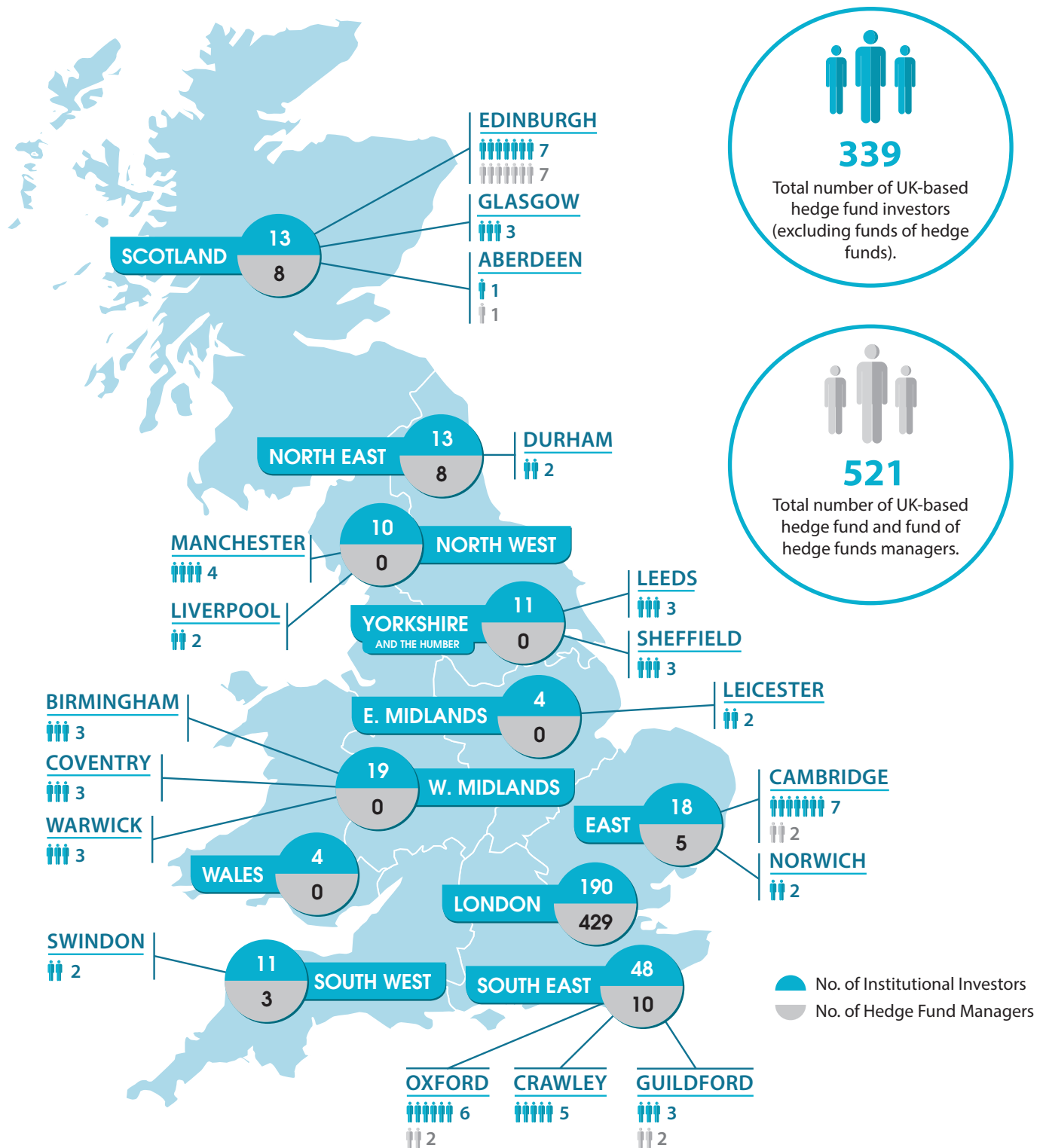


# THE HEDGE FUND INDUSTRY IN THE UK

Ahead of the UK election on 8 June, Preqin takes a closer look at the UK hedge fund industry. The UK is moving ever nearer to exiting the EU, which could lead to many changes to the ways in which hedge fund managers in the UK make investments, are regulated and acquire talent. With the consequences of Brexit likely to significantly change the European hedge fund industry, we utilize data from Preqin's **Hedge Fund Online** to profile the current state of the asset class in the UK in relation to the rest of Europe.



