

Content Includes:

Portfolio Evaluation

Over a third of investors review their alternative investment portfolios quarterly.

Investment Teams

Nearly three-quarters of investors manage their investment portfolios in-house.

Peer Comparison

Investors view the activity of their peers as very important when evaluating their own portfolios.

Returning Investors

Almost all investors perceive a strong returning investor base as an indication of a superior manager.

Case Studies

Plus, we provide in-depth case studies comparing portfolios of different investors.

Preqin Special Report: Investor Analyst

See How Investment Strategies Measure Up

May 2016





Foreword

The alternative investment industry has recovered strongly since the events of the Global Financial Crisis, with alternative fund managers managing an all-time record high of over \$7.4tn in assets under management at the end of 2015. Investors as a whole are not shying away from alternatives, with Preqin tracking over 9,600 unique allocators active in at least one alternative asset class as of April 2016 (up 16% from 2014).

As of April 2016, 79% of all global institutional investors are actively invested in at least one alternative asset class. As alternative investments continue to evolve and constitute larger proportions of institutional portfolios, investors have sought to become better educated and more aware of the investment activities carried out by similar institutions.

This report aims to provide insight into the portfolio construction, asset allocation evaluation and investment activities of institutional investors. The ability to track the amount of capital currently deployed in alternative assets, alongside other investors' future investment plans, helps increasingly sophisticated and experienced institutions to gain new perspectives and a more thorough understanding of the industry as a whole.

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Investor Analyst: The True Perspective

[See How Investment Strategies Measure Up](#)

Preqin's powerful analysis tool allows users to generate instant reports comparing a specific investor's current and planned allocations, preferences and investment plans against a tailor-made peer group.

Leveraging Preqin's detailed data and intelligence on institutional investors, Investor Analyst quickly generates reports that enhance your perspective of the alternative assets investor universe.

How it Works



1: Select an investor and alternative asset class



2: Create or load an investor peer group for comparison



3: Generate instant, presentation-ready visual reports

For more information, please visit: www.preqin.com/investoranalyst

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Investor Insights

Preqin recently surveyed more than 130 institutional investors globally with the goal of learning more about the perceived importance of allocation and portfolio evaluation studies in relation to their alternative investing activities.

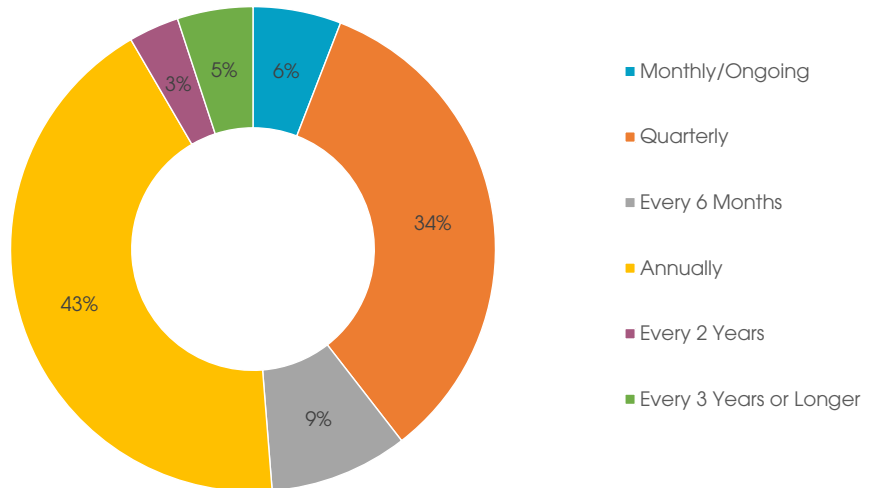
The largest proportion (43%) of investors conduct alternative allocation and investment policy evaluations annually, while nearly as many (40%) evaluate their portfolio allocations and policies at least quarterly, if not more frequently (Fig. 1). With such a large proportion of investors assessing internal policies and allocations multiple times per year, it is evident that despite the long-term and illiquid nature of alternative investments, they play an ever more prominent role within investor portfolios.

Just 3% of investors stated that external investment consultants were solely responsible for these activities, while 72% of investors stated that their in-house investment staff are responsible for evaluating portfolio policy and allocations (Fig. 2). This supports the notion that investors are becoming more experienced and educated when it comes to investing in alternative assets.

Despite the growing in-house capabilities and expertise of many institutional investors active in alternatives, investment consultants continue to play a valuable role as outside advisors even for the most sophisticated and knowledgeable institutional investors; a quarter still rely on the joint efforts of both investment consultants and in-house staff.

