FOREWORD

Europe, the second largest market for hedge funds globally, accounting for approximately a fifth of all hedge fund assets under management, has undergone significant change in recent years. New regulatory developments in the aftermath of the Global Financial Crisis (GFC), in particular the introduction of the AIFMD, have affected how fund managers operate and market their funds. Increased demand for transparency and liquidity in the hedge fund sector has also resulted in an increase in the use of alternative structures such as UCITS. Further uncertainty surrounding the long-term prospects for the European economy, and the potential impact on the financial services sector of Britain’s exit from the European Union, raise the prospect of equally significant developments in the years ahead.

In attempting to navigate this changing environment, fund managers, investors and service providers need intelligence on the European hedge fund market. Although the UK remains the centre of hedge fund activity in the region – as home to more than half (53%) of hedge fund managers and 39% of institutional investors in the asset class – Europe’s hedge fund industry extends far beyond this. Preqin’s Hedge Fund Online database tracks over 1,000 hedge fund managers and over 1,000 institutional investors across 36 European countries.

In this report, we present the key statistics for the European hedge fund industry as a whole and for 10 of the leading countries in the space, covering information about fund strategies, assets and investor allocations.

We hope that you find the report useful and welcome any feedback you may have. For more information about Preqin and our Hedge Fund Online database, please visit www.preqin.com or contact us at info@preqin.com.
Europe is the second largest region in terms of hedge fund activity across the globe, and at $657bn accounts for 20% of assets under management (AUM) held by the industry. Europe-based institutional investors account for 1,053 of the 5,156 institutional investors tracked by Preqin’s Hedge Fund Online database, and the 1,006 Europe-based fund managers represent 18% of the 5,557 total firms.

The European industry has, however, faced some challenges in recent years. AUM held by managers in Europe fell over the course of 2016 from $674bn to $657bn, as investors’ concerns about performance and fees – common to the whole industry – put pressure on fund managers. More significantly, over recent years Europe-based investors have accounted for a decreasing proportion of capital allocated to hedge funds by institutional investors worldwide, as some have pulled back from investing in the asset class and investors in other regions have increased their activity. Europe-based institutions accounted for 32% of institutional capital invested in hedge funds in December 2011; this figure has fallen to 21% as at December 2016 (Fig. 1). The amount of capital invested in hedge funds by these investors peaked at $444bn in December 2014 and has since decreased to $387bn.

Nevertheless, with this figure representing over a fifth of institutional capital invested in hedge funds, Europe remains a major centre for the industry. Hedge fund activity also varies hugely between the Sub-Regions.
different countries. Although the UK is still
the dominant market for hedge funds in
Europe, accounting for 53% of the total
number of fund managers and 39% of
investors, other countries have their own
specialties. Switzerland, for example, is
particularly developed in terms of funds
of funds, home to only nine fewer fund of
funds managers than the UK, despite the
significantly smaller size of the industry.
Netherlands, meanwhile, hosts the largest
Europe-based institution by capital
invested in hedge funds, All Pensions
Group (APG).

The variety within the European hedge
fund market extends to the structures
through which these strategies are
accessed. Traditional single-manager
commingled hedge funds, formerly
dominant in the industry, today represent
under half (48%) of active Europe-based
hedge funds, with funds of hedge funds
accounting for a further 14% (Fig. 3). UCITS
vehicles, once rarely offered by hedge
fund managers, exploded in popularity in
the years following the GFC due to the
liquidity and transparency of these
structures, and today represent 26% of
funds operated by Europe-based fund
managers. This has particularly benefitted
Luxembourg and Ireland, the two leading
domiciles for UCITS hedge funds, which
account for 56% and 26% of Europe-based
vehicles respectively.

Fig. 2: Assets under Management of Europe-Based Funds of Hedge Funds by Manager Location

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managers. This has particularly benefitted
Luxembourg and Ireland, the two leading
domiciles for UCITS hedge funds, which
account for 56% and 26% of Europe-based
vehicles respectively.

