

Hedge Fund Confidence Index



Q3 optimism rally returns worldwide, led by long-short equity and global macro hedge funds

AIMA, in partnership with Simmons & Simmons and Seward and Kissel, are proud to present the 16th quarterly [Hedge Fund Confidence Index \(HFCI\)](#), which provides a snapshot of hedge fund managers' confidence in their economic prospects for the coming 12 months.

Selecting the appropriate level of confidence, respondents are asked to choose from a range of -50 to +50, where +50 indicates the highest possible level of economic confidence for the firm over the next 12 months. When measuring their level of economic confidence, hedge fund managers respondents are asked to consider the following factors:

- Their firm's ability to raise capital
- Their firm's ability to generate revenue and manage costs, and
- The overall performance of their fund(s).

Q3 2024 results

The Q3 2024 edition of the HFCI surveyed 133 hedge fund firms worldwide, collectively managing just over \$800 billion in assets under management (AUM). The results show an average confidence index of +20, up from +16.5 and above the rolling average of +17.8, (see Figure 1). Overall, just over 91% of respondents in Q2 2024 reported a positive confidence score, effectively in line with Q2 2024, but down from the 97% that reported a positive score in Q3 2023.

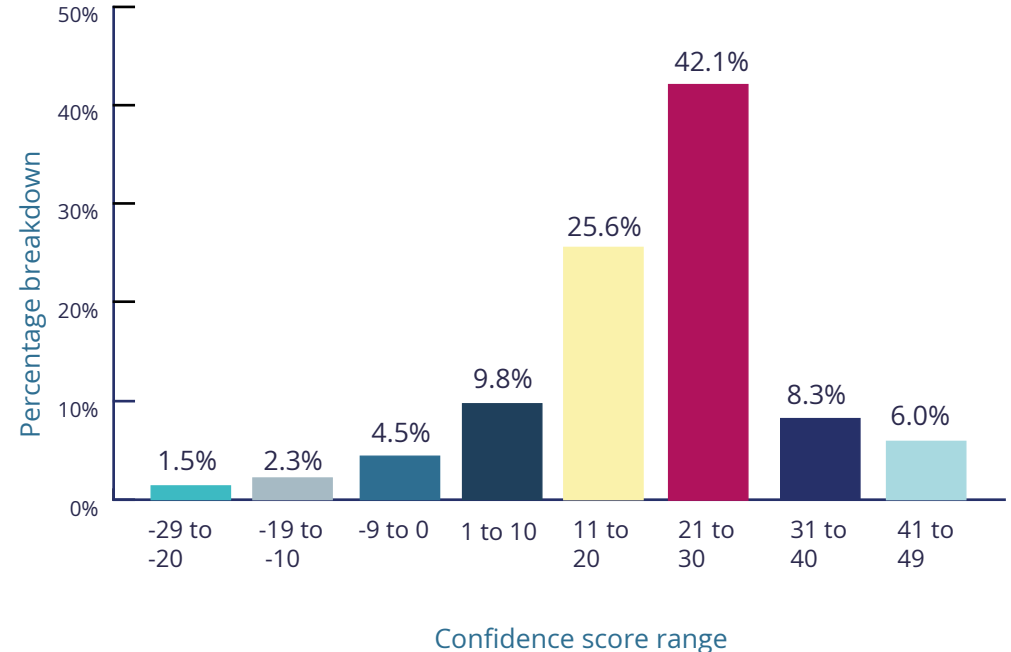
The revival of confidence was present across both larger hedge fund managers – classified as those managing more than \$1 billion – and their smaller peers. Based on quarterly scores going back to Q4 2020, the average score difference between larger and smaller respondents is 3 points, with larger managers being more bullish for most of that period. This quarter, there is less than 1 point between their scores and smaller managers are describing themselves as more optimistic. While confidence among larger managers has increased compared to Q2 2024, it was the notable rise in confidence among smaller managers that contributed to the overall score reaching its highest level since Q3 2023.

We compare the confidence scores by AUM bands in further detail on page 7 and review the scores over time on page 10.

Q3 overall confidence score: +20.0

Figure 1, Q3 overall confidence score

Overall, how would you score your confidence in the economic prospects of your business over the next 12 months, compared to the previous 12 months, on a scale of +50 to -50? (Hedge fund managers).