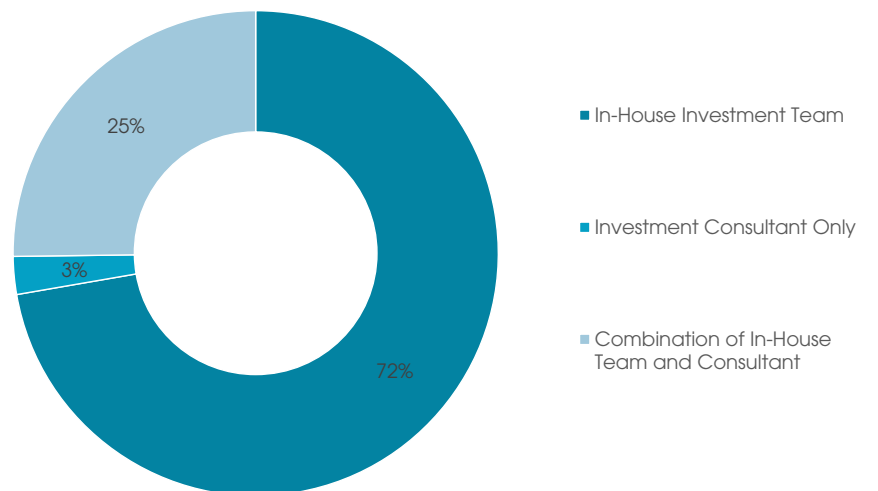
Investor sentiment towards alternative assets, evolving allocations and future plans continue to be prominent topics of discussion within the global financial industry. In April 2016, New York City Employees' Retirement System (NYCERS) – the largest municipal public employee retirement system in the US – voted to fully redeem its nearly \$1.5bn hedge fund portfolio. This follows California Public Employees' Retirement System's (CalPERS) highly publicized decision to liquidate its entire \$4bn hedge

Fig. 1: Frequency with Which Alternative Investment Portfolio Allocations and Investment Policies Are Evaluated



Source: Preqin Investor Interviews, April 2016

Fig. 2: Investors' Use of Investment Consultants vs. In-House Team for Portfolio Policy Evaluation and Allocations



Source: Preqin Investor Interviews, April 2016

fund portfolio in Q3 2014. Both of these events grabbed the attention of asset allocators of all types, sizes and regions.

Preqin's investor survey sought to understand how important it is for investors to compare their own current and target alternative investment strategies against fellow investors', and to find out whether they seek out investors that are very similar to themselves, or if they actually look to the wider investor

universe for these comparisons. Can situations like CalPERS' 2014 decision influence how the entire hedge fund asset class is perceived by fellow allocators? What impact did CalPERS' move to liquidate its hedge fund position have on NYCERS' actions?

The survey responses confirm that the majority of investors actively monitor their peers. Sixty-one percent of investors stated that peer comparison is important

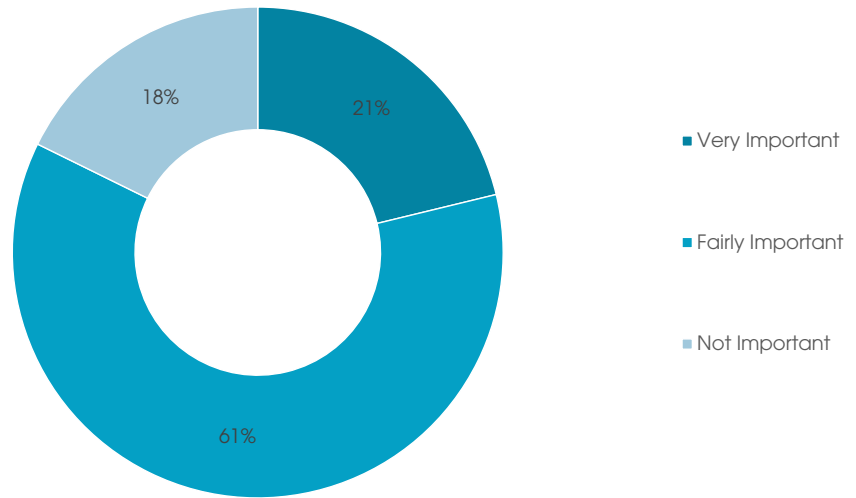


when considering allocations and future plans for alternative assets within their portfolios; a further 21% believe peer monitoring is very important (Fig. 3).

Institutions monitor their peers to gain insight into current and target allocations, fund commitments, attitudes towards first-time and emerging managers and routes to market for new asset classes, among many other key considerations.

