



Alternative Assets No Longer Considered Alternative

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Towers Watson survey shows total global alternative assets under management hit \$6.3 trillion

ARLINGTON, Va.--(BUSINESS WIRE)--Jul. 13, 2015-- Total assets managed by the top 100 alternative investment managers globally reached \$3.5 trillion in 2014 (up from \$3.3 trillion in 2013), according to research produced by global professional services company Towers Watson (NASDAQ: TW). The [Global Alternatives Survey](#), which covers nine asset classes and seven investor types, shows that of the top 100 alternative investment managers, real estate managers have the largest share of assets (33% and over \$1 trillion), followed by hedge funds (23% and \$791 billion), private equity fund managers (22% and \$767 billion), private equity funds of funds (PEFoFs) (10% and \$342 billion), funds of hedge funds (FoHFs) (5% and \$214 billion), infrastructure (4%) and illiquid credit (3%).

The research also lists the top-ranked managers by assets under management (AuM) in each area. Data from the broader survey (all 623 entries) show that total global alternative AuM is now \$6.3 trillion (\$5.7 trillion in 2013) and is split between the asset classes in broadly similar proportions to the top 100 alternative investment managers, with the exception of real estate, which falls to 23%, and hedge funds, which increases to 27% of the total.

“Institutional investors continue to invest capital in opportunities other than bonds and equities,” said Brad Morrow, head of Investment Manager Research, Americas, Towers Watson. “Lines are blurring between individual asset classes as investors focus more on underlying return drivers. Many asset managers in this area will continue to attract capital, and those that acknowledge the increasing sophistication of institutional buyers’ approach and change accordingly will truly flourish.”

The research, which includes data on a diverse range of institutional investor types, shows that pension fund assets represent a third (33%) of the top 100 alternative managers’ assets, followed by wealth managers (19%), insurance companies (8%), sovereign wealth funds (5%), banks (4%), funds of funds (3%), and endowments and foundations (2%).

“The alternative asset management industry houses some of the most highly skilled investment teams around, which if combined with aligned interests and fair fees, provide a compelling proposition,” said Morrow. “However, investors across the board should first check that they have sufficient governance levels, particularly for complex alternatives. This ensures they make the most of the increasing market volatility and associated alpha opportunities, particularly given the current lack of clear beta opportunities.”

The research shows that for the top 100 managers, North America continues to be the largest destination for alternative capital (47%), with infrastructure and illiquid credit as the exceptions where more capital is invested in Europe. Overall, 36% of alternative assets are invested in Europe and 9% in Asia Pacific, with 8% being invested in the rest of the world. In addition, among the top 100 managers, illiquid credit assets grew the most in 2014, adding nearly a third (28%), while hedge funds and infrastructure funds increased by 9% and 8%, respectively.

In the ranking of top 100 asset managers by pension fund assets, these increased again from the year before to reach over \$1.4 trillion. Real estate managers continue to have the largest share of pension fund assets with 36%, followed by PEFoFs (20%), private equity (15%), hedge funds (12%), infrastructure (8%), FoHFs (6%), illiquid credit (4%, versus 2% in 2013) and commodities (1%).

“Not all alternatives are created equal. Hedge funds and private equity are very complex and require high governance, while real estate and illiquid credit can be more straightforward,” said Morrow. “There is also a growing trend of investors differentiating between alternatives and holding a more granular return-driver perspective when building their asset allocations instead of using the traditional asset class approach.”

The survey shows that at the end of 2014, the top 25 alternative asset managers of wealth management assets managed \$454 billion (up 7%), followed by the top 25 managers of insurance company assets (\$288 billion, up 5%), the top 25 managers of sovereign wealth fund assets (\$155 billion, roughly the same), the top 25 managers of bank assets (\$140 billion, up 12%), the top 25 managers of fund-of-funds assets (\$122 billion, up 23%), and the top 25 managers of endowment and foundation assets (\$81 billion, down 3%).

“The alternatives area is a highly competitive market and has produced innovative approaches to solve challenges in an enduring low-return environment — and for pension funds, stubbornly high deficits,” said Morrow. “Yet parts of this industry are criticized for not adding value after fees and not serving the end savers’ best interests. This could challenge sustainability of the industry and invite increased regulation. It is up to the industry to address these concerns and together ensure we change investment for the better.”

According to the research, Macquarie Group is the largest infrastructure manager, with over \$92 billion, and tops the overall

rankings, while Bridgewater Associates is the largest hedge fund manager, with almost \$90 billion. In the ranking, CBRE Global Investors (\$82 billion) is the largest real estate manager, and TPG Capital is the largest private equity manager, with \$67 billion. Blackstone is the largest FoHF manager, with over \$63 billion, and Carlyle Investment Solutions is the largest PEFoF manager, with over \$46 billion. M&G Investments is the largest illiquid credit manager, with over \$33 billion; PIMCO is the largest commodities manager, with nearly \$19 billion, and the largest manager of real assets is TIAA-CREF, with over \$7 billion.

