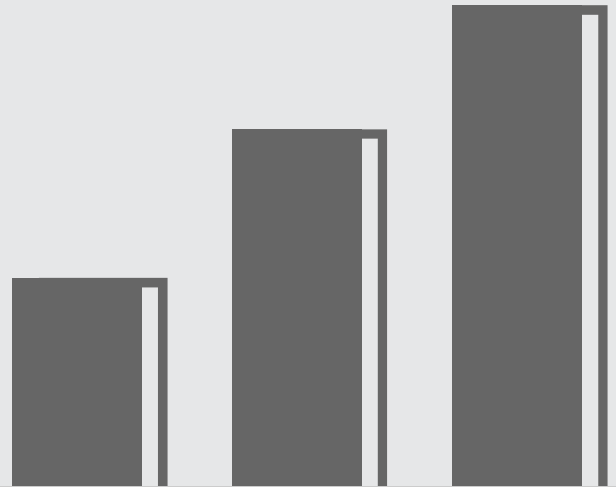


Hedge Fund Industry Asset Flow Report

July 2021

Release Date: August 31, 2021



Summary

Net inflows returned to the hedge fund industry after a brief hiatus in June and following a similar script to what we've seen throughout 2021. Multi-strategy managers continued to see interest, while those operating in credit markets have been on the other side of the spectrum, though they both share similar proportions of redemptions. The most surprising area of the industry has been within the managed futures segment where net inflows continued in July and the breadth of success has been one of the best across strategies in 2021.

This year continue to feels like a decent one for the industry, but it's absolutely not being felt by all, or even by the majority for that matter. Wide-felt success hasn't defined the hedge fund industry for a long time, but this year has shown some improvements in the breadth of success metrics. With a global landscape that has continued to highlight uncertainty, it would be surprising to see interest in the industry shift meaningfully in the second half of 2021.

Highlights

- Net flow was essentially flat in July, but asset movement increased compared to June.
- Net inflows returned to multi-strategy products, their sixth month of net inflows in 2021.
- Managed futures flows were again positive in July as the group is now having a solidly positive year for capital raising.
- Long/short equity fund flows followed a similar theme experienced throughout 2021, though negativity is dampening.

Hedge Funds Had Very Light Net Inflows to Begin Q3

Investors added an estimated net \$1.80 billion into hedge funds in July, increasing 2021 net inflow to \$27.80 billion. Asset-weighted returns were positive resulting in overall industry AUM increasing to \$3.58 trillion.

Industry Flows

	July	YTD 2021	2020	2019	Est. AUM
All Hedge Funds	\$1.80	\$27.80	(\$59.32)	(\$102.25)	\$3,583.63
Equity	(\$0.21)	\$4.70	\$5.48	(\$28.51)	\$1,281.26
Fixed Income/Credit	(\$1.72)	(\$18.83)	(\$27.01)	(\$14.25)	\$1,010.13
Commodities	\$1.49	\$7.45	\$3.35	(\$3.74)	\$108.90
Multi-Asset	\$2.12	\$34.35	(\$41.08)	(\$52.80)	\$1,242.85
Primary Strategy	July	YTD 2021	2020	2019	Est. AUM
Managed Futures	\$1.67	\$9.25	(\$8.99)	(\$10.89)	\$139.18
Relative Value Credit	\$1.55	(\$1.12)	(\$5.64)	\$0.56	\$232.37
Multi-Strategy	\$1.45	\$20.07	(\$2.37)	(\$18.31)	\$612.60
Convertible Arbitrage	\$0.55	\$2.81	\$1.62	\$1.77	\$65.88
Distressed	\$0.06	(\$1.27)	(\$2.39)	(\$3.46)	\$237.52
Event Driven	(\$0.39)	\$4.06	\$3.94	\$11.06	\$597.28
Directional Credit	(\$0.78)	(\$1.55)	(\$18.78)	(\$10.08)	\$170.89
Long/Short Equity	(\$0.79)	(\$12.89)	(\$15.03)	(\$44.49)	\$834.02
Market Neutral Equity	(\$0.85)	\$1.83	\$2.73	(\$3.60)	\$83.07
Macro	(\$1.52)	\$0.69	(\$14.10)	(\$20.60)	\$285.31

