

H2 FLASH SURVEY

STOCK UP: INVESTORS SET TO INCREASE HEDGE
FUND EQUITY BETS BY YEAR-END



BNP Paribas Capital Introductions

Prime Services

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BNP PARIBAS

The bank for a changing world

Key Takeaways

Investors Bullish on Hedge Funds

- 86% of investors are planning to make new hedge fund allocations in the second half of 2024
- Of these, 26% will be allocating using new cash, with the remainder coming from capital rotation

Equity Proves Popular

- Fundamental equity strategies dominate investor interest, with 61% looking to allocate to such strategies
- Credit and discretionary macro follow, with over a third of investors looking to add here



US and Europe Dominate

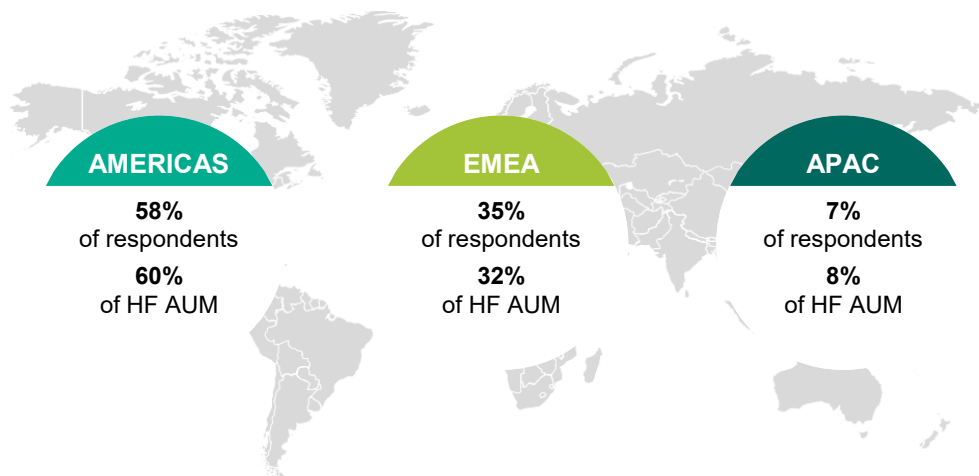
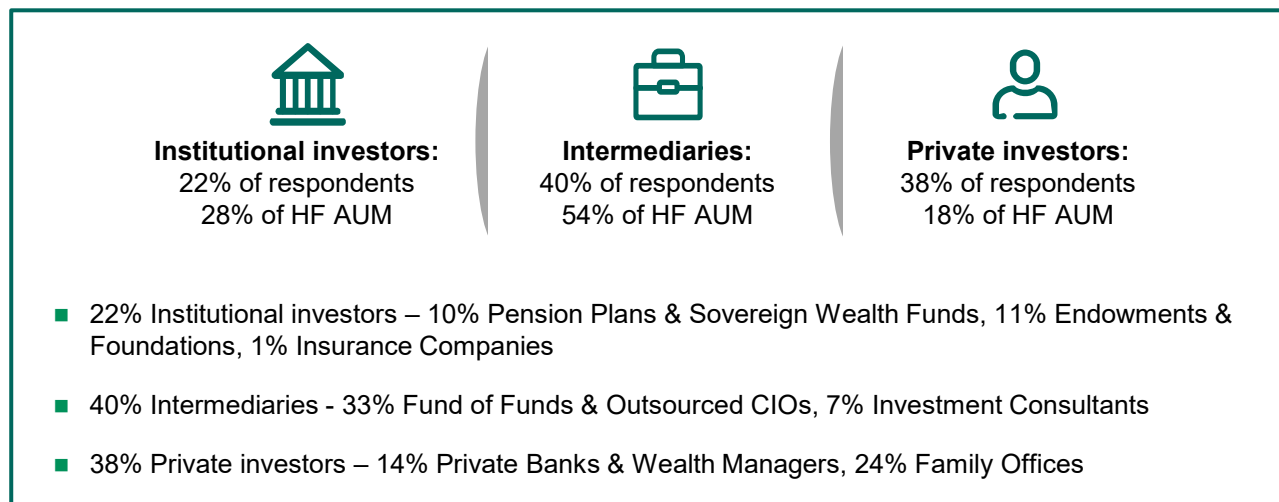
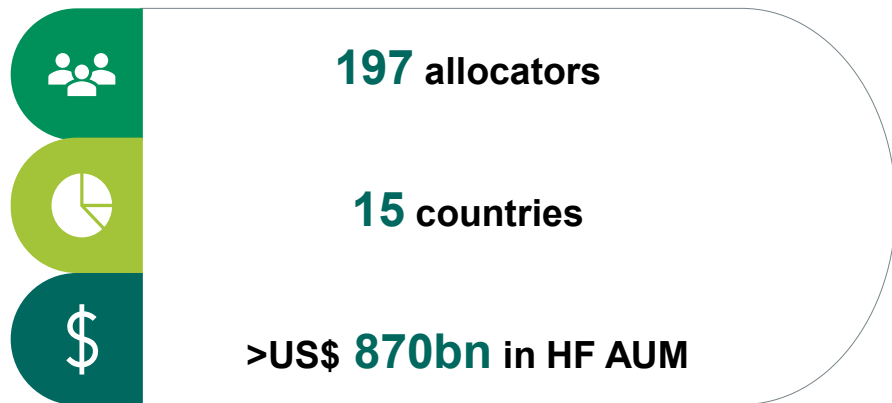
- 74% of investors plan to allocate to the US, and 51% are targeting Europe
- APAC features less heavily, with only 27% of investors planning to allocate to the region

