

THE BENEFITS OF HEDGE FUND INVESTING

UNDERSTANDING WHY INVESTORS PARTNER WITH HEDGE FUNDS AND THE BENEFITS THEY PROVIDE

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HEDGE*fundamentals.org*

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Overview

Hedge funds originated as a vehicle to help diversify investment portfolios, manage risk and produce reliable returns over time. While hedge funds' investor base has evolved through the years – from individuals to institutions such as pensions, universities and foundations – their core goals have remained the same.

This presentation provides a brief overview of the investment approach hedge funds offer their partners.

It also illustrates the many ways hedge fund investments benefit communities and individuals.

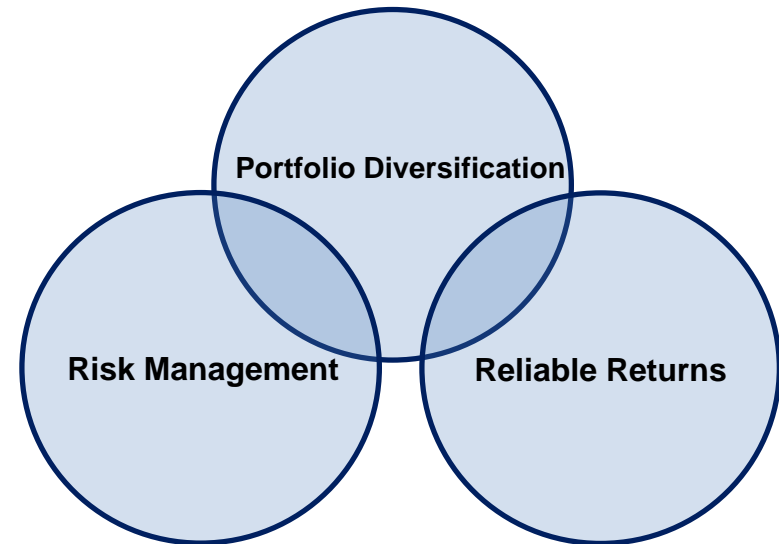
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Benefits of Hedge Fund Investing

Through the years, hedge funds have evolved from an investment vehicle for wealthy individuals into a tool used by institutional investors – state and corporate pensions, university endowments, non-profit foundations – to help manage investment risk, diversify portfolios and produce reliable returns over time.

An Investment in Hedge Funds

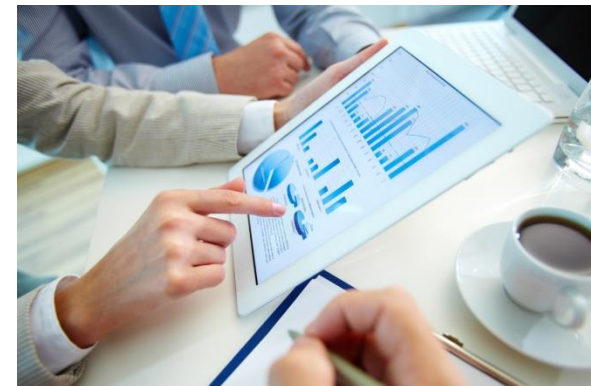


Risk Management

Hedge funds were developed, in part, to help investors manage investment risk. Their market-neutral, or balanced, approach to investing helps seek out positive returns by investing in varied instruments over long- and short-term periods.

This positions hedge funds as nimble investors in the marketplace, able to anticipate – and avoid – undue risk for their investment partners.

