

ALLOCATORS ARE ENTHUSIASTIC ABOUT YOUR STRATEGY, BUT WHEN WILL MONEY COME?



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Investor enthusiasm. More and more meetings. Relationship building.

Managers create this momentum, so that investor discussions can evolve from “just another meeting” to raised capital. With that said, the process of building momentum can take so long that many managers question next steps and wonder whether an allocation is even available for them.

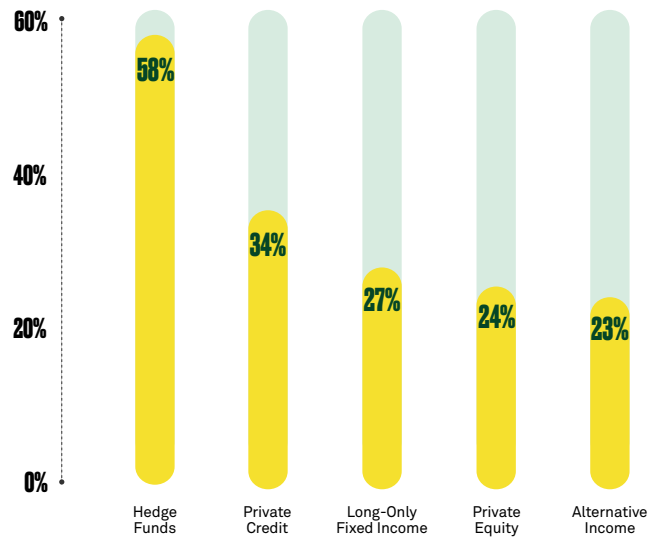
To better understand capital availability, our Capital Introductions team at BNY Mellon | Pershing surveyed 66 investors about potential changes to their portfolios – to discover where capital is moving to – and which strategies stand to benefit in 2024. What we discovered is the potential for large capital movements into hedge and other alternative strategies.

ASSET ALLOCATION CHANGES

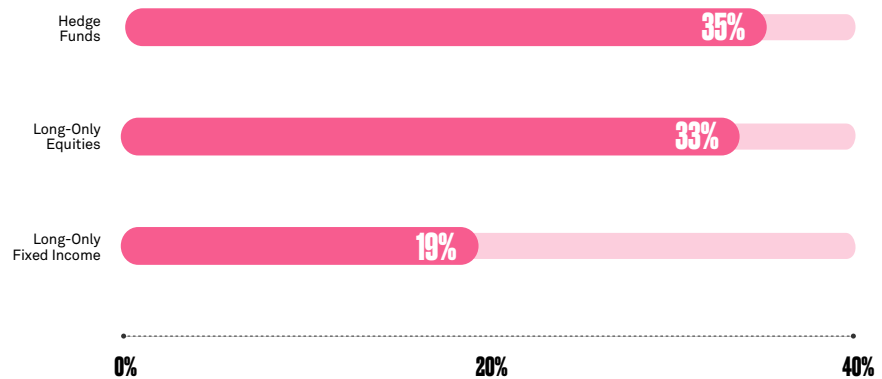
Investors revealed that alternatives make up four of the top five asset class sleeves being considered for capital increases (hedge funds, private credit, private equity, and alternative income). At the same time, investors shared that the top three asset class sleeves being considered for decreases are public market strategies (hedge funds, long-only equities, and long-only fixed income), which shows an expanded push by investors into private markets.

With hedge funds at the top of both the increase and decrease lists, this shows how heavily debated the size of the hedge fund sleeve is among allocators. With that said, allocators increasing their hedge fund sleeves exceeded those decreasing by 23%, which is a bullish indicator for capital flows into hedge funds.

Which asset classes are you considering increasing? (Select all that apply)



Which asset classes are you considering decreasing? (Select all that apply)



HEDGE FUND PORTFOLIO CHANGES

We also discovered that there are many changes coming to investors' hedge fund portfolios in 2024, including changes to the number of funds used, strategy reweighting, and replacing underperforming managers.

Investors increasing the number of hedge funds exceed those decreasing by 10%, which is another bullish sign for capital flows into hedge funds.

