

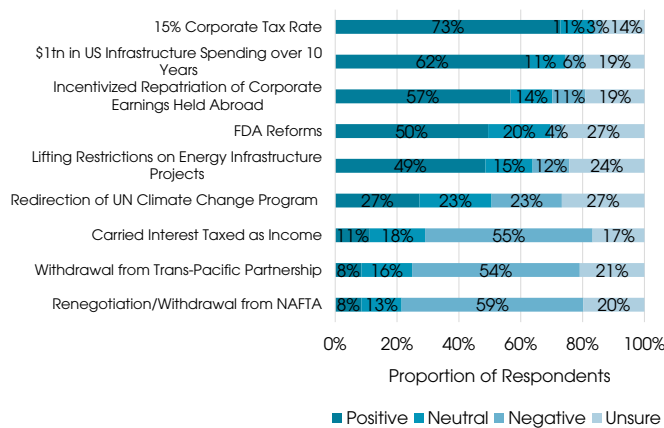
Alternative Assets in Trump's USA: Fund Managers Respond to Election Result

On November 8th, all eyes across the globe were focused on the US as America went to the polls to choose their next government. The result of Donald Trump to become 45th president has left many pondering the consequences, and resulting outlook for the States.

With this in mind, in the days after the election Preqin surveyed 125 fund managers active across private equity, private real estate, infrastructure, private debt and natural resources (collectively here referred to as "private capital") and 60 hedge fund managers to assess the impact of Donald Trump's presidency on this important and growing part of the global financial landscape.



Fig. 1: Trump's 100 Day Action Plan: Fund Manager Views on How the Proposed Different Economic Policy Changes Will Effect the Alternative Assets Industry

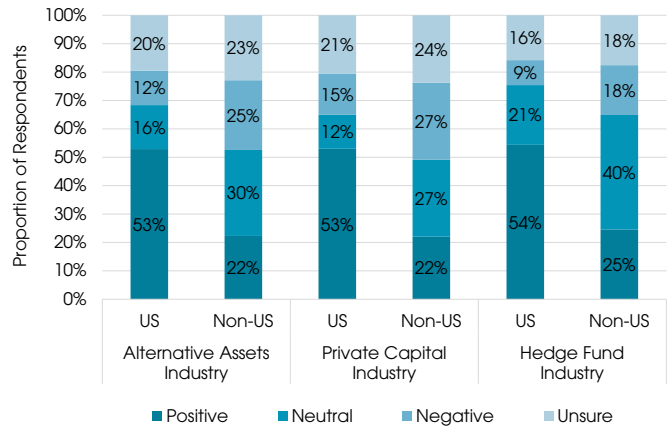


Source: Preqin Fund Manager Surveys, November 2016

Of the economic policies that were discussed by the Trump camp, the majority of alternative managers generally believe that the lower corporate tax rates (75%), further US infrastructure spending (62%) and incentivized repatriation of corporate earnings held abroad (57%) will benefit the alternatives industry.

The majority believe his plans to renegotiate or withdraw from trade agreements and plans to tax carry as income will negatively impact the industry, despite the proposed reductions in the top-rate of income tax. Managers cited uncertainty over the effects of Trump's policy proposals as a key consideration.

Fig. 2: Fund Manager Views on the Effect of the US Election on the Alternatives Assets Industry in the US and Outside the US



Source: Preqin Fund Manager Surveys, November 2016

The result of these mainly pro-business policies has been that the majority of respondents believe their respective industries in the US – and the alternative assets industry more generally – will be positively affected by the Trump administration.

