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Middle East investors to stick with hedge funds

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Investors in the Middle East are planning to either increase or maintain their allocations to hedge funds in 2010, according to a recent survey conducted by research firm Capintro Partners.

Of the 66 investors covered by the Middle East Hedge Fund Investor Survey 2010, 36.4% stated that they are looking to increase their hedge fund exposure, while 54.5% foresee no change in their hedge fund allocation. Only 9.1% expect to reduce their allocation to the asset class.

This is in stark contrast to 2009, when 55.4% of those surveyed were planning to reduce their investment into hedge funds as a result of the turbulent post-crisis market.

The research also revealed that the respondents, all of whom were based in the six GCC countries, plus Jordan and Lebanon, favour global macro, equity long/short and distressed strategies and are expecting particularly strong performance from the emerging markets, the US and Asia (excluding Japan) in the coming year.

However, in an effort to guard against the widespread gating and suspension issues experienced over the past two years, investors will also be seeking more favourable liquidity terms than were offered last year, with the proportion of those surveyed who will require at least monthly liquidity increasing by 17% from 2009 to 2010.

While Mena investors are growing in keenness, the region's home-grown market remains slight. According to HFR, the Middle East hedge fund market accounts for just \$1.17bn in AuM, compared to \$77bn invested in other emerging markets.