

Mid-Year Survey of Hedge Fund Investor Sentiment

Credit Suisse Capital Services
Summer 2015

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Part I - Introduction and Executive Summary

Overview

As an extension to our Annual Global Hedge Fund Investor Survey published earlier this year, where investors forecasted an optimistic outlook for 2015, we wanted to take a fresh look at investors' current appetite and level of activity.

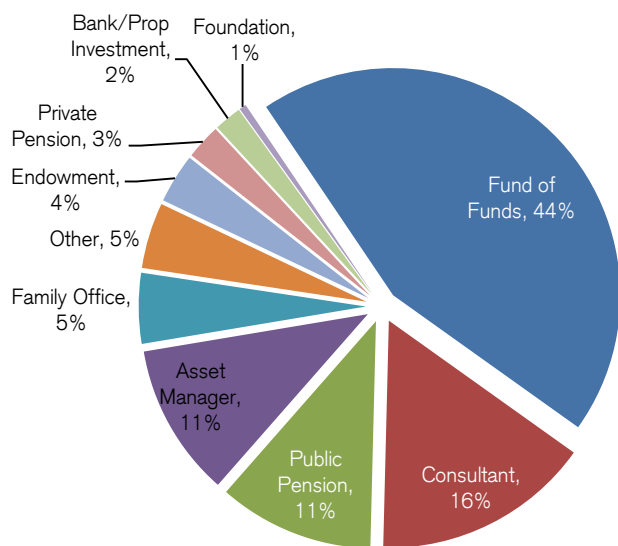
You will recall that the Annual Investor Survey anticipated robust growth for the hedge fund industry in 2015, with a projected asset increase of 14.4% over last year, potentially bringing hedge fund assets above \$3 trillion by year end. Our Mid-Year Survey of Hedge Fund Investor Sentiment indicates continued, and in some cases, increased appetite to allocate to hedge funds in the second half of the year, and many of the strategies investors favored in the Annual Survey continue to remain in focus.

Our survey polls over 200 respondents representing nearly \$700 billion in hedge fund investments.

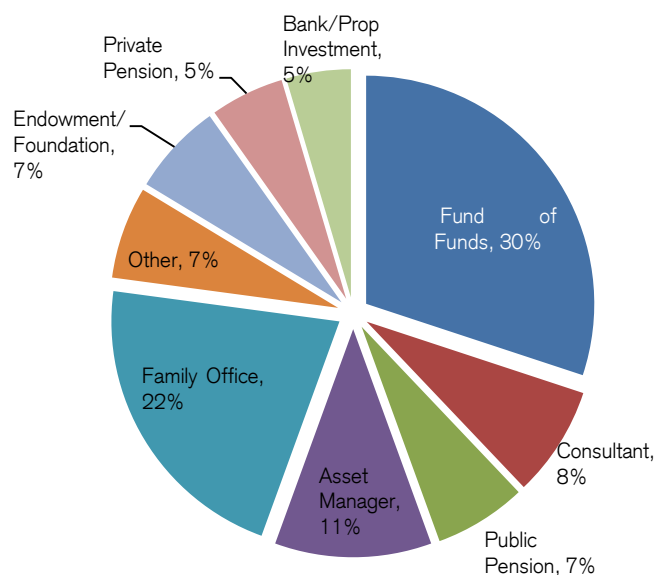
Investors from all regions participated, with a breakdown as follows:

Region	Number of Responses
Americas	110
EMEA	73
APAC	19
Total	202

INVESTOR BREAKDOWN
By AuM (in \$USD)



