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BIGGEST HEDGE FUND INVESTORS

Giant Institutions Notch Increases in Hedge Fund Assets

The top five hedge fund investors are all based outside the U.S.

The five — three sovereign-wealth funds, a European pension manager and a Canadian pension — hold a combined \$151.6 billion of stakes in single-manager and multi-manager funds, according to data compiled by **Preqin** for **Hedge Fund Alert**. The total represents a 7% increase over the holdings of the top five a year ago.

Among the world's top-20 limited partners, the growth rate was slightly more muted, with combined hedge fund investments rising about 5% to \$281.6 billion. That's the highest total since the newsletter began the ranking five years ago — reflecting the growth of hedge fund assets globally and strong demand from institutional investors in particular.

Still, the most recent year-over-year increase likely was driven more by performance gains than by fresh allocations, considering the HFRI Asset Weighted Composite Index was up 4.4% during the first three quarters.

Collectively, the top 20 account for about 8.5% of the assets in hedge funds worldwide, based on an estimate of about \$3.2 trillion of global assets under management by hedge fund tracker **eVestment**.

Topping this year's ranking is perennial leader **Abu Dhabi Investment Authority**, with \$59.4 billion of stakes in single-manager and multi-manager funds. Rounding out the top five are

China Investment Corp., with \$34.2 billion; Amsterdam pension manager **APG**, with \$26.6 billion; Canadian pension **CPP Investment Board**, with \$15.9 billion; and Australia's **Future Fund**, with \$15.5 billion. **GM Asset Management**, with \$10.9 billion of hedge fund assets, is the highest-ranking corporate pension system, in seventh place. And **University of Texas**, in 10th place with \$10.4 billion of hedge fund assets, is the highest-ranking endowment.

In terms of portfolio concentration, **Trinity Health** is the most active allocator, deploying about 32% of its \$25 billion of assets to hedge funds. The Catholic healthcare foundation cracks the top-20 list for the first time this year.

Also new to the ranking are two public pensions: **North Carolina Retirement**, with \$7.5 billion of hedge fund investments out of a total portfolio of \$94 billion, and **Virginia Retirement**, with a little less than 10% of its \$74 billion portfolio allocated to hedge funds.

Preqin, a London research firm focused on alternative investments, culled the top 20 from its database of more than 5,000 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. The ranking counts only primary investors in hedge funds, and excludes asset-gatherers such as funds of funds and wealth managers. ❖

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BIGGEST HEDGE FUND INVESTORS

Top 20 Institutional Investors in Hedge Funds

Data compiled by Preqin, with supplemental reporting by Hedge Fund Alert

	Institution	Type	Total Assets (\$Bil.)	Hedge Fund Assets (\$Bil.)	The Skinny
1	Abu Dhabi Investment Authority Abu Dhabi	Sovereign wealth fund	\$792.0	\$59.4	Total allocation to hedge funds is up about 2% in the past year, continuing to represent 7.5% of overall assets. Target allocation for “alternatives,” a category dominated by hedge funds, is 5-10%. ADIA’s 30-year annualized return dropped to 6.9% in 2016, from 7.5% a year earlier. Alternatives portfolio has benefited from 2015 decision to pursue co-investments with special-situations managers. More recently, alternatives team launched an “emerging opportunities” mandate to invest directly “in asset types that fall outside the remit of ADIA’s other investment departments,” managing director Hamed bin Zayed Al Nahyan wrote in the 2016 annual report.
2	China Investment Corp. Beijing	Sovereign wealth fund	814.0	34.2	Size of hedge fund portfolio has held steady in past year. Chief executive Ding Xuedong stepped down in February 2017 after four years on board. He led a shift in the fund’s investment focus to opportunities offshore. CIC began investing in hedge funds in 2009. Deployed capital to Blackstone, Capula Investment, Morgan Stanley Alternative Investment and Oaktree Capital, among others.
3	APG Amsterdam	Pension manager	532.0	26.6	Total value of hedge fund stakes has risen about 17% in past year, in line with increase in overall assets. Hedge fund sleeve accounts for 5% of total portfolio. APG, which mainly runs money for Stichting Pensioenfond ABP, has been investing in hedge funds since 2001.
4	CPP Investment Board Toronto	Public Pension	311.0	15.9	Hedge fund assets are up about 15% year over year. Adam Vigna, head of principal credit investments, left in October 2016 for a job at Sagard Credit Partners. John Graham was promoted to fill the vacancy. CPP has invested with AQR Capital, Brevan Howard Asset Management, Bridgewater Associates and Pershing Square Capital.
5	Future Fund Melbourne, Australia	Sovereign wealth fund	105.0	15.5	Hedge fund portfolio has grown by more than 20% in past year. Known for aggressively negotiating favorable fee structures. Among the managers it has worked with: BlueCrest Capital, Brevan Howard Asset Management and Bridgewater Associates. Fund’s overall portfolio returned 7.7% in fiscal year 2017, even as it trimmed its return target to 4-5% over the consumer-price index, from 4.5-5.5%.
6	Texas Teachers Austin	Public pension	142.0	15.2	New chief investment officer, Jerry Albright, arrived in July. Recently promoted Jase Auby to deputy chief investment officer, Sylvia Bell to chief operating officer and James Nield to chief risk officer. Has been investing in hedge funds since 2001, including AQR Capital, Fir Tree Capital, GoldenTree Asset Management, MKP Capital and PDT Partners. Bought minority stake in Bridgewater Associates in 2012. Is pushing novel 1-or-30 fee structure pioneered by consultant Albourne Partners.
7	GM Asset Management New York	Corporate pension	75.0	10.9	Hedge fund stakes account for 14.5% of overall portfolio, up slightly in past year. Has invested with Cerberus Capital, ESL Investments and Stone Lion Capital. Runs more than 30 retirement plans for U.S. auto giant and its affiliates.
8	GIC Singapore	Sovereign wealth fund	359.0	10.8	Maintains 3% target allocation for hedge funds. Mark Kritzman and Mohamed El-Erian joined international advisory board in April 2017. Kritzman is chief executive of Windham Capital. El-Erian, chief economic advisor at Allianz, formerly was chief executive at Pimco and chair of President Obama’s Global Development Council. GIC’s hedge fund portfolio encompasses 50 vehicles.

