



FOR IMMEDIATE RELEASE

Contacts:

HFR

Kenneth Heinz

Chicago/312.658.0955

info@hfr.com



[@HFRInc](https://twitter.com/HFRInc)

[@KennethJHeinz](https://twitter.com/KennethJHeinz)

MacMillan Communications

Chris Sullivan

New York/212.473.4442

chris@macmillancom.com

Hydra Strategy

Henrietta Hirst

London/+44 (0) 7880 742 375

Henrietta.hirst@hydrastrategy.co.uk

HEDGE FUND INDUSTRY CAPITAL GROWTH ACCELERATES TO NEW RECORD IN 2Q21

***Fourth consecutive quarter of net asset inflows as HFRI surges;
Fixed income-based Relative Value Arbitrage capital surpasses \$1 trillion;
Uncorrelated Macro leads inflows as investors position for volatility***

CHICAGO, (July 22, 2021) – Driven by the strongest first half performance in a calendar year since 1999, total hedge fund industry capital accelerated through 2Q, surpassing multiple milestones of industry growth and expansion. Total hedge fund capital surpassed an estimated \$3.96 trillion at quarter-end, an increase of \$360 billion from the start of the year, as reported today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry, in the latest release of the *HFR Global Hedge Fund Industry Report*.

Total hedge fund industry capital has soared by over \$1 trillion in the trailing five quarters, since falling below \$3 trillion in 1Q20 as the global pandemic began. Estimated net asset inflows totaled \$12.3 billion for 2Q21, bringing total net inflows since 3Q20 to \$34.1 billion.

The HFRI Fund Weighted Composite Index (FWC) surged +10.1 percent in 1H21, the strongest 1H since 1999 and the fifth strongest 1H return since index inception. Furthermore, the HFRI FWC has surged +27.5 percent in the trailing twelve months. The investable HFRI 500 Fund Weighted Composite Index jumped +9.2 percent in 1H21, the best 1H performance since index inception.

Uncorrelated Macro strategies led net asset inflows, receiving an estimated \$8.3 billion of net allocations as investors positioned for continued equity, fixed income, currency, and commodity volatility. Total Macro capital increased by \$25.5 billion to end the quarter at an estimated \$643.8 billion AUM with both quantitative and fundamental Macro sub-strategies experiencing asset increases for the

quarter, led by trend-following Systematic Diversified/CTA strategies which increased by an estimated \$11.6 billion, while Discretionary Thematic funds added \$5.8 billion. The investable HFRI 500 Macro Index and the HFRI Macro (Total) Index advanced +7.0 and +8.0 percent, respectively, in 1H, while the HFRI Macro: Commodity Index led Macro sub-strategy performance in 1H with a gain of +14.2 percent.

Total Equity Hedge (EH) capital had surpassed the \$1 trillion milestone to conclude 2020 and extended its growth to reach \$1.21 trillion in 1H21, including an increase of \$58.7 billion in 2Q. Fundamental Value funds led capital increases in 2Q, with capital surging by an estimated \$35.9 billion to end the quarter at \$680.2 billion. The HFRI Equity Hedge (Total) Index returned +12.3 percent in 1H, while the investable HFRI 500 Equity Hedge Index gained +11.1 percent; EH sub-strategy gains were led by the volatile HFRI EH: Energy/Basic Materials Index, which spiked +20.9 percent in 1H21.

Having surpassed \$1 trillion in the prior quarter, Event-Driven (ED) strategies, which categorically focus on out of favor, deep value equity and credit positions, extended asset increases to reach another record high. Total ED capital increased by \$45.5 billion in 2Q, bringing total ED capital to an estimated \$1.092 trillion, the second largest strategy of total industry capital. ED sub-strategy capital increases were led by Special Situations, which generated an estimated \$18.9 billion of performance-based capital gains in the quarter, bringing sub-strategy assets to over \$500 billion. The investable HFRI 500 Event-Driven Index jumped +12.5 percent in 1H, while the HFRI Event-Driven (Total) Index surged +11.6 percent, led by the HFRI ED: Activist Index which increased +13.8 percent.

Capital invested in interest rate-sensitive, fixed income-based Relative Value Arbitrage (RVA) strategies increased by \$28.6 billion in 2Q, including an estimated \$5.5 billion of net asset inflows, to surpass \$1 trillion for the first time. Led by asset increases of \$18.4 billion in RV: Multi-Strategy funds, RV joined EH and ED strategies in surpassing the historic milestone. The investable HFRI 500 Relative Value Index jumped +5.2 percent in 1H21, while the HFRI Relative Value (Total) Index advanced +6.2 percent, led by the HFRI RVA: Yield Alternatives Index which gained +22.1 percent.

Investor inflows were distributed across firms of all sizes, with firms managing greater than \$5 billion receiving an estimated \$5.5 billion of the \$12.3 billion total of net new investor capital in 2Q21. Mid-sized firms managing between \$1 billion and \$5 billion experienced a similar net inflow of \$5.0 billion for the quarter, while firms managing less than \$1 billion collectively received estimated inflows of \$1.8 billion.

“The surge in global hedge fund capital accelerated through 2Q21 with a combination of inflows and record performance gains driving powerful growth, increasing total industry capital by over \$1 trillion since the onset of the global coronavirus pandemic, and approaching the milestone of \$4 trillion”, stated Kenneth J. Heinz, President of HFR. “Recent growth has been driven across a broad continuum of strategies and macroeconomic portfolio scenarios, including balancing economic reopening/reflation

trades with sharp reversals in these trends, including risks of additional virus variants, falling interest rates and possibilities for less robust economic growth over the intermediate term. Leading global institutions are continuing to make and expand allocations to hedge funds as an ideal portfolio mechanism to opportunistically participate in these powerful trends while maintaining tactical flexibility and adjusting to the fluid macroeconomic environment, including the increased influence of retail trading platforms on equity market prices and volatility. Funds which have demonstrated their ability to navigate this market paradigm are likely to lead industry growth in 2H21.”

For more information from HFR:

Visit www.HFR.com

Follow HFR on Weibo: @HFRAsia

 Follow HFR on Twitter: @HFRInc

 Follow Ken Heinz on Twitter:
@KennethJHeinz

About HFR®

HFR is the global leader in the alternative investment industry, specializing in the indexation and analysis of hedge funds. Established in 1992, HFR produces the HFRI, HFRX and HFRU Indices, the industry’s most widely used benchmarks of global hedge fund performance. HFR calculates over 100 indices of hedge fund performance ranging from industry-aggregate levels down to specific, niche areas of sub-strategy and regional investment focus. HFR Database, a comprehensive resource available for hedge fund investors, includes fund-level detail on historical performance and assets, as well as firm characteristics on both the broadest and most influential hedge fund managers. HFR has developed a detailed fund classification system, enabling granular and specific queries for relative performance measurement, peer group analysis and benchmarking. The HFR suite of analysis products leverages HFR Database to provide detailed, current, comprehensive, and relevant aggregate reference points on all facets of the hedge fund industry. HFR also offers consulting services for clients seeking customized top-level or more sophisticated analysis. For the hedge fund industry’s leading investors and hedge fund managers, **HFR is The Institutional Standard.**

###