INVESTOR BREAKDOWN
By number of responses



EXECUTIVE SUMMARY – FROM STRENGTH TO STRENGTH

- Enthusiasm about hedge funds continues – with over **90% of respondents increasing or maintaining** their hedge fund exposure in the first half of 2015.
- And the message is just as positive for the second half of the year, with **93%** of respondents expecting to **increase or maintain their hedge fund exposure**.
- The top 3 most popular strategies considered for second half allocations are **Global Macro, Event Driven and Equity Long/Short**, which were also three of the top strategies in our Annual Investor Survey earlier this March.
- Support for CTA strategies declined, as the strategy slid from the 3rd most popular in our Annual Investor Survey to 9th position at mid-year.
- Appetite for Multi-Strategy funds rebounded from 14th place in our Annual Survey, up to the 6th most preferred strategy in our current survey. Which products have gotten traction so far this year? In addition to the typical Master/Feeder (Onshore/Offshore) structure, **22%** of respondents reported allocating to a **UCITS product, 22% to a Managed Account and 17% to a Long Only product**.
- For the latter half of the year, appetite for **UCITS and Equities Co-Investment products rose**, with **26% and 18%** of investors reporting appetite for the two vehicles, respectively.
- Despite recent geopolitical volatility in the region, **Europe remains in focus**, with investors considering regional allocations favoring the U.S. and Europe, with APAC ex-Japan as the third most popular region.