Portable Alpha: In Focus

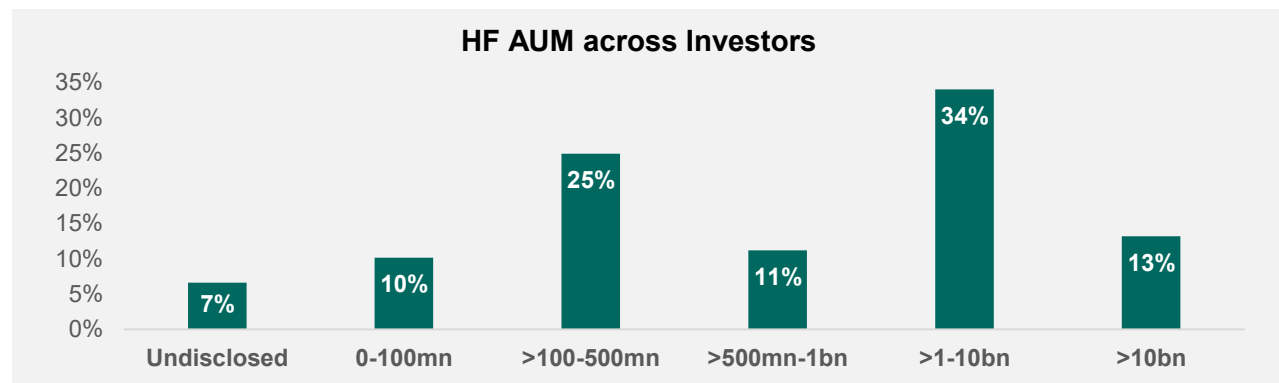
- Over half of Pension and Sovereign Wealth Funds are invested already, with 26% of these investors planning to further increase their allocation
- Fundamental equity was the most popular portable alpha component used by investors



Investor Profile



47% of respondents have > \$1bn invested in hedge funds - this includes 13% that invest > \$10bn