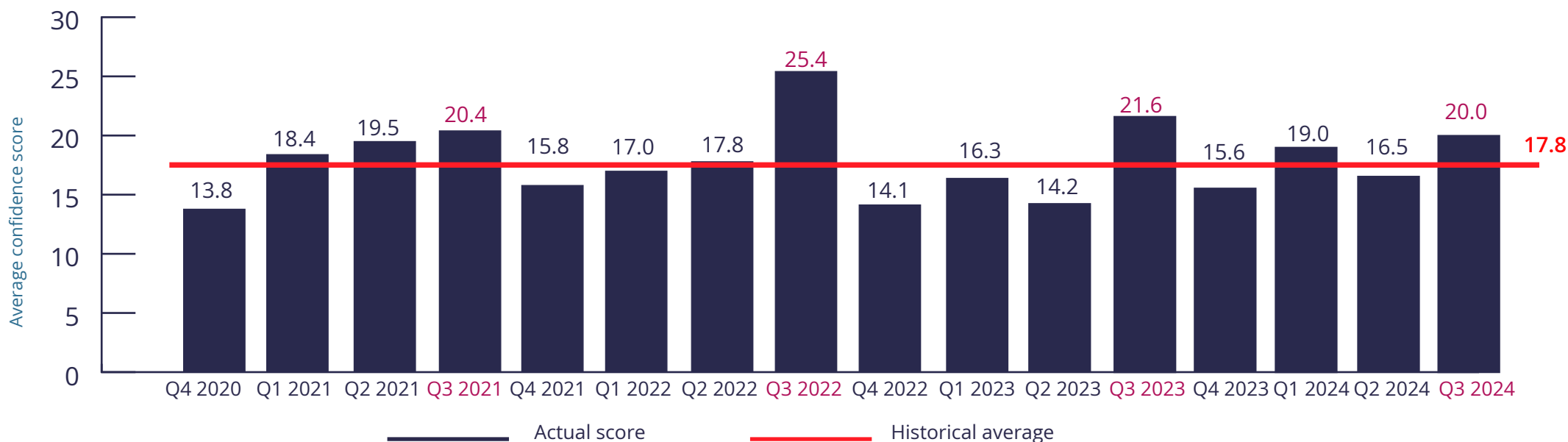
HFCI Scores over time

Since HFCI records began in 2020, Q3 has consistently been the quarter with the highest average confidence score. The overall confidence score has been north of +20 in every Q3 but failed to reach this level in any other quarter; the closest was Q2 2021 when the score was +19.5, (see Figure 2).

This quarter's revival in confidence was supported by smaller hedge fund managers of various strategies and larger long-short equity managers. Smaller hedge fund managers' average score increased by +7.5, hitting +20.5, a near record high.

Long-short equity managers overall also reported a resurgence in confidence, but those running over \$1 billion lifted the strategies above its historic rolling average and above +20 for the first time this year. According to Preqin, the equity-hedge component was leading its hedge fund performance index, with 6.63% year-to-date (YTD) growth. Overall, hedge funds were up 6.33% through 30 June.

Figure 2, HFCI scores over time



Insights: What's driving confidence among hedge fund managers?

Investors will be buoyed to read that the uptick in optimism (see Figure 5) appears to be driven by hedge funds confidence in their funds ability to perform, with 92% of respondents saying that was a source of positivity, up from 78% in Q2.

Strikingly, the bullish attitude to performance was demonstrated by both larger and smaller respondents with confidence scores increasing from 78% to 89% for larger managers and from 77% to 96% for smaller managers.

Hedge funds confidence in their ability to raise capital also increased for both groups of hedge fund managers compared to the previous quarter, albeit by a smaller degree (see Figure 3).

However, the ability to manage costs and turn a profit appears remain a headwind for some managers. Over a quarter of respondents said this factor deflated their confidence, up from 22% last quarter (see Figure 4). Notably, larger managers report being more concerned about managing costs than their smaller peers, with 36% saying it was undermining their confidence.

The Q2 drag on sentiment caused by performance was illustrated by the latest performance and capital flows data from Prequin. Overall, hedge funds collectively lost \$9 billion in net outflows in the second quarter. As of June 30, hedge funds took net redemptions of \$6.3 billion year-to-date. Net redemptions, or cash outflows, have been an ongoing issue for hedge fund managers. The industry has seen negative flows in seven of the past 12 quarters.

On performance, [Prequin's All Hedge Fund Index](#) rose a modest 0.38% in the second quarter (see Figure 6). The gain followed two consecutive quarters in which hedge fund strategies were overall up by 13.44%.