# INVESTORS IN HEDGE FUNDS



**10.2%**

Mean current allocation to hedge funds of UK-based investors (excluding funds of hedge funds).



**£4.3bn**

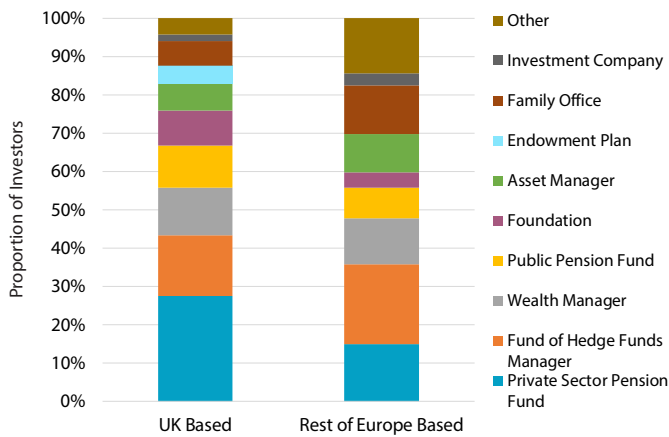
The hedge fund allocation of BT Pension Scheme is the largest of all UK-based investors.



**75%**

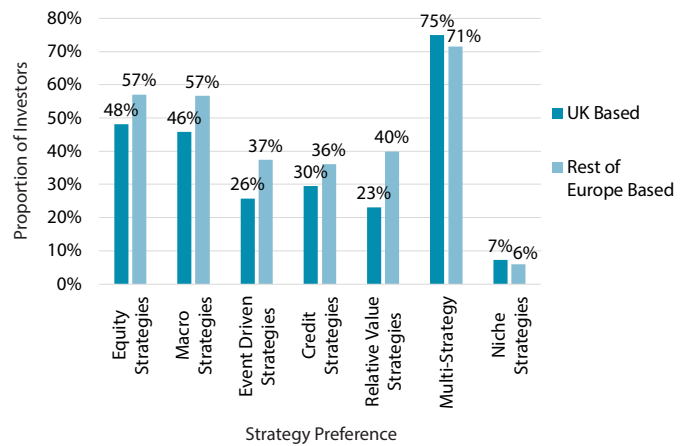
The largest proportion of UK-based investors have a preference for multi-strategy funds.

Fig. 1: UK- vs. Rest of Europe-Based Hedge Fund Investors by Type



Source: Preqin Hedge Fund Online

Fig. 2: Strategy Preferences of UK- vs. Rest of Europe-Based Hedge Fund Investors



Source: Preqin Hedge Fund Online

Fig. 3: Five Largest UK-Based Investors by Current Allocation to Hedge Funds

Investor	Type	Location	Current Allocation to Hedge Funds (£bn)
BT Pension Scheme	Private Sector Pension Fund	London	4.3
Rothschild Wealth Management & Trust	Wealth Manager	London	2.5
Wellcome Trust	Foundation	London	2.5
HBOS Final Salary Pension Scheme	Private Sector Pension Fund	Halifax	2.3
Tilney Bestinvest	Wealth Manager	London	2.2

Source: Preqin Hedge Fund Online

Fig. 4: Key Facts: UK- vs. Rest of Europe-Based Hedge Fund Investors

	No. of Investors	Year of First Hedge Fund Investment	Average Allocation to Hedge Funds (As a % of AUM)	Average No. of Hedge Funds in Portfolio	Average Assets under Management (€bn)
UK-Based Hedge Fund Investors (Excl. Funds of Hedge Funds)	339	2008	10.2%	9-10	11.6
UK-Based Funds of Hedge Funds	64	2004	-	41-44	2.1
Rest of Europe-Based Hedge Fund Investors (Excl. Funds of Hedge Funds)	487	2003	8.1%	15-17	36.7
Rest of Europe-Based Funds of Hedge Funds	135	2001	-	35-40	1.0

Source: Preqin Hedge Fund Online

# HEDGE FUND MANAGERS



**£370bn**

Assets under management of UK-based hedge funds, compared with £159bn held in the Rest of Europe.