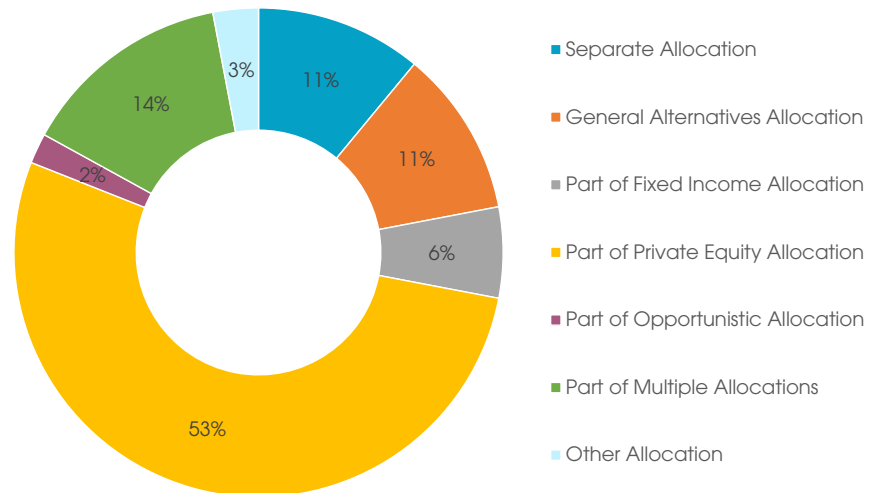
When evaluating potential investments, particularly first-time investments in less established asset classes such as private debt, investors often look to learn from observing the experiences and decisions of peers. For example, there are seven different ways investors active in private debt access the asset class; more than half (53%) include private debt funds within their private equity allocations, with only 11% carving out an entirely separate allocation (Fig. 4).

Fig. 3: Investors' Views on the Importance of Comparing Their Investment Strategy with Their Peers'



Source: Preqin Investor Interviews, April 2016

Fig. 4: Investors in Private Debt by Source of Allocation



Source: Preqin Investor Outlook: Alternative Assets, H1 2016

Preqin's Investor Data

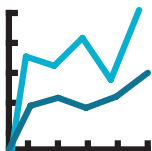
Preqin currently tracks more than 9,600 active investors in alternative assets.

With multilingual teams based across six offices, our dedicated analysts are able to speak to investors around the globe on a daily basis in order to gain an insight into their investment activity.

To arrange a demonstration of our products, please visit:

www.preqin.com

Key Facts



47%

Proportion of investors utilizing investment consultants that state **allocation assessment** and **portfolio policy formulation** are services rendered.



49%

Proportion of investors that evaluate their alternative investment portfolio allocations **at least twice** a year (92% at least once a year).



82%

Proportion of investors that keep **peer activities and future plans** in mind when evaluating alternative investments.



97%

Proportion of investors that consider a **strong returning investor base** an important characteristic of a superior fund manager.



29%

Proportion of investors that are monitoring **at least 25 fund managers** that they are not currently invested with at any given time.



43%

Proportion of investors active in alternatives that attend **at least 50 meetings** with alternative fund managers per year.



Case Study: Endowment Plan Allocations to Alternatives

Endowment Plan A*, one of the largest US university endowment plans, has an unparalleled track record of successful investing and high returns. Endowment Plan A has been at the forefront of the trend among endowment plans to invest significant capital in alternative assets, and has been doing so for the past four decades.

Endowment Plan A's investing activities, including its focus on alternative assets, is considered to be a model for endowment investing. Many institutions have tried to emulate portfolio construction similar to Endowment Plan A by allocating the majority of their portfolios to alternative investments. Preqin data is used in Fig. 5 to visualize the meaningful impact and influence Endowment Plan A has had on investing globally.

Three peer groups of varying sizes are compared to Endowment Plan A's current portfolio below:

- All Ivy League university endowment plans (excluding Endowment Plan A)