Figure 3, Ability to raise capital

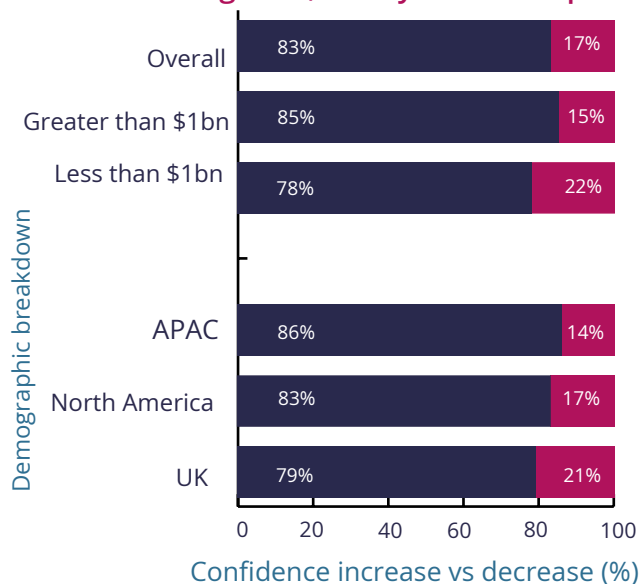


Figure 4, Ability to generate revenue and manage costs

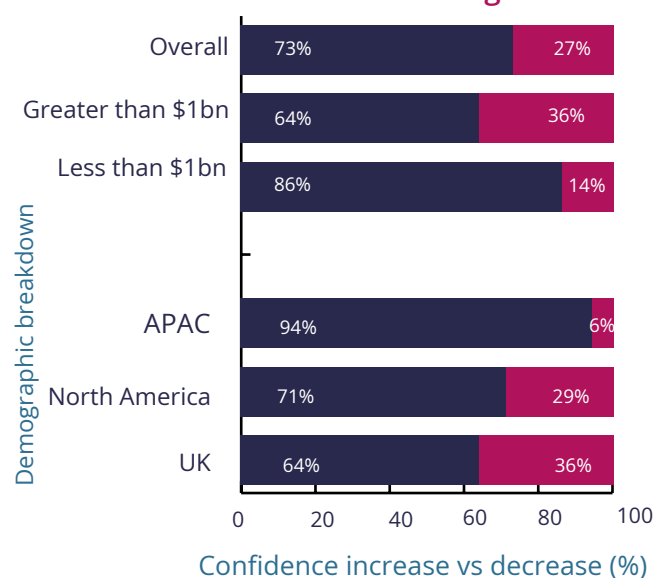
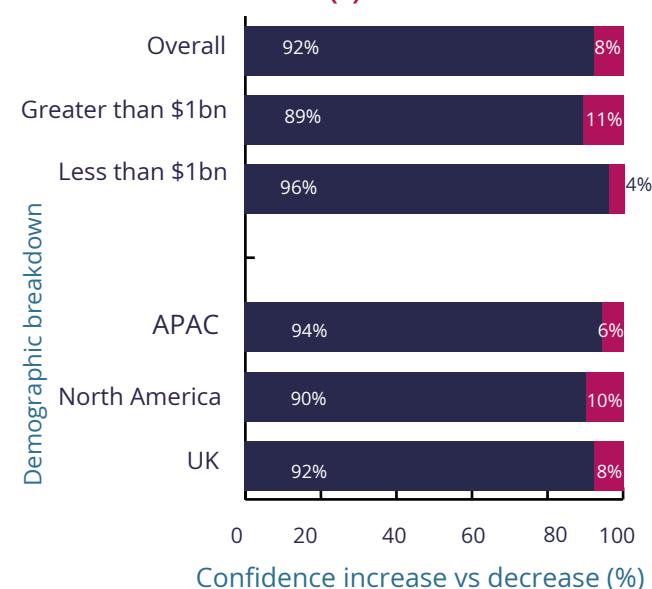


Figure 5, Overall performance of the fund(s)



● Increases my confidence ● Decreases my confidence

Preqin, Annual performance of hedge funds by strategy, 2017 - 2024 YTD (As at 30 June 2024)