**35%**

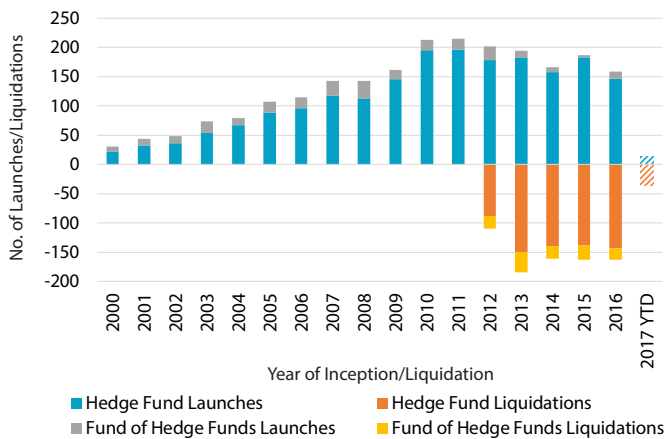
Equity strategies vehicles make up the largest proportion of active UK-based hedge funds.



**£45.6bn**

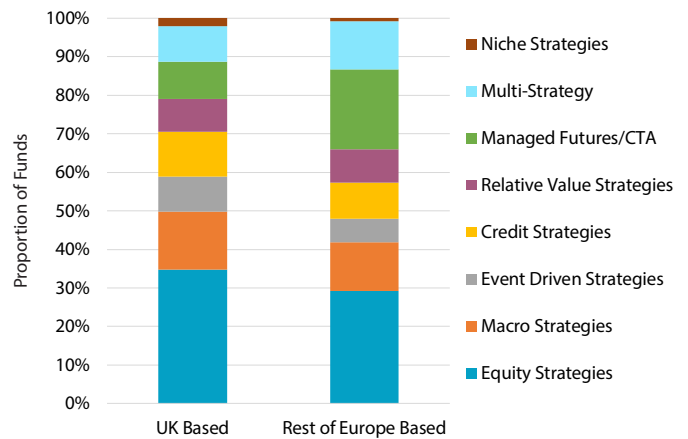
Assets under management of London-headquartered Man Group, the largest hedge fund manager in the UK.

**Fig. 5: UK-Based Hedge Fund Launches and Liquidations, 2000 - 2017 YTD (As at May 2017)**



Source: Preqin Hedge Fund Online

**Fig. 6: UK- vs. Rest of Europe-Based Hedge Funds by Core Strategy**



Source: Preqin Hedge Fund Online

**Fig. 7: Sample Recent UK-Based Hedge Fund Launches**

Fund	Manager	Geographic Focus	Core Strategy	Inception Date
Ronit Global Opportunities UCITS	Ronit Capital	Emerging Markets	Long/Short Equity	Apr-17
Titania Growth Cell	Titania	Global	Foreign Exchange	Mar-17
ADG Systematic Macro UCITS Fund	ADG Capital Management LLP	Global	Macro	Feb-17

Source: Preqin Hedge Fund Online

**Fig. 8: Top Five UK-Based Hedge Fund Managers by Assets under Management**

Manager	Headquarters	Year Established	Assets under Management
Man Group	London, UK	1983	£45.6bn as at 31-Mar-17
Standard Life Investments	Edinburgh, UK	1998	£27.2bn as at 31-Mar-17
Winton Capital Management	London, UK	1997	£25.2bn as at 31-Mar-17
Marshall Wace	London, UK	1997	£24.5bn as at 03-Apr-17
GAM	London, UK	1983	£16.0bn as at 31-Dec-16

Source: Preqin Hedge Fund Online

# HEDGE FUND PERFORMANCE



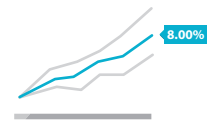
**4.52%**

Net performance of UK-based hedge funds in 2016, compared with 3.75% for funds based in the rest of Europe.



**15.80%**

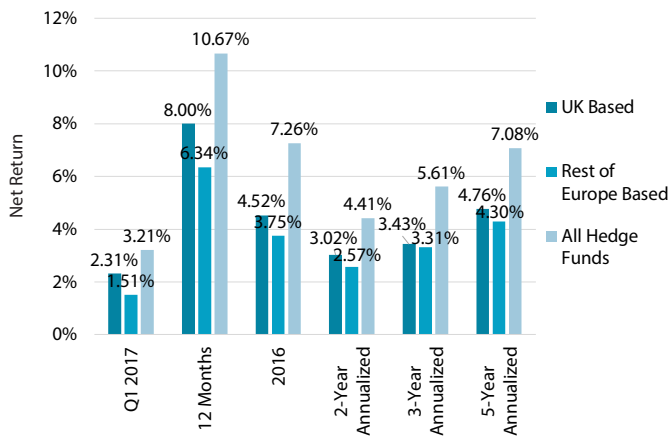
Net return over Q1 2017 of the top performing UK-based hedge fund, North of South Emerging Markets Fund.