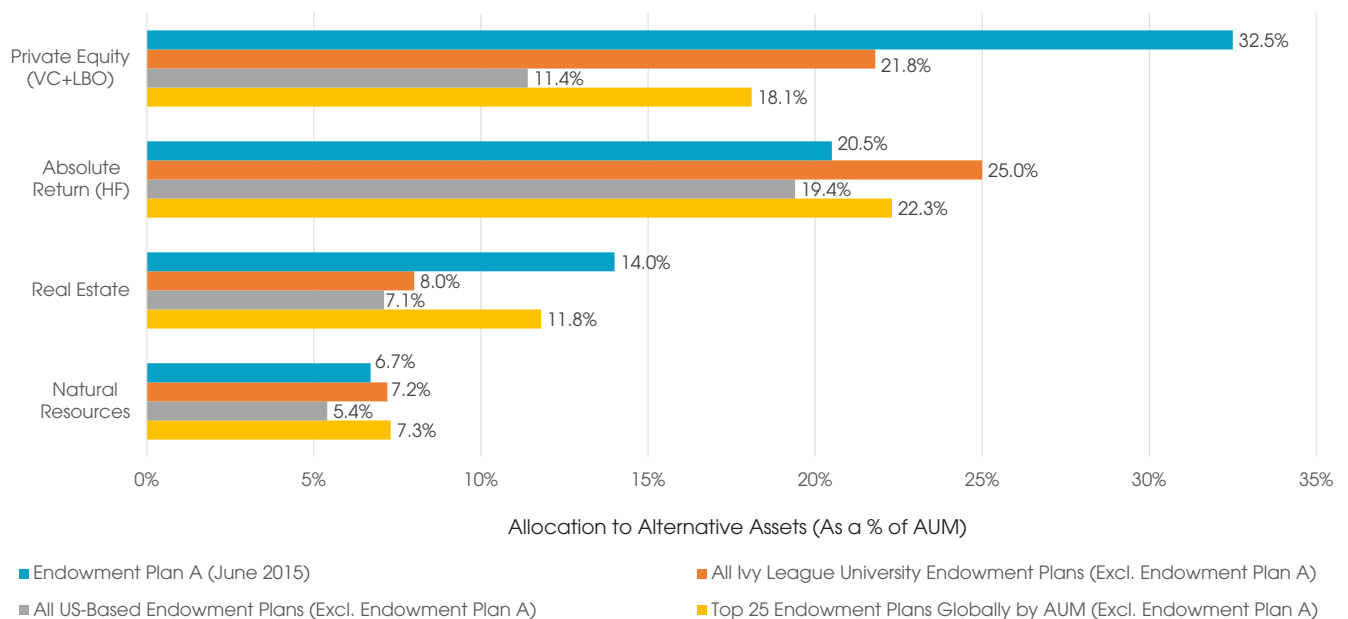
- All US endowment plans active in alternative investments (excluding Endowment Plan A)
- The 25 largest endowment plans globally (excluding Endowment Plan A)

The four alternative asset classes shown (Absolute Return/Hedge Funds, LBO/Venture Capital, Natural Resources and Real Estate) represent almost three-quarters (73.7%) of Endowment Plan A's portfolio, compared to the average Ivy League endowment plan, which has 62% of its portfolio allocated to the same asset classes. Natural resources and absolute return (hedge funds) allocations are fairly consistent across the three peer groups. The largest variance is observed among private equity portfolios: on average, Endowment Plan A allocates almost 11 percentage points more to private equity than its Ivy League counterparts, nearly twice as much as the largest global endowment plans, and close to three times the average allocation of all US-based endowment plans.

There are currently 508 US-based endowment plans investing in private equity, the vast majority of which began investing in the asset class after Endowment Plan A made its first commitment four decades ago. Manager selection is key to portfolio performance, and many private equity fundraisings are driven by existing LP-GP relationships, or LP-to-LP referrals. As one of the first endowment plans to invest in the asset class, Endowment Plan A has been able to build long-term relationships with top-quartile fund managers, which may be more difficult to access for less established private equity programs.

The average assets under management (AUM) of a US-based endowment plan active in private equity is \$1.2bn, 20 times smaller than Endowment Plan A's AUM. Endowment Plan A is the fourth largest US-based endowment plan with \$25.5bn in AUM, allowing it to meet the higher minimum capital commitments that larger, more experienced fund managers often command.

Fig. 5: Allocation to Alternative Assets (As a % of AUM): Endowment Plan A vs. Other Endowment Plans



Source: Preqin Investor Analyst

*The actual identity of the institution is fully transparent to users of the Preqin Investor Analyst service, along with that of each of the 9,600 global institutions tracked by Preqin's investor database. Please contact Preqin to arrange a demo of the service.



See how investors measure up...

**Investor Analyst:
The True Perspective**



...gain a new perspective.

Leveraging Preqin's detailed investor data, [Investor Analyst](#) allows you to generate custom visual reports comparing an investor's allocations, preferences and investment plans against a tailor-made peer group:

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alternative assets. intelligent data.



Case Study: Washington State Investment Board vs. Minnesota State Board of Investment

Due diligence on alternative investments is inherently different compared to traditional asset classes; the alternative assets industry remains largely opaque, deeply reliant on human networks and the element of trust. This concept comes to the forefront of the due diligence process when an allocator is evaluating

less established managers, which may have limited track records, or when screening investment opportunities in less established asset classes, such as infrastructure and private debt.

