Renewed Optimism Among Hedge Fund Investors

Stockholm (HedgeNordic) – The global hedge fund industry has gained renewed optimism among investors after delivering strong performance in 2017, according to a survey conducted by Deutsche Bank on 436 global hedge fund investors. The hedge fund industry ended 2017 up 8.6 percent, as reflected by the HFRI Fund Weighted Composite Index, recording the best annual performance since 2013.

The 436 survey respondents account for $2.1 trillion in hedge fund assets, equating to approximately two-thirds of industry assets. Survey respondents include pension funds, sovereign wealth funds, endowments, foundations, insurance companies, consultants, and funds of hedge funds from 21 countries across the EMEA, Americas and Asia Pacific regions.

One highlight stemming from the survey was that investors' hedge fund portfolios broadly reached their 2017 return targets, marking the first year in which hedge funds met investors' set targets in the last four years. Hedge fund portfolios returned 8.0 percent on average since the beginning of 2017 through the end of November, compared to 3.0 percent in the prior year.

"It has been a transitional time for the hedge fund industry. We are seeing a shift in momentum with improved performance and positive flows," said Greg Bunn, Global Co-Head of Prime Finance at Deutsche Bank. "One in two investors plans to grow their allocation to hedge funds in the next 12 months. We found that the average respondent expects to boost the size of their portfolio by $129 million this year," he added.

The volume of assets managed by the hedge fund industry increased by 6.4 percent last year, with industry assets reaching an all-time high of $3.21 trillion by year-end. According to the survey results, hedge funds are anticipated to receive $41 billion in net new investor capital during 2018; the expected net increase in capital for 2017 amounted to a much smaller figure of $10 billion.

"While investors are committing more capital to hedge funds as part of their overall portfolio the competition for these dollars remains strong. This is because most investors expect to keep their number of allocations constant, creating a 'one in, one out' scenario. Fund managers need to continue to differentiate themselves via outperformance, bespoke fee arrangements and uncorrelated investment strategies," said Marlin Naidoo, Global Head of Capital Introduction and Hedge Fund Consulting at Deutsche Bank.

For more details and highlights from Deutsche Bank's annual Alternative Investment Survey, click here.

Picture © Racorn – Shutterstock