

# Passive Route to Hedge Funds

Stockholm (HedgeNordic) - In mid-February of 2019, Aberdeen Standard Investments launched the ASI HFRI-I Liquid Alternatives Ucits Fund, a vehicle that aims to provide investors with a lower-cost way of getting access to a well-diversified hedge fund portfolio. The passive hedge fund strategy invests in the nearly 200 hedge funds that are part of the HFRI-I Liquid Alternative Ucits Index designed by Hedge Fund Research.

ASI HFRI-I Liquid Alternatives Ucits Fund, which was seeded with \$150 million from institutional investors in February last year, raised \$527 million in assets since its launch through December, according to the Wall Street Journal. The vehicle serves as a lower-cost replacement for a fund of hedge funds, with investors charged an annual management fee of only 0.30 percent in addition to the management and performance fees of the underlying funds. The fund is open to investors based in Europe, Asia and Canada, requiring a minimum investment of as low as \$100. ASI HFRI-I Liquid Alternatives Ucits Fund returned 4.1 percent net of fees since its launch in February through the end of 2019.

The downside of investing in funds of hedge funds revolves around the double-layer of fees, with the typical fund of hedge funds charging a management fee of 1 percent and a performance fee of 10 percent. Aberdeen Standard Investments plans to expand its range of lower-cost passive products offering exposure to hedge funds. Following an agreement with Hedge Fund Research, Aberdeen expects to launch an investment product tracking HFRI's index of 500 hedge funds during the second half of 2020, writes the Wall Street Journal. The soon-to-be-launched product will offer institutional investors quarterly redemptions, allowing the vehicle to target longer-term investments.

"Given very high valuations, an aged bull market, and interest rates that provide limited negative returns," says Duncan Moir, senior investment manager at Aberdeen, "this new fund is designed to be a defensive, absolute-return vehicle aimed at being a consistent source of return with minimal tracking error to the broad hedge-fund benchmark."

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