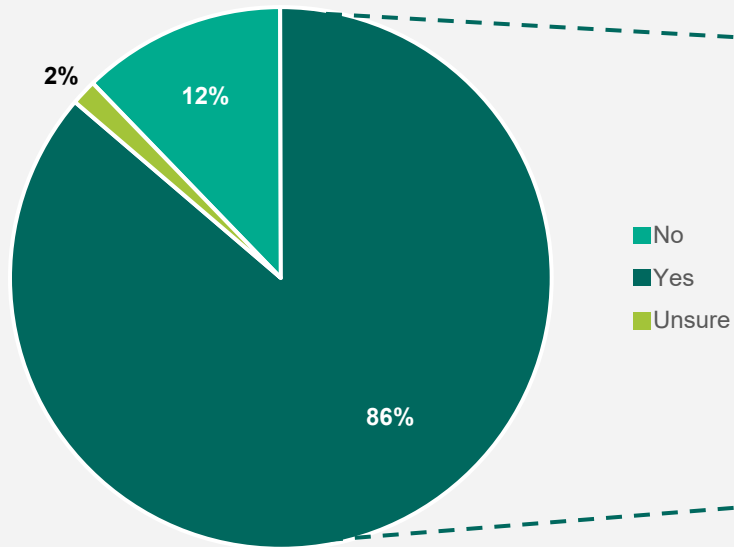
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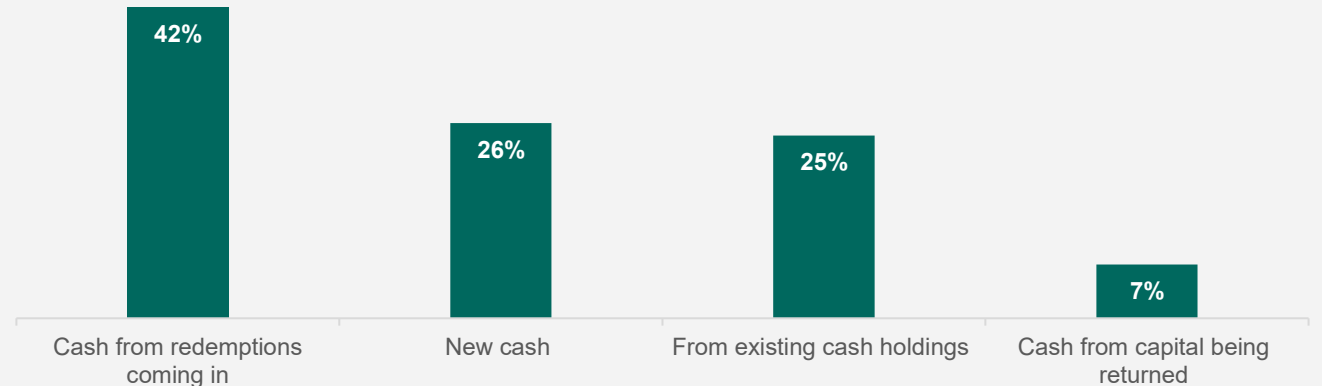
H2 Trends: How Investors plan to Allocate

- 86% of investors are planning to make new hedge fund allocations in the second half of 2024. Of these:
 - 42% of investors plan to reallocate using cash from redemptions
 - 26% will be allocating using new cash
 - 25% intend to draw down existing cash holdings to make new allocations
 - Only 7% of investors intend to use cash from capital being returned

Are you planning to make new hedge fund allocations in the second half of 2024?



