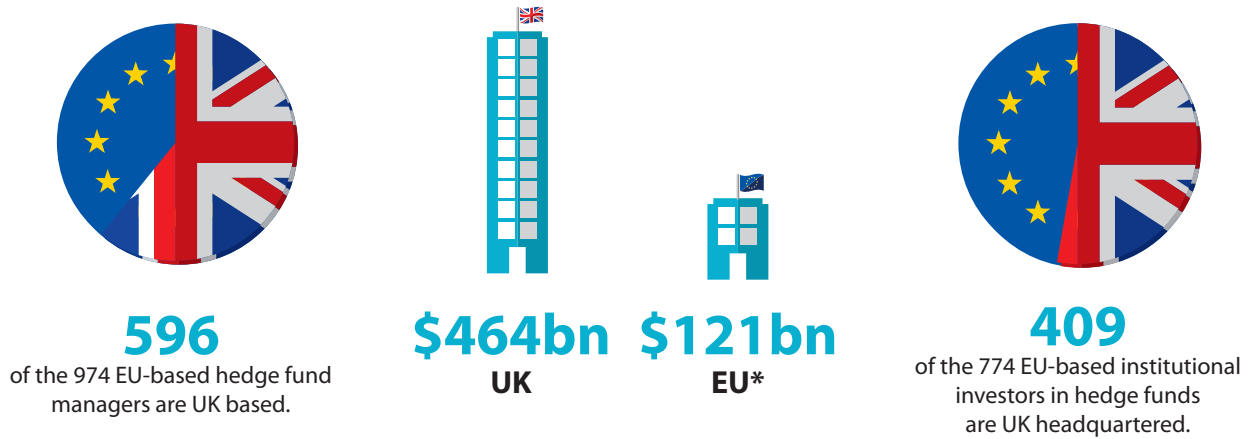


HEDGE FUNDS AND BREXIT: ONE YEAR ON

One year ago, two days before the UK EU referendum, Preqin released a report looking at the views of hedge fund managers on this important vote. At the time, we found that 71% of hedge fund managers predicted that the UK would choose to remain in the EU. However, with a small majority of 52% of the UK populace voting for Brexit, the UK is now on course to leave the EU by March 2019.

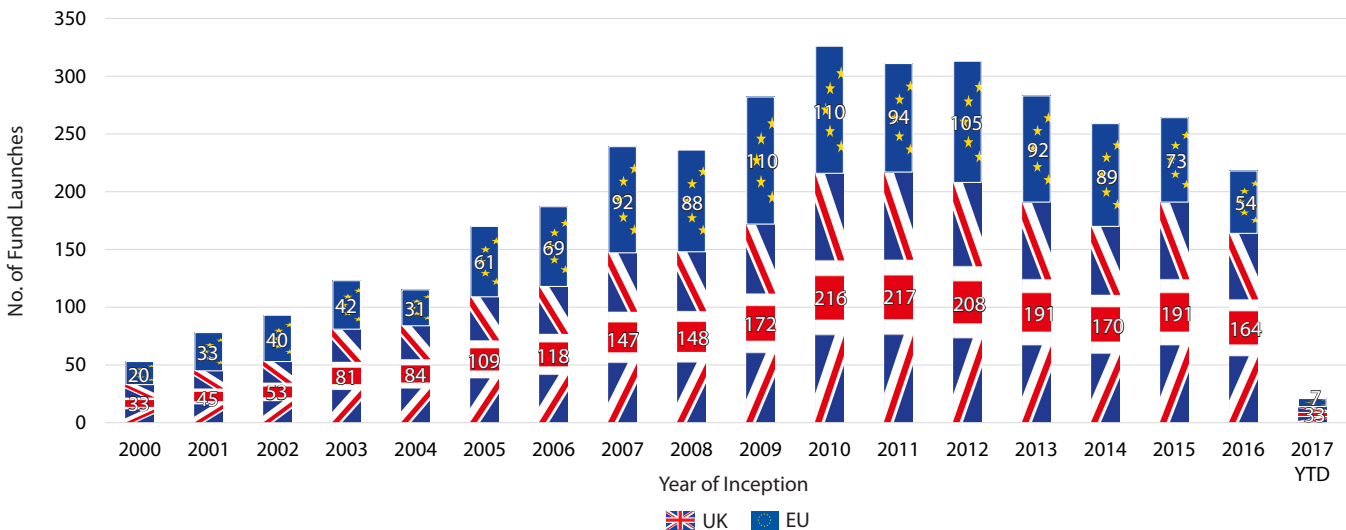
Here, we look at the impact of Brexit on the hedge fund industry one year on from the referendum. Preqin surveyed hedge fund managers in June, July and November 2016 and in June 2017 to assess how the UK's decision to exit the EU is affecting the hedge fund industry in terms of their investments and performance as well as where they choose to be headquartered.