Investment Region	July	YTD 2021	2020	2019	Est. AUM
Americas	\$2.94	\$33.44	\$29.37	\$1.65	\$1,103.72
Europe	\$1.14	\$2.55	\$3.07	(\$16.19)	\$249.40
Asia	\$1.06	\$2.01	\$0.28	(\$3.45)	\$130.75
Emerging Markets	(\$2.74)	(\$5.06)	\$4.22	(\$2.73)	\$310.68
Global Markets	(\$3.28)	(\$10.91)	(\$92.47)	(\$81.07)	\$2,108.35
Firm Domicile	July	YTD 2021	2020	2019	Est. AUM
Americas	\$0.98	\$14.92	(\$55.82)	(\$50.34)	\$2,700.45
Europe	\$0.29	\$12.76	\$4.97	(\$42.92)	\$837.09
Asia (ex-Oceania)	\$0.54	\$4.11	\$2.29	(\$4.46)	\$98.54

Key Points

- Net flow was essentially flat, but there was a decent volume of flow in July.**
 The headline number seems like not much happened in July, but that's not the case. The volume of net asset movement increased from June, a period where the magnitude of net flow was multiples higher, though compared to levels over the last few years the last few months have been tame. The proportion of large funds who lost more than 5% of their AUM was below the level of June, but higher than the two prior months and the proportion gaining more than 5% from net inflows was higher than both May and June. While July data tends to show little activity and the overall net flow value seems to support that notion, it does not tell the whole story.
- Money continued to trickle out of macro strategies.**
 After elevated redemptions in June, net flow for macro funds appeared negative again in July, though at less than half the level of the prior month. Contrasting the net flow, a majority of managers' data shows products saw net inflows in July, but what was even more notable is there were some large net flows in both directions. It seems as if the large outflows have been performance driven, with the five largest net outflows coming from funds returning an average of below -5%. This year. The returns on the inflow side for July were better, but far from "good," though there are a handful of funds on the July net inflow side whose performance has been solid this year.
- Net inflows continued for managed futures funds.**
 It has been a really long time since there was any steady inflows to managed futures strategies. You would have to look back to 2015/2016 to see a period where investors appeared truly interested in expanding within the segment. It had been so long that it was questionable if the sentiment to the universe would ever shift back. Well, it seems to have happened and all it took was a really difficult global economic environment plagued by a pandemic. With July's net inflow, six of 2021's seven months have been positive, and in July and all of 2021, greater than 50% of funds appear to have had net inflows. Another good sign is that investors are likely happy with their recent allocations as returns have been fairly good among those with the largest net inflows this year. Funds with the ten largest net inflows all have positive returns this year and their average so far is almost +9%.
- Long/short equity trends continue, but with redemption pressures continuing to ease.**
 Just about every long/short equity fund with meaningful net inflows in July also has had positive flows for 2021 and the opposite is true for every fund with meaningful net outflows in July. In this way, trends during the month were similar, but the difference is the magnitude of those outflows was reduced for a second consecutive month. Generally speaking, despite continued net outflows, the picture within the space is improving.

- After a brief pause, net inflows returned to multi-strategy funds.**
 Starting the year with five consecutive months of net inflows, multi-strategy had been the highlight for hedge funds 2021. Redemptions in June, while not uncommon for a quarter-end period, ended the streak and after a couple of difficult years we're always wary whether a negative shift is the beginning of something. With net inflows returning in July and those assets going to those products dominating net inflows this year, along with some assets leaving pockets where that has also been the norm this year, it appears that June was an aberration.
- While there are a fair amount of positive themes in 2021, fixed income/credit is not one of them.**
 Almost 60% of products whose strategies focus within fixed income/credit markets appear to have net outflows this year. That is not a terrible number given that within the multi-strategy segment virtually the same proportion of funds are seeing net outflows this year. The issue, however, is that there are several products which have seen large redemptions this year and only a very small group is seeing tangible success. Outflows have been spread across products which, while focused on fixed income/credit, are classified within other segments, primarily macro and multi-strategy, but also emerging markets. Most of these products either underperformed their peers last year, or have been doing so this year, or both. This segment of the industry is probably most impacted by private markets strategies where institutional investors have been willing to sacrifice liquidity for apparently more abundant opportunity.