Fig. 2: Assets under Management of Europe-Based Funds of Hedge Funds by Manager Location
The UK hedge fund industry is the largest in Europe, with $472bn in AUM, and the second largest globally, after the US. Over half (53%) of Europe’s hedge fund managers are based in the UK, and the country is home to 39% of the region’s institutional investors.

The vast majority of hedge fund activity in the UK is concentrated in London: London-based fund managers make up 93% of the overall number of UK-based fund managers, while London-based institutional investors account for 60% of the total. Seven of the 10 largest Europe-based hedge fund managers are headquartered in the UK, including Man Group, the largest hedge fund manager in Europe. The UK’s investors have the second highest average allocation (11.4%) to hedge funds among Europe-based investors, above the European average of 10.3%.

**Fig. 5: UK-Based Hedge Funds by Top-Level Strategy**

- Equity Strategies: 35%
- Macro Strategies: 9%
- Credit Strategies: 9%
- Managed Futures/CTA: 10%
- Multi-Strategy: 12%
- Relative Value Strategies: 15%
- Event Driven Strategies: 12%
- Niche Strategies: 8%

Source: Preqin Hedge Fund Online

**Fig. 6: UK-Based Investors Active in Hedge Funds by Type**

- Private Sector Pension Fund: 27%
- Fund of Hedge Funds Manager: 11%
- Wealth Manager: 11%
- Public Pension Fund: 16%
- Foundation: 12%
- Asset Manager: 9%
- Family Office: 9%
- Other: 7%

Source: Preqin Hedge Fund Online

**Fig. 7: Largest UK-Based Institutional Investors by Current Allocation to Hedge Funds**

<table>
<thead>
<tr>
<th>Investor</th>
<th>Current Allocation to HF ($mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BT Pension Scheme</td>
<td>5,510</td>
</tr>
<tr>
<td>Rothschild Wealth Management &amp; Trust</td>
<td>3,180</td>
</tr>
<tr>
<td>Wellcome Trust</td>
<td>3,153</td>
</tr>
</tbody>
</table>

Source: Preqin Hedge Fund Online

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

<table>
<thead>
<tr>
<th>Manager</th>
<th>Assets under Management ($mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Man Group</td>
<td>57,200 (As at 31-Mar-17)</td>
</tr>
<tr>
<td>Standard Life Investments</td>
<td>33,134 (As at 31-Mar-17)</td>
</tr>
<tr>
<td>Winton Capital Management</td>
<td>31,653 (As at 31-Mar-17)</td>
</tr>
</tbody>
</table>

Source: Preqin Hedge Fund Online

93% of UK-based hedge fund managers are headquartered in London.

11.4% Average allocation to hedge funds of UK-based investors.

3.08% Three-year annualized return of all UK-based hedge funds (as at March 2017).
Switzerland has the largest hedge fund industry in mainland Europe, accounting for 1.3% of global assets. Furthermore, second only to the UK, Switzerland is home to the largest number of hedge fund managers and investors. Fund of hedge funds managers are particularly prominent within Switzerland, with 28% of all Europe-based multi-managers headquartered in the country, including four firms that featured in Preqin’s 2017 Global Hedge Fund Report fund of hedge funds manager league tables.

Geneva and Zurich are the hubs of activity, home to 72 and 64 active investors and 31 and 36 fund managers respectively. One-quarter of all Switzerland-based funds are managed futures/CTAs, one of the largest proportions among the featured countries.

**Fig. 9: Switzerland-Based Hedge Funds by Top-Level Strategy**

<table>
<thead>
<tr>
<th>Strategy Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Strategies</td>
<td>11%</td>
</tr>
<tr>
<td>Managed Futures/CTA</td>
<td>25%</td>
</tr>
<tr>
<td>Macro Strategies</td>
<td>23%</td>
</tr>
<tr>
<td>Multi-Strategy</td>
<td>4%</td>
</tr>
<tr>
<td>Credit Strategies</td>
<td>1%</td>
</tr>
<tr>
<td>Relative Value Strategies</td>
<td>6%</td>
</tr>
<tr>
<td>Event Driven Strategies</td>
<td>11%</td>
</tr>
<tr>
<td>Niche Strategies</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

