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A brutal chart shows how investors have been failed by hedge funds



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Deutsche Bank just came out with its annual survey on the state of the hedge fund industry. Among the findings: for the past three years, investors in hedge funds haven't been getting close to the returns they expected.

It wasn't always this way. In 2013, investors in hedge funds targeted a 9.2% return and got 9.3% – close to spot on. But that flipped in reverse the next year. The gap between what investors wanted and what they actually got has since widened.

In 2014, investors expected returns of 8.1%, but they got 5.3%. In 2015, they wanted 7.5% and got 3%. Last year was much of the same.

Despite the mismatch between expectations and reality, Deutsche Bank thinks investors will keep their money in funds.

"We think that flows will remain flat in 2017," Marlin Naidoo, the bank's head of capital introduction, told Business Insider in a phone interview. "We think it's a testament to investors remaining committed to the industry at the back of last year."

Some investors that the bank surveyed (31%) plan to up how much they invest in hedge funds, while the majority (52%) plan to keep their allocations the same.

Analysis of respondents' return targets (historical comparison)

Investor Type	2014 Survey		2015 Survey		2016 Survey		2017 Survey		
	2013 target return (%)	2013 realised return (%)	2014 target return (%)	2014 realised return (%)	2015 target return (%)	2015 realised return (%)	2016 target return (%)	2016 realised return (%)	2017 target return (%)
Family office / Multi-family office	10.06	10.04	9.18	6.17	8.31	3.34	8.74	3.83	8.78
Endowment / Foundation	8.75	9.38	8.63	6.19	7.60	2.69	7.98	4.87	7.92
Investment consultant / advisor	9.83	9.67	7.51	5.44	7.38	2.73	7.54	3.46	7.46
Fund of funds / Asset manager	9.13	9.11	7.88	4.74	7.42	3.06	6.83	2.09	7.37
Insurance company	8.09	8.75	7.40	4.64	6.81	1.94	6.77	2.97	7.28
Private bank / Wealth manager	9.40	10.09	8.52	4.27	6.47	2.66	6.42	2.73	7.20
Pension fund (public & private)	7.97	7.50	6.51	5.61	6.71	3.22	5.84	3.17	5.78
All respondents	9.20	9.29	8.11	5.26	7.45	3.00	7.23	2.99	7.52

Source: 2017 Deutsche Bank Alternative Investment Survey; 2016 Deutsche Bank Alternative Investment Survey; 2015 Deutsche Bank Alternative Investment Survey; 2014 Deutsche Bank Alternative Investment Survey