**8.00%**

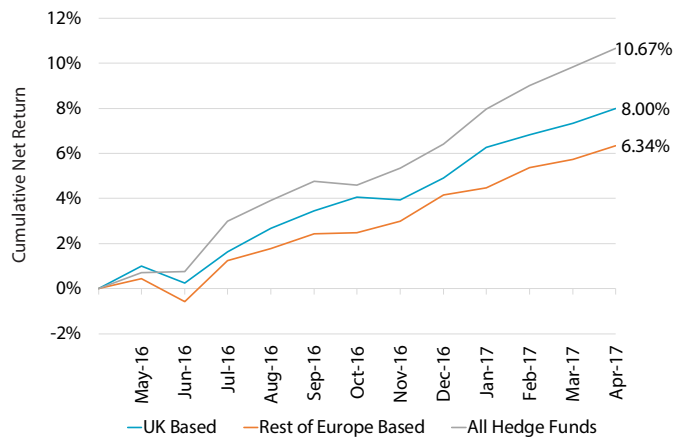
12-month cumulative return of UK-based hedge funds, compared with 6.34% for funds based in the rest of Europe.

**Fig. 9: Performance of UK- vs. Rest of Europe-Based Hedge Funds (As at April 2017)\***



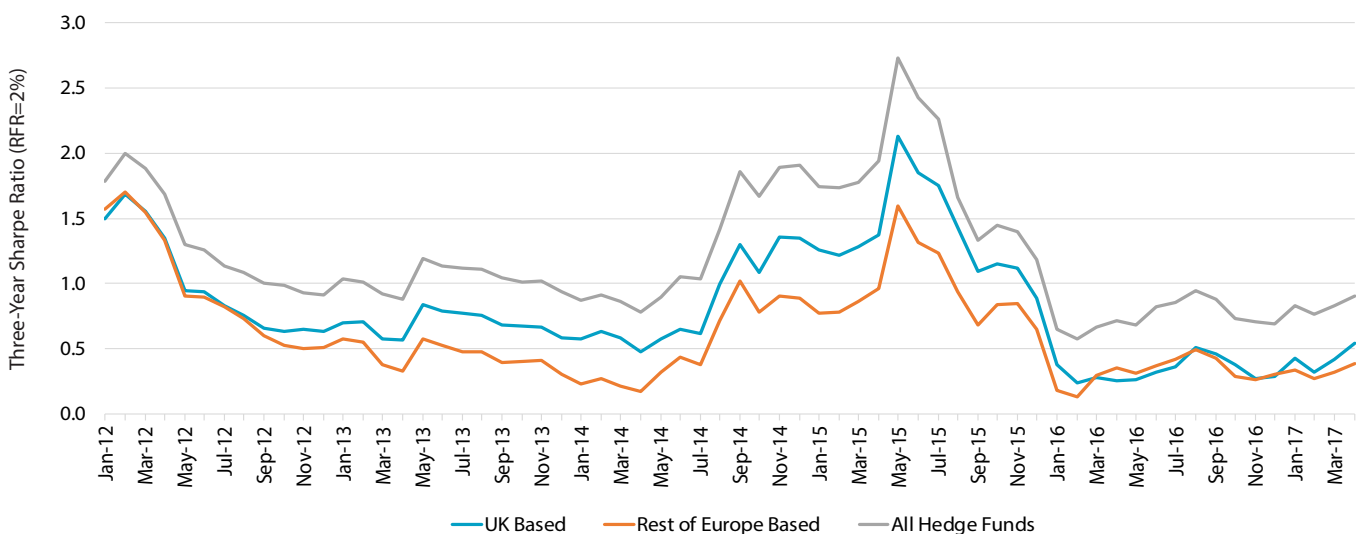
Source: Preqin Hedge Fund Online

**Fig. 10: 12-Month Cumulative Returns of UK- vs. Rest of Europe-Based Hedge Funds (As at April 2017)\***



Source: Preqin Hedge Fund Online

**Fig. 11: Rolling Three-Year Sharpe Ratio: UK- vs. Rest of Europe-Based Hedge Funds, 2012 - 2017 YTD (As at April 2017)**



Source: Preqin Hedge Fund Online

\*Please note, all performance information includes preliminary data for April 2017 based on net returns reported to Preqin in early May 2017. Although stated trends and comparisons are not expected to alter significantly, final benchmark values are subject to change.