**Fig. 10: Largest Switzerland-Based Institutional Investors by Current Allocation to Hedge Funds**

<table>
<thead>
<tr>
<th>Investor</th>
<th>Current Allocation to HF ($mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pictet Group</td>
<td>9,599</td>
</tr>
<tr>
<td>Swiss National Accident Insurance Institution (SUVA)</td>
<td>5,000</td>
</tr>
<tr>
<td>EFG International</td>
<td>2,903</td>
</tr>
</tbody>
</table>

**Fig. 11: Switzerland-Based Investors Active in Hedge Funds by Type**

<table>
<thead>
<tr>
<th>Investor Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund of Hedge Funds Manager</td>
<td>23%</td>
</tr>
<tr>
<td>Wealth Manager</td>
<td>17%</td>
</tr>
<tr>
<td>Family Office</td>
<td>9%</td>
</tr>
<tr>
<td>Private Sector Pension Fund</td>
<td>12%</td>
</tr>
<tr>
<td>Asset Manager</td>
<td>17%</td>
</tr>
<tr>
<td>Public Pension Fund</td>
<td>6%</td>
</tr>
<tr>
<td>Insurance Company</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

**Fig. 12: Largest Switzerland-Based Hedge Fund Managers by Assets under Management**

<table>
<thead>
<tr>
<th>Manager</th>
<th>Assets under Management ($mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pictet Asset Management</td>
<td>6,400 (As at 31-Mar-17)</td>
</tr>
<tr>
<td>RAM Active Investments</td>
<td>4,430 (As at 31-Mar-17)</td>
</tr>
<tr>
<td>Amplitude Capital International Ltd.</td>
<td>1,508 (As at 31-Mar-17)</td>
</tr>
</tbody>
</table>

Source: Preqin Hedge Fund Online
**Sweden**

Number of active Sweden-based hedge fund managers: **41**

Size of Sweden's hedge fund industry: **$40bn**

Number of Sweden-based institutional investors active in hedge funds: **49**

Assets under management of Cevian Capital, the largest Sweden-based hedge fund manager (as at January 2017): **€14.5bn**

Average performance fee of Sweden-based hedge funds: **19.74%**

Three-year annualized return of all Sweden-based hedge funds (as at March 2017): **3.30%**

Sweden has the third largest hedge fund industry in Europe by AUM ($40bn). The industry is mostly concentrated in Stockholm, which is home to 85% of hedge fund managers and 88% of institutional investors in hedge funds in the country.

Sweden has the highest investor participation rate of the 10 featured countries, with 41% of institutional investors tracked by Prequin currently investing in hedge funds. Sweden-based institutional investors also have the highest average current allocation (13.4%) to hedge funds among the 10 featured countries.

**Fig. 13: Sweden-Based Hedge Funds by Top-Level Strategy**

<table>
<thead>
<tr>
<th>Strategy Type</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Strategies</td>
<td>36</td>
</tr>
<tr>
<td>Managed Futures/CTA</td>
<td>13</td>
</tr>
<tr>
<td>Relative Value Strategies</td>
<td>11</td>
</tr>
<tr>
<td>Multi-Strategy</td>
<td>10</td>
</tr>
<tr>
<td>Macro Strategies</td>
<td>8</td>
</tr>
<tr>
<td>Credit Strategies</td>
<td>5</td>
</tr>
<tr>
<td>Event Driven Strategies</td>
<td>4</td>
</tr>
<tr>
<td>Niche Strategies</td>
<td>6</td>
</tr>
</tbody>
</table>

