New capital raised for investment into funds of funds reached a record of €8.1 billion in 2017.

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As a group funds of funds delivered a total return of 5.1% for their investors in 2017.

By their very nature funds of funds have the potential to achieve greater diversification for investors who want to gain access to a range of different investments. They offer investors exposure to a variety of geographies and sectors, as well as managers and investment styles.

On average, funds of funds invest into 14 different vehicles with some notable variations across styles and structures. Open end vehicles invest in a higher number of vehicles than closed end vehicles while core funds of funds target investment in a higher number of vehicles than their value added or opportunity peers.

Similarly, open end vehicles tend to invest in more managers than closed end vehicles, and core strategies place their investments with a higher number of managers than value added and opportunity strategies.

These attractive features have seen one in seven investors plan to increase their allocations to funds of funds with capital raised for investment into these vehicles reaching record levels in 2017. In total €8.1 billion of new equity was raised for funds of funds globally. This is a significant jump from the €3.0 billion that was raised in 2016.

As such, total real estate assets under management (AUM) for funds of funds reached €19.8 billion at the end of 2017 and have been averaging around €20.0 billion since 2016.
Last year was a good year for funds of funds. As a group, they returned 5.1% to their investors, making it the fifth consecutive year of positive performance. Across all regional strategies funds of funds enjoyed positive performance. The most remarkable being vehicles targeting Asia Pacific as a region. These funds of funds posted returns of 15.1% over 2017, a strong comeback from the -3.3% recorded for 2016. Thus, outperforming European and global strategies.

European funds of funds delivered a solid 6.6% total return, consistent with the previous year’s performance and outpacing global strategy vehicles. Global strategy vehicles delivered modest, yet positive, performance of 4.4% over 2017, down on the 6.7% recorded for the previous year.

The sample size for vehicles targeting North America was in sufficiently large to calculate performance.

Closed end vehicles outperformed open end vehicles with a return of 6.4% over 2017 compared with 5.0% for open end. Meanwhile non-core vehicles posted an increase in performance, 8.0% up from 5.3% previously while core delivered a total return of 4.7%, down from the 6.4% previously.

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