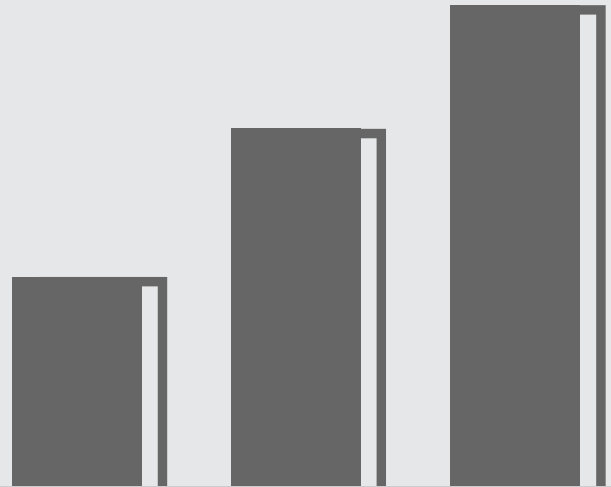


# Hedge Fund Industry Asset Flow Report

October 2020

Release Date: November 26, 2020



## Summary

One theme which has defined the year for hedge fund flows in 2020 so far is that those who have been able to navigate a tumultuous set of market conditions have been rewarded, and those who have not are experiencing significant consequences. We've seen this play out across multiple strategies and persisting over many months. Again in October we saw inflows go to where they have been going over the past several months, and outflows have continued from where they first sprang in March.

For several on both sides of the coin, 2020 seems to be producing defining moments of many managers' careers. For the industry, having gone through a year unlike any other it is holding up better than it had in 2019 and 2016. There are, however, two months remaining and scanning back over the years, there has not been a positive net flow for hedge funds to end a year (December) since 2010.

## Highlights

- Flows were negative again in October, but only slightly so and the volume of flow was very light.
- Macro is on pace for a year of redemptions unlike any other.
- Multi-strategy managers have produced some notably positive returns in 2020 and flows have followed.
- Long/short equity had some large redemptions in October, but many within the strategy are seeing investor interest.

# Light Net Flow in October Came with Persistent Themes

Investors removed an estimated \$5.04 billion from hedge funds in October. YTD redemptions are estimated to be \$54.67 billion. Total estimated industry AUM sits at \$3.148 trillion.

## Industry Flows

	Oct	Q3 2020	YTD 2020	2019	Est. AUM
<b>All Hedge Funds</b>	(\$5.04)	\$6.12	(\$54.67)	(\$102.25)	\$3,147.95
Equity	(\$1.26)	\$7.15	\$0.78	(\$28.51)	\$1,128.78
Fixed Income/Credit	(\$4.13)	(\$5.23)	(\$19.44)	(\$14.25)	\$970.10
Commodities	\$1.00	\$2.52	\$4.25	(\$3.74)	\$82.42
Multi-Asset	(\$0.69)	\$2.16	(\$40.18)	(\$52.80)	\$1,026.62
<b>Primary Strategy</b>	<b>Oct</b>	<b>Q3 2020</b>	<b>YTD 2020</b>	<b>2019</b>	<b>Est. AUM</b>
Multi-Strategy	\$2.45	\$1.65	(\$0.37)	(\$18.31)	\$536.06
Event Driven	\$0.81	\$2.27	\$6.48	\$11.06	\$570.16
Market Neutral Equity	\$0.51	\$1.50	\$0.23	(\$3.60)	\$76.62
Convertible Arbitrage	\$0.41	\$0.01	\$0.77	\$1.77	\$59.27
Distressed	\$0.04	(\$1.03)	(\$1.30)	(\$3.46)	\$229.51
Managed Futures	(\$0.31)	\$3.14	(\$7.20)	(\$10.89)	\$95.55
Directional Credit	(\$1.40)	(\$5.07)	(\$15.16)	(\$10.08)	\$133.65
Relative Value Credit	(\$1.71)	\$1.11	(\$5.36)	\$0.56	\$227.94
Macro	(\$2.52)	\$3.21	(\$19.08)	(\$20.60)	\$189.06
Long/Short Equity	(\$3.04)	(\$1.50)	(\$14.04)	(\$44.49)	\$726.11

<b>Investment Region</b>	<b>Oct</b>	<b>Q3 2020</b>	<b>YTD 2020</b>	<b>2019</b>	<b>Est. AUM</b>
Americas	\$2.57	\$13.40	\$21.81	\$1.65	\$994.24
Europe	\$1.23	\$3.51	\$0.65	(\$16.19)	\$234.01
Asia	\$0.45	\$0.57	(\$1.18)	(\$3.45)	\$119.16
Emerging Markets	\$0.97	\$0.20	\$3.67	(\$2.73)	\$303.44
Global Markets	(\$9.13)	(\$11.53)	(\$76.22)	(\$81.07)	\$1,811.38
<b>Firm Domicile</b>	<b>Oct</b>	<b>Q3 2020</b>	<b>YTD 2020</b>	<b>2019</b>	<b>Est. AUM</b>
Americas	(\$6.37)	(\$3.19)	(\$46.15)	(\$50.34)	\$2,357.82
Europe	\$0.83	\$11.69	\$1.09	(\$42.92)	\$765.89
Asia (ex-Oceania)	\$1.05	(\$0.49)	(\$0.15)	(\$4.46)	\$79.91