**Fig. 14: Sweden-Based Investors Active in Hedge Funds by Type**

<table>
<thead>
<tr>
<th>Investor Type</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Sector Pension Fund</td>
<td>27</td>
</tr>
<tr>
<td>Fund of Hedge Funds Manager</td>
<td>14</td>
</tr>
<tr>
<td>Public Pension Fund</td>
<td>10</td>
</tr>
<tr>
<td>Asset Manager</td>
<td>8</td>
</tr>
<tr>
<td>Foundation</td>
<td>6</td>
</tr>
<tr>
<td>Investment Company</td>
<td>4</td>
</tr>
<tr>
<td>Family Office</td>
<td>4</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
</tr>
</tbody>
</table>

**Fig. 15: Largest Sweden-Based Institutional Investors by Current Allocation to Hedge Funds**

<table>
<thead>
<tr>
<th>Investor</th>
<th>Type</th>
<th>Funds under Management ($mn)</th>
<th>Current Allocation to HF ($mn)</th>
<th>Fund Type Preference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old Life Insurance Company, SEB Life</td>
<td>Insurance Company</td>
<td>29,148</td>
<td>4,358</td>
<td>Direct, Fund of Hedge Funds</td>
</tr>
<tr>
<td>AP-Fonden 1</td>
<td>Public Pension Fund</td>
<td>34,030</td>
<td>1,361</td>
<td>Direct, Fund of Hedge Funds</td>
</tr>
<tr>
<td>AP-Fonden 3</td>
<td>Public Pension Fund</td>
<td>33,809</td>
<td>1,193</td>
<td>Direct</td>
</tr>
</tbody>
</table>

Source: Prequin Hedge Fund Online
France-based fund managers outnumber investors 1.7:1; only Luxembourg has a higher ratio in favour of fund managers. France-based investors allocate, on average, the smallest proportion of total assets to hedge funds among the 10 countries featured in this report at just 4.0%, compared with the average figure of 10.2% for all Europe-based investors and 13.4% for all Sweden-based investors, which is the highest average allocation seen among the featured countries.

Hedge fund activity within France is concentrated within the capital city: 92% and 87% of all France-based fund managers and investors respectively are headquartered in Paris.

**Fig. 16: France-Based Hedge Funds by Top-Level Strategy**

- Equity Strategies: 25%
- Multi-Strategy: 17%
- Managed Futures/CTA: 15%
- Relative Value Strategies: 12%
- Event Driven Strategies: 12%
- Macro Strategies: 10%
- Credit Strategies: 8%
- Niche Strategies: 9%

**Fig. 17: France-Based Investors Active in Hedge Funds by Type**

- Fund of Hedge Funds Manager: 32%
- Insurance Company: 8%
- Family Office: 8%
- Asset Manager: 5%
- Public Pension Fund: 5%
- Bank/Investment Bank: 4%
- Private Sector Pension Fund: 3%
- Other: 5%

**Fig. 18: Largest France-Based Hedge Fund Managers by Assets under Management**

<table>
<thead>
<tr>
<th>Manager</th>
<th>Assets under Management ($mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Fund Management</td>
<td>8,190 (As at 31-Mar-17)</td>
</tr>
<tr>
<td>Exane Asset Management</td>
<td>7,601 (As at 31-Mar-17)</td>
</tr>
<tr>
<td>La Française Investment Solutions</td>
<td>6,393 (As at 31-Mar-17)</td>
</tr>
</tbody>
</table>

Source: Preqin Hedge Fund Online
The Netherlands has 27 active hedge fund managers, the third highest number in Europe after the UK and Switzerland and joint with Italy. Private sector pension funds and asset managers make up the greatest proportions of these institutions (27% and 21% respectively). These include APG – All Pensions Group, the largest Europe-based institutional investor in hedge funds by current allocation to the asset class.

At $8.8bn, the Netherlands' hedge fund industry is the sixth largest in Europe. Netherlands-based funds have the highest average management fees among the 10 countries featured in this report at 1.77%.

35% of Netherlands-based institutional investors are headquartered in Amsterdam. The average management fee of Netherlands-based hedge funds is 1.77%.

Three-year annualized return of all Netherlands-based hedge funds (as at March 2017) is 3.57%.

