Hedge Fund Assets Nearing $4 Trillion

Stockholm (HedgeNordic) – Total hedge fund assets reached an estimated $3.96 trillion at the end of the second quarter, increasing $360 billion from the start of the year, according to Hedge Fund Research. Industry assets increased by more than $1 trillion over the trailing five quarters since falling below the $3 trillion-mark during the first quarter last year.

Strong returns rather than inflows of fresh capital accounted for a large portion of the industry's asset growth. As measured by the HFRI Fund Weighted Composite Index (FWC), the global hedge fund industry enjoyed its strongest first half performance in a calendar year since 1999, with the industry gaining 10.1 percent in the first half of 2021. The HFRI FWC advanced 27.5 percent over the 12 months through the end of June.

Despite performance-based asset gains accounting for most of the industry's asset growth, the second quarter of this year marked the fourth consecutive quarter of net asset inflows for the hedge fund industry, according to Hedge Fund Research. The hedge fund industry attracted an estimated $12.3 billion in net asset inflows for the second quarter, bringing total net inflows over the trailing four quarters to $34.1 billion.

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"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," says 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."

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Firms overseeing more than $5 billion in assets under management received net inflows of $5.5 billion of the $12.3 billion total in the second quarter. Mid-sized firms managing between $1 billion and $5 billion attracted a collective $5.0 billion of net inflows for the quarter, while firms managing less than $1 billion collectively received an estimated $1.8 billion.

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"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," adds Heinz. "Funds which have demonstrated their ability to navigate this market paradigm are likely to lead industry growth in 2H21."

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