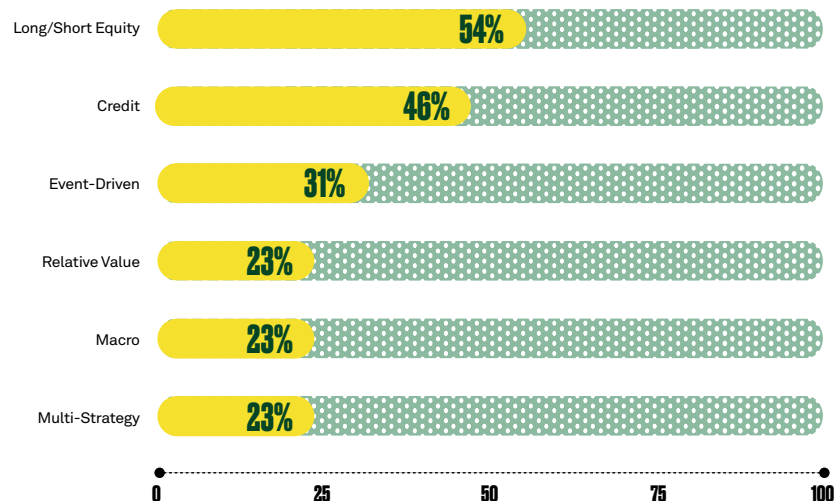
Within your hedge fund portfolio, what is the primary change you're considering?



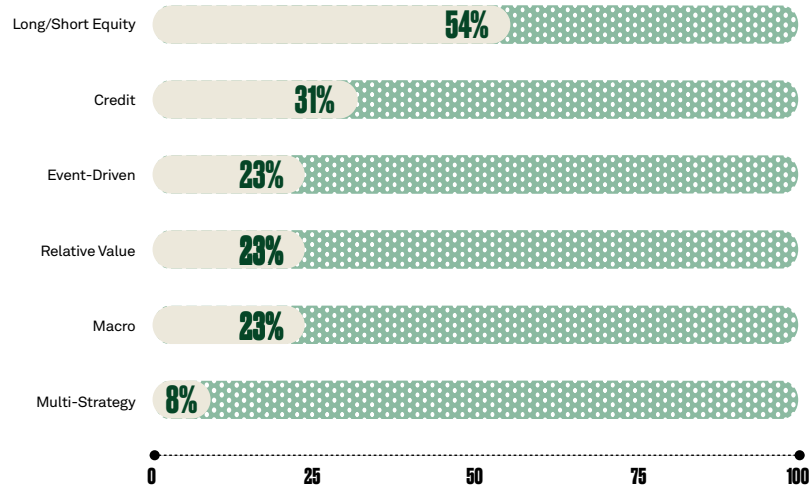
On strategy reweighting, investor preferences were varied across long/short equity, relative value, macro, and multi-strategy – with each of these categories being identified for weighting increases and decreases.

Separately, investors increasing credit outpaced those decreasing by 38%, which bodes well for capital flows into credit hedge funds.

Which hedge fund strategy categories are you considering increasing? (Select all that apply)



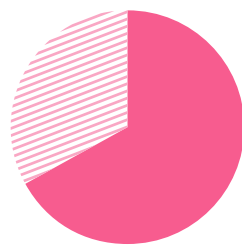
Which hedge fund strategy categories are you considering reducing? (Select all that apply)



EXISTING MANAGERS VS. NEW MANAGERS

Another factor determining capital availability beyond asset class and strategy is investor conviction for existing managers. New managers with strategies desired by investors may still be prioritized behind increases in allocations to existing managers. With that said, when polled on this dynamic, the results revealed that investors adding new hedge funds beat investors just increasing existing managers by 50%, which is a positive indicator for hedge funds raising new capital.

What is the primary way you would increase those hedge fund strategies?



67%

Add new managers



17%

Increase allocations to existing managers



17%

Allow capital appreciation to grow the allocation size

CONCLUSION

For hedge funds trying to build momentum with investors, 2024 has potential to be a big year for forging investor relationships and receiving new mandates.

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