

Setting New Records

Stockholm (HedgeNordic) – Global hedge fund assets rose to a record \$3.8 trillion at the end of the first quarter, up \$844 billion over the past four quarters after falling below \$3 trillion in the first quarter of last year, writes industry tracker Hedge Fund Research. Total hedge fund capital increased \$201 billion from the start of the year as the industry enjoyed its best first-quarter performance since 2000.

The first quarter of 2021 saw the global hedge fund industry receive an estimated \$6.1 billion in net inflows, bringing the total net inflows since the third quarter of 2020 to \$22.1 billion. Most of the investor inflows went to the industry's largest firms, with an estimated \$5.3 billion of the \$6.1 billion going to firms managing more than \$5 billion. Mid-sized firms managing between \$1 billion and \$5 billion experienced a net outflow of \$1.4 billion on aggregate during the first quarter, while firms managing less than \$1 billion collectively attracted \$1.14 billion in net inflows.

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“Hedge funds effectively navigated a volatile trading environment to the strongest 1Q gain in over 20 years, driving inflows and capital increases to a record global capital level of \$3.8 trillion,” Kenneth J. Heinz, President of HFR, wrote in a press release last week. “The trading environment was dominated not only by the new US presidential administration, new stimulus measures, developments in vaccine administration and new virus variants, but also intense volatility in cryptocurrencies and associated with a surge in interest in out of favor, heavily shorted, deep value equities from retail investors and trading platforms,” he added.

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“Each of these, as well as evolving macroeconomic and geopolitical dynamics, represent both a risk and an opportunity for specialized hedge funds actively positioning in these areas,” continued Heinz. “Leading institutional investors interested in defensive, opportunistic exposures to each of these are actively working to increase portfolio exposures to leading and innovative hedge funds which have and continue to navigate these rapidly shifting market dynamics.”

The HFRI Fund Weighted Composite Index (FWC), an equal-weighted index of single-manager funds reporting to the HFR database, gained 6.0 percent in the first quarter of this year, the strongest first-quarter performance since 2000. On an asset-weighted basis, the global hedge fund industry was up 2.7 percent in the first three months of 2021. Cryptocurrency hedge funds led the performance in the first quarter of 2021, surging 120 percent for the quarter.