SIZE OF THE HEDGE FUND INDUSTRY (AS AT MARCH 2017)



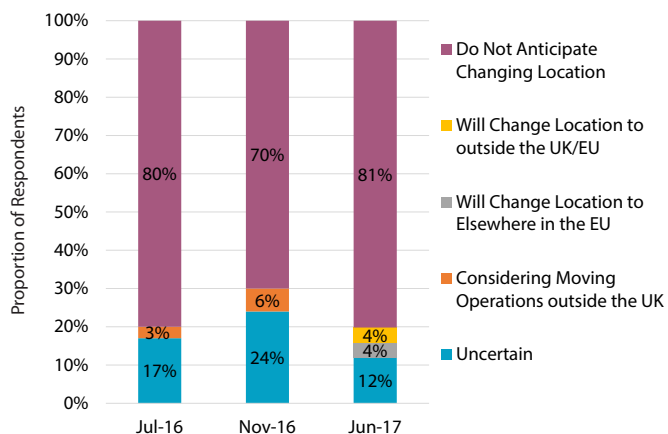
*Excluding UK.

Fig. 1: Number of UK- vs. EU*-Based Hedge Fund Launches by Year of Inception, 2000 - 2017 YTD (As at June 2017)



Source: Preqin Hedge Fund Online

Fig. 2: UK-Based Hedge Fund Manager Views on whether Brexit Will Lead to a Change in Location of Their Business Operations

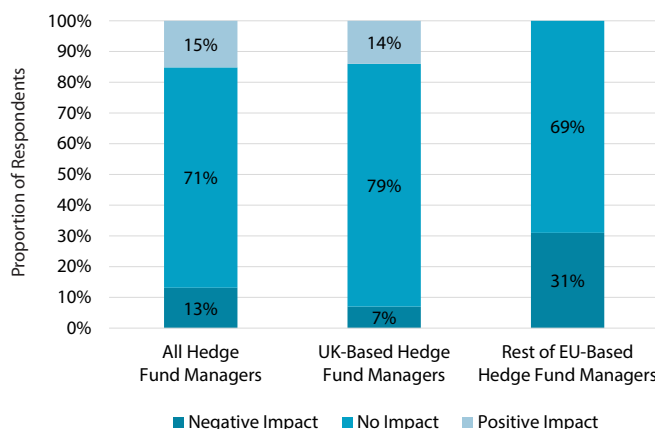


Source: Prequin Hedge Fund Manager Surveys, 2016 - 2017

Our June 2017 survey reveals that **8% of UK-based hedge fund managers** plan to move out of the UK as a direct result of Brexit. Over the second half of 2016 we saw more managers consider an exit from Britain because of Brexit; a year on from the vote these plans have become more concrete for a small number of managers.

Despite this, the majority (81%) of UK-based hedge funds have no plans to leave Britain.