Fig. 19: Netherlands-Based Hedge Funds by Top-Level Strategy

Fig. 20: Netherlands-Based Investors Active in Hedge Funds by Type

Fig. 21: Largest Netherlands-Based Institutional Investors by Current Allocation to Hedge Funds

Fig. 22: Largest Netherlands-Based Hedge Fund Managers by Assets under Management
Investors in Germany have the lowest participation rate among the 10 featured countries, with just 16% active in hedge funds, compared to the Europe-wide average of 31%.

UCITS vehicles account for 61% of all hedge funds based in Germany, the second largest proportion in Europe, behind only Italy and the UCITS hub of Luxembourg (both 63%). On average, hedge funds based in Germany charge the lowest management fee (1.19%) of any of the 10 countries featured in this report.

Frankfurt is home to half of all fund managers based in Germany; however, the greatest proportion (29%) of investors are located in Munich. These relatively small proportions highlight the greater extent of geographical diversity within the German hedge fund industry when compared to that of other European countries.

### Fig. 24: Largest Germany-Based Institutional Investors by Current Allocation to Hedge Funds

<table>
<thead>
<tr>
<th>Investor</th>
<th>Current Allocation to HF ($mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prime Capital</td>
<td>4,095</td>
</tr>
<tr>
<td>Bayerische Versorgungskammer</td>
<td>2,141</td>
</tr>
<tr>
<td>Feri Trust</td>
<td>1,242</td>
</tr>
</tbody>
</table>

**Source:** Preqin Hedge Fund Online

### Fig. 26: Largest Germany-Based Hedge Fund Managers by Assets under Management

<table>
<thead>
<tr>
<th>Manager</th>
<th>Assets under Management ($mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACATIS Investment GmbH</td>
<td>1,425 (As at 28-Feb-17)</td>
</tr>
<tr>
<td>XAIA Investment</td>
<td>1,491 (As at 31-Mar-17)</td>
</tr>
<tr>
<td>LOYS</td>
<td>1,099 (As at 31-Mar-17)</td>
</tr>
</tbody>
</table>

**Source:** Preqin Hedge Fund Online
Italy sits joint third with the Netherlands in terms of the number (52) of investors located in the country, behind the UK (408) and Switzerland (241). It is perhaps unsurprising, then, that investors dominate the make-up of the Italian hedge fund industry, outnumbering fund managers 3.5:1. In terms of average allocation to hedge funds, however, Italy-based investors allocate the second lowest level among the featured countries at 5.5% of total assets.

Rome and Milan each represent 29% of Italy-based investors. The majority of Italy-based investors are located in Milan or Rome, with each city representing 29%, while fund managers are less geographically diverse: nearly half (47%) are based in Milan.

### Fig. 27: Italy-Based Hedge Funds by Top-Level Strategy

- Macro Strategies: 15%
- Managed Futures/CTA: 15%
- Multi-Strategy: 15%
- Event Driven Strategies: 15%
- Relative Value Strategies: 15%
- Equity Strategies: 15%
- Credit Strategies: 12%
- Niche Strategies: 12%
- Other: 12%
- Insurance Company: 6%
- Asset Manager: 6%
- Fund of Hedge Funds Manager: 6%
- Public Pension Fund: 4%
- Private Sector Pension Fund: 4%
- Foundation: 21%
- Bank/Investment Bank: 19%