Figure 6

	2017	2018	2019	2020	2021	2022	2023	2024 YTD
All Hedge Funds	14.05%	-3.04%	13.23%	19.22%	15.14%	-7.35%	13.98%	6.33%
Equity Strategies	17.13%	-5.03%	17.14%	21.65%	13.34%	-9.97%	14.13%	6.63%
Macro Strategies	7.62%	1.09%	11.34%	15.29%	7.98%	6.67%	6.09%	3.54%
Event Driven Strategies	10.95%	-2.22%	8.80%	14.21%	16.96%	-4.33%	10.73%	3.48%
Credit Strategies	7.45%	1.78%	7.37%	5.50%	6.45%	-2.79%	8.55%	3.71%
Relative Value Strategies	5.21%	0.79%	6.23%	10.01%	7.62%	2.34%	7.71%	5.35%
Multi-Strategy	10.82%	-1.96%	10.52%	12.74%	10.90%	-2.70%	8.98%	5.43%

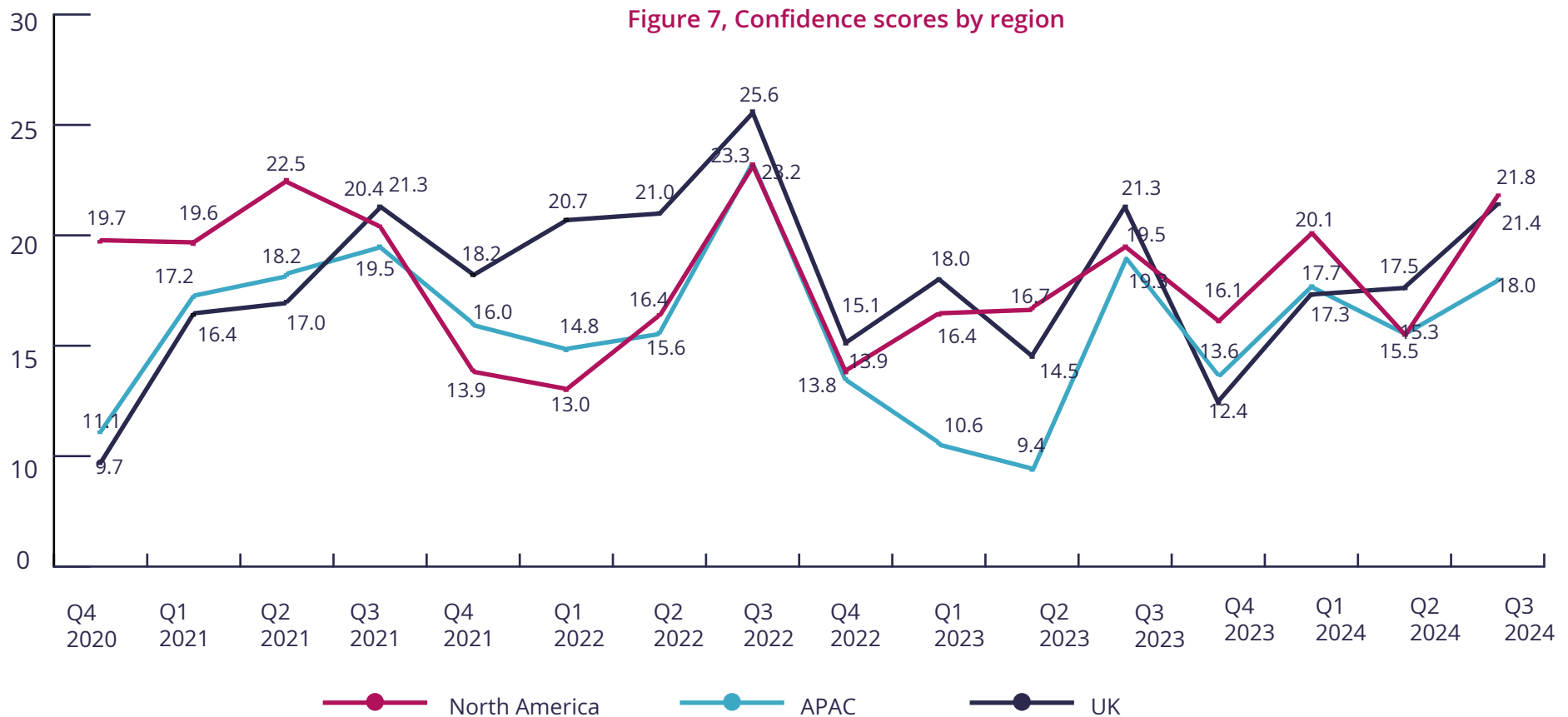
Data provided by Preqin

Breakdown by hedge fund location

Each edition of the HFCI, we observe the tussle between the UK and North America for the most confident region. This quarter, North America regained lost ground to claim the crown once again. However, an arguably more interesting sub-plot is the convergence of confidence score between the North America, the UK and APAC, which has been playing out over several quarters.

