 38% of investors in both funds of funds and single-manager vehicles are looking to put more money to work directly rather than through funds of funds, 8% are looking to do the opposite. Among those investors looking for funds of hedge funds over the next year is [Wayne State University Foundation](#), which is searching for a risk-parity focused fund with access to global regions. This is good news for fund of funds managers such as [Morgan Creek Capital Management](#), which launched [Morgan Creek Tactical Allocation Fund](#) in August 2013. This is a mutual fund-structured fund of hedge funds offering smaller investors exposure to hedge funds. It has a minimum investment of \$2,000 and offers daily liquidity.

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

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

The 11th Annual
Global ARC Boston
October 28th to 30th 2013 - Hyatt Regency Boston



Professor Keith Ambachtsheer
Author of *Pension Revolution: A Solution to the Pension's Crisis*,
Director - Rotman International Centre for Pension Management,
University of Toronto - Canada



Professor Andrew Ang
Ann F. Kaplan Professor of Business,
Chair of the Finance and Economics Division,
Columbia Business School - USA



Professor Raj Chetty
2013 John Bates Clark Medal Winner,
Professor of Economics,
Harvard University - USA



Professor Gordon L. Clark
Co-author of *Sovereign Wealth Funds*,
Director, Smith School of Enterprise and the Environment,
Oxford University - United Kingdom



Barney Frank
Chairman, House Financial Services Committee (2007-2011),
U.S. Congressman (1981-2012),
U.S. Federal Government - USA



Professor David Shambaugh
Author of *China Goes Global: The Partial Power*,
Director - China Policy Program,
George Washington University - USA



Professor Rakesh Vohra
Co-Author of *Principals of Pricing: An Analytical Approach*,
George A. Weiss and Lydia Bravo Weiss University Professor of Economics,
University of Pennsylvania - USA



Dr. William R. White
Chairman of the Economic and Development Review Committee, **OECD**,
Head of the Monetary and Economic Development Dept., **BIS**, (1995-2008)
Deputy Governor, **Bank of Canada** (1988-1993) - Switzerland



Join us October 28 - 30, 2013 in Boston for the
11th Annual Global ARC Boston

For registration enquiries please email Samantha Allwork at samantha@global-arc.net
For sponsorship enquiries please email Steve Wallace at steve@global-arc.net

Where hedge funds come to meet Swiss based investors

20-21 November 2013, Dolder Grand Hotel, Zurich

Hedge Funds World Zurich is the premier business event in Europe for Swiss based investors to examine the latest strategies and innovations in the hedge fund space.

Key speakers include:



Haig Simonian
Financial Journalist



Jay Raffaldini
Global Head Product
Specialist, Alternative &
Quantitative Investments
UBS



Marcus Storr
Director - Investment
Management & Hedge Funds
Feri Institutional Advisors

Register now to
secure your place.



Register now - on your phone!

Scan this QR pattern with the camera on your smartphone to register with a special voucher code PREQ

hedge.funds WORLD
Zürich 2013

www.terrapiinn.com/HFWZ13



Preqin Performance Benchmarks: August 2013

Preqin's preliminary benchmarks for August 2013.

Fig. 1: Summary of Preliminary August 2013 Performance Benchmarks* (Net Return, %)