The top 25 ranking of alternative asset managers

Position	Name of parent organization	Main country of domicile	Total AuM (US\$ millions)	Asset class
1	Macquarie Group	Australia	92,337.83	Direct infrastructure funds
2	Bridgewater Associates	United States	89,600.99	Direct hedge funds
3	CBRE Global Investors	United States	82,100.00	Direct real estate funds
4	Blackstone	United States	80,863.00	Direct real estate funds
5	TPG Capital***	United States	67,000.00	Direct private equity funds
6	The Carlyle Group***	United States	64,668.00	Direct private equity funds
7	TIAA-CREF	United States	63,186.00	Direct real estate funds
8	Blackstone	United States	63,009.30	FoHFs
9	CVC Capital Partners**	Luxembourg	60,450.00	Direct private equity funds
10	UBS Global Asset Management	Switzerland	60,069.50	Direct real estate funds
11	J.P. Morgan Asset Management*	United States	59,300.00	Direct hedge funds
12	AXA Investment Managers	France	55,449.26	Direct real estate funds
13	LaSalle Investment Management	United States	55,350.00	Direct real estate funds
14	Kohlberg Kravis Roberts & Co.	United States	53,411.50	Direct private equity funds
15	Hines	United States	50,747.70	Direct real estate funds
16	Principal Global Investors	United States	48,135.85	Direct real estate funds
17	Carlyle Investment Solutions	United States	46,462.74	Private Equity FoF
18	Och-Ziff Capital Management Group	United States	46,000.00	Direct hedge funds
19	Blackstone	United States	44,326.20	Direct private equity funds
20	J.P. Morgan Asset Management	United States	44,085.60	Direct real estate funds
21	Man Group	United Kingdom	43,597.00	Direct hedge funds
22	Cornerstone Real Estate Advisers	United States	42,906.00	Direct real estate funds
23	Credit Suisse Asset Management	United States	42,844.23	Direct real estate funds
24	Goldman Sachs Asset Management	United States	42,269.00	Private equity FoF
25	Apollo Global Management	United States	41,000.00	Direct private equity funds

*Data were derived from the Global Billion Dollar Club, published by HedgeFund Intelligence.

**Figures show total capital raised since inception, obtained from publicly available sources.

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Overall survey statistics

	FoHF*	Direct hedge funds*	Private equity FoF*	Direct private equity funds*	Direct real estate funds	Direct commodities funds	Direct infrastructure funds	Real assets	Illiquid credit	Total	
<i>US\$ billions</i>											
Top 100 total assets	213.7	791.2	342.2	767.3	1,139.9	—	148.9	—	98.0	3,501.1	↑7%
Top 100 pension fund assets	88.8	166.6	285.7	171.4	518.0	14.3	120.3	6.9	53.1	1,425.3	↑5%
Top 25 insurance company assets	18.2	—	33.1	4.2	183.1	—	6.5	—	43.2	288.3	↑5%
Top 25 sovereign wealth fund assets	24.9	29.2	5.2	36.9	54.1	—	4.9	—	—	155.3	↑1%
Top 25 endowment and foundation assets	9.2	18.2	8.9	26.8	10.9	2.4	—	2.1	2.3	80.7	↓3%

Top 25 fund-of-fund assets	—	51.8	—	46.3	13.4	3.9	6.6	—	—	122.0	↑23%
Top 25 wealth manager assets	37.0	87.8	—	28.2	244.2	—	47.0	—	9.5	453.8	↑7%
Top 25 bank assets	15.0	26.1	13.0	17.1	50.6	—	7.0	—	10.6	139.5	↑12%

*Figures for some of these managers were obtained from publicly available sources and using data derived from the Global Billion Dollar Club, published by *HedgeFund Intelligence*.

Notes to Editors

Towers Watson conducted this survey for the year to December 2014 to rank the largest alternative investment managers. It includes 623 investment manager entries comprising 171 in hedge funds, 101 in private equity, 91 in real estate, 66 in FoHFs, 60 in infrastructure, 52 in PEFoFs, 36 in illiquid credit, 27 in commodities and 19 in real assets. For real estate, commodities and infrastructure, individual managers are included. The majority of the data (547 entries) come directly from investment managers, with the remainder coming from publicly available sources. Certain individual hedge fund information was sourced from the Global Billion Dollar Club, published by *HedgeFund Intelligence*. All figures are in U.S. currency.

Towers Watson Investment

Towers Watson's Investment business is focused on creating financial value for institutional investors through its expertise in risk assessment, strategic asset allocation, fiduciary management and investment manager selection. It has over 800 associates worldwide, assets under advisory of over \$2.2 trillion and over \$75 billion of AuM.

About Towers Watson

Towers Watson (NASDAQ: TW) is a leading global professional services company that helps organizations improve performance through effective people, risk and financial management. The company offers solutions in the areas of benefits, talent management, rewards, and risk and capital management. Towers Watson has 16,000 associates around the world and is located on the web at towerswatson.com.



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