First Quarterly Inflows Since 2018

Stockholm (HedgeNordic) – Hedge funds registered net inflows for the first time since the first quarter of 2018, according to a report released by Hedge Fund Research last week. Macro strategies led the hedge fund industry's estimated net inflows of $13.0 billion in the third quarter, which brought the industry's assets under management to $3.31 trillion.

"Investors allocated new capital to hedge funds in 3Q as a result of both defensive outperformance through the coronavirus-driven volatility in early 2020, as well as opportunistic gains through the uneven financial market recovery in the second and third quarters," Kenneth J. Heinz *(pictured)*, President of HFR, stated in last week's report. "Hedge fund strategies which have demonstrated powerful, opportunistic and uncorrelated performance throughout 2020 are likely to lead continued industry growth into 2021."

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Macro strategies led last quarter's positive net flows to the hedge fund industry, with investors allocating an estimated $7.2 billion to this strategy group. The volume of net inflows was nearly equally split between CTA strategies and uncorrelated currency strategies. Quantitative-driven trend-following CTA strategies received net inflows of $3.2 billion during the third quarter, while currency-focused strategies received inflows of $3.1 billion. The broader macro strategy category had $579 billion in assets under management at the end of the third quarter, according to HFR. Fixed income-based relative value arbitrage strategies, meanwhile, attracted an estimated $5.5 billion in net inflows during the third quarter, increasing the group's total capital to $903 billion.

According to HFR, last quarter's inflows were mainly led by the hedge fund industry's largest firms. Hedge fund firms managing more than $5 billion received an estimated $11.2 billion in net inflows during the three months that ended September, while firms managing less than $1 billion attracted net inflows of $2.6 billion. Mid-sized firms managing between $1 billion and $5 billion as a group recorded net outflows of $810 million during the third quarter.

"Institutions globally are making forward-looking allocations to hedge funds, anticipating and positioning for the near-term uncertainties of both the virus and the US election, as well as intermediate-term macroeconomic uncertainties of the US, European and Asian economies into 2021," said Heinz.