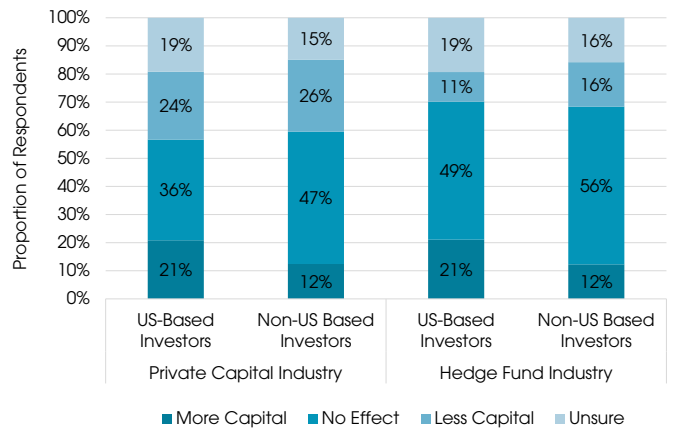
Managers are less convinced of the benefits to the industry outside the US. Both camps believe the result will have less of an effect on the US and more closed-end managers believe there will be negative impact on their industry outside the US than hedge fund managers (27% vs. 18%). However, while some managers suggested that potential impacts on debt rates and securing investor capital might be negative, others felt that market volatility might serve to benefit alternative investments, and reduce recent correlation in returns between the industry and more conventional financial markets.

Alternative investment managers believe that they are unlikely to secure more capital from investors outside the US as a result of the election, although the greatest proportions across both private capital and hedge funds believe the result will have no effect on their fundraising from US- and non-US-based investors.

However, one firm surveyed stated: "China-based investors could be reticent [to invest]" while another said: "political uncertainty will lead to foreign investors staying away from the US".

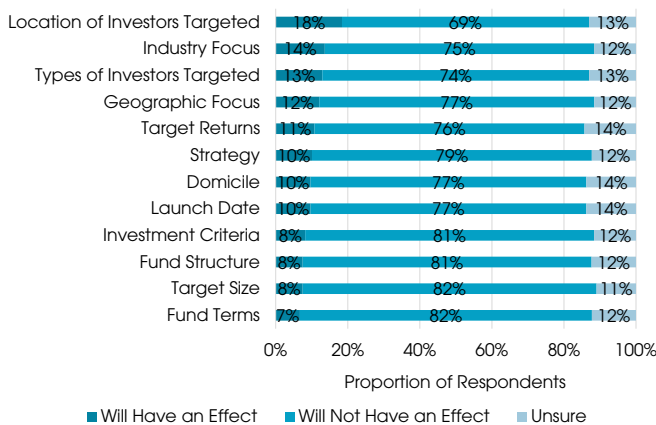
Around a quarter of private capital firms believe they will secure less capital from investors, double the proportion of hedge fund managers.

Fig. 3: Fund Manager Views on the Effect of the US Election on Securing Capital from Investors



Source: Preqin Fund Manager Surveys, November 2016

Fig. 4: Fund Manager Views on Whether the US Election Result Will Effect Their Fundraising Activity in the Next Four Years



Source: Preqin Fund Manager Surveys, November 2016

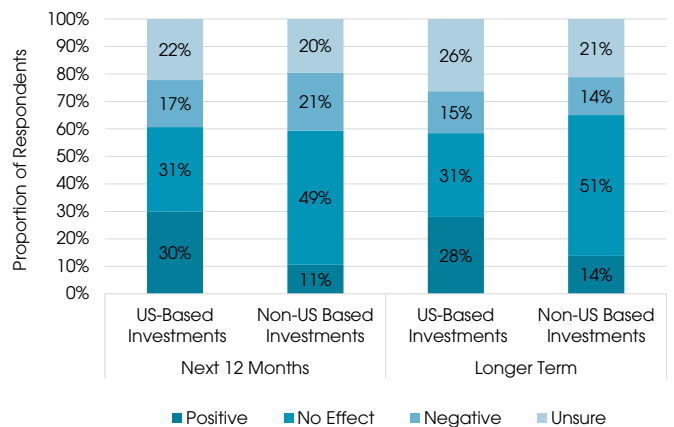
The vast majority of alternative investment managers believe that their fundraising activity will not be affected over Trump's presidential term, most likely due to hedge funds' ability to capture returns in varying market conditions and the closed-end model's inherent illiquidity.

An area where the largest proportion of managers believe there could be an effect is in the location (18%) and types (13%) of investors that are targeted, while the industry focus could be a factor due to uncertainty over specific policy decisions.

A greater proportion of private capital firms believe that their investments in the US will be positively affected by Trump's win over both the next 12 months (30%) and the longer term (28%) than negatively affected.