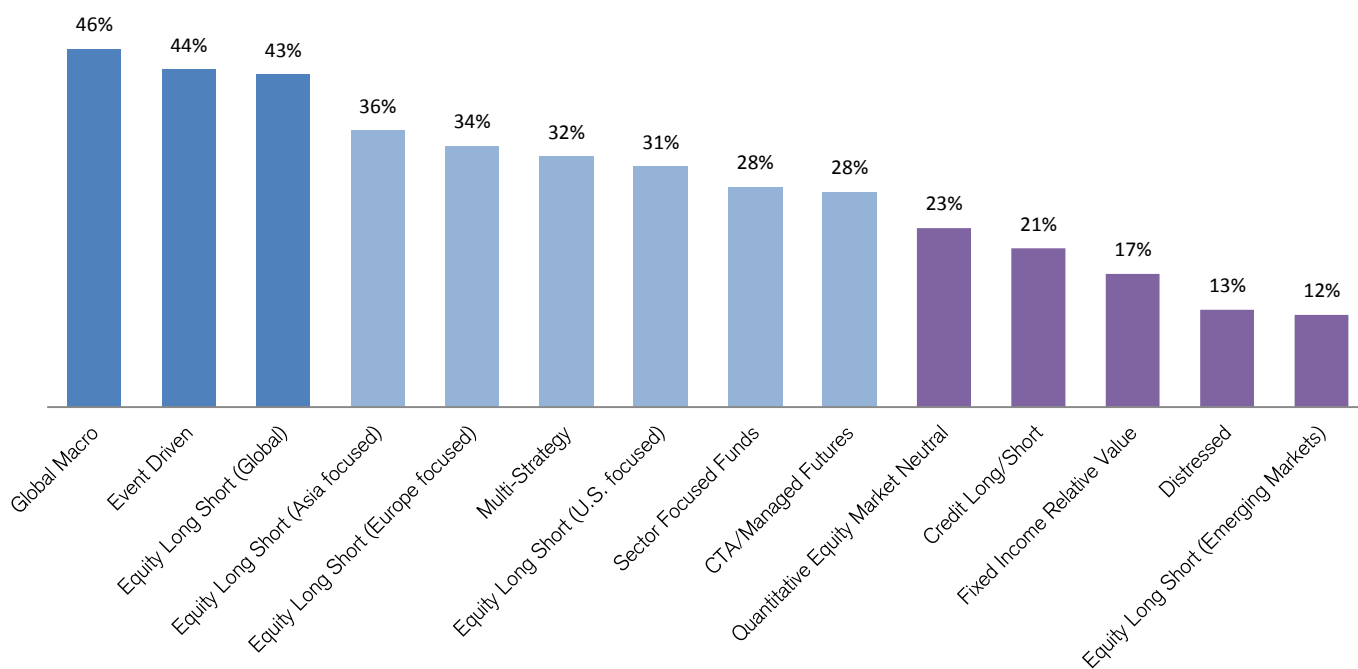
Part II – Strategy Appetite

Overview

- Demand for the top ranked strategies in our Annual Investor Survey in March continues; Global Macro, Event Driven and Equity Long/Short (Global) are the top ranked strategies in our Mid-Year Survey, and were among respondents' most sought after strategies in the Annual Survey.
- Demand for Multi-Strategy funds has ticked up; it was ranked 14th in the Annual Survey, but has climbed to 6th in the Mid-Year Survey.
- Demand for CTAs has declined, dropping from the 3rd most sought after strategy to 9th for the second half of the year.

Mid-Year Strategy Appetite

% of respondents reporting appetite to allocate to strategy in second half of 2015



2015 Annual Investor Survey Results – Strategy Appetite

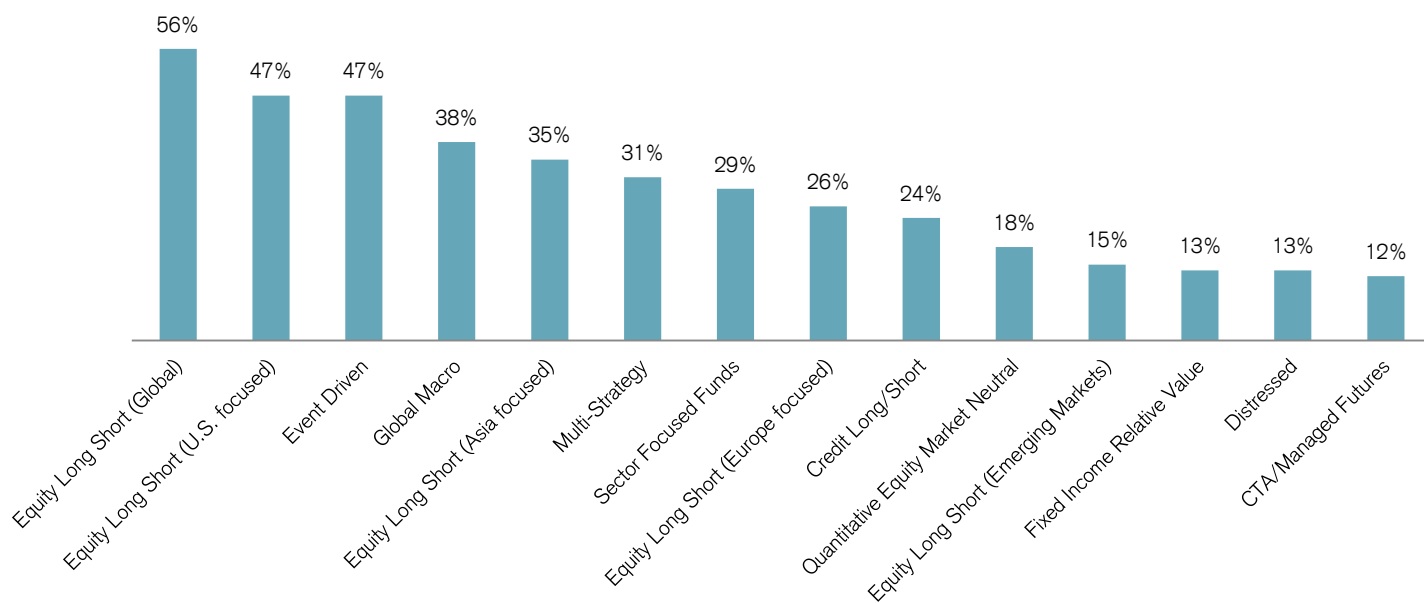
Top Strategies in the 2015 Annual Investor Survey (1Q 2015)