Hedge Fund Performance Tables

Industry – Market – Strategy Performance

Industry Benchmarks	July	YTD 2021	2020	2019
Hedge Fund Aggregate	-0.48%	8.71%	11.05%	10.10%
Bloomberg Barclays Global Aggregate	1.33%	-1.92%	9.20%	6.84%
S&P 500	2.38%	17.99%	18.40%	31.49%
MSCI World ex-US-GD	0.68%	11.02%	8.09%	23.16%

Primary Markets	July	YTD 2021	2020	2019
FX/Currency	0.95%	-0.28%	1.39%	2.32%
Volatility/Options Strategies	0.62%	2.59%	0.92%	3.51%
Broad Financial Derivatives	0.62%	7.56%	5.32%	6.62%
Commodities	0.32%	15.74%	5.89%	4.97%
Broad Multi-Market	0.05%	6.06%	9.30%	7.81%
Fixed Income/Credit	-0.01%	4.73%	5.12%	6.16%
Equity	-0.92%	10.92%	15.02%	13.33%
Broad Capital Structure	-1.20%	8.50%	11.19%	9.94%

Primary Strategy	July	YTD 2021	2020	2019
Alternative Risk Premia	1.11%	7.28%	-10.93%	0.78%
Managed Futures	0.81%	8.02%	5.98%	7.63%
Market Neutral Equity	0.68%	7.37%	2.59%	2.10%
Insurance-Linked	0.25%	-1.74%	2.45%	3.75%
Credit Long/Short	0.14%	5.55%	4.55%	6.11%
Multi-Strategy	-0.07%	6.63%	8.31%	9.92%
Distressed	-0.28%	12.62%	7.18%	2.91%
Macro	-0.41%	2.89%	10.44%	6.58%
Convertible Arbitrage	-0.58%	2.57%	15.12%	8.80%
Long/Short Equity	-0.68%	11.76%	15.20%	14.12%
Origination & Financing	-0.77%	7.41%	21.78%	6.77%
Event Driven - Activist	-1.03%	23.40%	17.30%	17.19%
Event Driven	-1.12%	9.64%	9.48%	6.03%

Prominent Universes by Size	July	YTD 2021	2020	2019
Ten Largest Hedge Funds	1.09%	5.71%	3.02%	7.43%
Ten Largest Long/Short Equity	1.77%	4.36%	-5.07%	13.42%
Ten Largest Managed Futures	1.36%	10.19%	-1.31%	7.67%
Ten Largest Macro	0.55%	2.62%	11.01%	9.53%
Ten Largest Multi-Strategy	-0.04%	4.51%	8.28%	7.31%
Ten Largest Fixed Income/Credit	-0.18%	2.96%	7.05%	5.38%
Ten Largest Event Driven	-1.00%	6.39%	6.36%	5.47%

Regional – Domicile Performance

Economic Development	July	YTD 2021	2020	2019
Developed Markets	-0.44%	9.40%	11.50%	10.33%
Emerging Markets	-1.76%	7.00%	14.26%	14.14%

Regional Exposure	July	YTD 2021	2020	2019
Developed Europe	0.46%	6.80%	10.46%	8.53%
Africa/Middle East	0.22%	13.87%	0.30%	8.97%
North America	-0.45%	11.92%	13.35%	10.90%
Asia	-2.48%	6.67%	19.72%	10.33%

Country Exposure	July	YTD 2021	2020	2019
India	5.87%	34.51%	19.91%	-3.67%
Russia	0.12%	11.78%	6.36%	34.39%
Japan	-0.61%	5.14%	3.32%	9.25%
Asia ex-Japan	-3.37%	6.32%	17.53%	7.52%
Brazil	-6.77%	-0.45%	-10.22%	22.47%
China	-7.05%	-2.19%	34.71%	22.75%

Firm Domicile - Region	July	YTD 2021	2020	2019
United Kingdom	-0.12%	6.20%	9.28%	9.36%
Continental Europe	-0.17%	5.07%	9.66%	10.05%
United States	-0.41%	10.27%	10.73%	10.14%
Asia	-2.27%	5.75%	17.64%	9.44%

Firm Domicile - Asia	July	YTD 2021	2020	2019
Japan	0.06%	-2.88%	2.80%	2.57%
Singapore	-0.45%	10.82%	13.69%	8.01%
Asia ex-Japan	-2.51%	6.85%	19.46%	10.27%
China	-3.65%	4.40%	19.05%	11.77%
Hong Kong	-4.82%	1.12%	24.29%	14.15%

Firm Domicile - Rest of World	July	YTD 2021	2020	2019
Offshores	0.56%	9.74%	12.85%	15.09%
Oceania	-0.66%	6.76%	18.62%	17.09%
Middle East	-0.70%	10.28%	6.55%	10.80%
Latin America	-3.18%	1.98%	-5.93%	12.81%



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