Fig. 3: Hedge Fund Manager Views on the Impact of Brexit on Their Business

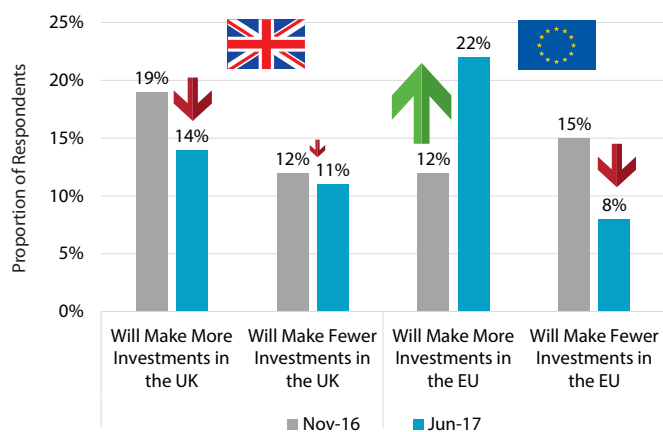


Source: Prequin Hedge Fund Manager Survey, June 2017

Despite a small, but significant, proportion (8%) of UK-based hedge funds planning to leave the UK as a result of Brexit, 79% of UK-based firms believe **Brexit will have no impact on their business**, although more UK-based hedge funds believe the impact of Brexit has been positive (14%) for their business than negative (7%).

In contrast, a larger proportion (31%) of managers in the EU (excluding the UK) are experiencing negative consequences as a result of Brexit and none have seen any positive impact on their business operations as a result.

Fig. 4: Hedge Fund Manager Views on the Impact of Brexit on Their Future Investments in the UK and EU

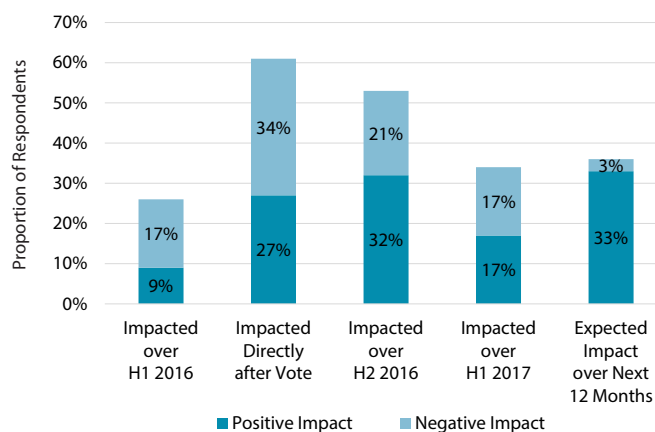


Source: Prequin Hedge Fund Manager Survey, November 2016 and June 2017

Although a significant proportion of hedge fund managers in the rest of the EU are experiencing negative consequences as a result of Brexit, **hedge fund managers globally have become more bullish in regards to their investments in the region.** In our November 2016 survey, more fund managers (15%) planned to reduce their exposure to the EU than planned to increase it (12%); this trend has reversed in 2017, and today we see nearly 3x the number of managers planning to increase their investments in the EU than reduce them (22% vs. 8% respectively).

Similarly, more fund managers (14%) plan increased investment in the UK than to reduce their holdings in the country (11%). However, the proportion of hedge funds planning increased investment in the UK has fallen since November 2016.

Fig. 5: Hedge Fund Managers Views on the Impact of Brexit on Their Performance



Source: Prequin Hedge Fund Manager Surveys, 2016 - 2017

Not only are hedge fund managers planning increased investment in the EU and UK as a result of Brexit, they are expecting it to have a **positive impact on their performance** over the next 12 months, as the ramifications become clearer.

Over the first half of 2017, 34% of fund managers reported that Brexit had impacted their performance, a decline from 53% in H2 2016.

For more **free** hedge fund research, data and tools, please visit our **Research Center**:

www.prequin.com/research