

Hedge funds becoming more flexible on fees

Stockholm (HedgeNordic) - According to a recent study by industry data provider Preqin, hedge fund managers view investor demand over fees as a key driver of change this year.

Preqin, which surveyed 276 hedge fund managers late last year for the poll, found that hedge fund managers are responding to high-profile redemptions and allocation changes with changes to fee structures. A full three-quarters of those polled are willing to reduce their fees, and many intend to spend more on marketing in the year ahead in an effort to counter broad investor skepticism about the value of investing in hedge funds.

According to Preqin, hedge fund fees are on a downward trend where average management fees dropped to 1.51% among funds incepted in 2016, down from 1.57% in 2014 and 2015. Ten percent of managers said they are prepared to reduce performance fees, 37% would reduce their management fees, and 27% are open to reducing both. In contrast, 26% of managers said they were not prepared to reduce their fees.

While 55% of institutional investors believe management fees improved over 2016, more than three-quarters (76%) believe that the area needs further improvement over 2017, the Preqin study suggests.

In a comment, Amy Bensted, Head of Hedge Fund Products for Preqin says:

“Investor dissatisfaction shows no signs of abating in early 2017, and it is clear that addressing investor pressure around performance and fees will be the key challenge for hedge fund managers in the year ahead. Managers will be looking to build on high returns to restore confidence in the asset class as a whole, revive investor sentiment and begin reversing the trend of outflows from hedge funds.”

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