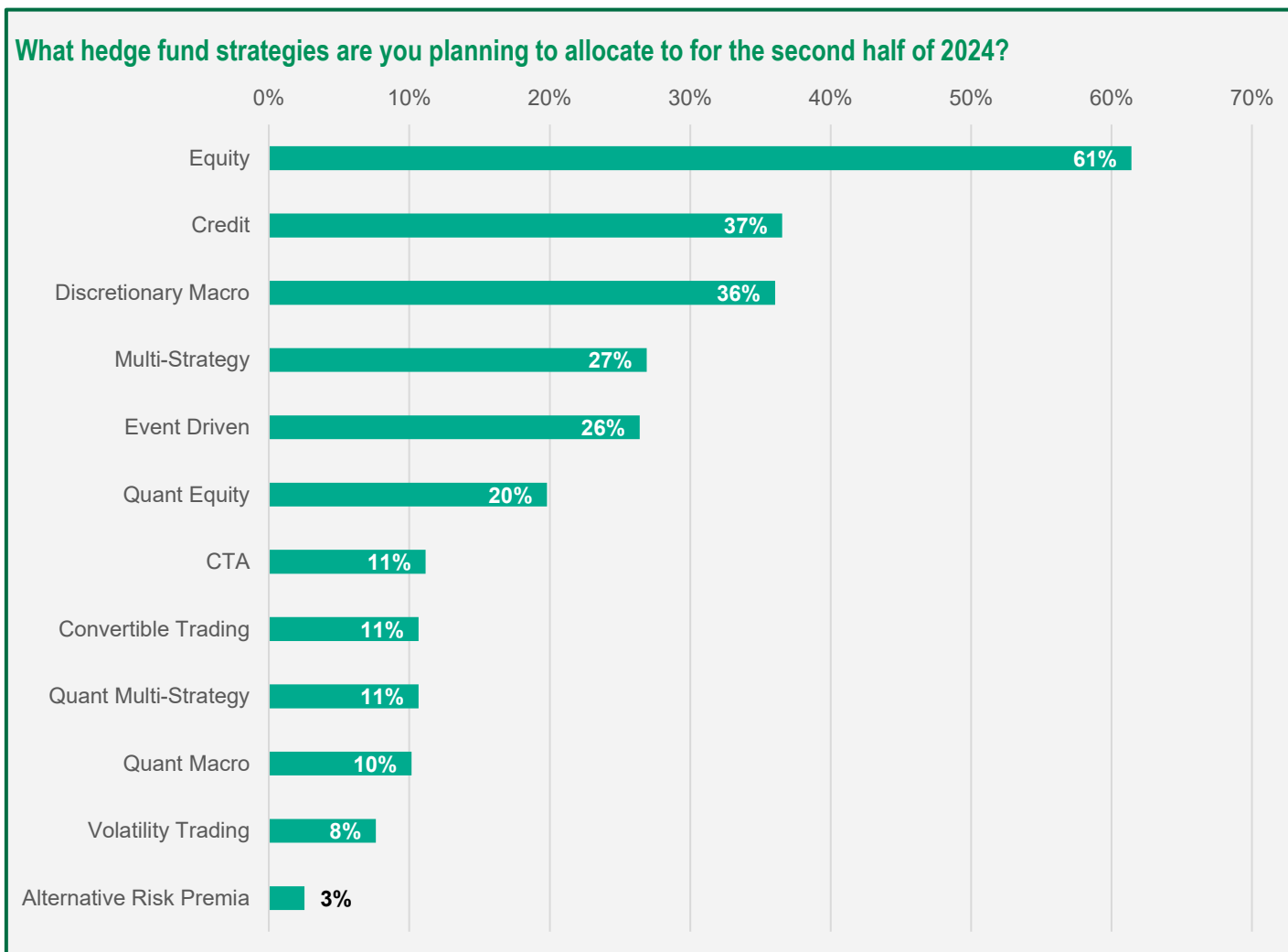
If yes, where is the capital coming from?



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H2 Trends: Strategies



- Equity remains by far the most popular strategy, with 61% of investors planning to allocate to it in H2 2024. This is followed by credit and discretionary macro
- Discretionary macro and multi-strategy are as popular as equity strategies with pensions and SWFs
- Equity strategies have continued to show strong performance in the first half of 2024. This looks likely to continue, with equity markets rebounding after a volatile summer and rate cuts on the horizon
- Credit remains attractive to investors as the questions surrounding the path of monetary policy easing continues to dominate markets, while discretionary macro is benefitting from the market effects of inflation and monetary policy surprises