| | August | July | Year to Date | Last 12 Months |
|------------------------------------------------------------|--------------|--------------|--------------|----------------|
| Hedge Funds (All Strategies & Regions) | -0.08 | 1.63 | 5.31 | 9.65 |
| Long/Short | -0.04 | 2.16 | 6.30 | 11.40 |
| Event Driven Strategies | 0.49 | 1.86 | 9.40 | 16.15 |
| Relative Value | -0.38 | 0.94 | 4.11 | 6.06 |
| Macro Strategies | -0.33 | 0.65 | 0.27 | 2.04 |
| Multi-Strategy | -0.36 | 1.31 | 3.07 | 7.15 |
| North America | 0.00 | 2.33 | 9.30 | 13.53 |
| Europe | 0.19 | 2.08 | 6.67 | 11.64 |
| Asia-Pacific | -0.33 | 1.80 | 8.15 | 16.64 |
| Emerging Markets | -0.55 | 1.02 | 1.09 | 7.52 |
| Developed Markets | 0.56 | 1.30 | 6.78 | 9.70 |
| USD | -0.33 | 1.65 | 5.62 | 10.29 |
| EUR | -0.09 | 1.20 | 3.84 | 6.51 |
| JPY | -1.47 | 0.59 | 17.14 | 24.79 |
| GBP | 0.00 | 0.77 | 2.51 | 4.37 |
| BRL | 0.67 | 0.79 | 1.84 | 5.89 |
| Funds of Hedge Funds (All Strategies & Regions) | -0.64 | 1.07 | 3.38 | 5.76 |
| Long/Short | -0.76 | 1.75 | 4.99 | 8.60 |
| Multi-Strategy | -0.53 | 0.76 | 3.27 | 5.22 |
| USD | -0.71 | 1.05 | 3.29 | 5.92 |
| EUR | -1.18 | 1.01 | 1.86 | 3.56 |
| UCITS Hedge Funds (All Strategies & Regions) | -0.38 | 1.31 | 2.34 | 5.04 |
| Long/Short | -0.72 | 1.86 | 4.54 | 8.91 |
| Relative Value | 0.09 | 0.49 | 1.92 | 3.38 |
| Macro Strategies | -0.15 | 0.25 | -2.31 | -1.19 |
| USD | -0.92 | 1.16 | 1.30 | 4.73 |
| EUR | -0.31 | 1.15 | 2.62 | 4.46 |
| CTAs (All Strategies & Regions) | -0.56 | -0.61 | -2.54 | -5.27 |
| USD | -0.55 | -0.53 | -2.57 | -5.54 |
| EUR | -1.42 | -0.72 | -4.77 | -8.66 |

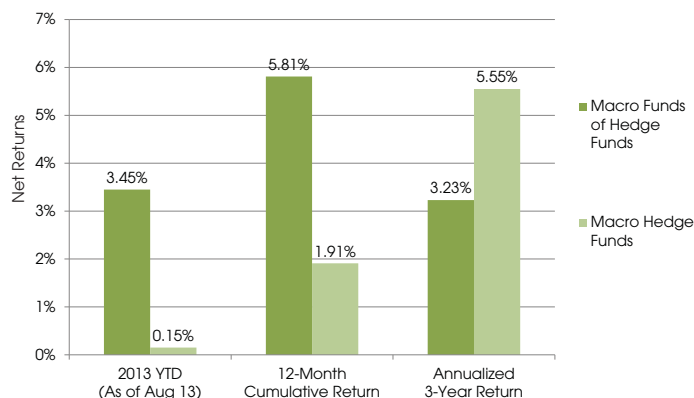
* Please note, all performance information includes preliminary data for August 2013 based upon net returns reported to Preqin in early September 2013. Although stated trends and comparisons are not expected to alter significantly, final benchmark values are subject to change.

Source: Preqin Hedge Fund Analyst

Despite returns entering positive territory again in July following the negative returns of June, August has again been another disappointing month for hedge funds, with the benchmark down -0.08% for the month. Only event driven strategies managed to post positive returns, with its 0.49% in August taking the strategies performance to 16.15% over the past 12 months.

This month we've added a new benchmark to our funds of funds benchmarks; one which focuses on macro funds of funds returns. Like all other hedge fund strategies, macro funds of funds were below zero for the month, and below that of the single-manager benchmark for the month (-0.72% and -0.51% respectively). However macro funds of hedge funds benchmark returns have been higher both over a year-to-date and 12-month basis, than the macro hedge fund index (Fig.1). However over the longer term single-manager macro funds have outperformed macro hedge funds.

Fig. 1: Performance of Macro Funds of Hedge Funds vs. Macro Hedge Funds (As of August 2013)



Source: Preqin Hedge Fund Analyst

OUTLOOK 2013

Where Inspiring Leaders Share
Insights and Outlooks

October 17–18, 2013, The Pierre, New York

Join Us for Insights from these Thought Leaders*

Keynote Presenters:

The Honorable Mary Jo White,
SEC Chair

The Honorable Thomas P. DiNapoli,
New York State Comptroller

The Honorable Charles Schumer,
United States Senator, New York

Roger Goodell, NFL Commissioner

Speaking Faculty:

Timothy Barron, Segal Rogerscasey

David Bitkower, U.S. Attorney's Office,
Southern District of NY

Stephen Blundin, Verizon Investment
Management Corp.