Before Q3 last year, the average range of scores between the most and least confident of these three regions has been 5.1. For the five quarters since then, that range has dropped to 2.9, (see Figure 7). The data suggests a greater degree of consensus among hedge fund managers across these regions, perhaps demonstrating the global macroeconomic challenges they all face. The three regions' scores historically cluster during Q3, with the least confident region usually rising to rejoin its peers, but, unlike previously, the trend have persisted now for 12 months.

Whether the regional confidence score volatility will return as the current rate cycle and other meta themes for global markets give way to more local challenges is a question for future editions of the HFCI.



Drilling into the three aforementioned regions, almost all North American respondents offered a positive confidence score, whereas around one in 10 of respondents from the UK and APAC dragged down their region's score.

Turning back to the drivers of confidence North American respondents revealed a slight edge in confidence in their ability to manage costs and generate revenue, which may further support the regions rise above the rest this time around.

Figure 9, APAC

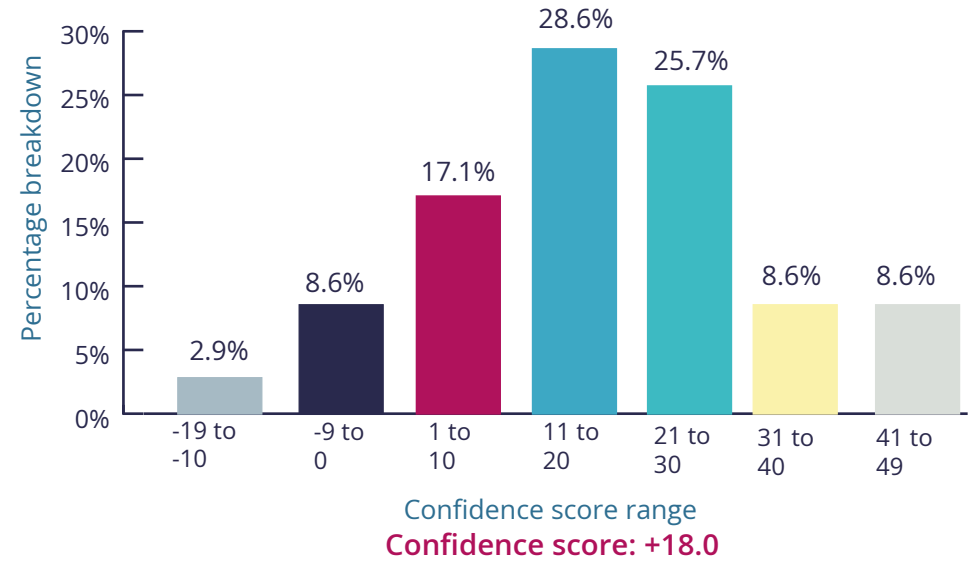


Figure 8, North America

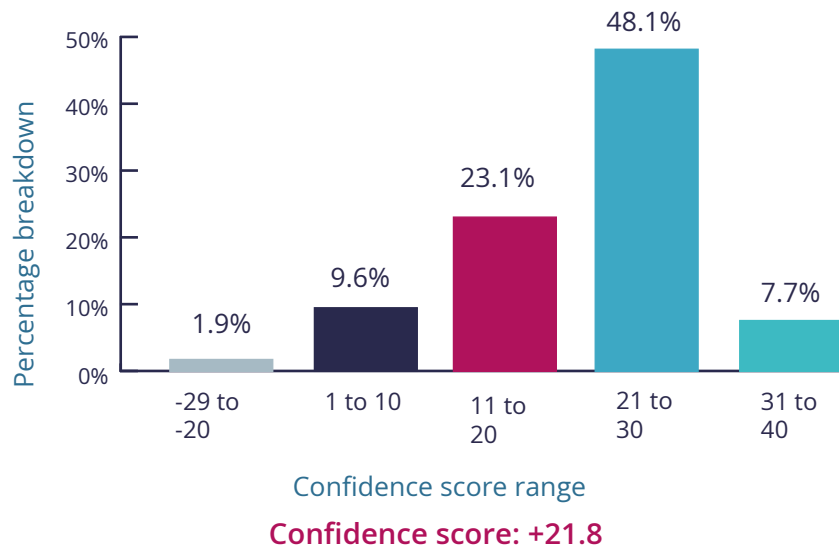
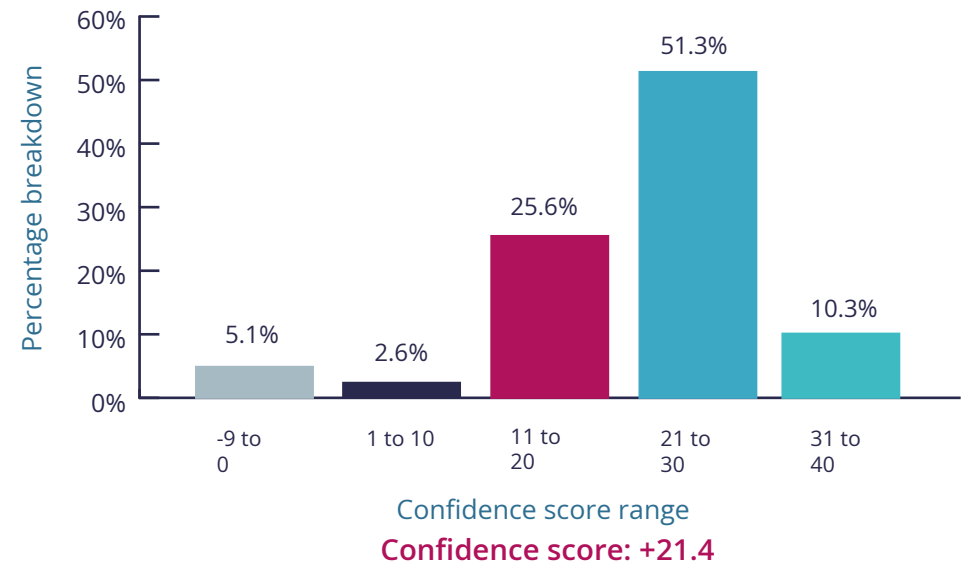


