

Hedge Funds Losing the Crown in Alts Market

Stockholm (HedgeNordic) – Hedge funds remain the largest asset class in the European alternatives market, but private equity is set to take the top spot as hedge fund assets decline and the private equity fundraising environment remains healthy. Europe-based alternative asset managers oversee €1.62 trillion in assets as of the end of June last year, according to data provider Preqin, up almost €300 billion in three years.

According to Preqin's second annual *Alternatives in Europe* report, prepared in partnership with Amundi, hedge funds are the largest asset class in the European alternatives market with €608 billion in assets under management at the end of June 2018 and €570 billion at the end of 2018. The European hedge fund industry's assets declined by 9 percent in 2018 due to underperformance, falling from a peak of €625 billion at the end of 2017. Private equity assets, meanwhile, rose 8 percent in the first half of last year to reach €559 billion. Preqin did not provide an end-of-year figure for private equity assets.

Despite the decline in assets, "the outlook for hedge funds in 2019 is looking much better," according to the report, which added that investors are "seemingly acknowledging that tougher economic times and potential market volatility are precisely the conditions that should play to the strengths of hedge funds." Preqin notes that private equity is "poised to overtake" hedge funds as the largest asset class in the European alternatives market.

"Europe's alternative assets industry is in rude health, with assets under management surging even as the wider financial picture remains cool," said Mark O'Hare, Chief Executive of Preqin. "Moreover, it is extremely diverse both in terms of asset class and the different regions and countries across the continent," added O'Hare. "It is worth noting that this growth has come despite the political and economic uncertainties – most notably Brexit – that bedevil the continent. These uncertainties clearly do not help the industry; but it appears to be once again demonstrating its ability to cope with uncertainty and find attractive investment opportunities whatever the external market conditions."

Pedro Antonio Arias, Global Head of Real and Alternative Assets at Amundi, said that "the continued growth of the European alternatives industry demonstrates the vital role that insurance companies, pension funds and asset managers such as Amundi provide in funding the real economy, while Europe's small and medium enterprises have never had such a diverse range of solutions when considering their capital structure." He emphasized the benefits of real assets, in particular, saying that real assets allow "pension funds and insurance companies to capture an illiquidity premium while still delivering superior and predictable returns with a diversified portfolio."

The complete *Alternatives in Europe* report can be downloaded [here](#):



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