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H2 Trends: Strategies

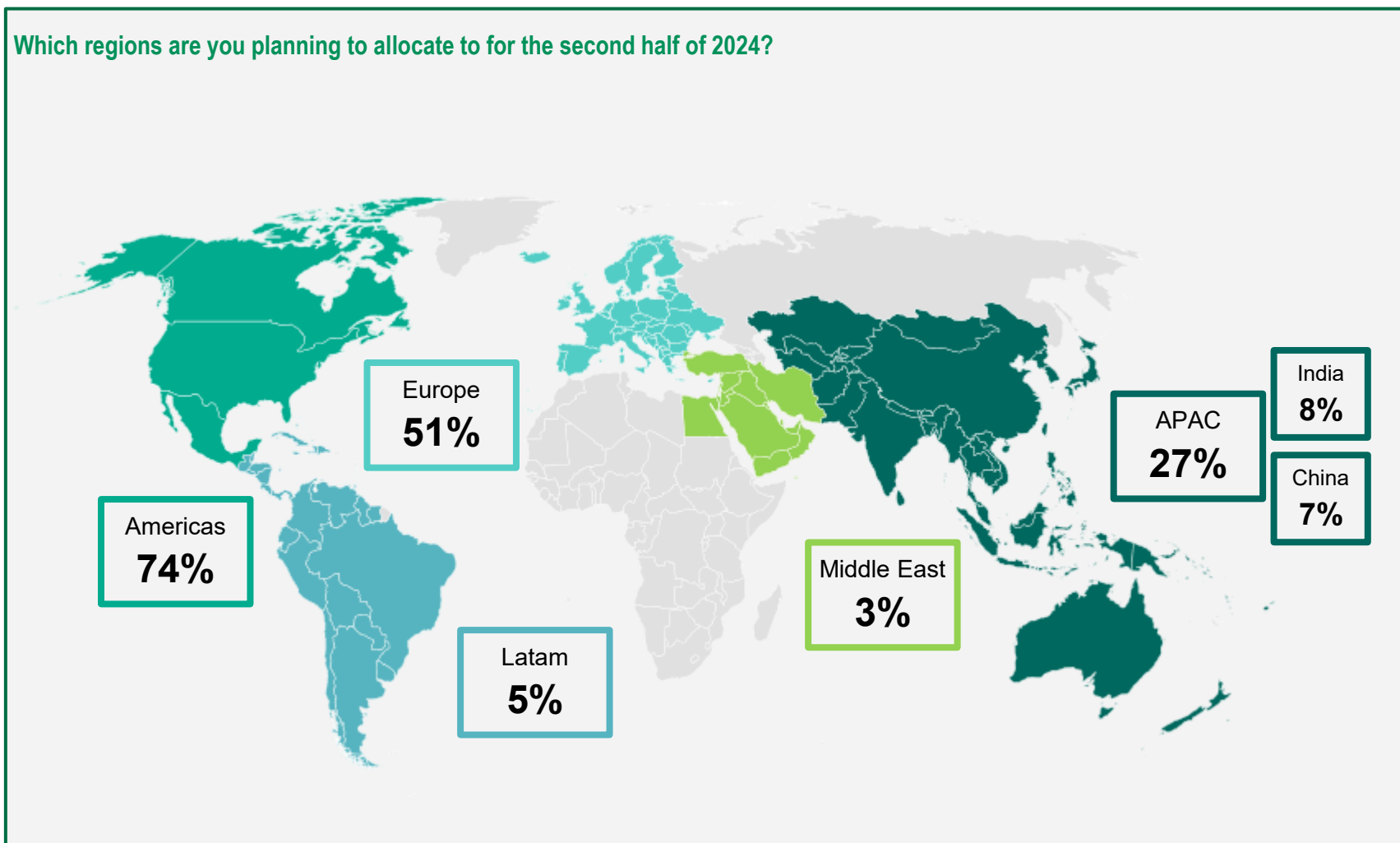
What hedge fund strategies are you planning to allocate to for the second half of 2024? – by investor type

Investor Type	Equity	Credit	Discretionary Macro	Multi-Strategy	Event Driven	Quant Equity	CTA	Convertible Trading	Quant Multi-Strategy	Quant Macro	Volatility Trading	Alternative Risk Premia
All	61%	37%	36%	27%	26%	20%	11%	11%	11%	10%	8%	3%
Endowment & Foundation	45%	18%	32%	18%	9%	18%	0%	9%	9%	5%	9%	0%
Family Office	60%	40%	26%	32%	28%	11%	13%	6%	9%	9%	6%	2%
Fund of Funds & OCIO	74%	45%	38%	18%	31%	25%	9%	9%	12%	14%	9%	2%
Investment Consultant	54%	38%	62%	54%	31%	15%	31%	23%	31%	23%	8%	23%
Pension & SWF	47%	26%	42%	42%	21%	26%	21%	5%	0%	0%	5%	0%
Private Bank Wealth Management	57%	32%	32%	25%	29%	18%	4%	14%	7%	7%	7%	0%