### Fig. 28: Italy-Based Investors Active in Hedge Funds by Type

- Bank/Investment Bank: 19%
- Foundation: 21%
- Fund of Hedge Funds Manager: 15%
- Private Sector Pension Fund: 12%
- Public Pension Fund: 12%
- Insurance Company: 12%
- Asset Manager: 12%
- Other: 12%
- Asset Manager: 15%
- Other: 15%
- Fund of Hedge Funds Manager: 15%
- Private Sector Pension Fund: 12%
- Public Pension Fund: 12%
- Insurance Company: 12%
- Asset Manager: 12%
- Other: 12%
- Bank/Investment Bank: 19%
- Foundation: 21%
- Fund of Hedge Funds Manager: 15%
- Private Sector Pension Fund: 12%
- Public Pension Fund: 12%
- Insurance Company: 12%
- Asset Manager: 12%
- Other: 12%
- Fund of Hedge Funds Manager: 15%
- Private Sector Pension Fund: 12%
- Public Pension Fund: 12%
- Insurance Company: 12%
- Asset Manager: 12%
- Other: 12%
- Bank/Investment Bank: 19%
- Foundation: 21%
- Fund of Hedge Funds Manager: 15%
- Private Sector Pension Fund: 12%
- Public Pension Fund: 12%
- Insurance Company: 12%
- Asset Manager: 12%
- Other: 12%
- Fund of Hedge Funds Manager: 15%
- Private Sector Pension Fund: 12%
- Public Pension Fund: 12%
- Insurance Company: 12%
- Asset Manager: 12%
- Other: 12%
- Bank/Investment Bank: 19%
- Foundation: 21%
- Fund of Hedge Funds Manager: 15%
- Private Sector Pension Fund: 12%
- Public Pension Fund: 12%
- Insurance Company: 12%
- Asset Manager: 12%
- Other: 12%
- Fund of Hedge Funds Manager: 15%
- Private Sector Pension Fund: 12%
- Public Pension Fund: 12%
- Insurance Company: 12%
- Asset Manager: 12%
- Other: 12%
- Bank/Investment Bank: 19%
- Foundation: 21%
- Fund of Hedge Funds Manager: 15%
- Private Sector Pension Fund: 12%
- Public Pension Fund: 12%
- Insurance Company: 12%
- Asset Manager: 12%
- Other: 12%
- Fund of Hedge Funds Manager: 15%
- Private Sector Pension Fund: 12%
- Public Pension Fund: 12%
- Insurance Company: 12%
- Asset Manager: 12%
- Other: 12%
- Bank/Investment Bank: 19%
- Foundation: 21%
- Fund of Hedge Funds Manager: 15%
- Private Sector Pension Fund: 12%
- Public Pension Fund: 12%
- Insurance Company: 12%
- Asset Manager: 12%
- Other: 12%
- Fund of Hedge Funds Manager: 15%
- Private Sector Pension Fund: 12%
- Public Pension Fund: 12%
- Insurance Company: 12%
- Asset Manager: 12%
- Other: 12%
- Bank/Investment Bank: 19%
- Foundation: 21%
- Fund of Hedge Funds Manager: 15%
- Private Sector Pension Fund: 12%
- Public Pension Fund: 12%
- Insurance Company: 12%
- Asset Manager: 12%
- Other: 12%
- Fund of Hedge Funds Manager: 15%
- Private Sector Pension Fund: 12%
- Public Pension Fund: 12%
- Insurance Company: 12%
- Asset Manager: 12%
- Other: 12%
- Bank/Investment Bank: 19%
- Foundation: 21%
- Fund of Hedge Funds Manager: 15%
- Private Sector Pension Fund: 12%
- Public Pension Fund: 12%
- Insurance Company: 12%
- Asset Manager: 12%
- Other: 12%
- Fund of Hedge Funds Manager: 15%
- Private Sector Pension Fund: 12%
- Public Pension Fund: 12%
- Insurance Company: 12%
- Asset Manager: 12%
- Other: 12%
- Bank/Investment Bank: 19%
- Foundation: 21%
- Fund of Hedge Funds Manager: 15%
- Private Sector Pension Fund: 12%
- Public Pension Fund: 12%
- Insurance Company: 12%
- Asset Manager: 12%
- Other: 12%
- Fund of Hedge Funds Manager: 15%
- Private Sector Pension Fund: 12%
- Public Pension Fund: 12%
- Insurance Company: 12%
- Asset Manager: 12%
- Other: 12%
As a major centre for investment funds, Luxembourg is the leading domicile for UCITS hedge funds. Over half (56%) of Europe-based UCITS funds are domiciled in the Grand Duchy, ahead of Ireland (26%). Fund managers based in the country also favour the UCITS structure, with 63% of Luxembourg-based funds operated as UCITS vehicles, the joint highest rate along with Italy. The hedge fund industry in Luxembourg is dominated by fund managers, which outnumber investors 1.8:1. Luxembourg City is home to the vast majority of both fund managers (91%) and investors (85%) in the country.