## Key Points

- Overall flow in October was very light, meaningful inflows to large funds were sparse.**  
 The volume of asset movement in October 2020 was the lowest level within the last seventeen months and while net flow was negative, it was only marginally so. Among \$1b+ products, the proportion seeing inflows of greater than 2% of AUM was the smallest in over two years (just over 8% of funds in October vs. September 2018 of 6.5%).
- The largest product-level flows in October appeared to be persistent themes for managers.**  
 Among the funds with the fifteen largest net inflows in October, all except two had inflows in 2020 prior to October and every single one of them has produced positive results in 2020 with an average return of nearly 11%. Conversely, among those with the fifteen largest outflows, all except two had already been facing redemption pressure prior to October and the majority (nine) are producing negative results for the year. The average return among these fifteen is almost -6%. This stat just about sums up the state of the industry in 2020.
- Long/short equity had the largest net outflow in October and significant redemptions in 2020, but many managers are seeing the opposite.**  
 60% of the long/short equity universe appears to be dealing with net outflows in 2020, and frankly the flows seem to be aligned with investors' sentiment toward performance. All except one of the long/short equity funds with the ten largest redemptions in 2020 are producing negative returns for the year and losses have been significant. The average return produced by this group is nearly -15%. And very similar to the point from the prior bullet, only one long/short equity fund among those with the ten largest inflows in 2020 is down for the year. and that group has an average return of nearly +15%.
- 2020 is on pace to be the worst on record for Macro fund flows.**  
 As it stands now, flows for macro funds appear to surpass redemptions from 2019 and go down as the largest the segment has seen since at least 2005. Large losses early in 2020 for some managers spurred redemptions that haven't abated, and the magnitude of outflow is significant. Similar to the above points, while some are having a very difficult year, there are macro managers who have done well in 2020 and some of those managers are seeing new allocations come in, but it is nowhere near the level of outflows. Where that money goes is a big question as it does not currently appear to be circling back into the strategy. While the metrics for the industry are negative overall, they're not as bad as they were in 2019 and there are many signs of success, but for some macro strategies 2020 is the most difficult year in a long, long time.

- Multi-strategy managers see renewed interest in October.**  
 For some multi-strategy managers who had been facing redemptions in 2020, October offered a bit of a reprieve. Flows for the strategy in general have been pretty good in 2020 with only slight net outflows during an extremely volatile year. Performance across major funds within the universe has been relatively good, too. For as difficult a year as some macro managers are having in 2020, the sentiment among multi-strategy managers and their investor base is likely very different.
- Redemption pressure continues for many credit strategies.**  
 What was notable among many credit strategies after large losses in March was how redemptions had mostly stuck to quarter-end periods, until October. Outflows were significant in March, then basically flat until June when outflows for the year were highest, then slightly positive until September when another large chunk of asset left. Whether it is remnants of those Q3-ending outflows we're seeing in October data, or fresh redemptions for the month is not clear, but what is clear is that performance is having an impact across the segment. Among the ten largest 2020 redemptions, average returns are nearly -3%, while among the ten able to raise the most assets in 2020, the average return is nearly +5%. While it feels like a broken record, we are just seeing this same theme play over and over again across the industry in 2020.



# Hedge Fund Performance Tables

## Industry – Market – Strategy Performance

Industry Benchmarks	Oct	YTD 2020	2019	2018
Hedge Fund Aggregate	-0.05%	0.92%	10.05%	-5.05%
50% MSCI World/50% Citi WGBI	-1.62%	3.38%	16.57%	-4.60%
S&P 500	-2.66%	2.77%	31.49%	-4.38%
MSCI World ex-US-GD	-3.91%	-10.40%	23.16%	-13.64%

Primary Markets	Oct	YTD 2020	2019	2018
FX/Currency	0.32%	0.68%	2.00%	0.76%
Volatility/Options Strategies	0.24%	-0.98%	3.73%	-2.39%
Fixed Income/Credit	0.22%	0.02%	6.24%	-0.02%
Equity	0.08%	1.45%	13.23%	-7.51%
Broad Capital Structure	-0.14%	1.43%	9.65%	-3.39%
Commodities	-0.27%	-1.70%	4.97%	-5.78%
Broad Financial Derivatives	-0.58%	-0.31%	6.96%	-5.37%
Broad Multi-Market	-0.58%	0.91%	7.59%	-3.81%