1. Global Macro
2. Event Driven
3. CTA/Managed Futures
4. Equity Long/Short
5. Quantitative Equity Market Neutral

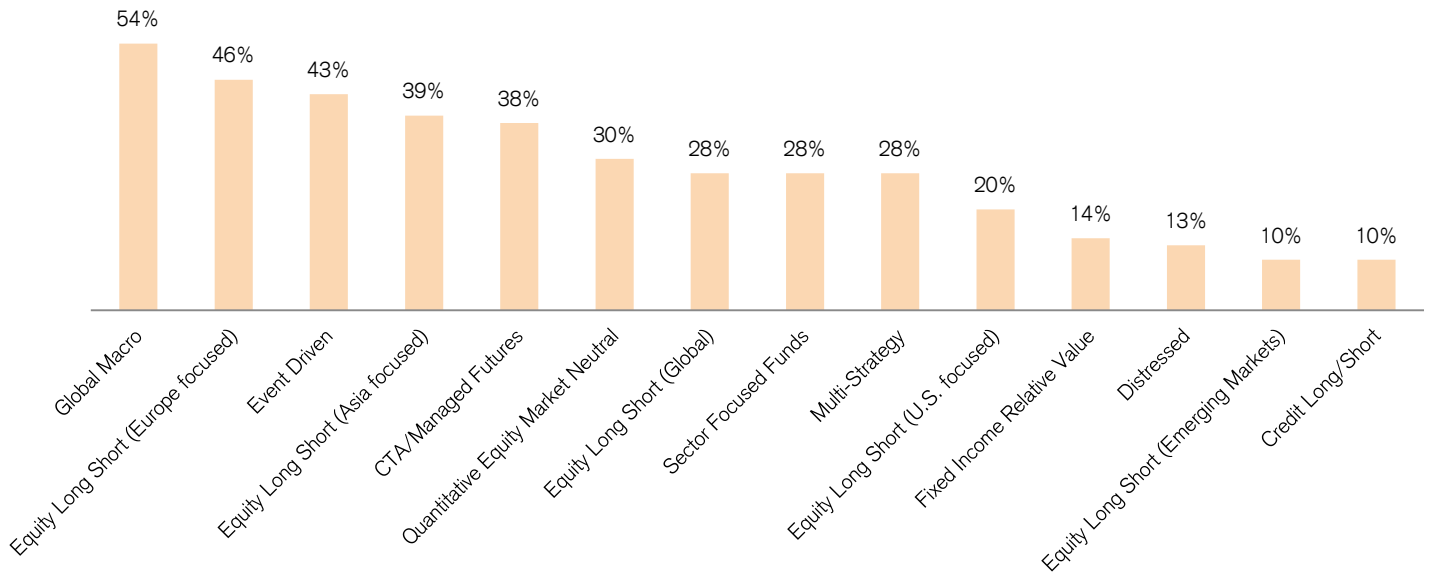
Strategy Appetite by Investor Region

- There were some noticeable differences in investor appetite that varied according to their location. Investors based in the Americas are more focused on Equity Long/Short strategies, with more interest in Global Macro funds coming from their European and Asian counterparts.
- Distressed strategies and CTA/Managed Futures funds have dropped to the bottom for investors in the Americas, but remain in the middle of the pack for European and Asian investors.