Willem Buiter, Citi

Eric R. Dinallo, Debevoise & Plimpton, LLP

Jamie Dinan, York Capital
Management LLC

Jeanmarie C. Grisi, Alcatel-Lucent Investment
Management Corporation

David Haley, HBK Capital Management

Seema Hingorani, NYC Office of the
Comptroller

Jason Karp, Tourbillon Capital Partners, L.P.

The Honorable John Neely Kennedy,
Louisiana State Treasurer

Eric R. Komitee, Viking Global Investors LP

David Kostin, Goldman Sachs & Co.

The Honorable Josh Mandel, Ohio State Treasurer

B. Scott Miner, Guggenheim Partners

Robert Mirsky, KPMG UK

Stephen Nesbitt, Cliffwater LLC

Leonard Ng, Sidley Austin LLP

Peter Sanchez, Northern Trust Hedge Fund
Services LLC

Neal Soss, Credit Suisse

Anastasia Titarchuk, New York State Common
Retirement Fund

Arthur Tully, Ernst & Young LLP

Philip S. Vasan, Credit Suisse

Kirk Wickman, Angelo, Gordon & Co., L.P.

Ashbel Williams, Florida State Board
of Administration

Marc Zwilling, ZwillGen PLLC



MANAGED FUNDS ASSOCIATION
The Voice of the Global Alternative Investment Industry

Register today at
www.managedfunds.org

**Outlook convenes global thought leaders for dynamic discussions on the economy, markets, legislative and regulatory reforms, and the key trends that foster change and industry growth. Check MFA's Web site for speaker updates.*

Managed Funds Association ■ 600 14th Street, NW, Suite 900 ■ Washington, DC 20005
Phone: 202.730.2600 ■ Email: conferences@managedfunds.org

Europe-Based Hedge Fund Managers

We take a look at hedge fund managers based in Europe, including a breakdown of the strategies employed by hedge funds in the region and the leading hedge fund managers in Europe.

The European hedge fund industry has come under global scrutiny this year with the European Union's incoming Alternative Investment Fund Managers Directive (AIFMD) regulations affecting not only Europe-based fund managers, but also any manager across the globe seeking to market to investors in the region.

The sovereign debt crisis in Europe has been a cause of concern and great discussion over recent years, and although it may not be entirely over, it is at least dormant currently, and some financial centres in the region see potential for growth and recovery. The hedge fund industry in the region has in fact seen some growth in 2013 so far, with single-manager hedge fund assets increasing by \$33bn to \$582bn since the start of the year. In 2012, there were a record number of new Europe-based hedge fund managers; however in 2013 the number of new hedge fund firms launched seems has been much lower. Only 8% of new hedge fund managers entering the market in 2013 are based in Europe, compared to 18% in 2012 and 22% in 2011. Much of the decline in the number of launches in Europe can be attributed to the new

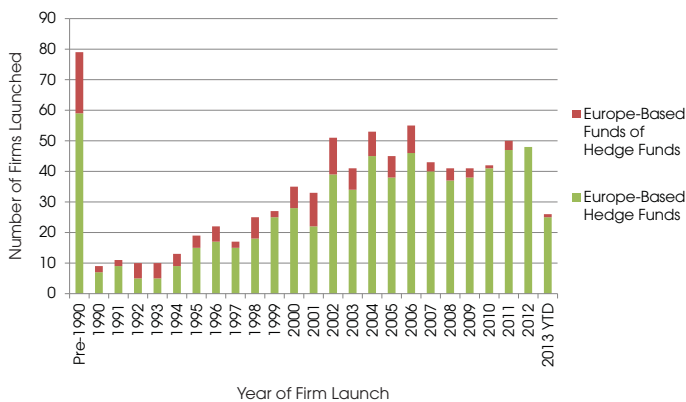
AIFMD, which was written into law on 22 July 2013. Many managers have delayed formalizing new businesses in order to see what impact the directive will have on a prospective operation. Now that the AIFMD has been finalized and local jurisdictions are confirming their guidelines, we could see an uptick in fund launches in the EU in the latter part of 2013.

