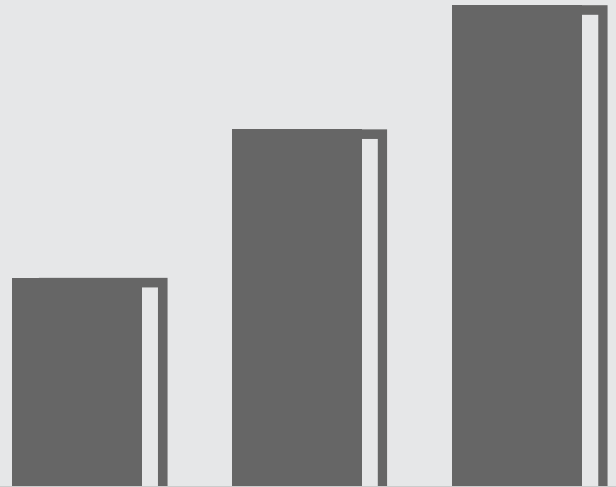


# Hedge Fund Industry Asset Flow Report

June 2021

Release Date: July 28, 2021



## Summary

Net outflows returned to the hedge fund industry for only the second month in 2021 (March/June), but the data does not paint a negative portrait overall. The volume of net flow was relatively light and the proportion of products with redemptions in June was below the prior five-year average. There were a few products with elevated redemptions during the month, but at the same time other managers which had been seeing large outflows felt a bit of a reprieve.

Given the trends across the industry over the last few years, the last thing we would want to do is look at the data with rose-colored glasses. When a negative month or string of data feels bad, we will be the first to point it out, but despite June being a month of net outflow, the information we see does not paint a negative picture. There are absolutely a few blips on the radar to watch, but for now the data still feels positive for the industry.

## Highlights

- Net flow shifted negative in June for only the second month of 2021.
- Redemptions were highest within macro funds and among the group outflows were highly concentrated.
- Multi-strategy products saw their first net outflow of 2021, though there were no significant redemptions apparent.
- Managed futures flows were again positive in June as the group is enjoying a fairly positive year for capital raising.

# Quarter-End Redemptions Outpace New Inflows in June

Investors removed an estimated net \$10.99 billion from hedge funds in June, reducing 2021 net inflow to \$28.69 billion. Asset-weighted returns were near flat resulting in overall industry AUM declining slightly to \$3.55 trillion.

## Industry Flows

	June	YTD 2021	2020	2019	Est. AUM
All Hedge Funds	(\$10.99)	\$28.69	(\$59.32)	(\$102.25)	\$3,554.58
Equity	(\$0.72)	\$6.46	\$5.48	(\$28.51)	\$1,268.24
Fixed Income/Credit	(\$7.14)	(\$15.94)	(\$27.01)	(\$14.25)	\$1,011.14
Commodities	(\$0.98)	\$6.34	\$3.35	(\$3.74)	\$105.57
Multi-Asset	(\$2.14)	\$31.84	(\$41.08)	(\$52.80)	\$1,229.28
<b>Primary Strategy</b>	<b>June</b>	<b>YTD 2021</b>	<b>2020</b>	<b>2019</b>	<b>Est. AUM</b>
Managed Futures	\$1.92	\$8.05	(\$8.99)	(\$10.89)	\$134.64
Event Driven	\$0.37	\$4.25	\$3.94	\$11.06	\$598.31
Convertible Arbitrage	\$0.13	\$2.25	\$1.62	\$1.77	\$65.31
Relative Value Credit	\$0.06	(\$2.00)	(\$5.64)	\$0.56	\$231.95
Market Neutral Equity	(\$0.01)	\$2.82	\$2.73	(\$3.60)	\$84.09
Distressed	(\$1.03)	(\$0.86)	(\$2.39)	(\$3.46)	\$237.09
Long/Short Equity	(\$1.64)	(\$10.11)	(\$15.03)	(\$44.49)	\$820.42
Multi-Strategy	(\$1.80)	\$17.40	(\$2.37)	(\$18.31)	\$606.80
Directional Credit	(\$2.06)	\$1.18	(\$18.78)	(\$10.08)	\$172.72
Macro	(\$5.57)	(\$0.07)	(\$14.10)	(\$20.60)	\$279.19

