

Middle East investors less keen on hedge funds for 2009

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News

A majority of Middle East investors (55%) expect to decrease their allocation to hedge funds in 2009 while 14% expect to increase allocations and 31% plan no change in their allocation. The results are from a survey by Capintro Partners.

Of the respondents that intend to change their exposure to hedge funds, 49% expect no difference in split between single managers and fund of hedge funds (FoHFs) while 27% expect to increase exposure to single managers and 11% to decrease allocations to FoHFs.

Favoured strategies for 2009 include distressed (19%), global macro (17%) and commodity trading advisers (15%). These were followed by credit (10%), equity long/short and multi strategy (both at 8%), event driven (7%) and volatility arbitrage (6%). Fixed income arbitrage, market neutral, merger arbitrage and statistical arbitrage all were set for allocators of 3% or less.

The top three regions investors favour in 2009 included emerging markets (25%), the US (24%) and Asia, excluding Japan (22%).

Over half (54%) said they use structured products regularly or periodically. Of those who use them, the majority (57%) said they made use of capital guarantee products while under a quarter (23%) said capital/risk management requirements were the main use with only 11% giving leverage as the main usage.

On return objectives of hedge fund portfolios, the largest group of investors (43%) said they expect their hedge fund allocation to achieve return target of Libor plus 400-600 basis points (bp) while 29% expect a return target greater than Libor plus 600bp and 28% expect a return target of Libor plus 200bp-400bp.

A majority of investors (82%) access hedge funds directly or without the use of a consultant. Only 18% said they used a consultant with endowment/foundations most likely to use consultants, followed by investment companies, family offices and corporate investors.

Over a quarter of respondents (29%) require a minimum asset under management (AUM) of at least \$250 million to invest with a fund while 25% require at least \$500 million. Only 17% are able to invest with funds of \$50 million or less AUM and 57% with a fund of \$250 million in AUM or less.

On liquidity under half (46%) said they would invest only in funds with at least monthly liquidity with 38% happy with quarterly liquidity. Funds with annual liquidity or longer lockups only appealed to 8% of respondents.

Responses were collected up to February 5 from 65 investors in eight countries in the Middle East.

Capintro Partners is an alternative investment placement specialist. With locations in Dubai and London, Capintro works with clients throughout the Middle East offering products across all segments of the alternative asset class including hedge funds, private equity and venture capital and real estate.

*A fuller report of the survey's findings will be available in the March edition of **Hedge Funds Review**.*

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