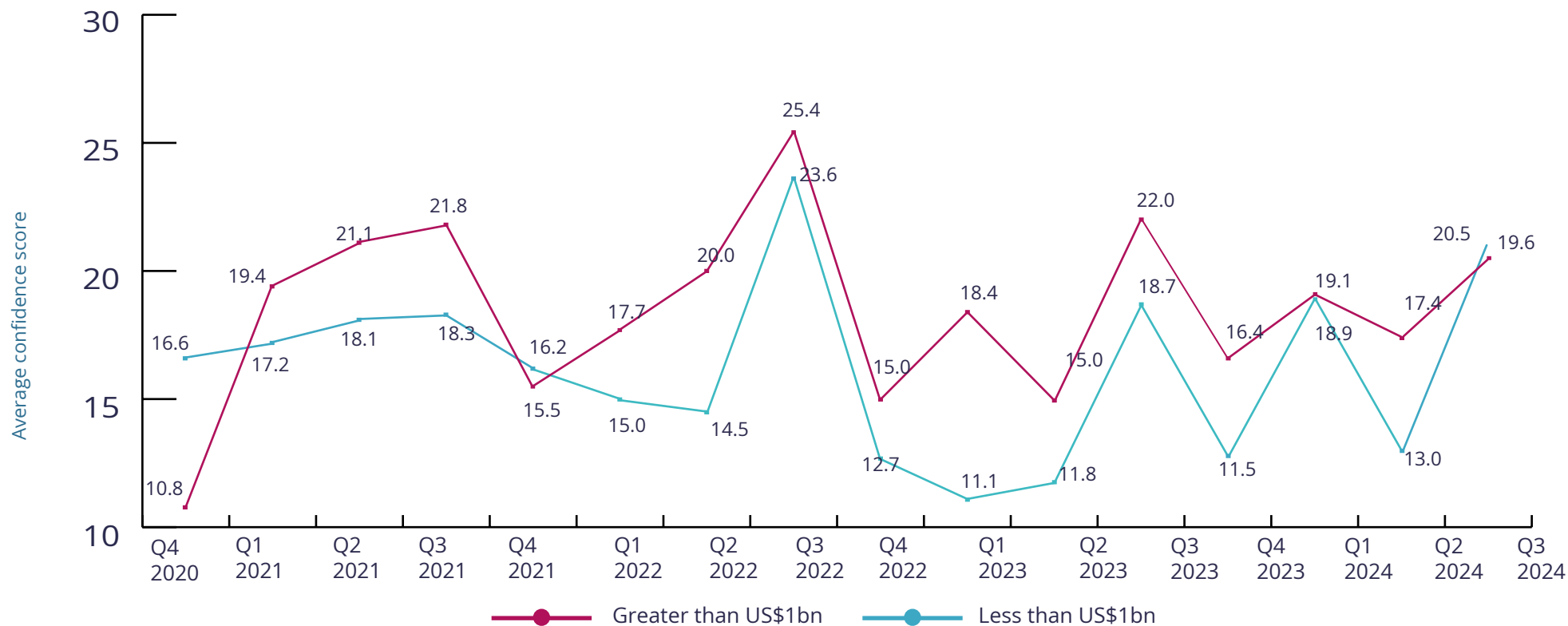
Figure 10, UK



Breakdown by hedge fund AUM

After coming close to parity in Q1, smaller hedge fund managers' average confidence score fell away from their larger peers. Although larger respondents also recorded a drop in confidence this quarter the decline was much milder than their smaller peers. Notably, both demographics remain more confident than they were in Q2 2023.

Figure 11, AUM comparison over time



Commentary: Hedge Fund confidence rebounds amid performance optimism and improved capital raising prospects

The Q3 2024 HFCI shows a resurgence in optimism, driven by long-short equity and global macro hedge funds. Confidence levels increased across both large and smaller hedge funds managers with the latter seeing a notable improvement bringing the overall score to its highest level in a year.

The increase in confidence is largely attributed to belief among the respondents in their ability to deliver for their investors. Capital raising prospects has also improved though concerns about managing costs remain, particularly among larger managers.

Regionally, North America reclaimed its position as the most confident region, while confidence scores among North America, the UK, and APAC are converging, suggesting global macroeconomic challenges are uniting these regions.

Industry patterns are likely to continue to be shaped by the ongoing challenges of cost management, particularly for larger firms, as well as emerging themes like the end of the current rate cycle and other macroeconomic shifts. As hedge funds navigate these evolving conditions, future HFCI reports will reveal whether this newfound optimism persists or if regional and firm-size disparities will resurface, potentially driving new trends in capital raising, performance, and cost management.