Fig. 1: Five Leading European Countries for Hedge Fund Management by Number of Managers Based in Each Country

| Country | Number of Hedge Fund Managers |
|-------------|-------------------------------|
| UK | 696 |
| Switzerland | 251 |
| France | 81 |
| Sweden | 53 |
| Netherlands | 44 |

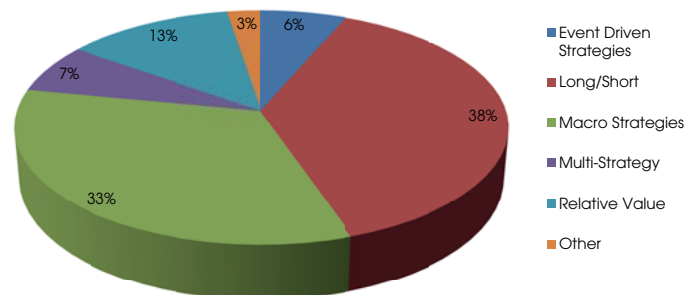
Source: Preqin Hedge Fund Analyst

Fig. 2: Number of Europe-Based Funds of Hedge Funds and Hedge Funds Firms Established Each Year



Source: Preqin Hedge Fund Analyst

Fig. 3: Breakdown Europe-Based Hedge Funds by Strategy Employed



Source: Preqin Hedge Fund Analyst

Fig. 4: Five Largest Europe-Based Hedge Fund Managers by Assets under Management

| Firm | Headquarters | Assets under Management (\$bn) |
|--------------------------------|--------------|--------------------------------|
| Man Investments | UK | 40.4 |
| Brevan Howard Asset Management | UK | 40.0 |
| BlueCrest Capital | UK | 35.3 |
| Standard Life Investments | UK | 29.4 |
| GAM | UK | 24.1 |

Source: Preqin Hedge Fund Analyst

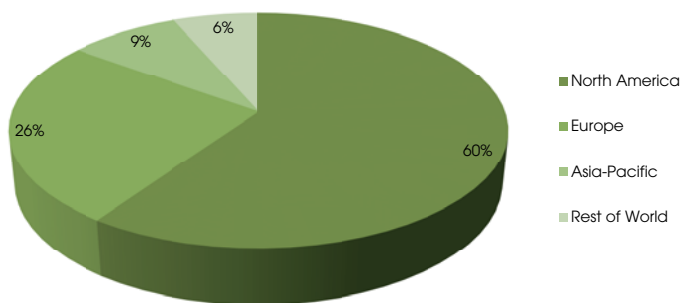
Europe-Based Hedge Fund Managers in Numbers

- 74** is the number of new Europe-based funds launched in 2013 year-to-date.
- 552** is the number of Europe-based hedge funds structured under the UCITS regime.
- 76%** is the proportion of Europe-based hedge fund capital managed by funds over \$1bn in size.
- 1.60%** is the mean management fee of a Europe-based hedge fund manager.
- 75%** is the proportion of Europe-based hedge fund capital managed by firms headquartered in UK.
- 431** is the mean size (in \$mn) of a Europe-based hedge fund.

Fund Searches and Mandates

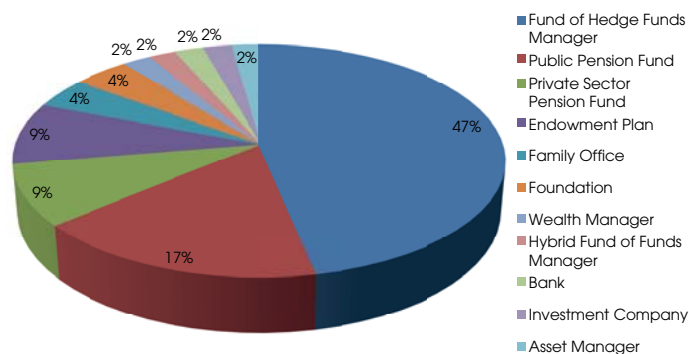
We analyze investors' fund searches and mandates issued in August 2013, including breakdowns of investors searching for funds by location and type.

