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GLOBAL HEDGE FUND INDUSTRY SURGES THROUGH 2Q VOLATILITY

Hedge fund capital jumps to record $4.74 trillion;
Largest quarterly net asset inflow since 2014;
Event-Driven, Equity Hedge strategies lead 1H HFRI gains

CHICAGO, (July 18, 2025) – Total global hedge fund capital surged to a record level in 2Q 2025 as hedge funds successfully navigated the violent volatility to begin the quarter, with the risk environment evolving rapidly through quarter-end toward the passage of US budget legislation, improved 2H economic outlook, progress on trade and tariffs, and moderation of geopolitical risks.

Industry capital rose to a seventh consecutive quarterly record as hedge fund managers and institutional investors navigated through the 2Q volatility into powerful risk-on sentiment, with total global hedge fund capital rising to an estimated $4.74 trillion, an increase of $212.7 billion over the prior quarter, as reported in the latest *HFR Global Hedge Fund Industry Report*, released today by HFR®, the established global leader in indexation, analysis and research of the global hedge fund industry.

Investors allocated an estimated $24.8 billion of net capital to hedge funds in 2Q25, the highest quarterly net asset inflow since 2Q 2014, bringing 1H25 inflows to an estimated $37.3 billion, the strongest first half of inflows since 2015.

Hedge funds posted strong performance in 2Q25 with the HFRI Fund Weighted Composite Index® (FWC) advancing +4.3 percent for the quarter, led by the HFRI Equity Hedge (Total) Index, which gained +7.6 percent, and the HFRI Event-Driven (Total) Index, which added +5.3 percent. Through the first half of 2025, the HFRI FWC Index gained +3.9 percent, driven by the HFRI Macro: Discretionary Thematic Index, which surged +8.6 percent despite a challenging Macro environment, while the HFRI Emerging Markets: Latin America Index led regional-focused indices in 1H25, jumping +13.9 percent.

Capital managed by Equity Hedge (EH) strategies grew by an estimated $90 billion in 2Q25, inclusive of a net asset inflow of $5.1 billion, bringing total EH capital to an estimated $1.4 trillion. EH sub-strategy asset increases were led by Fundamental Value funds in 2Q25, which increased by an estimated $48.3 billion from the prior quarter, while EH sub-strategy performance was led by the HFRI EH: Fundamental Growth Index, which surged +10.7 percent in 2Q.

Event-Driven (ED) strategies, which categorically focus on out of favor, deep value equity and credit positions, saw total capital surge by an estimated $81.2 billion in 2Q25, inclusive of a net asset inflow of $4.7 billion, bringing total ED capital to an estimated $1.34 trillion. ED sub-strategy performance and asset increases were led by Special Situations funds in 2Q, which rose by an estimated $45.4 billion from the prior quarter, with the HFRI ED: Special Situations Index vaulting +8.9 percent in 2Q.

Capital invested in credit- and interest rate-sensitive fixed income-based Relative Value Arbitrage (RVA) strategies increased by an estimated $36.5 billion in 2Q, inclusive of a net asset investor inflow of $7.7 billion, bringing total RVA capital to an estimated $1.28 trillion. Multi-Strategy funds led RVA asset growth in 2Q25, adding an estimated $22.8 billion of capital on strong quarterly performance and an estimated $3.7 billion of net asset inflows, ending the quarter with an estimated $783.0 billion AUM. The HFRI Relative Value (Total) Index-Asset Weighted advanced +2.5 percent in 2Q25 and has posted positive performance in 25 of the trailing 27 months. RVA sub-strategy quarterly performance was led by the HFRI RV: Fixed Income-Asset Backed Index, which jumped +2.1 percent in 2Q25.

Assets managed by uncorrelated Macro strategies increased by an estimated $5.3 billion in 2Q25, inclusive of an estimated net asset inflow of $7.2 billion, bringing total Macro capital to an estimated $725.5 billion. Macro sub-strategy asset increases in 2Q25 were led by Multi-Strategy funds, which grew by an estimated $9.7 billion over the prior quarter. The HFRI Macro (Total) Index declined -1.4 percent in 2Q25, driven lower by the HFRI Macro: Systematic Diversified Index, which fell -5.0 percent for the quarter, while the HFRI Macro: Discretionary Thematic Index gained +3.1 percent in 2Q25.

Investor inflows in 2Q25 were concentrated in the industry's largest firms, as managers with greater than $5 billion experienced estimated inflows of $22.9 billion, while mid-sized firms managing between $1 and $5 billion saw estimated inflows of $1.77 billion for the quarter, and firms managing less than $1 billion to begin the quarter experienced net inflows of an estimated $0.15 billion. For 1H25, the largest firms experienced estimated inflows of $29.9 billion, mid-sized firms saw estimated inflows of $3.2 billion, and smaller firms experienced inflows of $4.2 billion.

"Driven by strong performance after successfully navigating historic volatility in early 2Q, the hedge fund industry experienced its strongest growth in over a decade, as investors allocated nearly $25 billion of net capital to an industry that just reached its seventh consecutive quarterly asset record level", stated Kenneth J. Heinz, President of HFR. "Both asset and performance gains were widespread across nearly every strategy, sub-strategy and cross section of exposure, as managers effectively demonstrated tactical flexibility by adapting their exposures to the dynamic environment driven by continuous adjustment to evolving policy trends and the impacts these continue to have on international trade, supply chains, technology infrastructure investment, energy/commodity markets and monetary policy, including inflation and interest rate expectations. As we experienced in 2Q and 1H25, institutions are likely to continue expanding allocations to funds which have demonstrated their strategy's ability to deliver strong, uncorrelated performance gains through the dislocation and disruptive market cycles of 1H25."

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