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H2 Trends: Regional Demand



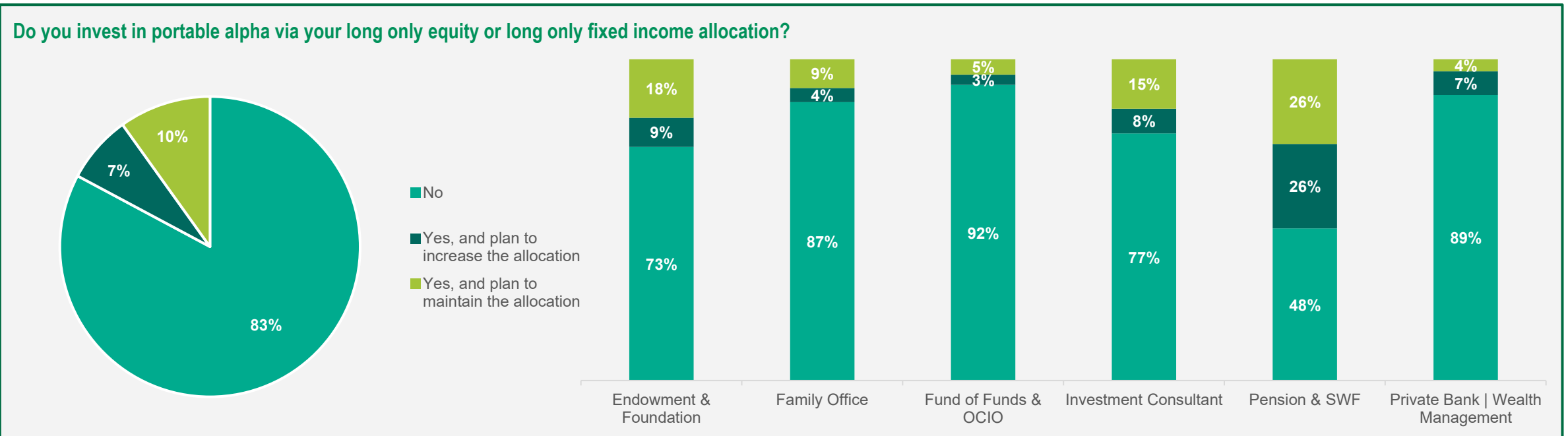
- In light of strong US performance across the first half of the year, it follows that nearly three quarters of respondents want to allocate to the region in H2 2024
- Similarly, Europe sees widespread interest, with just over half of respondents intending to allocate here in the remainder of the year
- APAC as a region has attracted less interest from investors, with 27% of respondents saying they intend to allocate here
- Emerging markets proved least popular, with China a target for 7% of respondents, India 8%, and Latam 5%

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H2 Trends: Portable Alpha

- Portable alpha separates the returns of a target index (beta) from alpha. Making this distinction allows the returns of the alpha component to be “ported” on top of the target index exposure. The objective of this is to earn a net return above the targeted beta exposure
- Responses to this survey confirmed that portable alpha remains a key theme for institutional investors. While 17% of our respondents overall say they invest in portable alpha, between a quarter and a half of our institutional investors look at portable alpha
- A majority of Pension & Sovereign Wealth Funds already allocate to portable alpha, with half of these looking to increase their allocation in H2. Portable alpha is also popular for Endowments & Foundations and Investment Consultants, with 27% and 23% respectively already allocating

