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Europe's 1,000+ Alternative UCITS Funds Capture \$200 Billion from Investors Worldwide

NEW YORK and LONDON – 11 May, 2010 – Investors across the globe have channeled nearly \$200 billion of assets into more than 1,000 alternative and absolute return UCITS funds, according to research and consulting think tank Strategic Insight. These numbers, from the firm's Simfund databases, reveal a growing universe of investments that is much larger than generally recognized.

Based in Europe, UCITS funds are sold cross-border internationally, with rising commitments from Asia, Latin America, and other emerging regions, as well as from institutional investors in the United States.

“The search for better performance and diversification is encouraging innovation in the fund industry, and leading to alternative products that were unimaginable in a retail context just a decade ago,” says Jag Alexeyev, Head of Global Research at Strategic Insight. As an example, Alexeyev points to exchange traded funds that offer hedge fund exposure linked to a managed account platform.

“Several alternative UCITS have been quite successful, gaining billions of dollars in assets,” adds Alexeyev. However, new research from Strategic Insight, released this week in its *Managing Investment Fund Innovation* study, indicates that almost 75% of alternative and absolute return UCITS so far have raised less than \$100 million each.

Many of the winners are traditional fund companies that expanded their investment capabilities to deliver uncorrelated returns with lower volatility. Hedge firms offering regulated “Newcits” funds represent rising competition, but many of them have yet to show meaningful gains. Concerns by wealth advisors and distributors about risks, performance tradeoffs, fees, and service levels have been among the challenges. But as comfort levels increase and track records get established, alternatives will become hard to ignore in the industry. Strategic Insight's book is available at www.strategicinsightglobal.com/innovation.

Demand for alternative and non-correlated strategies is also real and growing in the U.S., as detailed in research conducted by Strategic Insight in partnership with SEI, a leading

global provider of outsourced asset management, investment processing and investment operations solutions. Their joint whitepaper, *Exotic to Mainstream: Growth of Alternative Mutual Funds in the U.S. and Europe*, can be requested at www.seic.com/AlternativeMutualFunds.

The full scope of Strategic Insight's research suggests that managing innovation on a global basis is more important than ever, along with better managing risk and expectations, distribution relationships, transparency and communications, liquidity, protecting investors, and preserving the integrity of the public's trusted investment vehicles.

About Strategic Insight

Strategic Insight is a leading research firm for the fund and wealth management industry, providing clients with in-depth industry data, research reports, and executive consulting services for product, distribution and business strategy decisions. Strategic Insight assists over 250 firms worldwide, and its Simfund databases and analytical platforms cover more than 70,000 funds, and many more share classes, around the world. Visit us at www.Sionline.com and www.StrategicInsightGlobal.com. SI's parent, Asset International, is an information provider to financial-services institutions, including asset managers, global pensions, and others. Find out more at www.AssetInternational.com.

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