Fig. 6 shows private capital commitments by Washington State Investment Board

and Minnesota State Board of Investment from Q4 2015 to Q1 2016. The two public pension funds have committed to seven of the same funds over the two most recent quarters; however, Washington State Investment Board has committed over \$2bn more than Minnesota Board of Investment to these funds.

Fig. 6: Washington State Investment Board Commitments vs. Minnesota State Board of Investment Commitments

Fund	Fund Type	Fund Size (mn)	Fund Status	Washington State Investment Board Commitment (mn)	Minnesota State Board of Investment Commitment (mn)
Advent Global Private Equity VIII	Buyout	12,000* USD	Raising	600 USD	100 USD
Banc Fund IX	Growth	536 USD	Closed	100 USD	84 USD
Blackstone Capital Partners VII	Buyout	18,000 USD	Closed	450 USD	150 USD
KKR European Fund IV	Buyout	3,360 EUR	Closed	225 USD	75 USD
Oaktree Opportunities Fund X	Distressed Debt	3,000* USD	Raising (Third Close)	200 USD	50 USD
Oaktree Opportunities Fund Xb	Distressed Debt	7,530* USD	Raising (Third Close)	400 USD	100 USD
Warburg Pincus Private Equity XII	Balanced	12,000 USD	Closed	750 USD	150 USD

*Denotes target size

Source: Preqin Investor Analyst

Case Study: Florida State Board of Administration

It is quite common for investors to commit to several of the same funds as their peers. Florida State Board of Administration (FSBA) has committed to 24 funds in the past 12 months, with significant crossover with other similar investors.

FSBA has most often committed to the same funds as Michigan Department of Treasury, having selected eight of the same funds. Minnesota State Board of Investment, Teacher Retirement System of Texas and Washington State Board of Investment each share seven funds with FSBA. Within this group, all of FSBA's most prevalent peer investors are large US-based public pension funds, with the exception of Fubon Life Insurance, an insurance company based in Taiwan, which shares five common investments with FSBA.

Fig. 7: Florida State Board of Administration: Number of Same Commitments as Other Institutional Investors in the Last 12 Months

Investor	No. of Same Commitments in Last 12 Months
Michigan Department of Treasury	8
Minnesota State Board of Investment	7
Teacher Retirement System of Texas (TRS)	7
Washington State Board of Investment	7
CalSTRS	6
San Francisco Employees' Retirement System	6
Fubon Life Insurance	5
Kentucky Teachers' Retirement System	5
Teachers' Retirement System of Louisiana	5

Source: Preqin Investor Analyst

As shown in the previous examples, there is a large amount of value in investors' connections to one another via their peer networks. By taking note of the activity of their peers, investors

may be able to gain better insight into the industry as a whole, while gaining access to fund managers outside their typical circles.



How to Use Investor Analyst

Investor Analyst gives you an entirely new perspective on investors in the alternatives universe, allowing you to easily see how an investor's portfolio allocations compare with its peers'.

Step 1: Under *Investors*, click on **Investor Analyst** in the side menu.

Step 2: Select the investor you want to compare against a target list of peers by entering the investor's name.

Preqin investor profile data will auto-populate in the fields below.

Click "Next" when you are ready to build your target list for comparison.

Report Generation Wizard

1 Select investor and choose asset class 2 Compare Against 3 Summary Report

Select an asset class to load Preqin allocation profile...

Private Equity Report Currency: USD Reset Profile Default

Profile Items	Current Profile	Alternate Scenario Profile
Current Allocation to PE (Mn)		
Current Allocation to PE as % of Total AUM		
Target Allocation to PE (Mn)		
Target Allocation to PE as % of Total AUM		
Total Assets Under Management (Mn)		
Allocation to Alternatives (Mn)		
Allocation to Alternatives (%)		
First-Time Funds		
Separate Accounts		
Co-Investments		
First Close Investor		
Typical Investment Size (Mn)		
Investing in the Next 12 Months?		
Next 12 Months: No. of PE Funds		
Next 12 Months: Amount to PE (Mn)		

Next

Report Generation Wizard

1 Select investor and choose asset class 2 Compare Against 3 Summary Report

Search by Name or Investor Criteria

SEARCH FOR A SPECIFIC INVESTOR

Investor Type: Asset Manager, Bank, Corporate Investor, Endowment Plan, Family Office - Multi, Family Office - Single, Foundation, Government Agency, Hybrid Fund of Funds Manager

Location: North America, Europe, Asia and Rest of World, Economic Regions

Assets Under Management (Mn): From [] To []

SEARCH

Clear

Step 3: To create the target list, you can either search for specific investors by name on the left, or search by criteria – Investor Type, Location and Assets under Management.

