Press Release – For Immediate Release

27th August 2019

Alternatives Investors See Equity Markets at a Peak

Investors look to stay the course in their private capital portfolios, but are moving hedge fund holdings to defensive positions

The *Preqin Investor Update: Alternative Assets H2 2019** finds that 74% of surveyed investors believe that equity markets are at a peak, up from 61% that said the same at the end of 2018. Just 6% believe markets are expanding, down 15 percentage points in six months. Alternative assets will be a vital part of many investors' approach to weather a market event. For the asset classes operating in private capital, the majority of investors plan to hold the course with their allocation strategy, in the expectation that these long-term strategies will weather a correction well. Investors in hedge funds, though, are turning to the asset class' defensive properties as their concerns around a correction grow: 64% of hedge fund investors are looking to position themselves more defensively as a result.

Among alternative assets, pricing concerns are also prevalent. While investors in real assets believe that assets are fairly valued, private equity and real estate investors believe they are overpriced, and a correction in the pricing of these assets is due. However, the largest proportions – 56% and 46% respectively – do not anticipate a correction until 2020 or beyond.

For more information and analysis, see the full *Preqin Investor Update: Alternative Assets H2 2019* here:
https://docs.preqin.com/reports/Preqin-Investor-Update-Alternative-Assets-H2-2019.pdf

Amy Bensted, Head of Data Products:

"*Increasing numbers of investors believe equity markets have peaked, with three out of four of every surveyed institution reporting this to Preqin. The important question for investors is when - and how - they can weather a correction. Alternative assets will be key for many. Although pricing concerns in private capital continue – particularly in private equity and real estate, investors will be relying on these funds, and their proven long-term returns, to deliver during a downturn; nearly 90% of LPs plan to increase or maintain their exposure in response to the potential correction in equity markets. Hedge funds will have a defensive role; 64% of investors are positioning their hedge fund portfolios to more defensively, as asset protection becomes a priority for them as concerns around a negative shift in public markets grows"*

Key Alternative Asset Investor Outlook Facts:

- **Seventy-four percent of investors now think that equity markets are at a peak**. This is up from 56% a year ago, and 61% in December 2018. Just 6% believe we are in an expansion phase, down from 21% that said so six months prior.
- The majority of **private equity and real estate investors (73% and 65% respectively) believe assets are overvalued**. However, only 17% and 19% respectively believe a correction is due in 2019. The largest proportions (56% and 46% respectively) believe that a correction is due in 2020 or beyond.
- Furthermore, **equity market corrections are not prompting a change in investor attitudes to private capital**. Nearly two-thirds (64%) say their allocation plans are unchanged due to the market cycle.
- Contrastingly, the same proportion of **investors are shifting their hedge fund portfolios more defensively** to protect assets in the event of a market correction.
- More generally, investors in private equity and private debt are the most satisfied with the performance of their portfolios in the past 12 months, with 93% and 88% respectively saying performance met or exceeded expectations. By contrast, 46% of hedge fund investors and 37% of natural resources investors were dissatisfied.
- **More investors in hedge funds and natural resources expect to invest less in the coming 12 months than in the previous 12 months**, while in other asset classes a net majority intend to increase their allocations.
- However, hedge funds and natural resources funds are generally expected to see improved performance in the next 12 months, while **investors in private debt and real estate expect to see performance decline**.

All figures are based on the results of a survey of 177 institutional investors conducted in July 2019.

Preqin is the Home of Alternatives™, the foremost provider of data, analytics and insights to the alternative assets community. From pioneering rigorous methods of data collection to developing a revolutionary platform, we have *committed ourselves to furthering the understanding of alternatives for over 16 years. Through close partnership with our clients, we continuously build innovative tools and mine new intelligence to enable them to make the best decisions every day.*

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