# Investors Turn Away Despite Higher Satisfaction

Stockholm (HedgeNordic) – Almost half of hedge fund investors report being satisfied with the performance of their hedge fund portfolios, compared to a satisfaction rate of 21% in June 2016. Despite this encouraging sign, a very similar proportion plan to reduce their hedge fund exposure over the next 12 months.

These results are drawn from the June 2017 survey conducted by data provider Preqin among 108 institutional investors. According to the latest poll results, the proportion of investors stating that hedge funds failed to meet expectations declined to 55% from a dissatisfaction rate of 79% in mid-2016. Considering that the industry, as expressed by the Preqin All-Strategies Hedge Fund benchmark, delivered a 12-month return of 10.8% through the end of June 2017, these results are not surprising. But questions remain about the longer-term performance of hedge funds.

70% of interviewed investors find that hedge funds fail to meet expectations over a three-year period, the survey indicates. The level of disappointment among institutional investors with the industry's recent underperformance will likely have negative consequences for fund managers. The survey shows that 49% of investors plan to reduce their hedge fund exposure over the coming year, which is the largest proportion of such intention on record. Meanwhile, just 20% of investors report planning to increase exposure over the next 12 months.

Moreover, a rising proportion of investors are looking to decrease their allocations to hedge funds in the longer term; twice as many investors plan to reduce allocations than to increase them (44% versus 22%). In addition to the general dissatisfaction with performance, the compensation structures employed by hedge funds have come under criticism. Investors consider fund charges as the second-biggest issue facing the hedge fund industry, trailing only the issue of performance. 56% of respondents see fees as a key issue. Exactly half of interviewed investors are seeking changes to fee structures, citing inadequate actual returns and low risk-adjusted returns as factors driving these demands.