

Hedge Fund Managers and Investors Agree that Performance is Primary Industry Concern at Present

Hedge funds delivered below-average performance last year, with the Preqin All-Strategies Hedge Fund benchmark making gains of 4.58%, compared with 12.23% in 2013

Following Preqin's mid-year surveys of both hedge fund investors and fund managers, both parties stated that the greatest challenge the industry currently faces is performance. Forty-four percent of investors named performance as a key issue facing the industry, as well as 22% of fund managers, higher than any other factor. This has arisen following one of the worst years for hedge fund performance in 2014 since the financial crisis, and as such, 43% of investors think hedge funds have underperformed in the last year. Investors named fees and transparency as the next most important issues, while fund managers are concerned with the fundraising environment and current condition of the financial markets.

Other Key Hedge Fund Industry Outlook Stats:

- **Continued Inflows:** The **hedge fund industry grew by \$76bn in H1 2015**, and 81% of fund managers think that it will grow further over the rest of the year. 33% of investors in hedge funds are expecting to invest less in the asset class over the next 12 months, however, and only 19% are intending to invest more.
- **Increased Competition:** 61% of hedge fund managers globally think that **competition has increased over the past year**, but this varies according to region. Two-thirds of North American managers, 52% of European managers and 44% of Asia-Pacific managers feel increased competition for investor capital, yet 71% of managers based outside these three regions feel competition has increased.
- **Alignment of Interests:** When surveyed in June 2014, 69% of investors thought that their interests were aligned with those of fund managers. This had fallen to 51% in June 2015, highlighting the **need for managers to ensure they listen to the needs of their investors**.
- **Sought-after Attributes:** 55% of fund managers believe that they **differentiate themselves by having a niche strategy for their fund**. 19% of investors, however, have rejected a fund at the initial screening because the fund strategy was not differentiated from others. An even greater proportion of investors noted that the fund strategy was not of interest (36%) and the track record was too short (26%).

To view the further information and analysis, please see the full reports below:

<https://www.preqin.com/docs/reports/Preqin-Investor-Outlook-Hedge-Funds-H2-2015.pdf>

<https://www.preqin.com/docs/reports/Preqin-Special-Report-Hedge-Fund-Manager-Outlook-August-2015.pdf>

Comment:

"Preqin's mid-year surveys of hedge fund investors and managers show that performance is at the forefront of the minds of both groups. Investor dissatisfaction with the returns of hedge funds, coupled with a large proportion of investors feeling that their interests are not aligned with those of their fund managers, has left a large proportion of investors questioning the value of hedge funds as part of their wider portfolios.

In light of many investors playing closer attention to their hedge fund investments, and some putting portfolios on ice, fund managers have reported fundraising becoming more challenging. Navigating the volatile markets and generating strong returns will be key over the rest of the year, in order to prove the value of hedge funds to investors as a means of reducing portfolio volatility and generating long-term risk-adjusted returns."

Amy Bensted – Head of Hedge Fund Products, Preqin

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.

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