

Hedge Fund **ALERT**

www.HFAlert.com

BIGGEST INSTITUTIONAL INVESTORS

Top 20 Investors Contribute Mightily to Funds

Of the thousands of hedge fund investors, a mere 20 — led by the sovereign wealth funds of **Abu Dhabi** and **China** — account for about 9% of all limited partner stakes.

According to data compiled by **Preqin** for **Hedge Fund Alert**, the 20 largest hedge fund investors have a combined \$223 billion allocated to fund operators, an impressive slice of the estimated \$2.5 trillion of global hedge fund assets. The big allocations of the top 20 underscore the rapid institutionalization of an industry that only a decade ago catered largely to wealthy families and a handful of endowments and foundations.

Sovereign wealth funds lead Preqin's ranking, occupying three of the top five slots and four of the top 10 (see Page 7). A majority of the largest institutional investors — 12 of the top 20 — are public or corporate pension plans. The group also includes two endowments and two insurance companies.

The ranking counts only primary investors in hedge funds, and excludes asset gatherers such as funds of funds and wealth managers. Preqin, a London research firm focused on alternative investments, culled the top 20 from its database of more than 4,200 investors. The data is obtained directly from the institutions, as well as from regulatory filings, financial reports and Freedom of Information Act requests. Hedge Fund Alert supplemented Preqin's data with its own reporting.

Abu Dhabi Investment Authority was absent from the list when the newsletter last published the ranking a year ago. That's because Preqin only became aware of the full extent of the authority's hedge fund allocation within the past year. "Preqin has comprehensive allocation information on the

vast majority of institutional investors globally, but sovereign wealth funds can be particularly difficult to obtain information on," said Preqin senior analyst **Nicholas Jelfs**.

It was a significant omission, considering that Abu Dhabi represents more than 20% of the hedge fund assets held by the 20 institutions on the list. Indeed, the authority alone accounts for nearly 2% of the total amount invested in hedge funds globally.

The Abu Dhabi unit began investing in the earliest hedge funds in 1990, although its fund-investment program didn't kick off in earnest until 1996, said a source close to the investment authority.

The investment arms of wealthy nations are generally considered dream investors for fund operators. "Sovereign wealth funds are more likely to have the best hedge fund commitment, as they are not managing other people's money, per se, and therefore can stick with complexity and illiquidity risks that are often poorly understood by less sophisticated audiences," a fund-of-funds manager noted.

Also new to this year's investor ranking are the Italian insurer **Assicurazioni Generali**, Finnish pension manager **Varma Mutual Pension Insurance**, U.K. corporate pension **BT Pension Scheme** and two U.S. public pensions, **New York Common Fund** and **Texas County & District Retirement**. Largely because of those additions, the cut-off for the top 20 increased to \$5.2 billion from \$4.5 billion a year ago. Institutions that dropped out of the ranking include **Pennsylvania Public School Employees**, **Virginia Retirement System**, **Massachusetts Pension Reserves** and **Harvard Management**. ❖

HEDGE FUND ALERT: November 20, 2013, 5 Marine View Plaza, Suite 400, Hoboken NJ 07030. 201-659-1700

To start your FREE trial subscription, return to HFAlert.com and click on "Free Trial".
Or call 201-659-1700. You can also complete the Free Trial Coupon on the last page of this newsletter and fax it to 201-659-4141.

