

SEVEN OUT OF 10 INSTITUTIONAL INVESTORS SAY THEIR FUNDS FELL SHORT OF EXPECTATIONS OVER THE LAST DECADE

- One in six (17%) of institutions say at least half of their funds exceeded their risk tolerance
- Only 18% say all their funds stayed within their risk tolerance
- 42% say it becomes too difficult at the level of sector /individual securities to predict future market moves

London, 4 August 2014

A new study¹ by Aquila Capital, one of Europe's leading independent alternative asset managers, reveals three out of five (59%) of European institutional investors say the funds in which they invested over the last 10 years only partially met their expectations, or failed to do so entirely.

One in six (17%) say at least half of the funds in which they invested over the last 10 years did not stay within their risk tolerance. Only 18% say all their funds stayed within their risk tolerance.

The survey shows investors appreciate the difficulties in securing returns sustainably by forecasting markets. More than a quarter (26%) think it is too difficult to predict market movements and therefore returns sustainably at the individual stock level. Other cut-off levels cited include industry sector (16%); country (27%) and asset class (14%). One in 10 (10%) believe predictions can work at any of these levels.

While nearly nine out of 10 (89%) investors say diversification is important (41%) or extremely important (48%) to them, more than one in four (27%) were less diversified than they originally anticipated over the last decade. Investors identify the most common pitfall that could have been avoided over the last 10 years as over-allocating to particular strategies (44%) and 'over-allocating to certain asset classes' was a close second (39%).

Commenting on the research, Stuart MacDonald, Managing Director at Aquila Capital, said: "The last decade includes some of the most volatile episodes ever seen in financial markets. Our research shows just how substantial the gap has been between investors' expectations and what their funds actually delivered.

"It also illustrates investors' appreciation of how extraordinarily difficult it is to make reliable forecasts at different levels of the markets. Over 40% recognize it cannot be done in any sustainable way at both 'sector' and the more difficult 'individual security' levels. Two thirds (69%) say it is too difficult to make calls sustainably below the asset class level. Investors clearly have doubts about the feasibility of using market predictions to generate alpha consistently over the long term. They also recognize the benefits of effective diversification in order to capture returns."

The research was commissioned to mark the 10-year anniversary of Aquila Capital's risk parity strategy, which was the first to be launched in Europe. The strategy applies a systematic allocation method that does not rely on forecasts, while being as diversified as possible across instruments, return drivers, geographies and durations. It does this through investing with equal risk weightings across four types of asset that have a low correlation with one another. These assets also have varying correlations with the economic cycles.

¹Source: Research carried out among 101 institutional investors across Europe between July 7-18, 2014

About Aquila Capital

Established in 2001, Aquila Capital is a leading provider of alternative and real asset investments. The firm focuses on distinctive areas of investment that are supported by macroeconomic fundamentals and offer the potential to generate uncorrelated, above average returns on a sustainable basis. Concentrating on these areas, Aquila Capital draws on the expertise of highly qualified, independent investment teams to generate a long term edge.

Aquila Capital is part of the Aquila Group, headquartered in Hamburg with investment management and operations in nine offices including Zurich, London, Frankfurt and Singapore. The Group currently has over 250 staff and EUR 7 billion assets under management.

Further information can be found at www.aquila-capital.com.

Notes to editors

Contact:

Alexa Kurschinski
Aquila Capital
+49 40 87 50 50 175
alexa.kurschinski@aquila-capital.de

Patrick Evans / Lydia Cambata
Citigate Dewe Rogerson
+44 (0)20 7638 9571
aquila@citigatedr.co.uk