Over the course of 2016, Luxembourg-based hedge funds returned 9.49%, outperforming the Preqin Europe Hedge Fund benchmark (+3.11%) by over six percentage points.
The Spanish hedge fund industry remains centred in the capital city: 81% of Spain-based hedge fund managers are located in Madrid. The universe of Spain-based investors, on the other hand, is more geographically diverse, with similar proportions based in Madrid (47%) and Barcelona (35%). Spain-based hedge funds charge the lowest average performance fee (16.55%) of the 10 featured countries, over three percentage points lower than that of Sweden-based hedge funds (19.74%).

### Fig. 32: Spain-Based Hedge Funds by Top-Level Strategy

- **Equity Strategies**: 31%
- **Macro Strategies**: 12%
- **Multi-Strategy**: 18%
- **Managed Futures/CTA**: 15%
- **Event Driven Strategies**: 6%
- **Relative Value Strategies**: 6%
- **Credit Strategies**: 6%
- **Niche Strategies**: 6%

### Fig. 33: Spain-Based Investors Active in Hedge Funds by Type

- **Family Office**: 29%
- **Fund of Hedge Funds Manager**: 12%
- **Asset Manager**: 12%
- **Private Sector Pension Fund**: 12%
- **Bank/Investment Bank**: 6%
- **Corporate Investor**: 6%
- **Insurance Company**: 6%

### Fig. 34: Largest Spain-Based Hedge Fund Managers by Assets under Management

<table>
<thead>
<tr>
<th>Manager</th>
<th>Year Established</th>
<th>Assets under Management ($mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cygnus Asset Management</td>
<td>2006</td>
<td>554 (As at 31-Mar-17)</td>
</tr>
<tr>
<td>Auriga Investors</td>
<td>2007</td>
<td>437 (As at 31-Mar-17)</td>
</tr>
<tr>
<td>Bestinver Asset</td>
<td>1987</td>
<td>189 (As at 31-Mar-17)</td>
</tr>
</tbody>
</table>
The majority of both Norway-based fund managers (90%) and investors (57%) are located in Oslo. As at March 2017, Norway-based hedge funds have a three-year annualized return of 7.37%, the highest figure among the featured countries in this report.

On average, Norway-based funds charge 17.36% in performance fees, one of the lowest levels seen among the featured countries; however, these funds also charge relatively high management fees (1.67%), behind only funds based in Italy (1.69%) and the Netherlands (1.77%).
Investors located in the 10 featured countries* in this report account for 88% of all capital invested in hedge funds from Europe-based investors (Fig. 39). Finland-based investors account for 7% of the total capital invested, a figure only exceeded by the UK, Netherlands and Switzerland. As seen in Fig. 40, Finland-based investors also feature prominently among the largest investors in hedge funds based outside the 10 featured countries, with Varma Mutual Pension Insurance Company and Keva maintaining large allocations to the asset class.

There are currently 108 Europe-based hedge fund managers based outside the 10 featured countries, representing approximately 11% of the total. Malta has the greatest number (14) of fund managers, while Jersey is prominently represented among the largest firms: two of the largest Europe-based fund managers, Brevan Howard Capital Management and Systematica Investments, operate their global businesses from Jersey headquarters.

![Fig. 39: Aggregate Capital Invested in Hedge Funds by Europe-Based Investors (Excluding Funds of Hedge Funds) by Investor Location](image)

![Fig. 40: Largest Europe-Based Institutional Investors outside the 10 Featured Countries* by Current Allocation to Hedge Funds](image)

*The 10 countries featured in this report are as follows: UK, Switzerland, Sweden, France, Netherlands, Germany, Italy, Luxembourg, Spain, Norway.*
PREQIN SPECIAL REPORT:
HEDGE FUNDS IN EUROPE

JUNE 2017

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