

## **PENSIONS AGE**

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### **Illiquid Hedge Fund Increasingly More Popular**

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Almost every pension fund portfolio has one to three per cent invested in illiquid hedge funds, which is an allocation too small to get attention, but too big to ignore, according to Florian de Sigy, CEO and founder of specialist brokerage and advisory firm Gamma finance.

Pension funds are allocating increasingly more to illiquid hedge funds in the search for high-yielding long-term investment solutions, he said, but as analysing illiquid assets is quite specialist and most focus is currently on equities, bonds and the Eurozone crisis, there is little resource left for managing the illiquid assets.

"Whilst there's a lot of attention being paid to liquid hedge fund strategies, we are also seeing allocations to dedicated portfolios of illiquid hedge funds," De Sigy explained.

"In the past, particularly in the immediate post-crisis period, there was a bit of a stigma attached to either owning or running illiquids, but with the realisation that most investors and hedge fund managers have illiquids on their books, this has changed and many investors are looking at this sector as an opportunity."

He adds that illiquids are particularly of interest to investors who want high yield and have a sufficiently long-term investment horizon, and they are also a good match for pension funds against long-term liabilities.

"It's probably too early to be absolutely certain, but based on current trends we can see illiquid hedge funds emerging as an asset class in their own right," De Sigy predicted.

"The market is still at a very nascent stage - often the time when the best rewards are to be gained - and traditional measures of activity do not necessarily give a clear view of what is happening underneath - often giving conflicting indicators month on month. Nevertheless, the trend to institutional investors building specialist portfolios of illiquid hedge funds is fairly clear. Current levels of dedicated investment are around the \$3 billion mark, and that could easily double in the next year."