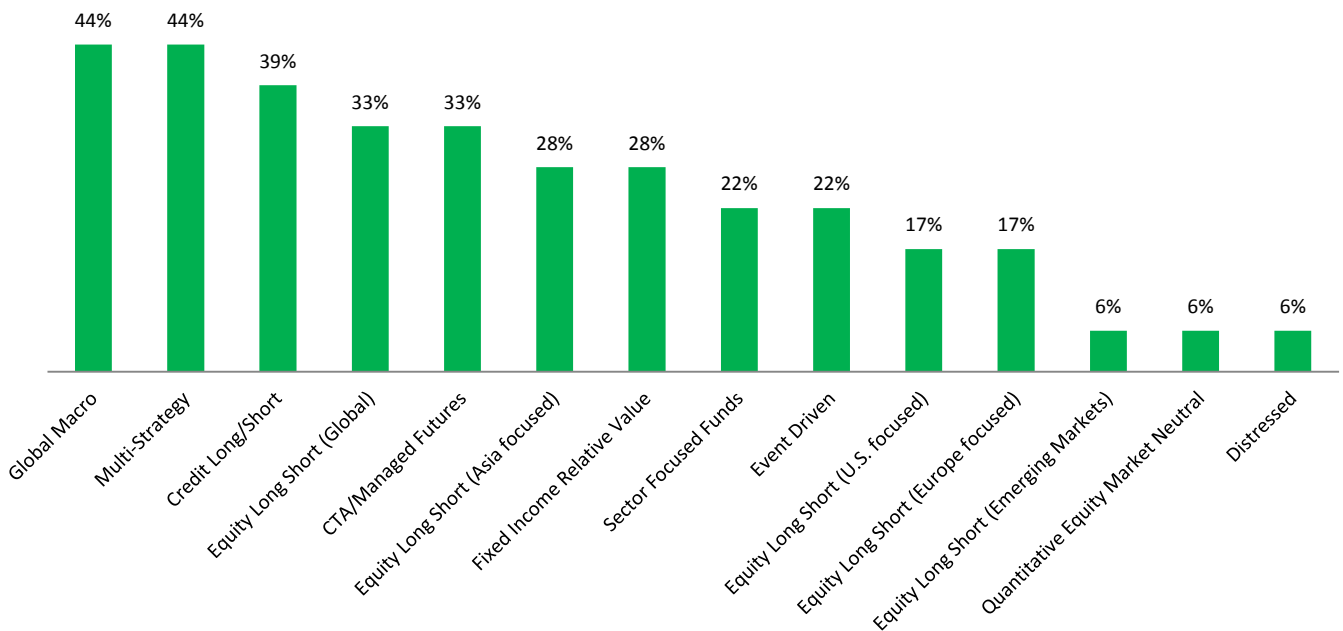
Regional Strategy Interest - Americas



Regional Strategy Interest - EMEA



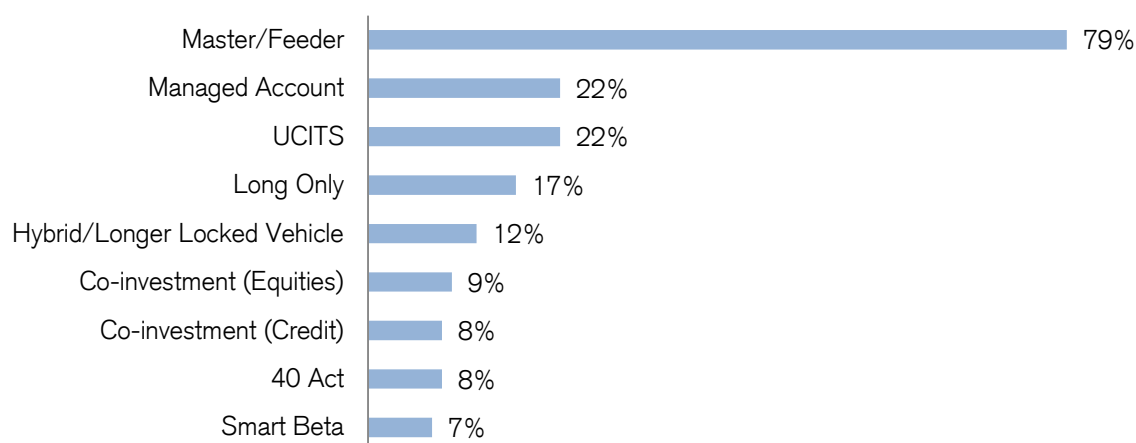
Regional Strategy Interest - Asia-Pacific