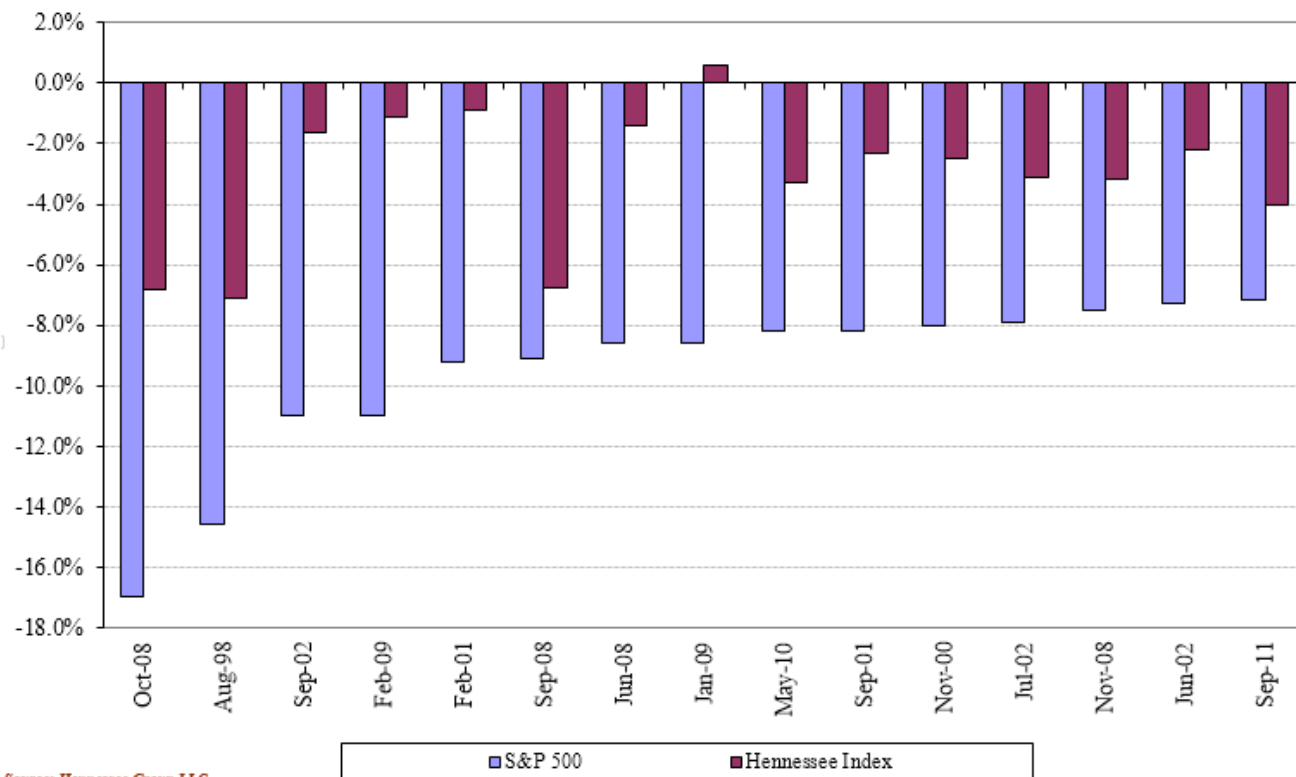
Hedge funds continue to strengthen their efforts toward risk management, dedicating specialized, independent teams to the practice.



Risk Management

Hedge funds help protect investors from market volatility and downturns better than other investment benchmarks.

Hedge Fund Performance in the Worst 15 Months of S&P Decline (1993 – 2015)



Source: Hennessee Group LLC

Portfolio Diversification

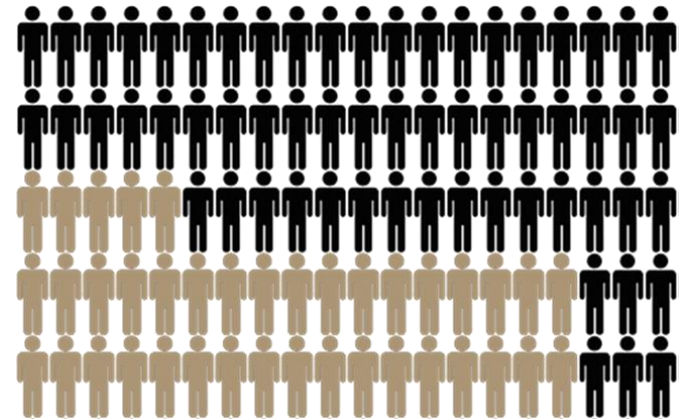
Why portfolio diversification?

- Investors can no longer rely on simple strategies weighted heavily towards fixed income assets to produce reliable returns and meet financial obligations.
- In today's global marketplace, investors need comprehensive, nimble, diverse investment portfolios that provide opportunities to maximize return while minimizing risk.
- Portfolio diversification provides an additional layer of risk management preventing investors from being overly concentrated in a specific type of asset.

Who Invests?