Click "Search" to generate a list of matching investors as shown in the table below.

Step 4: Check the boxes next to the investors you would like included in the comparison, and click "Add" to move them to the final target list on the right-hand side.

Target lists can be given a name and saved for further analysis at a later date.

Step 5: Click "Generate Report" when you have finished adding all of the investors you would like to compare to the target list.

Search Results: 495 Results Currently in Target List: 496

Investor Name	Investor Type	Location	AUM (Mn)	Converted From
<input checked="" type="checkbox"/> Atlantic University Endowment	Endowment Plan	TX, US	365 USD	USD
<input checked="" type="checkbox"/> University of Maryland Endowment	Endowment Plan	PA, US	56 USD	USD
<input checked="" type="checkbox"/> New York College Endowment	Endowment Plan	GA, US	250 USD	USD
<input checked="" type="checkbox"/> Southwestern University Endowment	Endowment Plan	MD, US	115 USD	USD
<input checked="" type="checkbox"/> Wright College Endowment	Endowment Plan	PA, US	56 USD	USD
<input checked="" type="checkbox"/> Washington University	Endowment Plan	NH, US	100 USD	USD
<input checked="" type="checkbox"/> West Virginia Endowment	Endowment Plan	NY, US	261 USD	USD
<input checked="" type="checkbox"/> Hopkins College Endowment	Endowment Plan	PA, US	183 USD	USD
<input checked="" type="checkbox"/> Ohio College Endowment	Endowment Plan	HI, US	116 USD	USD
<input checked="" type="checkbox"/> American Friends of the British Consulate, Federal Endowment Fund	Endowment Plan	NY, US	487 USD	USD
<input checked="" type="checkbox"/> American Friends of the British Consulate	Endowment Plan	NY, US	657 USD	USD
<input checked="" type="checkbox"/> American Red Cross	Endowment Plan	DC, US	4000 USD	USD
<input checked="" type="checkbox"/> American University Endowment	Endowment Plan	DC, US	897 USD	USD
<input checked="" type="checkbox"/> American University in Bulgaria	Endowment Plan	NY, US	540 USD	USD
<input checked="" type="checkbox"/> University of Chicago	Endowment Plan	IL, US	950 USD	USD
<input checked="" type="checkbox"/> American State University Foundation	Endowment Plan	AZ, US	998 USD	USD
<input checked="" type="checkbox"/> University of Chicago	Endowment Plan	IL, US	900 USD	USD

Target List Results: 496

Target List

Save Group: [] Save

Investors

Atlantic University Endowment

University of Maryland Endowment

New York College Endowment

Southwestern University Endowment

Wright College Endowment

Washington University

West Virginia Endowment

Hopkins College Endowment

Ohio College Endowment

American Friends of the British Consulate

American Friends of the British Consulate, Federal Endowment Fund

American Red Cross

American University Endowment

American University in Bulgaria

University of Chicago

American State University Foundation

University of Chicago

Clear All Remove

Generate Report



Your Preqin Investor Analyst report is now available!

You can visualize how the investor you are interested in compares with the target list of peers you created across various metrics, customize chart views, cross-reference the underlying data for each chart and more.