BIGGEST INSTITUTIONAL INVESTORS

Top 20 Institutional Investors in Hedge Funds

| | Institution | Type | Total Assets (\$Bil.) | Hedge Fund Assets (\$Bil.) | The Skinny |
|----|---|-----------------------|-----------------------|----------------------------|--|
| 1 | Abu Dhabi Investment Authority Abu Dhabi | Sovereign wealth fund | \$627.0 | \$47.0 | Long-time hedge fund investor focuses on event-driven, relative-value and discretionary-macro strategies. Poor performance by commodity managers prompted it to withdraw \$300 million from Chesapeake Capital in June, cutting the firm's assets in half. |
| 2 | China Investment Corp. Beijing | Sovereign wealth fund | 575.2 | 23.0 | Has been investing in hedge funds only since 2009, but ramped up allocations after portfolio returned 40% in 2011. Blackstone, Capula and Oaktree are among the managers it has invested with. Chief investment officer Li Keping oversees the operation. |
| 3 | APG Amsterdam | Pension manager | 337.0 | 19.4 | Holds stakes in some 30 single-manager funds and more than 10 funds of funds on behalf of multiple Dutch pension plans. Advised by New Holland Capital, a New York team that spun off from Dutch pension ABP in 2004. Hedge fund portfolio was running a 7% average annual return as of the first quarter. |
| 4 | CPP Investment Board Toronto | Public pension | 182.4 | 14.6 | Manages retirement assets for some 18 million public employees in Canada. Hedge fund portfolio heavy on fixed-income, long/short equity and special-situations strategies. Has invested with AQR, Brevan Howard, Bridgewater and Pershing Square. |
| 5 | Future Fund Melbourne, Australia | Sovereign wealth fund | 84.1 | 13.0 | Has slowed pace of fresh hedge fund investments as it nears its target allocation. Now focused on refining portfolio by shifting mandates among distressed-debt and event-driven managers. Also targets long/short equity and directional-macro funds. |
| 6 | Ontario Teachers Toronto | Public pension | 125.0 | 11.9 | Known as a savvy risk manager, spreads hedge fund investments among more than 150 vehicles, committing around \$75 million to each. Owns minority stake in Bridgewater. Recently opened office in Hong Kong. |
| 7 | Texas Teachers Austin | Public pension | 117.5 | 9.4 | Has been investing in hedge funds since 2001, allocating capital to both single-manager vehicles and funds of funds. Bought stake in Bridgewater in 2012. |
| 8 | New Jersey State Investment Council Trenton, N.J. | Public pension | 74.3 | 9.3 | Searching for investment chief to replace Timothy Walsh, who left in August to run U.S. operations for Hong Kong-based Gaw Capital. Has been investing in hedge funds since 2006, boosting allocation in past few years. Recent commitments include \$150 million to Scopia and \$100 million to Jana. |
| 9 | University of Texas Austin | Endowment | 30.0 | 7.9 | Investor in hedge funds since 1997. Recently increased its target allocation to a whopping 45% of overall assets, from 35%. Has invested with Baupost, Centerbridge, Eton Park and Viking. |
| 10 | GIC Singapore | Sovereign wealth fund | 247.5 | 7.4 | Shortened name from Government of Singapore Investment Corp. this year. Held stakes in about 50 hedge funds as of the third quarter. Has offices in nine cities worldwide. Lim Chow Kiat is chief investment officer. |
| 11 | AIG New York | Insurance company | 537.4 | 6.8 | Fund investments have helped fuel insurer's recovery since the financial crisis. Has invested with Citadel, D.E. Shaw and SAC, among others. Made first hedge fund investment in 1988. |
| 12 | Assicurazioni Generali Trieste, Italy | Insurance company | 665.0 | 6.7 | Italy's largest insurer has 75-100 managers in its hedge fund portfolio. Will consider seed investments in startups. |

BIGGEST INSTITUTIONAL INVESTORS

| | Institution | Type | Total Assets (\$Bil.) | Hedge Fund Assets (\$Bil.) | The Skinny |
|----|---|-------------------|-----------------------|----------------------------|--|
| 13 | MN The Hague | Pension manager | \$121.8 | \$6.1 | Starting in the second quarter, has been narrowing the scope of its hedge fund portfolio to focus on commodity, fixed-income, global-macro and market-neutral strategies. Current book of 35 managers expected to drop to about 25. Manages assets on behalf of pensions in the Netherlands and the U.K. |
| 14 | GM Asset Management New York | Corporate pension | 84.0 | 6.1 | Runs more than 30 pension plans for U.S. auto giant and its affiliates, even after outsourcing a big chunk of assets to Prudential in 2012. Has invested with Cerberus, ESL and Stone Lion. |
| 15 | Varma Mutual Pension Insurance Varma, Finland | Pension manager | 48.7 | 5.8 | Manages retirement assets for some 70,000 entrepreneurs and employers in Finland. Holds stakes in about 35 hedge funds. Has invested with King Street and Och-Ziff. |
| 16 | BT Pension Scheme London | Corporate pension | 63.8 | 5.7 | The U.K.'s largest private pension mostly invests in single-manager funds. Outsources a slice of its hedge fund portfolio to Hermes BPK, which invests in funds of funds. Looking to increase exposure to emerging markets. |
| 17 | New York Common Fund Albany, N.Y. | Public pension | 154.0 | 5.5 | In June, appointed staffer Anastasia Titarchuk to run absolute-return strategies. Portfolio encompasses credit-product, global-macro, managed-futures, distressed-debt and emerging-market vehicles. A \$50 million mandate for Oxford Asset Management in the second quarter was first new commitment since 2011. |
| 18 | Texas County & District Retirement Austin | Public pension | 20.7 | 5.3 | First invested in hedge funds in 2006. Spent past few years boosting allocation to 25% of assets, from 20%. Made \$800 million of fresh investments in 2013, including with BlueCrest. |
| 19 | Calpers Sacramento | Public pension | 265.1 | 5.3 | Largest U.S. pension has used its clout to push for lower manager fees and greater transparency. Hedge fund chief Ed Robertiello has reduced reliance on advisors Paamco and UBS and jettisoned funds of funds in favor of direct investments via separate accounts. |
| 20 | Stanford Management Stanford, Calif. | Endowment | 22.2 | 5.2 | Has 18% target allocation for hedge funds but has exceeded that mark for some time. Seeks returns of at least 10% and is willing to accept lockups for up to six years. Will consider seeding. |

Source: Prequin and staff reporting

www.HFAlert.com

Hedge Fund **ALERT**

FREE TRIAL COUPON

YES! Start my 3-issue free trial subscription to Hedge Fund Alert. There are no strings attached: You won't receive an invoice unless you choose to subscribe.

DELIVERY (check one): E-mail Mail

DELIVERY ADDRESS:

Name: _____

Company: _____

Address: _____

City/State/Zip: _____

Country: _____

Phone: _____

E-mail: _____

Fax this order form to: 201-659-4141.