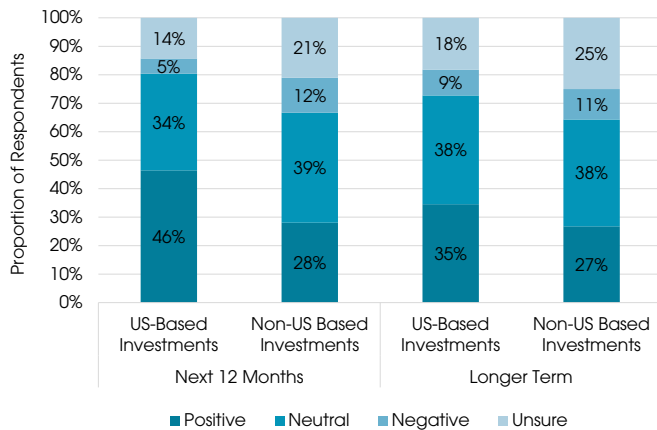
Unsurprisingly, for non-US based investments already in portfolios, the largest proportions of managers believe there will be no effect. For those that do believe there will be an impact in the short term, almost double the proportion of firms believe there will be a negative impact (21%) than positive (11%), while equal proportions (14%) believe they will see some kind of effect in the long term.

Fig. 5: Private Capital Fund Manager Views on the Effect of the US Election Result on Existing Investments



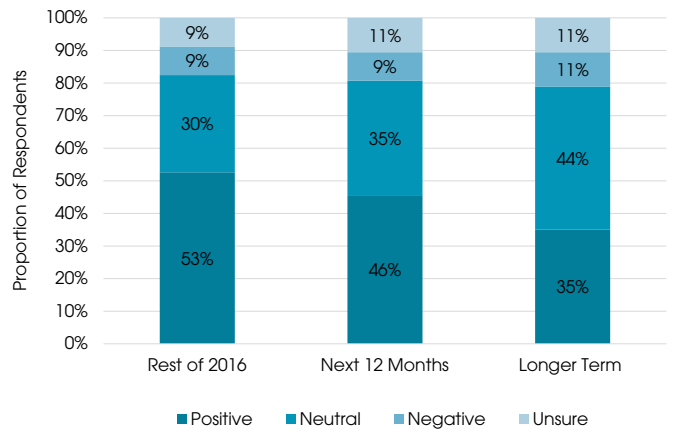
Source: Preqin Fund Manager Surveys, November 2016

Fig. 6: Hedge Fund Manager Views on the Effect of the US Election Result on Existing Investments



Source: Preqin Fund Manager Surveys, November 2016

Fig. 7: Hedge Fund Manager Views on the Effect of the US Election Result on Hedge Fund Performance



Source: Preqin Fund Manager Surveys, November 2016

Unsurprisingly, due to hedge funds typically holding underlying investments in more liquid assets, the effect of Trump's win on existing investments has generated a greater consensus from surveyed hedge fund managers. Across all geographies and timeframes, more hedge fund managers stated that their existing investments will be positively affected by the election result than negatively, although large proportions predict no discernible change.

The need for investors to cushion returns in volatile public markets should help the industry, particularly within the US, where uncertainty about changes to economic policy and the business environment could lead investors toward hedging strategies.

The majority (53%) of hedge fund managers surveyed believe that the US election result will have a positive effect on their own funds over the rest of 2016. Over the next 12 months, a similar level (46%) predict their performance will be positively affected by the ensuing market conditions post-election.

Over the longer term, as the effects of the election become clearer and its impact on markets stabilizes, the proportion of fund managers believing that it will have no impact on performance grows. However, over all time frames, only one in 10 respondents predict there will be poorer performance within the industry. This positivity stems from the characteristics of the industry, with one manager stating: "Greater uncertainty, volatility and negativity should help the industry, as it should outperform long-only strategies in such conditions".



11,628

Number of US-based alternative investment fund managers.

4,396

Number of US-based institutional investors in alternative assets.

\$5.0tn

Size of the alternative assets industry in the US.



10,780

Number of alternative investment fund managers based outside the US.

5,008

Number of non-US-based institutional investors in alternative assets.

\$2.4tn

Size of the alternative assets industry in all other regions.

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We currently offer comprehensive data across the private equity, real estate, hedge funds, infrastructure, natural resources and private debt industries.

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