Investment Region	June	YTD 2021	2020	2019	Est. AUM
Americas	\$3.77	\$32.47	\$29.37	\$1.65	\$1,101.78
Europe	(\$0.61)	\$1.47	\$3.07	(\$16.19)	\$248.20
Asia	\$0.02	\$1.26	\$0.28	(\$3.45)	\$135.96
Emerging Markets	(\$2.31)	(\$3.46)	\$4.22	(\$2.73)	\$313.83
Global Markets	(\$14.18)	(\$7.27)	(\$92.47)	(\$81.07)	\$2,077.23
<b>Firm Domicile</b>	<b>June</b>	<b>YTD 2021</b>	<b>2020</b>	<b>2019</b>	<b>Est. AUM</b>
Americas	(\$13.31)	\$14.88	(\$55.82)	(\$50.34)	\$2,666.29
Europe	\$1.62	\$12.78	\$4.97	(\$42.92)	\$834.74
Asia (ex-Oceania)	\$0.80	\$3.32	\$2.29	(\$4.46)	\$101.25

## Key Points

- Each quarter-end-month net flow in 2021 has been negative, but underlying metrics have not.**  
 Investors accounted for net outflows in March and now again in June making each quarter-end month the only two in 2021 where aggregate net flow has been negative. Despite the outflows, other metrics around asset flows have not been bad. The volume of asset movement was not relatively high in either month, and while the proportion of products with outflows has been over 50% (53% in June, 54% in March), both are below each month's 5-year average. While net outflows are by definition a negative, the redemptions in June are not overly concerning amid an otherwise positive year.
- Macro funds felt the brunt of June redemptions.**  
 As noted in the prior month's report, compared to multi-strategy funds the data for macro managers just hadn't looked quite as good in 2021, but from a net flow perspective there still appeared to be some strong demand. While that had been the case in April and May, there was a wave of redemptions from macro products to end Q2, the result of which was to basically wash away the positive picture for the segment. It absolutely does not mean the money allocated in prior months turned around and left, it just means that while some are allocating to macro products, others are redeeming and that for now we have to accept there is substantial lingering investor dissatisfaction along with that investor interest. Lastly, the high level of redemptions in June was due to a small proportion of products/firms, but that does not mean most of the rest were in fine shape to end Q2. Redemptions were relatively widespread during the month (66% of products), though for the year the level isn't bad at all, near 52%.
- Multi-strategy funds had their first monthly net outflow of 2021, but it does not appear to change the feel of the year for the group.**  
 There was no group of products or a firm which dominated the flow landscape within the multi-strategy segment in June leading to the net \$1.8 billion of redemptions to end the quarter. The data shows about 50% of products seeing redemptions, and outflows were scattered across a large group of firms with none seeing a meaningful hit to their AUM. The only concerning metric seen in the data is looking across funds which saw the largest inflows in 2020 and into 2021 and there are a good portion of these managers which are not having as good a year as investors may have expected. The upside is after how well they were able to perform in a difficult 2020 there may be a fair amount of lenience from investors' perspectives, but if we needed to find some not-so-good news within an otherwise very good year for multi-strategy fund capital raising, that would be it.

- Managed futures are quietly having a very good year for capital raising.**  
 From Q2 2018 through Q2 2020, managed futures funds had net outflows in every single quarter, but the onset of the pandemic appeared to change investors' sentiment to the group. Since June 2020, the segment has seen an estimated \$9.8 billion of net inflow and in 2021 has seen consistent inflows, except for very light redemptions in February. Performance has been a key theme for relative success within the group this year. Products dominating the inflow picture in 2021 returned an average of almost 9% last year and already just over 8% this year, while those seeing the largest redemptions lost over 5% last year and have returned an average of just better than half of what the leading capital raisers have this year (+4.5%).
- Flow for long/short equity was negative again in June, but the picture looked a little different than prior months.**  
 Despite the group seeing net outflows for a fifth month in 2021 and fourth in a row, the landscape was a little different in June. Before June, redemptions were highly concentrated and absolutely influenced by some sub-standard returns. In June, the culprits most heavily weighing on the group continued to see net outflows, but at a declining rate. However, unlike prior months if you were to remove the group which had been seeing elevated outflows, the picture would not have been positive (while it tended to be with those products removed in prior months). All in all, redemptions were relatively light for a quarter-end month in an area which has lost a lot of assets in 2021.