Primary Strategy	Oct	YTD 2020	2019	2018
Event Driven - Activist	1.34%	1.29%	17.46%	-10.90%
Multi-Strategy Credit	0.73%	0.15%	5.85%	0.25%
Convertible Arbitrage	0.49%	6.70%	9.03%	-2.25%
Directional Credit	0.17%	-1.12%	6.02%	0.57%
Relative Value Credit	0.13%	2.20%	6.12%	-0.96%
Event Driven	0.07%	1.35%	6.06%	-2.08%
Long/Short Equity	-0.01%	0.94%	14.37%	-7.02%
Market Neutral Equity	-0.04%	0.12%	1.79%	-3.19%
Multi-Strategy	-0.09%	2.15%	7.91%	-3.20%
Macro	-0.49%	0.87%	6.88%	-2.92%
Origination & Financing	-0.52%	8.07%	6.90%	4.91%
Distressed	-0.53%	1.60%	3.57%	-0.42%
Managed Futures	-0.73%	-0.97%	7.62%	-5.93%
Quantitative Directional Equity	-1.11%	-1.11%	9.08%	-4.71%

Prominent Universes by Size	Oct	YTD 2020	2019	2018
<b>Ten Largest Hedge Funds</b>	-0.94%	-2.50%	6.79%	1.33%
Large Funds (>\$1b)	-0.24%	-2.06%	7.89%	-3.24%
Mid-size Funds (<\$1b, >\$250m)	-0.14%	1.07%	8.95%	-2.90%
Small Funds (<\$250m)	0.04%	1.20%	11.03%	-6.08%
<b>Ten Largest Event Driven</b>	-0.74%	-3.64%	4.41%	-6.44%
Event Driven >\$1b	-0.54%	-4.91%	4.19%	-3.48%
Event Driven <\$1b	0.10%	2.77%	6.87%	-2.22%
<b>Ten Largest Fixed Income/Credit</b>	-0.19%	3.07%	4.90%	-0.04%
Fixed Income/Credit >\$1b	0.33%	-1.18%	5.60%	1.06%
Fixed Income/Credit <\$1b	0.31%	-0.14%	6.21%	0.18%
<b>Ten Largest Long/Short Equity</b>	-1.29%	-11.71%	8.61%	-4.72%
Long/Short Equity >\$1b	-0.16%	-3.77%	13.08%	-5.56%
Long/Short Equity <\$1b	0.10%	1.25%	13.96%	-6.78%
<b>Ten Largest Macro</b>	-0.31%	0.71%	9.20%	2.14%
Macro >\$1b	-0.29%	1.80%	8.04%	-2.55%
Macro <\$1b	-0.53%	0.54%	7.66%	-3.24%
<b>Ten Largest Managed Futures</b>	-0.36%	-4.58%	7.67%	-6.57%
Managed Futures >\$1b	-0.77%	-4.43%	10.87%	-6.05%
Managed Futures <\$1b	-0.74%	-0.38%	7.10%	-5.95%
<b>Ten Largest Multi-Strategy</b>	-0.69%	2.18%	6.26%	-2.61%
Multi-Strategy >\$1b	-0.51%	-0.07%	4.43%	-2.04%
Multi-Strategy <\$1b	0.10%	3.16%	9.82%	-4.07%

## Regional – Domicile Performance

Economic Development	Oct	YTD 2020	2019	2018
Developed Markets	0.06%	1.07%	10.26%	-4.18%
Emerging Markets	-0.04%	0.76%	14.35%	-10.78%

Regional Exposure	Oct	YTD 2020	2019	2018
Asia	0.57%	7.03%	10.22%	-10.69%
Africa/Middle East	0.56%	-6.86%	8.92%	-7.82%
North America	0.28%	1.72%	10.91%	-4.18%
Developed Europe	-0.78%	2.17%	8.21%	-3.21%

Country Exposure	Oct	YTD 2020	2019	2018
China	1.36%	19.94%	22.56%	-16.62%
Asia ex-Japan	1.26%	4.19%	7.37%	-11.33%
India	0.57%	0.40%	-3.34%	-16.23%
Japan	-1.05%	-1.66%	8.81%	-8.00%
Brazil	-3.03%	-25.06%	22.47%	-2.29%
Russia	-3.17%	-10.13%	34.39%	-13.22%

Firm Domicile - Region	Oct	YTD 2020	2019	2018
Asia	0.29%	7.15%	9.45%	-9.53%
United States	0.23%	0.37%	10.07%	-4.21%
United Kingdom	-0.12%	1.02%	9.33%	-4.18%
Continental Europe	-0.98%	1.18%	9.92%	-6.50%

Firm Domicile - Asia	Oct	YTD 2020	2019	2018
China	1.10%	7.95%	11.76%	-11.61%
Hong Kong	0.64%	12.47%	14.20%	-9.26%
Japan	0.55%	2.21%	2.57%	-2.33%
Asia ex-Japan	0.27%	7.73%	10.27%	-10.34%
Singapore	-0.77%	3.26%	8.01%	-7.78%

Firm Domicile - Rest of World	Oct	YTD 2020	2019	2018
Middle East	0.24%	-0.84%	10.80%	-3.53%
Oceania	-0.95%	1.54%	17.09%	-5.17%
Offshores	-0.98%	0.08%	15.46%	-15.66%
Latin America	-2.26%	-17.51%	12.82%	-0.84%



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