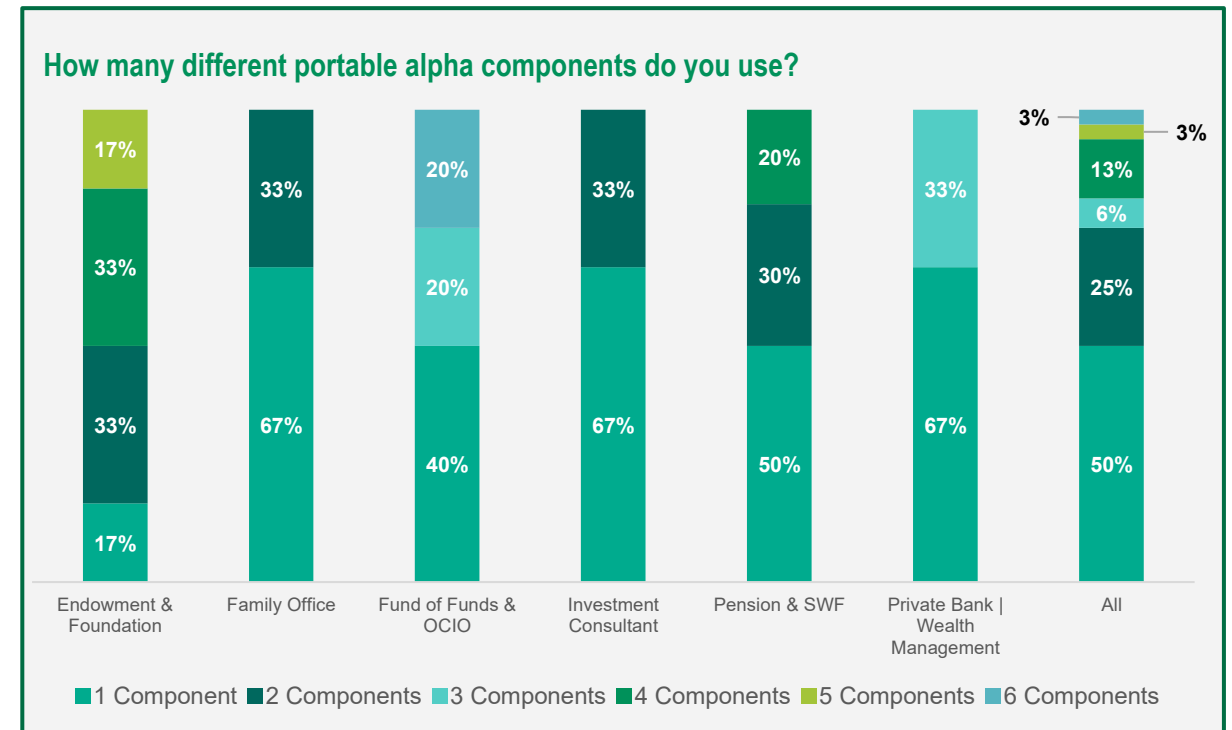
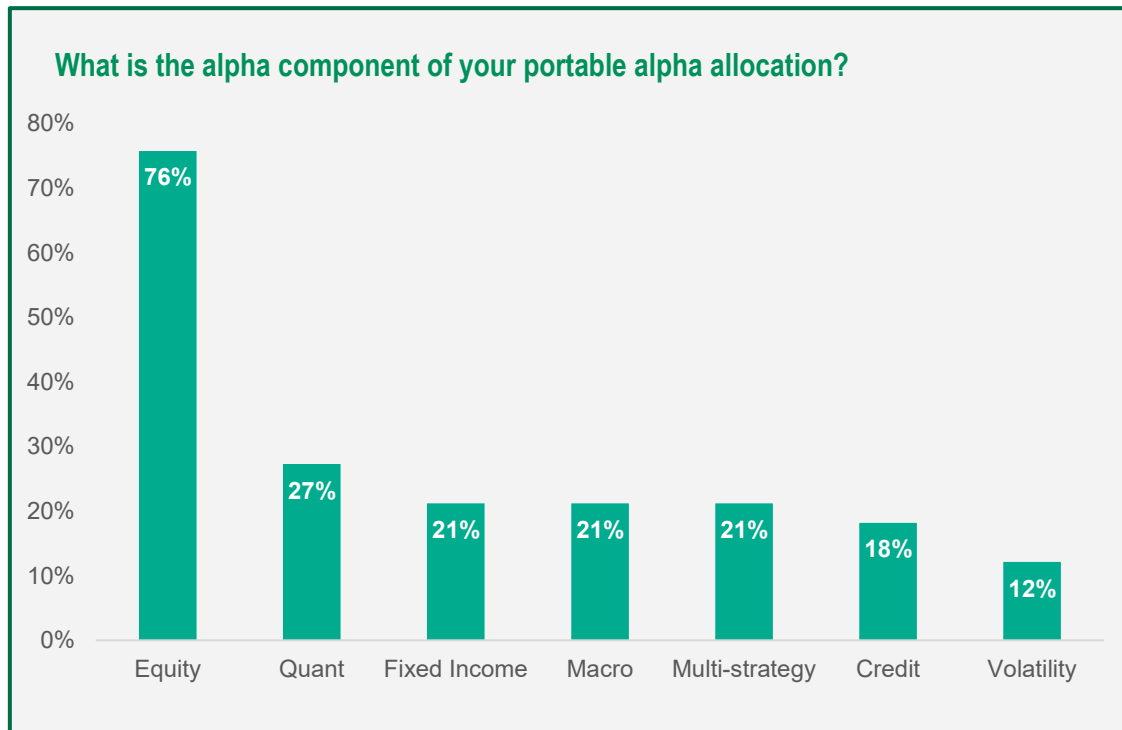


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H2 Trends: Portable Alpha

- Among those who invested in portable alpha, equity was by far the most popular alpha component, with 76% respondents choosing it as one of their portable alpha components
- After equity however, interest was split fairly evenly across other types of portable alpha, albeit with a slight preference towards quant alpha components
- Interestingly, there is significant variation in how diversified the portable alpha components are for different investor types. Endowments and Foundations are most diverse, with 83% choosing more than one alpha component, and half choosing 4 or more. Similarly, Pensions and sovereign wealth funds, and Fund of funds/OCIOs, both saw half of respondents choosing more than one type of portable alpha



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