

Funds of funds continue positive returns for seventh consecutive year

- > Funds of funds assets under management rose to a minimum of €33.6 billion globally
- > As a group funds of funds delivered positive net average returns of 5.6% in 2019
- > Funds of funds with a global strategy further enhanced their market dominance

Funds of funds continue attracting capital although the €2.7 billion over 2019 was lower than the new equity raised in previous years¹. Nonetheless funds of funds assets under management reached a new record high level of at least €33.6 billion globally².

Funds of funds invest into 14 different vehicles, on average, with clear differences regarding the investment style or structure³.

Core style funds of funds invest in a larger number of vehicles (18), compared with their value added or opportunity style peers. By structure, open end funds of funds invest, on average, in a larger number of vehicles compared to those with closed end structures.

Open end funds of funds also allocate to a larger number of managers compared with their closed end funds of funds peers. The

same applies to core style funds of funds which, on average, invest in a larger number of managers compared to non-core vehicles.

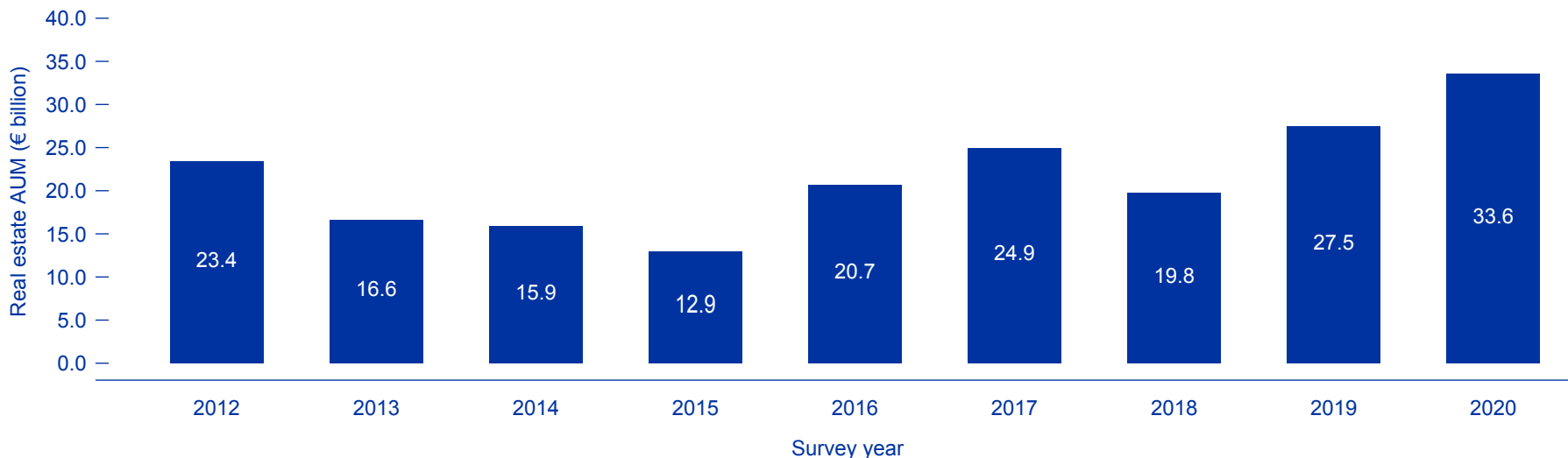
Regarding leverage, funds of funds aim for a target blended gearing between 15% and 75% of GAV with an average of 53.1%. Core style vehicles have the lowest average target blended gearing of 38.3% of GAV while opportunity funds of funds exhibit the highest of 71.3% of GAV.

¹ [ANREV / INREV / PREA Investment Intentions Survey 2020](#)

² [ANREV / INREV / NCREIF Capital Raising Survey 2020](#)

³ [ANREV / INREV / NCREIF Fund Manager Survey 2020](#)

Figure 1: Funds of funds assets under management



Over 2019, funds of funds reported an average total return of 5.6%, which is lower compared to previous year but above the 10-year average (5.1%). Including 2019, funds of funds showed seven consecutive year of positive average total returns.

For core style funds of funds total returns over 2019 slowed down compared to 2018 while non-core funds of funds achieved higher returns than previous year. However, over time core style funds of funds show a more stable performance compared with their non-core peers.

By target region, only global strategy funds of funds posted positive average total returns over 2019 (6.8%) while the average performance for both funds of funds with a European (-0.4%) and Asia Pacific (-2.2%) turned negative.

Looking over a longer period, global strategy funds of funds show a less volatile performance compared to their single region strategy peers.

For funds of funds targeting North America an average performance was not calculated

as the number of observations did not comply with the minimum of three threshold.

Funds of funds with younger vintages outperformed those with older vintages. In 2019 funds of funds first closed between 2008 - 2019 delivered a total return of 6.8%, while those first closed between 2001 - 2007 exhibit a total return of -3.9%.

For further details contact research@inrev.org. The full report is available to members at inrev.org/research

Figure 2: Performance of funds of funds by style

