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Most investors sticking with hedge funds; management fees fall in 2016 — survey

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A majority of institutional investors — pension funds, endowments, foundations and funds of funds — intend to maintain their current level of investment in hedge funds over the next three years.

Of the 63 investors interviewed, 69% said they do not intend to change their hedge fund allocations, showed the results of a survey conducted by Greenwich Associates for Ernst & Young Global. Of the remainder, 18% said they will increase their hedge fund investments over the next three years and 13% said they will decrease investments.

By region, 70% of executives of North American institutions said they will stick to their current hedge fund allocation, 10% said they will increase and 20% said they intend to reduce the size of their portfolios.

Of European and Asia-Pacific region investors surveyed, 23% plan to pump up their hedge fund investments, just 9% will decrease the size of their portfolios and 68% will stick to the status quo over the next three years, according to the report, “Will adapting to today's evolving demands help you stand out tomorrow: 2016 Global Hedge Fund and Investor Survey.”

In response to a multiple-choice question, investor respondents said over the next three to five years, they intend to:

- move assets out of traditional hedge funds and into other alternative asset classes such as private equity and real estate, 48%;
- increase hedge fund investment through separate accounts or customized strategies, 42%;
- increase the overall alternatives allocation, 28%;
- decrease the number of hedge fund managers in their portfolios, 22%; and
- manage more money internally and reduce the use of external managers, 18%.

The average management fee of the 100 hedge fund executives surveyed fell to 1.35% in 2016, compared to 1.45% the prior year.

Despite lower management fees in aggregate, in 2016, 38% of institutional investor survey respondents said they were dissatisfied with the expense ratio of the hedge funds they invest in vs. 35% in 2015. Investors who said they were very satisfied with hedge fund fees accounted for 22% of the total universe in 2016 and for 19% in 2015, and those neutral on the issue of hedge fund fees totaled 40% in 2016 and 46% the previous year.

Greenwich Associates conducted telephone interview with asset owners and hedge fund managers between June and September, the report said.

Original Story Link: <http://www.pionline.com/article/20161115/ONLINE/161119936/most-investors-sticking-with-hedge-funds-management-fees-fall-in-2016-8212-survey>

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