Press Release

21st September 2017

Investors More Pleased with Hedge Fund Returns in H2 2017

Forty-five percent report hedge funds have met or exceeded return expectations, but almost half still intend to reduce allocations in the next 12 months

Preqin's latest survey of hedge fund investors* finds that the proportion of institutions that feel their hedge fund portfolios have met or exceeded their performance expectations has doubled in the past 12 months. In June 2016, just 21% of investors reported that their portfolios had reached expectations, but this has risen to 45% as of June 2017. More than half of investors now have a positive or neutral view of the industry, and a third expect performance to improve over the next 12 months. However, investor concerns have not entirely subsided: more than a third have seen reduced confidence in the ability of hedge funds to meet their expectations over the past 12 months, and almost half now say they intend to reduce their allocation to the asset class.

For more information and analysis, see the hedge fund section on page 26 of the *H2 2017 Preqin Alternative Assets Investor Outlook* here:

https://www.preqin.com/docs/reports/Preqin-Investor-Outlook-Alternative-Assets-H2-2017.pdf

Key Hedge Fund Investor Facts:

- **Forty-five percent of investors say hedge funds have met or exceeded their expectations** over the past 12 months. This is up from 34% that said the same in December 2016, and 21% that said so in June 2016.
- **A third (33%) believe hedge funds will perform better over the next 12 months** than in the previous 12, while just 6% believe they will perform worse. This is down from 19% that took a negative view in December.
- Almost a fifth (18%) of investors now have a favourable view of the industry, and a further 36% are neutral.
- However, **over three years 70% of investors say hedge funds have failed to meet their returns expectations**.
- Despite recent robust returns, **37% report that their confidence in hedge funds to meet performance expectations has reduced in the past 12 months**.
- **Sixty-nine percent of investors cite performance as a key issue** facing the industry over the coming year.
- Preqin has seen rising proportions of investors looking to decrease their allocations to hedge funds. As of June 2017, **49% of investors plan to reduce their allocation over the next 12 months**. This is up from 38% six months ago.
- In the longer term, 44% of investors plan to commit less to hedge funds, while 22% intend to raise their allocation.

Amy Bensted, Head of Hedge Fund Products:

"Preqin's surveys of hedge fund investors in June 2016 found their concerns surrounding the performance of the industry had reached unprecedented levels, as four out of five reported that hedge funds had failed to meet their expectations over the preceding 12 months. A year later, this proportion has fallen considerably. Although the majority are still dissatisfied with the performance of their portfolios, a significant proportion have softened their stance in light of the consistent gains the industry has made in the past 12 months.

However, despite a double-digit 12-month return, and an improvement in investors' outlook on industry performance over the next year, the long-term performance of hedge funds is still being questioned: seven out of 10 say that the asset class has failed to perform adequately over the past three years. This disappointment with returns over an extended period is having a significant impact on the industry. The proportion of hedge fund investors looking to reduce their exposure to the asset class is still growing, and now almost half of institutions are looking to reduce their allocations. Performance is cited as a key driver of this, and attendant concern over the fees they are being charged mean that hedge funds are still a tough sell for many investors."

Figures based on the results of a survey of 108 institutional investors in hedge funds conducted by Preqin in June 2017.

Preqin is the leading source of information for the alternative assets industry, providing insight and analysis gathered by its global teams of dedicated researchers. Founded in 2003, the company is a frequent source of intelligence used in the global financial press, through its online databases, regular publications and bespoke data requests.

For more information, contact our dedicated press team at press@preqin.com or call (+44) 20 3207 0265.

New York	London	Singapore	San Francisco	Hong Kong	Manila
+1 212 350 0100	+44 20 3207 0200	+65 6305 2200	+1 415 316 0580	+852 3958 2819	

www.preqin.com / info@preqin.com