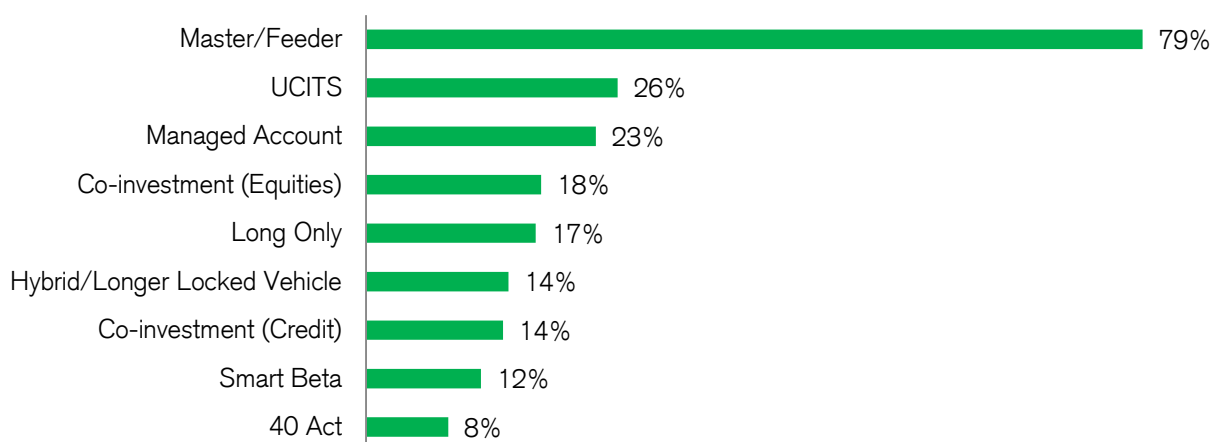
Allocation Activity – By Product

- In the first half of 2015, investors most actively allocated to the traditional Master/Feeder (Onshore/Offshore) structure, Managed Accounts and UCITS funds.
- Looking to the second half of the year, investors report higher appetite for UCITS and Managed Account products, as well as Co-investment structures for Equities.
- Long Only product appetite remains constant, with 17% of investors reporting an allocation to the product in the first half of the year, and the same number have appetite to allocate there in the second half.
- 40 Acts' appearance on the lower end of the spectrum may reinforce the belief that these products are more popular with retail investors.

1H2015 Product Allocations



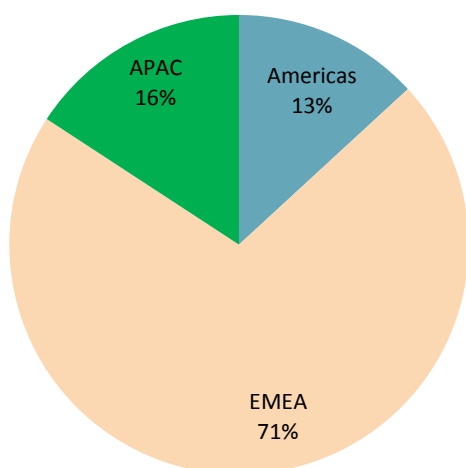
2H2015 Anticipated Product Allocations



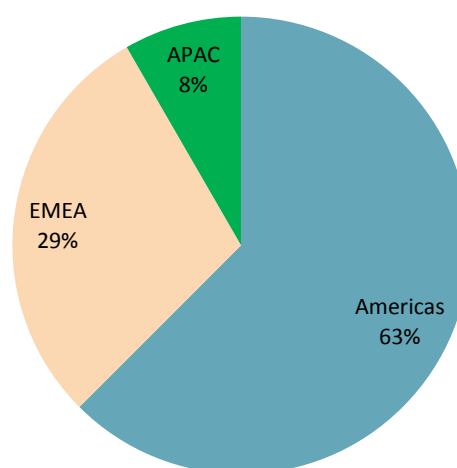
Product Allocation Activity by Region

- Appetite for more bespoke structures like Co-Investments or Hybrid/Longer Locked vehicles are more favored by investors in the Americas than those in Europe or Asia.
- 40 Act products see the most interest from Funds of Funds, whether located in the Americas or EMEA (70% of investors reporting allocation or appetite for the product are Funds of Funds)
- Investors in the Americas have the greatest appetite for Co-Investments (both Equities and Credit). Funds of Funds are the largest group of investors allocating to this structure; they are half of investors reporting an allocation or appetite for the product. The balance of interest is evenly split among Pensions and Family Offices in the U.S. and Asset Managers in Europe.
- Investors in EMEA are more likely to allocate to a Long Only product, accounting for half of allocations and reported strategy appetite.