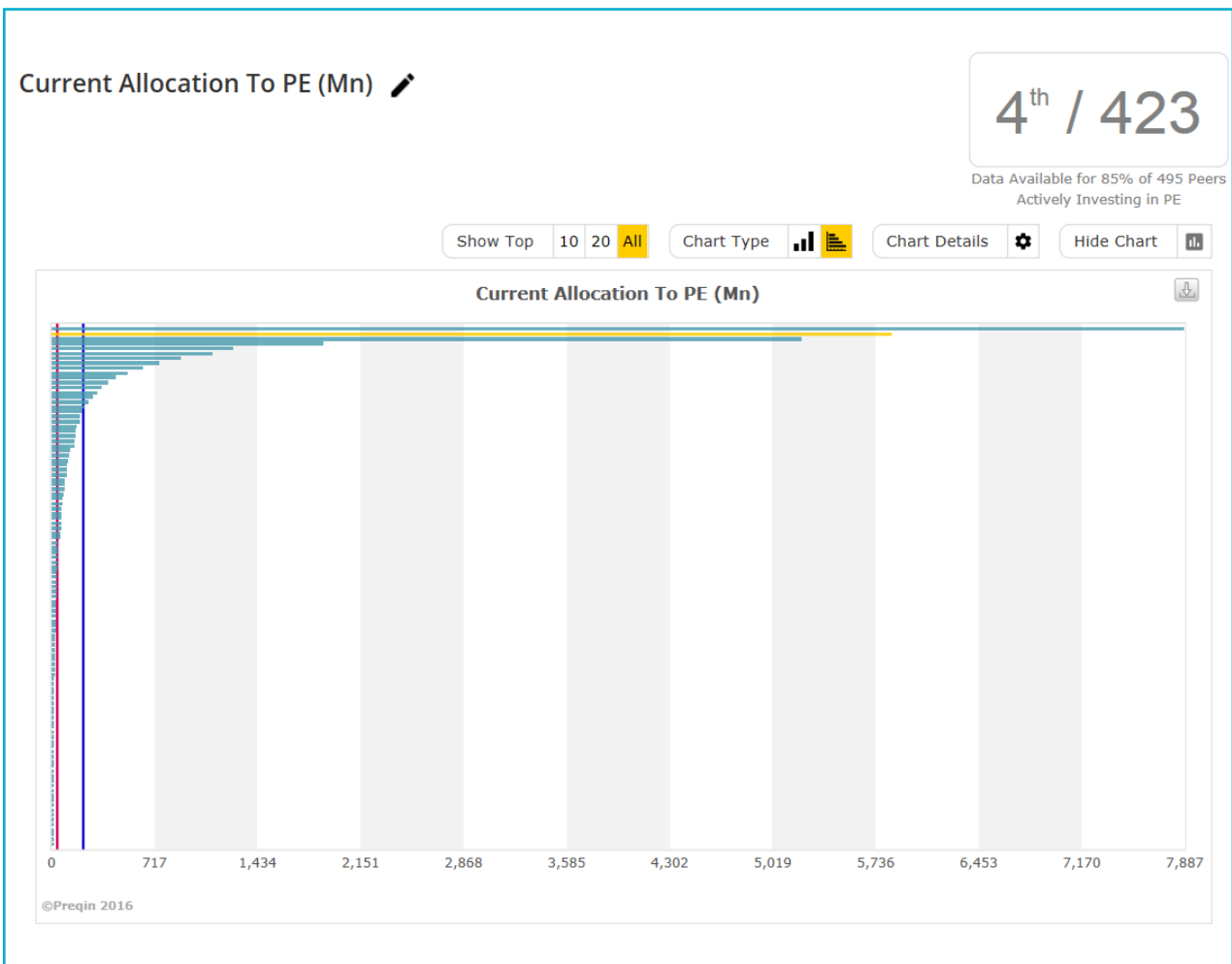
Report Generation Wizard

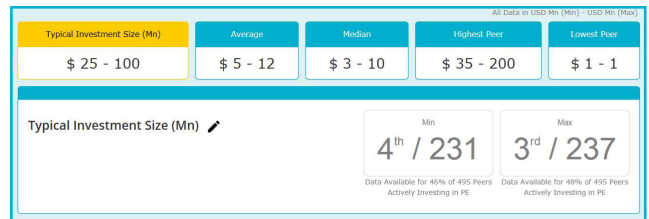
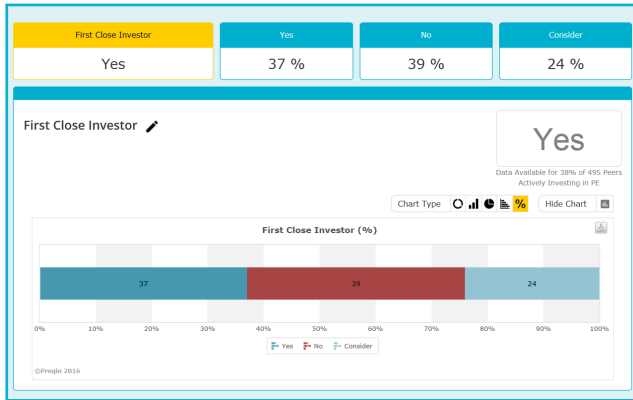
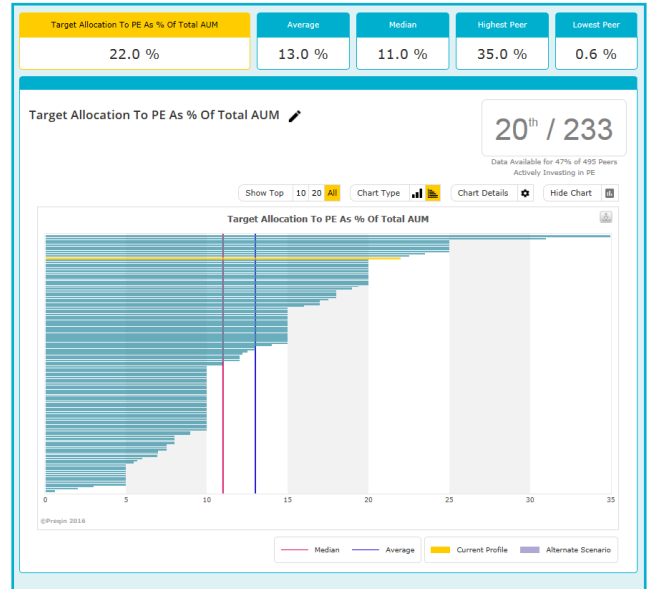
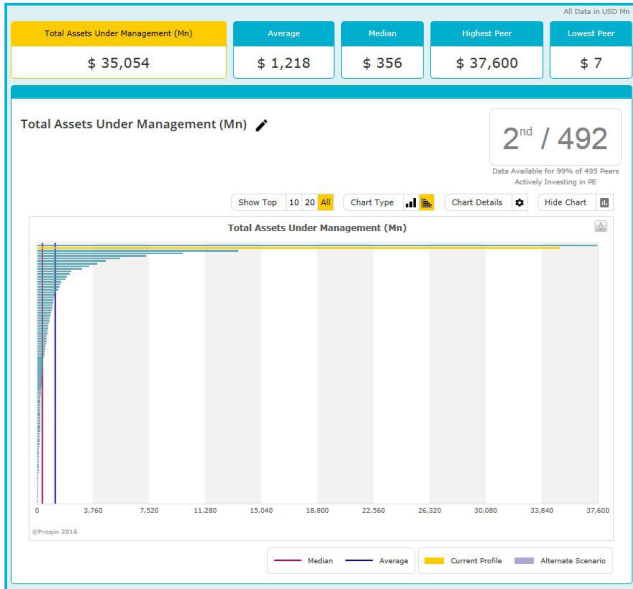
1 Select investor and choose asset class ✓ 2 Compare Against ✓ 3 Summary Report

Show Underlying Data Hide Charts Name Your Report Save & Download Report Data Pack

All Data in USD Mn

Current Allocation To PE (Mn)	Average	Median	Highest Peer	Lowest Peer
\$ 5,848	\$ 221	\$ 40	\$ 7,887	\$ 1





You can download the whole report in PDF format, or just the raw data to Excel by clicking “Data Pack”.

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Report Builder
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Scenario	Profile Investor	Target List	Date Created	Documents	Load
UNMCO	University of Texas Investment Management Company	North America-Based Endowments	27 April 2016		

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Register your interest in **Investor Analyst** today and we will be in touch to arrange a demo of this exciting new tool.

www.preqin.com/demo



Preqin Special Report: Investor Analyst

May 2016

Preqin: Global Data and Intelligence

With global coverage and detailed information on all aspects of alternative assets, Preqin's industry-leading online services keep you up-to-date on all the latest developments in the private equity, hedge fund, real estate, infrastructure, private debt and natural resources industries.

Source new investors for funds and co-investments

Find the most relevant investors, with access to detailed profiles for over 9,600 institutional investors actively investing in alternatives, including current fund searches and mandates, direct contact information and sample investments.

Identify potential fund investment opportunities

View in-depth profiles for over 3,000 private capital funds currently in market and over 14,000 hedge funds open to new investment, including information on investment strategy, geographic focus, key fund data, service providers used and sample investors.

Find active fund managers in alternatives

Search for firms active in alternative investments. View information on key contacts, firm fundraising/AUM and performance history, key investment preferences, known investors and more.

See the latest on buyout, venture capital and infrastructure deals and exits

View details of more than 153,000 buyout, venture capital and infrastructure deals, including deal value, buyers, sellers, debt financing providers, financial and legal advisors, exit details and more. Identify forthcoming exits and expected IPOs.

Benchmark performance

Identify which fund managers have the best track records, with customizable fund performance benchmarks and performance details for over 21,500 individual named private equity, real estate, infrastructure, private debt, natural resources and hedge funds.

Examine fund terms

See the typical terms offered by funds of particular types, strategies and geographical foci, and assess the implications of making changes to different fees.

View detailed profiles of service providers

Search for active administrators, custodians, prime brokers, placement agents, auditors and law firms by type and location of funds and managers serviced. Customize league tables of service providers by type, location of headquarters and total known number of funds serviced.

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