

INVESTORS LIKE REAL ESTATE, PRIVATE EQUITY IN FIRST HALF

But hedge funds and natural resources are less popular, Preqin reported

Real estate is one of the most popular alternative investments.

Institutional investors at the start of the first half had mixed attitudes toward the alternative assets industry, according to a survey by Preqin, an alternatives data provider.

Sixty-five percent of investors held positive general perception of private equity, with only 6% expressing a negative perception. And 52% of investors had a positive view of real estate, and just 12% a negative one.

The balance tipped for hedge funds, with 38% of investors holding a negative view and 32% a positive one. It was worse for natural resources: 33% had a negative perception of the asset class, and 17% a positive perception.

The investor sentiment survey comprised 35% public and private pensions, 15% foundations and endowments, 10% insurers, 9% asset managers, 7% family offices, 6% funds of funds and 5% banks. Forty-two percent of institutional investors were located in North America, 35% in Europe, 15% in Asia and 8% in the rest of the world.

[Preqin](#) said the conflicting perceptions reflected differing performance between the asset classes.

Private equity and real estate have returned record amounts of capital to investors in recent years, it noted, leading 39% of real estate investors and 30% of private equity investors to feel their expectations had been exceeded, and only 11% and 6%, respectively, feeling their expectations had not been met.

In contrast, natural resources and hedge funds, challenged by difficult performance conditions over the past year, disappointed 62% and 49% of investors in these asset classes, respectively.

Allocation Trends

At present, 79% of institutional investors in the survey allocate to alternative assets, with 42% investing in three or more different asset classes. Only 5% of institutional investors currently invest in all alternative asset classes.

At the start of the first half, 66% of institutional investors allocated to real estate, the highest proportion of any asset class. Fifty-seven percent each invested in private equity and hedge funds, and 38% in natural resources.

More and more investors across all asset classes now hold significant target allocations, according to Preqin. Sixty-six percent of investors in the survey had target allocations of more than 10% to hedge funds. Similarly, 48% of real estate investors and 42% of private equity investors targeted allocations of more than 10% to these asset classes.

In the longer term, investors to all asset classes said they would increase their allocations.

In the next 12 months, however, both hedge funds and natural resources will experience a net decrease in investments. The survey found that 32% of hedge fund investors would lower their allocations, while only 25% would increase them.

Forty-one percent of natural resources investors planned to allocate less capital to the asset class, and 24% to invest more.

“The alternative assets industry continued to grow in 2015, with fund managers now managing an all-time record \$7.4 trillion,” Prequin’s chief executive Mark O’Hare said in a statement. “However, investor sentiment is not uniformly positive about alternative assets.”

In this challenging fundraising environment, O’Hare said, managers must be able to respond to investor concerns in order to attract fresh capital.

Source – ThinkAdvisor