

# Alternatives Investor Appetite Holds Steady in the Face of Challenging Market Conditions

## Strong performance across most asset classes has kept satisfaction high

Preqin's *Investor Outlook: Alternative Assets, H1 2020\** finds that investors are generally satisfied with performance in 2019. A minimum of 71% of investors in each private capital asset class said that returns met or exceeded their expectations. Even among hedge fund investors, 59% of investors felt returns met or surpassed their needs, up from 45% at the end of 2018. This has kept investor appetite strong: a vast majority of investors in each asset class will maintain or increase their allocations in both the next 12 months and over the longer term. But significant concerns remain, primarily around the pricing of private capital deal opportunities and the effect of market volatility and political uncertainty on hedge funds.

**For more information and analysis, see the full *Preqin Investor Outlook: Alternative Assets, H1 2020* here: <https://docs.preqin.com/reports/Preqin-Investor-Outlook-Alternative-Assets-H1-2020.pdf>**

### Nicole Lee, Head of Content:

*“The position of the market cycle is still at the forefront of investors’ minds – even more so in 2020 as we see major stock indices record sizeable losses\*\*. But if anything, this concern is only increasing their appetite for alternative assets. Strong performance has broadly met expectations, and investors are doubling down on the sector to keep providing returns in difficult times. Choppy waters are ahead, and the industry is not immune to trouble, but for now investors are still seeking alternatives.”*

### Key Investors Outlook Facts:

- In the alternatives industry, **74% of investors allocate to at least one asset class**. The largest proportions allocate to private equity (66%), real estate (60%) and hedge funds (46%).
- As of November 2019, **61% of investors believe we are at the peak of the market cycle**. This is a drop from 74% in June 2019 and the same as a year ago in November 2018.
- At least **71% of investors in each asset class felt performance met or exceeded their expectations** in 2019. The highest proportion was among private debt investors (89%). Even among hedge funds, 59% of investors said performance met or exceeded expectations, up from 45% at the end of 2018.
- A minimum of **77% of investors in each asset class will maintain or increase capital commitments** in 2020 compared to 2019. In the longer term, at least 81% will keep or raise their allocations
- **Asset pricing is cited as the biggest challenge** to return generation in 2020 across all private capital asset classes. Hedge fund investors most commonly cited stock market volatility (44%) and the geopolitical landscape (34%).
- Conversely, while rising interest rates were a commonly cited concern at the end of 2018, the proportion of investors that see it as a challenge in 2020 has dropped sharply.

\*Results are based on views of 397 investors surveyed in November 2019

\*\*Due to the timing of the survey, the results do not reflect the most recent market changes in 2020 YTD.

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