Asian institutions continue to favour regional hedge funds

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Asian institutions would appear to be continuing to grow in importance as a source of new capital for hedge funds both within Asia and globally, with the majority looking to maintain or increase their allocations into alternatives reported *AsianInvestor* this week, in reference to a new report published by Preqin. In the survey, 57 per cent of Asian institutional investors said they planned on maintaining their allocation level with hedge funds, while 37 per cent indicated they planned on increasing allocations: this despite the fact that hedge funds, globally, fell 5 per cent last year. Asian ex-Japan hedge funds fared even worse, recording losses of 12.6 per cent, so this report is no doubt music to their ears. New managers are firmly on the radar, with 23 per cent of investors saying they plan on adding new names to their portfolios and 42 per cent indicating they would do so whilst also maintaining existing relationships.

Understandably, Asian hedge funds will be favoured by institutions in the region because of their proximity, with 83 per cent saying they would look at Asian managers. The most popular strategies in the report were global macro (44 per cent), long/short equity (40 per cent), event-driven and managed futures (both 20 per cent), followed by multi-strategy (16 per cent). Japanese pension funds are expected to be among the biggest allocators according to prime brokerage executives in the region, as well as South Korean pension funds and Australian hedge fund seeders, largely backed by superannuation schemes. One thing’s for certain: new assets will magnetise towards those managers with the best performance and track records so competition this year is likely to be as tough as it has ever been.

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