

Net Reduction to Hedge Funds From Billion Dollar Club

Stockholm (HedgeNordic) – According to the latest research from Preqin, the “Billion Dollar Club” – investors who allocate US\$ 1 billion or more to the hedge fund industry – continues to grow, with a net eight institutions joining the club over the past 12 months, bringing its total membership to 242 members.

This, however, is not to overlook that the net growth is a result of 36 institutional investors actually surpassing the US\$ 1 billion mark – but another 28 falling below it in the past year, resulting in an actual reduction of capital. The Billion Dollar Club accounts for 24% of total institutional capital allocated to hedge funds, presently standing at US\$ 805 billion. The level of capital invested has grown by 6% over the past year from June 2016, when US\$ 763 billion was allocated to hedge funds.

“Investor outflows dominated the narrative surrounding the hedge fund asset class in 2016,” said Amy Bensted, Head of Hedge Fund Products at Preqin. “However, despite some high-profile redemptions and withdrawals in recent years, the group of the largest hedge fund investors continues to grow in both number and influence. The past 12 months have seen a net increase of eight institutions, and total allocations from these investors now exceed USD800 billion collectively.”

At 28%, the largest proportion of capital allocated by the Billion Dollar Club is accounted for by pension funds, which also represent the highest number of entrants (11) over the past year. Geographically, North America accounts for 61% of capital invested in hedge funds, Europe-based investors account for 21% and Asia accounts for 9%.

“The Billion Dollar Club consequently has great influence over the industry; one in every four dollars in hedge funds today comes from this group of 242 institutions,” Ms Bensted said. “These investors are increasingly using their collective might to lobby hedge fund managers to improve the alignment of interests between the two parties. At a time when fund terms and conditions are in the spotlight, this will ultimately improve alignment for all institutional investors in the asset class.”

Billion Dollar Club members typically allocate 16.0% of AUM to hedge funds, according to Preqin’s findings, by comparison to an average of 14.5% for other investors. This, however, is a decrease from June 2016, when allocation was on average 16.8%. 37% of Billion Dollar Club members have decreased allocations over the past year, by comparison to 28% who have increased them.

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