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	Institution	Type	Total Assets (\$Bil.)	Hedge Fund Assets (\$Bil.)	The Skinny
9	Ontario Teachers Toronto	Public pension	\$138.0	\$10.7	Total value of hedge funds stakes has jumped more than 30% in past year. In 2016, pension resolved to cut the number of its quantitative fund managers by half, while increasing allocations to those that remained. The move was aimed at boosting performance. Has invested with GMO, Marshall Wace and ValueAct Capital. Also backed Deimos Asset Management, a multi-strategy operation that folded in 2016.
10	University of Texas Austin	Endowment	40.0	10.4	Britt Harris joined from Texas Teachers in June, assuming dual roles of chief executive and chief investment officer. He replaced interim chief Mark Warner, who took over following the October 2016 departure of Bruce Zimmerman. UT was among the first college endowments to invest in hedge funds, starting in 1997. Has invested with Baupost Group, Eton Park Capital, Farallon Capital and Owl Creek Asset Management, among others.
11	Varma Mutual Pension Varma, Finland	Pension manager	53.0	9.0	Total hedge fund allocation has increased about 20% in past year. Diversified portfolio encompasses about 45 funds, including vehicles run by Blackstone, D.E. Shaw, Elliot Management and York Capital.
12	Ohio Public Employees Columbus, Ohio	Public pension	95.0	8.9	Size of hedge fund portfolio has shrunk by about \$2 billion in past year. Pension remains committed to hedge funds despite pressure from unions and others to drop them. Prefers managers with at least \$1 billion under management. Has invested with Ascend Partners, Beach Point Capital and Brigade Capital.
13	Trinity Health Livonia, Mich.	Foundation	25.0	7.9	Foundation for Catholic healthcare system makes first appearance on top-20 list. Allocates a whopping 32% of total assets to hedge funds.
14	North Carolina Retirement Raleigh	Public pension	94.0	7.5	New to top-20 ranking, North Carolina's hedge fund portfolio encompasses mix of single-manager and multi-manager vehicles. Chief investment officer Kevin SigRist resigned in July following arrival of new state Treasurer Dale Folwell. Has invested with Franklin Street Advisors, Magnetar Capital and Pacific Alternative Asset Management Co.
15	Virginia Retirement Richmond, Va.	Public pension	74.0	7.2	Also new to top-20 investors list, pension targets returns of 12% over the Russell 3000 Index for its hedge fund investments. Requires managers to have track records of at least three years and a minimum of \$1 billion under management.
16	Massachusetts Pension Reserves Boston	Public pension	68.0	6.8	Regains top-20 status after two-year absence from ranking. Deputy chief investment officer Sarah Samuels left for Wellesley College's endowment in September 2017. Vacancy was filled by Kathleen Browne, former chief investment officer at Denison University's endowment. Mass PRIM has invested with AQR Capital, Brevan Howard Asset Management and Davidson Kempner Capital.
17	University of California Regents Oakland, Calif.	Public pension	110.0	6.3	Hedge fund assets have plummeted in past year, dropping Regents from eighth place in previous ranking. Decline could be short-lived, however, given decision in August 2017 to raise its absolute-return allocation to 25%, from 18%, as part of a broader effort to boost returns by hiking exposure to illiquid assets. At the same time, pension cut its exposure to equities to 30%, from 45%. Hedge fund investments have included Adage Capital, Elliott Management, Viking Global and York Capital.

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	Institution	Type	Total Assets (\$Bil.)	Hedge Fund Assets (\$Bil.)	The Skinny
17	Assicurazioni Generali Trieste, Italy	Insurance company	\$625.0	\$6.3	Last appearance on top-20 investors list was in 2013. Invests mainly in funds of funds. Will look at emerging managers and consider seed-capital investments in new funds.
19	Texas County & District Retirement Austin	Public pension	28.0	6.2	Committed \$50 million to Davidson Kempner Capital's Davidson Kempner Special Opportunities Fund 4 in August 2017. Maintains aggressive 25% allocation target, with investments in 33 funds. Relationships include Brevan Howard Asset Management, Highline Capital, MKP Capital, Och-Ziff Capital and York Capital.
20	New Jersey State Investment Council Trenton, N.J.	Public pension	75.0	5.9	Once among the most aggressive investors in hedge funds, the pension resolved in September 2016 to cut its allocation target in half, to 6%. Since then, its hedge fund portfolio has shrunk from 11.6% of overall assets to 7.9% and falling. Meghna Desai, who oversaw alternative investments, resigned in March 2017. Among the managers New Jersey Investment has invested in: Blueprint Capital, Canyon Capital and Omega Advisors.

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