



Institutional Investors Spur Hedge Funds to Grow Operational Infrastructure and Increase Transparency, Says AIMA/KPMG Survey

- New global report by KPMG and AIMA covered 150 managers with \$550bn in assets under management

Survey reveals:

- Almost 60% of global assets under management are now from institutional investors
- Nearly 90% of respondents reported increased due diligence since 2008

London – May 21, 2012 – The post-2008 influx of institutional money into hedge funds has resulted in a marked increase in the global industry's operational sophistication and transparency to investors, according to a new report by KPMG, an international network of audit, tax and advisory firms, and the Alternative Investment Management Association (AIMA), the global hedge fund association.

The report, entitled "The Evolution of an Industry", is based on a survey of and in-depth interviews of 150 hedge fund management firms globally with more than \$550bn in combined assets under management. It found that hedge fund management firms have increased their operational infrastructure in areas like investor transparency and regulatory compliance as allocations from institutional investors have increased.

Seventy-six per cent of respondents have observed an increase in investment by pension funds since 2008, while institutional investors as a whole, including funds of funds, accounted for a clear majority (57%) of assets under management.

The report finds that the increase in institutional investment has led to more thorough due diligence and greater demands by investors for transparency, with 90% of respondents reporting an increased demand for due diligence since 2008. Eighty-four per cent of all respondents indicated they had increased transparency to investors since 2008, which is reflected by the fact that the majority of firms have taken on multiple members of staff to respond to these increased investor demands.

The report also found that hedge fund management firms had almost universally increased investment in regulatory compliance since 2008, with 98% of firms hiring additional staff in this area.

"Institutionalisation has been described as the continuing inflow of new institutional capital into the industry, but as this report demonstrates, it is also about the increasing sophistication of operational infrastructure with respect to transparency, compliance and due diligence," said Andrew Baker, AIMA's CEO.

Mikael Johnson, lead partner for alternative investments at KPMG in the U.S. said: "Institutions clearly understand the value that hedge funds offer, as evidenced by the record amount of assets they have allocated to these funds. At the same time however, this report shows that investors are signaling that hedge funds need to maintain the same institutional-grade controls as are evident in the investors' own organizations."

The new report is the second of a two-part series by AIMA and KPMG on the state of the global hedge fund industry. The first, published in April, looked at hedge fund industry performance, risk and volatility.

Robert Mirsky, lead partner for hedge funds at KPMG in the UK, commented: "The combination of an increase in regulation, the changing nature of the investor base, and the natural evolution of the business has made the industry nearly unrecognisable from only five years ago."

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Notes to the editor:

The report may be downloaded here: <http://bit.ly/JJYrBe>

The perspectives of survey respondents do not necessarily represent the views of KPMG LLP.

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About AIMA

As the global hedge fund association, the Alternative Investment Management Association (AIMA) has over 1,300 corporate members (with over 6,000 individual contacts) worldwide, based in over 40 countries.

Members include hedge fund managers, fund of hedge funds managers, prime brokers, legal and accounting firms, investors, fund administrators and independent fund directors. They all benefit from AIMA's active influence in policy development, its leadership in industry initiatives, including education and sound practice manuals and its excellent reputation with regulators worldwide.

AIMA is a dynamic organisation that reflects its members' interests and provides them with a vibrant global network. AIMA is committed to developing industry skills and education standards and is a co-founder of the Chartered Alternative Investment Analyst designation (CAIA) – the industry's first and only specialised educational standard for alternative investment specialists. For further information, please visit AIMA's website, www.aima.org.

About KPMG's Alternative Investments Practice

KPMG's Alternative Investments practice is comprised of audit, tax, and advisory professionals with deep industry experience across the broad range of alternative investment funds, including hedge funds, private equity funds, infrastructure funds, real estate funds and funds of funds.

Around the globe, KPMG has more than 3,000 professionals in 60 international jurisdictions serving investment funds. KPMG's Alternative Investments (AI) practice is an integral part of the firm's Financial Services (FS) line of business. The FS line of business serves more than 20,000 clients worldwide. KPMG professionals have expertise in the issues, challenges, trends, and risks relevant to financial services companies as they meet the multifaceted challenge and opportunities of alternative investments industry.

About KPMG International

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. We operate in 152 countries and have 145,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.