

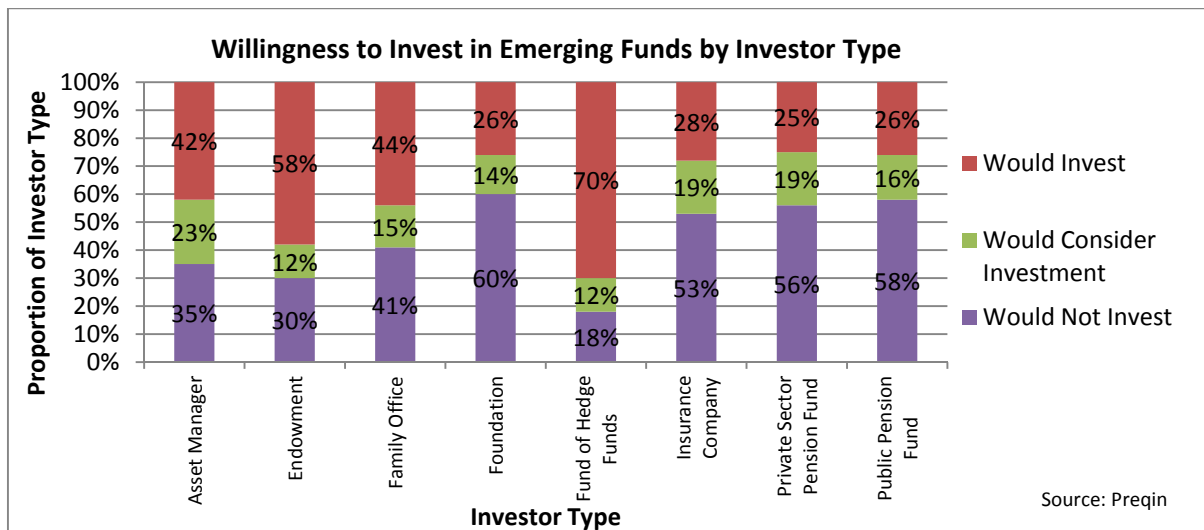
Asian Investors Put Faith in Emerging Hedge Fund Managers

Proportion of Asia-based investors willing to commit to emerging manager hedge funds has increased by 11 percentage points in the past year.

While European and North American investors are shying away from investing in emerging manager hedge funds, Asian investors are increasingly keen to commit to such funds, the latest Preqin research shows. Fifty-eight percent of investors in the region are prepared to invest in emerging manager hedge funds, compared to 39% of European investors and 48% of those in North America.

Emerging manager hedge funds are generally considered more risky due to the manager's lack of track record; as investors remain cautious about making new hedge fund investments it is perhaps understandable that they would be less keen to commit to emerging funds. However, Asian investors were generally less affected by the downturn than those based elsewhere, which could explain their continued, and indeed increased, confidence in the asset class and their enthusiasm for emerging manager funds.

The willingness to invest in emerging manager funds varies with institution type; this is shown in the graph.



Other Findings:

- 48% of investors will commit capital to first-time funds, a decline from 54% in 2010.
- Spin-off teams have become less attractive to investors; the proportion willing to invest has fallen from 61% in 2009 to 43% in 2011.
- Just over one-fifth, 21%, of investors are willing to provide seed capital.
- 83% of investors believe that emerging manager funds have the potential to offer better returns than more established funds.
- 78% of investors will invest with managers that have less than \$500mn in AUM.
- 11% will only invest with managers with over \$1bn under management, twice the proportion noted in 2010.

Comment:

“Over the past three years fundraising conditions for newer funds have become increasingly difficult as many institutions eschew emerging managers in favour of vehicles with longer track records. However, our results indicate that nearly half, 48%, of investors would still invest or consider investing in emerging managers, even in this difficult fundraising environment. In 2012, emerging manager vehicles are likely to appeal to investors disappointed by the returns from their existing hedge fund portfolios. Similarly, with fees also a key issue for institutional investors at present, emerging managers willing to negotiate fund terms with potential investors could also be successful in attracting capital.”

Amy Bensted, Manager – Hedge Fund Data

Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q' – the company name is an abbreviation of its former incarnation "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.

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