

# Hedge Fund Assets Regain Ground

Stockholm (HedgeNordic) – The hedge fund industry is bigger than ever as assets under management reached a record \$3.6 trillion at the end of 2020, according to Hedge Fund Research (HFR). Total hedge fund capital increased by \$290 billion quarter-over-quarter, representing the largest quarterly asset growth in industry history as reported by HFR. Performance-based asset gains, rather than new inflows from investors, accounted for most of the industry's asset growth.

In a webinar last week, Kenneth J. Heinz, President of HFR, lauded 2020 as “one of the most impressive years in the history of the industry, if not the most impressive.” According to HFR, investors added an estimated \$16 billion to the hedge fund industry during the second half of 2020 after net asset inflows of \$3 billion in the fourth quarter. Total net outflows from the hedge fund industry totaled \$12.2 billion in the second quarter, whereas first-quarter net outflows reached \$33.3 billion. “Investors allocated new capital to hedge funds in 4Q 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,” stated Kenneth Heinz.

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According to Heinz, “hedge fund strategies which have demonstrated powerful, opportunistic and uncorrelated performance throughout 2020 are likely to lead continued industry growth into 2021.” HFR data also shows that investors put more money into the industry's biggest managers than they took out in the fourth quarter, whereas smaller firms reported net outflows during the period. Hedge fund firms managing more than \$5 billion received an estimated \$4.8 billion in net inflows during the last three months of 2020, while firms managing less than \$1 billion experienced net outflows of \$1.3 billion. Mid-sized firms managing between \$1 billion and \$5 billion as a group recorded net outflows of \$436 million during the fourth quarter.

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## **eVestment: Hedge Funds See Net Outflows**

Contrary to data by HFR, data compiled by data provider eVestment shows that investors removed an estimated \$9.1 billion from hedge funds in the final quarter of 2020 after estimated net outflows of \$9.7 billion in the final month of the year. For the entire 2020, investors pulled an estimated \$58.8 billion from the hedge fund industry, down from the \$102.3 billion investors pulled from hedge funds in 2019. The \$9.7 billion in net outflows in December represents “a decent figure for the industry,” according to eVestment Global Head of Research, Peter Laurelli. Since 2009, investors pulled out an average \$16.5 billion from the industry during the month of December.

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“Combined with the hedge fund business’ strong performance in 2020 and investors’ continued interest in diversifying their portfolios with alternatives, hedge funds are ending 2020 and going into 2021 on some strong notes,” writes eVestment. The hedge fund industry ended the year with \$3.359 trillion under management, according to eVestment.

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