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HEDGE FUND INDUSTRY ASSETS HOLD AT RECORD LEVEL THROUGH RATES, TECH VOLATILITY

*Investor inflows offset declines in Technology, Special Situations;
Larger funds outperform smaller funds in 3Q 2026*

CHICAGO, (October 22, 2026) – Total global hedge fund industry capital held near the record level in 3Q, posting a narrow increase for the 16th consecutive quarterly increase, 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 hedge fund industry.

In contrast to the strong 1H asset increases, new investor inflows offset performance-based declines which were concentrated in Technology and Special Situations sub-strategies, as interest rates and volatility surged in 3Q while hedge fund managers continued to navigate ongoing geopolitical uncertainty driven by the Iran military conflict.

“Industry capital growth trends in 3Q reflected a shift in the overall financial market environment and stark contrast to 2Q, as 3Q was dominated by sharp interest rate increases and Tech/AI volatility. Through this environment, investors continued to allocate to strong performing funds which have effectively navigated the rapidly shifting rate, technology and geopolitical environment, providing defensive portfolio protection while also accessing opportunities created by the volatility and dislocations,” stated Kenneth J. Heinz, President of HFR. “Heading into the US midterm elections, hedge funds are positioned for a wide range of possible policy outcomes with significant financial market impact, including the potential of additional volatility, disruption and dislocations based on the election outcomes.”

Total hedge fund industry capital posted a narrow quarterly increase, ending 3Q with \$5.64 trillion, as investors allocated an estimated net \$34.5 billion of new capital, which more than offset performance-based declines of \$27.4 billion. Through the first 3 quarters of 2026, total industry capital increased by \$480 billion, inclusive of investor capital inflows totaling \$124.1 billion.

Performance

Hedge funds posted mixed performance in 3Q, as larger funds outperformed smaller funds for the quarter. The HFRI Asset Weighted Composite gained +1.2 percent for the quarter, while the equal-weighted HFRI Fund Weighted Composite posted a narrow decline of -0.6 percent.

Strategy performance was large led by the **HFRI Macro (Total) Index**, which jumped +4.3 percent, driven by strong contributions from the HFRI Macro Systematic Diversified/CTA Index, which gained +5.7 percent in 3Q, lifting the YTD return to +15.7 percent through September 2026.

The interest rate-sensitive, fixed income-based **HFRI Relative Value (Total) Index** posted a narrow decline of -0.45 percent in 3Q26 as interest rates surged. RV sub-strategy performance was led by the HFRI RV: Fixed Income-Asset Backed Index, which gained +0.8 percent in the quarter.

Equity Hedge strategies declined for the quarter, driven by volatility in AI/technology equities, with the **HFRI Equity Hedge (Total) Index** falling -2.1 percent in 3Q. The HFRI EH: Fundamental Growth Index and HFRI EH: Technology Index led sub-strategy losses for the quarter, declining -4.3 and -3.3 percent, respectively, in 3Q.

Event-Driven strategies also produced negative returns in 3Q, as expectations for strong IPOs were tempered by technology volatility, with the **HFRI Event-Driven (Total) Index** declining -1.9 percent for the quarter. ED sub-strategy declines were led by the HFRI ED: Special Situations Index, which fell -4.4 percent in 3Q.

Asset growth

Macro led strategy asset growth across the industry in 3Q, increasing by an estimated \$40.0 billion, inclusive of net asset inflows of \$8.8 billion, bringing total Macro capital to \$897.4 billion. Macro sub-strategy asset gains were led by quantitative, trend-following CTA strategies, which increased by \$23.5 billion over the prior quarter.

Total assets in Relative Value Arbitrage (RVA) strategies increased by \$19.2 billion in 3Q26, inclusive of net asset inflows of \$14.7 billion, ending the quarter at an estimated \$1.45 trillion. RVA sub-strategy asset increases were led by Multi-Strategy funds, which increased by \$19.8 billion to end the quarter at a record \$900 billion AUM.

Total capital in Event-Driven (ED) strategies decreased by \$20.5 billion in the quarter despite investor inflows of \$4.9 billion, bringing total ED capital to \$1.57 trillion. ED sub-strategy asset decreases were led by Special Situations funds, which fell by \$30.3 billion in 3Q as a result of poor quarterly performance.

Equity Hedge (EH) assets declined in 3Q26, falling by an estimated \$31.6 billion over the prior quarter, despite investor allocations of \$6.0 billion, to end the quarter at \$1.72 trillion AUM. EH sub-strategy asset decreases were led by Technology/Healthcare funds, with these falling by \$30.3 billion in 3Q.

Investor allocations were once again concentrated in the industry's largest firms in 3Q as firms managing over \$5 billion received an estimated \$36.6 billion of quarterly net inflows, while mid-sized firms (\$1-5 billion AUM) experienced a small net outflow of \$2.3 billion, and smaller firms (under \$1 billion AUM) added a de minimus inflow of \$190 million. Through the first three quarters of 2026, firms managing over \$5 billion received an estimated \$113.7 billion of net inflows, while mid-sized firms (\$1-5 billion AUM) were allocated \$8.0 billion, and smaller firms received \$2.4 billion.

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