

Hedge Fund Manager Concerns about the AIFMD Are at Highest Level Recorded

Three times as many hedge fund managers think that the AIFMD will have a negative impact on the industry compared to those that think it will have a positive impact

As the 22 July 2014 authorization deadline for the AIFMD approaches, new research from Preqin, based on a survey of 150 hedge fund managers, reveals that the majority of hedge fund managers (59%) think that the AIFMD will have a negative effect on the hedge fund industry, compared to 53% in December 2013 and 29% in December 2012. A further 22% think it will have no impact and only 20% think it will have a positive impact.

US-based hedge fund managers are the most negative towards the AIFMD, with 71% stating it will have a negative impact on the industry. In contrast, Europe-based managers, excluding those in the UK, have the most positive outlook towards the Directive, with 40% of these managers stating they think it will have a positive impact on the hedge fund industry and only 45% stating they think it will have a negative impact.

Managers' Concerns about Regulation and the AIFMD:

- The largest proportion of hedge fund managers (43%) named compliance costs as their primary concern regarding the AIFMD. Europe-based managers, excluding those in the UK, were the most concerned about compliance costs, with 53% stating this as their primary concern.
- No fund managers surveyed reported that the costs of regulation were lower than expected, and cost exceeded expectations for three-quarters of fund managers in Europe, and in Asia and Rest of World.
- Managers based in Asia and other countries outside of the US and Europe are most concerned about compliance costs surrounding the AIFMD (39% of these managers named this).

Hedge Fund Manager Compliance with the AIFMD:

- 58% of Europe-based managers, excluding those in the UK, are already compliant with the AIFMD or will be by the deadline; in the UK this figure is 64%.
- 14% of UK-based hedge fund managers have submitted their application to the FCA but do not expect their fund to be approved by the deadline.
- 40% of US-based managers stated they do not plan to actively market in the EU, relying on reverse solicitation in the short term.
- Nearly half of hedge fund managers with more than \$1bn in assets under management are already compliant with the AIFMD; these fund managers are likely to have a global client base, including those in the EU, and therefore have the need to comply, as well as the resources to do so.

For more information and analysis, please see the full report:

<https://www.preqin.com/docs/reports/Preqin-Special-Report-Hedge-Fund-Managers-Respond-to-AIFMD-July-14.pdf>

Comment:

"As the 22 July 2014 authorization deadline for the AIFMD approaches, Preqin's survey reveals that the proportion of managers that feel the AIFMD will have a negative impact on the hedge fund industry is at an all-time high. Fund managers have been endeavoring to meet or navigate the regulatory burdens imposed by the AIFMD over the past 12 months, but many are still concerned about both the cost of compliance and the risks arising as a result of the lack of clarity or guidance.

Although many European fund managers have already made sure their funds are or will be compliant, many US-based firms have not, and a significant proportion have decided to not actively market in the EU. They may instead rely on private placement regimes or reverse solicitation, or simply not look for capital in from EU-based investors. However, with institutions in the EU representing a fifth of all institutional capital at work in hedge funds today, these managers may need to take on the extra stresses required to comply with the AIFMD in order to secure important investor capital."

Amy Bensted, Head of Hedge Funds Products

New York: One Grand Central Place, 60 E 42nd Street, Suite 630, New York NY 10165 Tel: +1 212 350 0100

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

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

San Francisco: 1700 Montgomery Street, Suite 134, San Francisco CA 94111 Tel: +1 415 835 9455

Web: www.preqin.com / info@preqin.com

Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin's services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: www.preqin.com

For more information, please contact: Amy Bensted +44 (0)20 7397 9420 or abensted@preqin.com
For general press information, please contact: Nicholas Jelfs +44 (0)20 7645 8882 or press@preqin.com