Nearly two-thirds of hedge fund assets are held by institutional investors. These institutional investors include:

1. Public employee pension plans
2. Corporate employee pension plans
3. University and college endowments
4. Foundations and other non-profit organizations



Public and State Pensions Invest in Hedge Funds

Public and state employee retirement plans increasingly partner with hedge funds to help provide economic security and retirement benefits to millions of workers and retirees around the world.

The partnership between hedge funds and pension plans has grown in recent years and studies indicate pensions are looking to increase their allocations to hedge funds in the coming years as well.

A study estimated that a modest allocation to hedge funds could improve returns of U.S. pension plans by approximately \$13.67 billion annually¹.

According to Preqin, the top public and state pension plans investing in hedge funds include²:



Corporate Pensions Invest in Hedge Funds

Corporate employee retirement plans increasingly partner with hedge funds to help provide economic security and retirement benefits to millions of workers and retirees around the world.

The partnership between hedge funds and pension plans has grown in recent years and studies indicate pensions are looking to increase their allocations to hedge funds in the coming years as well.

According to Preqin, the top corporate pension plans investing in hedge funds include*:



University & College Endowments Invest in Hedge Funds

College and university endowments were among the first institutions to partner with hedge funds and this relationship has strengthened in recent years.

Through these investments, schools help expand access to quality higher education through scholarships, funding for research grants and salaries for professors, as well as capital for improvements to campus facilities.

A study estimated that a modest allocation to hedge funds could improve returns of U.S. college and university endowments by approximately \$1.73 billion annually¹.

According to Prequin, the top endowments investing in hedge funds include²:



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY



Yale University



PRINCETON
UNIVERSITY

Foundations and Non-Profit Organizations Invest in Hedge Funds

Foundations and non-profit organizations around the world partner with hedge funds to help establish the financial resources needed to fund projects in local communities.

Through these partnerships, hedge funds help create opportunities for organizations to engage in economic, health and education-related development projects benefitting local residents.

According to Preqin, the top foundations investing in hedge funds include*:



Howard Hughes Medical Institute is a science philanthropy whose mission is to advance biomedical research and science education for the benefit of humanity. HHMI invested \$666 million in U.S. biomedical research and provided \$85 million in grants and other support for science education.



Wellcome exists to improve health for everyone by helping great ideas thrive. Wellcome is a global charitable foundation, both politically and financially independent, and supports scientists and researchers, takes on big problems, fuels imaginations, and sparks debate.



Robert Wood Johnson Foundation has a very clear mission: improve health care for all Americans. By doing this, they hope to help society to transform itself for the better.



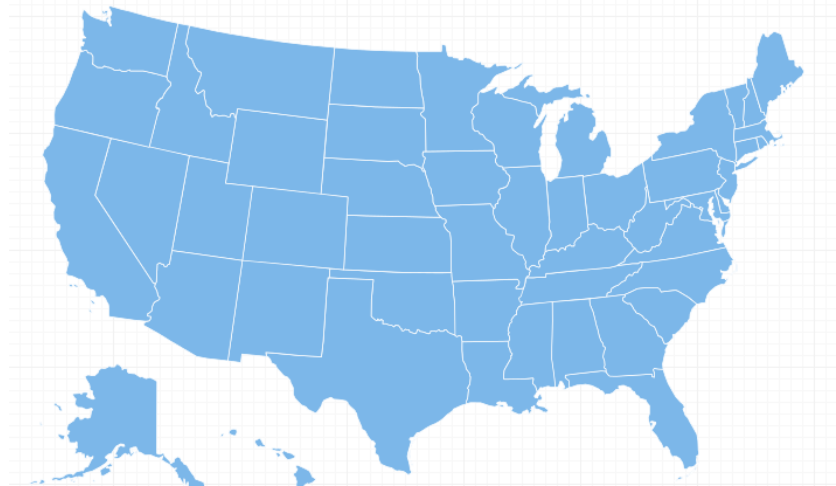
Kaiser Permanente is a community of 17,000 physicians committed to providing excellent care today, which leads to healthier tomorrows. From cancer and cardiology to high blood pressure and stroke, the excellent care Kaiser provides for these conditions and others leads to better outcomes for patients.

Hedge Fund Investments Benefitting Local Communities Across the U.S.

Click [here for an interactive map](#) detailing how hedge funds benefit communities across the U.S. on a state by state basis.



Choose a U.S. State:



Click [here](#) to download the investor map on your iPad.