Fig. 1: Breakdown of Hedge Fund Searches Issued by Investor Location, August 2013



Source: Preqin Hedge Fund Investor Profiles

Fig. 2: Breakdown of Hedge Fund Searches Issued by Investor Type, August 2013



Source: Preqin Hedge Fund Investor Profiles

Subscriber Quicklink:

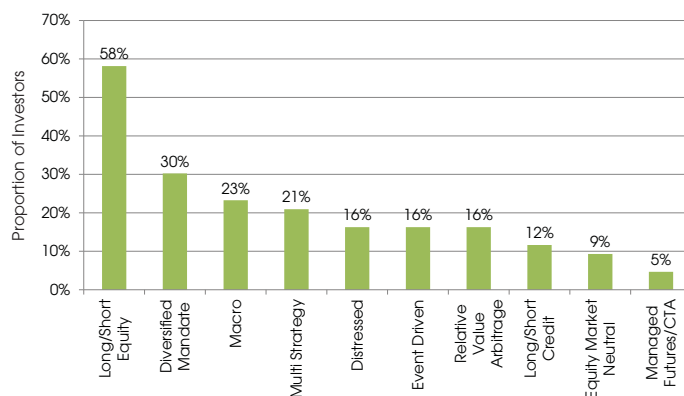
Subscribers can click [here](#) to view detailed profiles of 684 institutional investors in hedge funds searching for new investments via the [Fund Searches and Mandates](#) feature on Preqin's [Hedge Fund Investor Profiles](#).

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.

Not yet a subscriber? For more information, or to register for a demo please visit:

www.preqin.com/hfip

Fig. 3: Hedge Fund Searches Issued by Strategy, August 2013



Source: Preqin Hedge Fund Investor Profiles

Fig. 4: Examples of Hedge Fund Searches Issued in August 2013

| Investor | Investor Type | Location | Fund Search Details |
|-------------------------------------------------|-----------------------------|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Military Mutual Aid Association | Public Pension Fund | South Korea | Military Mutual Aid Association plans to invest \$30mn in one commingled direct hedge fund in Q4 2013. It will be targeting long/short credit and event driven funds, focusing on investment opportunities within North America. Going forward, the public pension fund will be looking solely to invest with fund managers that it does not have an existing relationship with. |
| Conrad Capital Management | Fund of Hedge Funds Manager | US | Conrad Capital Management plans to add one new manager to its portfolio over the coming 12 months. The group invests solely in North American long/short equity managers and has no plans to add any additional hedge fund strategies. It has a preference for smaller hedge fund managers but usually expects managers to have a track record of at least five years. |
| Osool | Private Sector Pension Fund | Bahrain | Osool plans to commit to two new hedge fund vehicles within the next three to six months, allocating approximately \$25mn in total to these investments. One fund will focus on emerging markets, while the other will follow a multi-strategy approach. |

Source: Preqin Hedge Fund Investor Profiles

Conferences Spotlight

| Conference | Date | Location | Organizer | Preqin Speaker | Discount Code |
|-------------------------------------------------------|-----------------------|------------|---------------------------|----------------|---------------------------------|
| MFA's Outlook 2013 | 17 - 18 October | New York | Managed Funds Association | - | - |
| Global ARC Boston | 28 - 30 October 2013 | Boston | Global ARC | Mark O'Hare | - |
| FundForum USA 2013 | 28 - 30 October 2013 | Boston | ICBI | Amy Bensted | FKN2373PRSPOT -15% Discount |
| GAIM Ops International 2013 | 12 - 14 November 2013 | Paris | IIR | - | XU2488PREQ - 10% Discount |
| FundForum Middle East 2013 | 17 - 19 November 2013 | Dubai | ICBI | - | FKN2379PRQWB - £100 Discount |
| ALFI European Alternative Investment Funds Conference | 19 - 20 November 2013 | Luxembourg | ALFI | Stuart Taylor | - |
| Hedge Funds World Zurich 2013 | 20 - 21 November 2013 | Zurich | Terrapinn | - | - |

Global ARC

Date: 28 - 30 October 2013

Information: www.global-arc.net

Location: Boston, MA

Organiser: Global ARC

Founded in 2002, Global ARC convenes a network of the world's foremost pension funds, endowments, sovereign wealth funds and asset managers focused on the intersection of macro-economic developments, capital markets, and alternative investments. Meetings are held annually in Europe and North America to discuss both regional and global issues facing institutional investors. All gatherings are held strictly off-the-record with no media in attendance. Global ARC is an independent organization that is not affiliated with any media company or individual supplier of services to the investment industry.