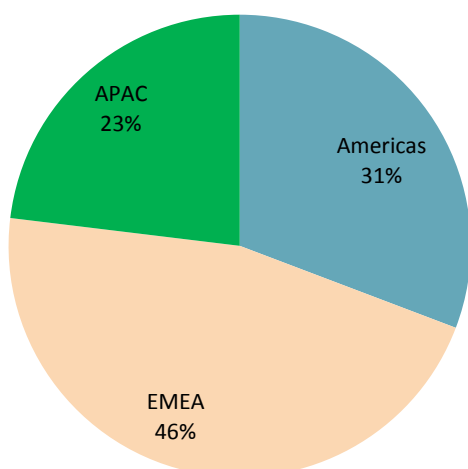
UCITS Regional Interest



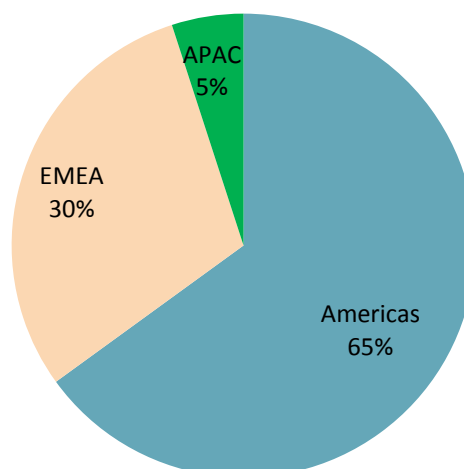
Co-Investment (Equities) Regional Interest



Long Only Regional Interest

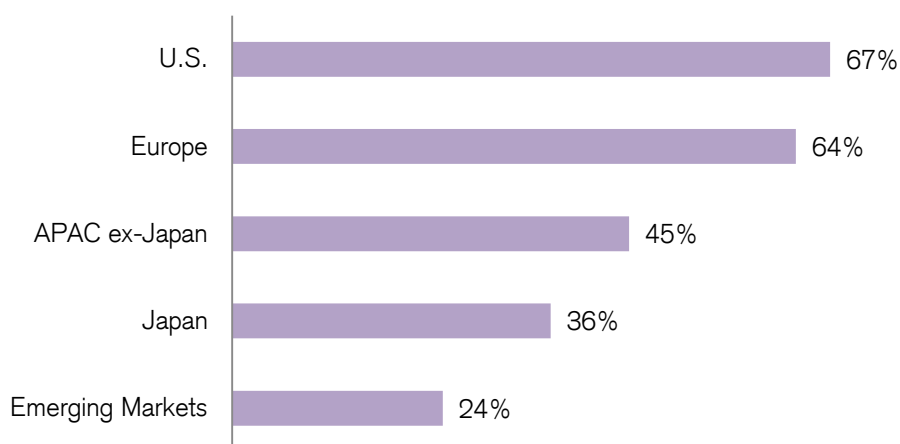


Hybrid/Longer Lock



- Finally, we asked investors what regional strategy focus are they most likely to allocate to in the second half of the year. Two-thirds expect to allocate to funds with a U.S. focus, and nearly the same for Europe, despite recent volatility caused by the Greek Debt crisis.
- Less than a quarter of investors indicated interest in Emerging Markets, perhaps reflecting some of the recent concerns over the health of China's economy.

Regional Strategy Interest



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