# Hedge Fund Performance Tables

## Industry – Market – Strategy Performance

Industry Benchmarks	June	YTD 2021	2020	2019
Hedge Fund Aggregate	0.20%	9.24%	11.04%	10.09%
Bloomberg Barclays Global Aggregate	-0.88%	-3.21%	9.20%	6.84%
S&P 500	2.33%	15.25%	18.40%	31.49%
MSCI World ex-US-GD	-0.98%	10.27%	8.09%	23.16%

Primary Markets	June	YTD 2021	2020	2019
FX/Currency	1.29%	-0.76%	1.39%	2.32%
Commodities	0.95%	15.64%	5.89%	4.97%
Equity	0.54%	12.00%	15.02%	13.33%
Broad Capital Structure	0.44%	9.86%	11.19%	9.94%
Fixed Income/Credit	0.42%	4.63%	5.12%	6.16%
Volatility/Options Strategies	0.30%	2.32%	0.92%	3.51%
Broad Multi-Market	-1.06%	5.91%	9.24%	7.94%
Broad Financial Derivatives	-1.46%	6.88%	5.36%	6.48%

Primary Strategy	June	YTD 2021	2020	2019
Origination & Financing	1.80%	8.87%	21.78%	6.77%
Distressed	0.87%	12.60%	7.18%	2.91%
Long/Short Equity	0.41%	12.55%	15.20%	14.11%
Credit Long/Short	0.40%	5.23%	4.55%	6.11%
Convertible Arbitrage	0.37%	3.20%	15.14%	8.82%
Multi-Strategy	0.25%	6.72%	8.31%	9.92%
Event Driven	0.12%	10.79%	9.48%	6.03%
Insurance-Linked	0.11%	-2.20%	2.45%	3.75%
Event Driven - Activist	-0.01%	24.59%	17.30%	17.19%
Market Neutral Equity	-0.56%	6.56%	2.59%	2.16%
Alternative Risk Premia	-0.60%	5.95%	-10.93%	0.78%
Macro	-1.48%	3.20%	10.30%	6.55%
Managed Futures	-1.49%	7.06%	5.97%	7.60%

Prominent Universes by Size	June	YTD 2021	2020	2019
Ten Largest Hedge Funds	0.12%	3.73%	3.02%	7.43%
Ten Largest Fixed Income/Credit	0.44%	3.43%	7.05%	5.38%
Ten Largest Event Driven	0.30%	7.34%	6.36%	5.47%
Ten Largest Long/Short Equity	0.01%	0.09%	-5.07%	13.42%
Ten Largest Multi-Strategy	-0.13%	4.55%	8.28%	7.31%
Ten Largest Managed Futures	-0.50%	6.60%	-0.77%	6.71%
Ten Largest Macro	-0.64%	2.00%	11.01%	9.53%

## Regional – Domicile Performance

Economic Development	June	YTD 2021	2020	2019
Developed Markets	0.30%	9.85%	11.50%	10.32%
Emerging Markets	0.93%	8.97%	14.26%	14.14%

Regional Exposure	June	YTD 2021	2020	2019
Africa/Middle East	0.88%	13.40%	0.30%	8.97%
North America	0.87%	12.42%	13.33%	10.84%
Asia	0.67%	9.70%	19.72%	10.33%
Developed Europe	-1.01%	6.15%	10.46%	8.53%

Country Exposure	June	YTD 2021	2020	2019
Brazil	4.43%	6.41%	-10.22%	22.47%
India	3.37%	27.95%	19.91%	-3.67%
Russia	1.87%	11.99%	6.36%	34.39%
Asia ex-Japan	1.13%	10.97%	17.53%	7.52%
Japan	0.26%	5.78%	3.32%	9.25%
China	0.13%	5.36%	34.71%	22.75%

Firm Domicile - Region	June	YTD 2021	2020	2019
Asia	0.81%	8.67%	17.64%	9.45%
United States	0.56%	10.74%	10.72%	10.14%
United Kingdom	-0.38%	6.30%	9.28%	9.35%
Continental Europe	-0.58%	5.29%	9.62%	10.00%

Firm Domicile - Asia	June	YTD 2021	2020	2019
Singapore	1.09%	11.72%	13.69%	8.01%
China	0.95%	8.95%	19.05%	11.77%
Asia ex-Japan	0.93%	10.05%	19.46%	10.27%
Hong Kong	0.28%	6.21%	24.29%	14.12%
Japan	-0.50%	-2.75%	2.80%	2.57%

Firm Domicile - Rest of World	June	YTD 2021	2020	2019
Latin America	2.54%	5.13%	-5.93%	12.81%
Middle East	1.62%	11.15%	6.55%	10.80%
Offshores	0.18%	9.68%	12.85%	15.09%
Oceania	-2.47%	7.53%	18.62%	17.09%



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