FundForum USA 2013

Date: 28 - 30 October 2013

Information: www.fundforumusa.com/FKN2373PRQSP

Location: Mandarin Oriental Boston

Organiser: ICBI

I'd like to personally welcome you to THE 'NEW LOOK' FUNDFORUM USA CONFERENCE!

Working on the FEEDBACK which you gave us from previous years, FundForum returns for a 5th Year:

- A Brand New 5* Location - The luxurious Mandarin Oriental
- With More Gatekeepers Than Ever Before - Meet RIAs, wirehouses, brokers and record keepers
- More Networking Opportunities - Get a better return on your investment and take part in exclusive closed-door sessions with keynote speakers
- NEW Global Focus - Don't miss your only opportunity within the US to meet International Gatekeepers from North America, Europe, Latin America & Asia
- NEW FundForum 1-To-1- Pre-arrange meetings with key asset managers and investors.

All rights reserved. The entire contents of Hedge Fund Spotlight are the Copyright of Preqin Ltd. No part of this publication or any information contained in it may be copied, transmitted by any electronic means, or stored in any electronic or other data storage medium, or printed or published in any document, report or publication, without the express prior written approval of Preqin Ltd. The information presented in Hedge Fund Spotlight is for information purposes only and does not constitute and should not be construed as a solicitation or other offer, or recommendation to acquire or dispose of any investment or to engage in any other transaction, or as advice of any nature whatsoever. If the reader seeks advice rather than information then he should seek an independent financial advisor and hereby agrees that he will not hold Preqin Ltd. responsible in law or equity for any decisions of whatever nature the reader makes or refrains from making following its use of Hedge Fund Spotlight.

While reasonable efforts have been made to obtain information from sources that are believed to be accurate, and to confirm the accuracy of such information wherever possible, Preqin Ltd. does not make any representation or warranty that the information or opinions contained in Hedge Fund Spotlight are accurate, reliable, up-to-date or complete.

Although every reasonable effort has been made to ensure the accuracy of this publication Preqin Ltd. does not accept any responsibility for any errors or omissions within Hedge Fund Spotlight or for any expense or other loss alleged to have arisen in any way with a reader's use of this publication.

GAIM Ops International:
Meet the Global Leaders in Operational Due Diligence, Compliance and Risk Management for the
Alternative Investment Industry

Date: 12 -14 November 2013

Information: www.gaimopsinternational.com

Location: Paris, France

Organiser: IIR

Now in its fifth year, [GAIM Ops International](#) brings together COOs, CCOs, and Heads of Operational Due Diligence from top-tier hedge funds, leading fund of funds, and major institutional investors to discuss best practices, debate trends, and network over three productive days.

Returning to Paris for the second consecutive year, GAIM Ops International provides you with the opportunity to gain insight and interact with the industry's leaders, keep up-to-date with current regulatory issues, and improve your due diligence and compliance processes moving forward.

For more information regarding GAIM Ops International, click [here](#).

To View the 2013 Agenda, click [here](#).

To receive a 10% discount on your registration, mention code XU2488PREQ when registering. To register, call 888.670.8200 or visit: www.gaimopsinternational.com

FundForum Middle East 2013

Date: 17 - 19 November 2013

Information: <http://www.fundforumme.com/FKN2379PRQWB>

Location: Ritz-Carlton, Dubai International Financial Centre

Organiser: ICBI

IFundForum Middle East 2013, brings together 250+ key stakeholders for the asset management industry, including Institutional Investors, Fund Buyers, Family Offices, Heads of Investment, Wealth Managers, Private & Retail Banks, Asset Managers and Investment Bankers all under one roof. This prestigious event will take place in Dubai from 17-19 November 2013. SAVE \$100! Quote VIP: FKN2379PRQWB

Hedge Funds World Zurich 2013

Date: 20 - 21 November 2013

Information: <http://www.terrapinn.com/2013/hedge-funds-world-zurich/>

Location: Dolder Grand Hotel, Zurich, Switzerland

Organiser: Terrapinn Ltd

Hedge Funds World Zurich is the premier business event in Europe for Swiss based investors to examine the latest strategies and innovations in the hedge fund space.