Breakdown of respondents

Figure 12, Regional breakdown

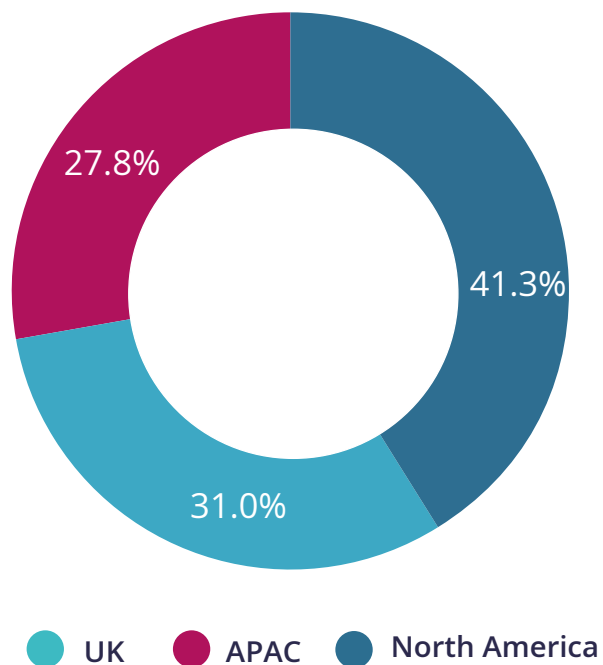
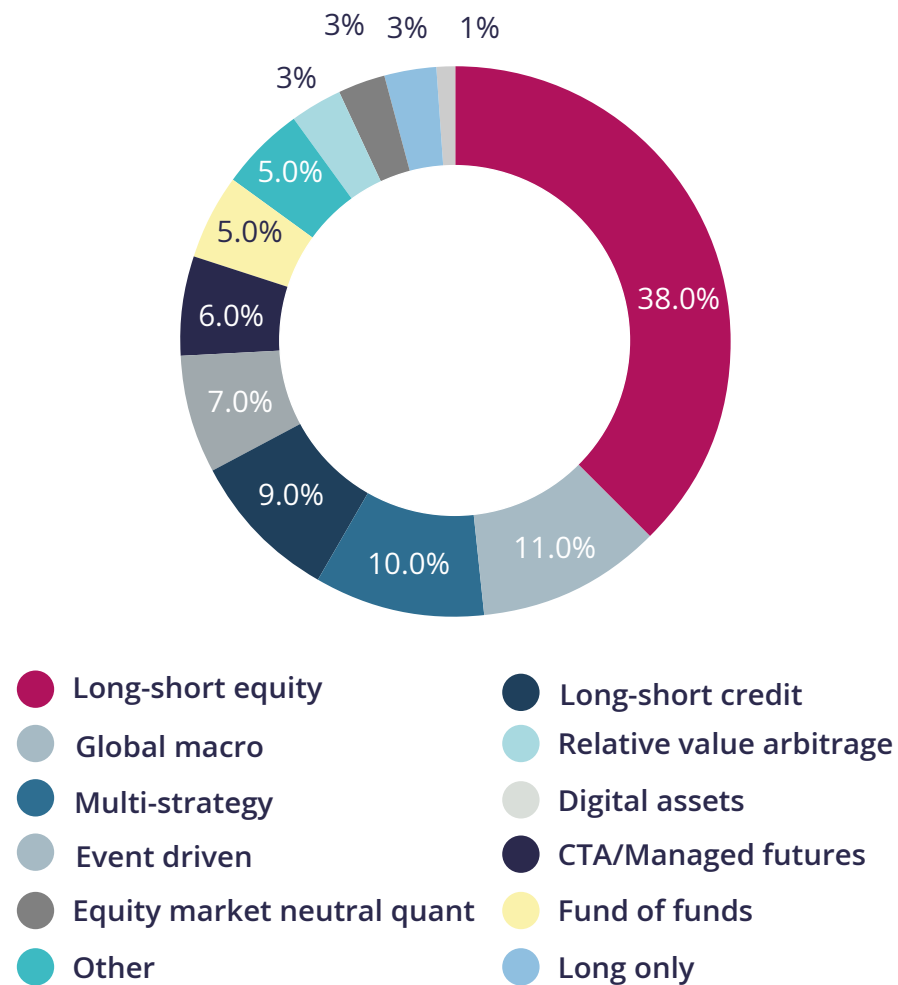


Figure 13, Strategy breakdown



For clarity, we have rounded numbers in charts to one decimal place. In some instances, this has resulted in charts adding to just under or just over 100%.

HFCI over time

Figure 14

Category	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Average
Overall	13.8	18.4	19.5	20.4	15.8	17.0	17.8	25.4	14.1	16.3	14.2	21.6	15.6	19.0	16.5	20.0	17.8
Greater than US\$1bn	10.8	19.4	21.1	21.8	15.5	17.7	20.0	25.4	15.0	18.4	15.0	22.0	16.4	19.1	17.4	19.6	18.4
Less than US\$1bn	16.6	17.2	18.1	18.3	16.2	15.0	14.5	23.6	12.7	11.1	11.8	18.7	11.5	18.9	13.0	20.5	16.1
APAC	11.1	17.2	18.2	19.5	16.0	14.8	15.6	23.3	13.8	10.6	9.4	19.3	18.8	17.7	15.3	18.0	15.8
North America	19.7	19.6	22.5	20.4	13.9	13.0	16.4	23.2	13.5	16.4	16.7	19.5	16.1	20.1	15.5	21.8	18.0
UK	9.7	16.4	17.0	21.3	18.2	20.7	21.0	25.6	15.1	18.0	14.5	21.3	12.4	17.5	17.6	21.4	18.0
EMEA (excl. UK)	-	-	-	-	-	-	-	30.6	14.9	22.2	15.2	27.0	13.6	23.1	18.9	-	-
Middle East	-	-	-	-	-	-	-	-	16.1	22.6	16.5	27.2	12.2	21.7	18.9	25.5	20.1

Tom Kehoe, Global Head of Research and Communications at AIMA, said: *“Hedge fund confidence rose in the third quarter supported by stronger performance outlook and better capital raising prospects. Both large and smaller funds cited higher sentiment with the latter seeing a notable improvement resulting in the overall confidence score being at the highest level in a year.”*

Devarshi Saksena, Partner, Head at Simmons & Simmons, said: *“Looking at Q3 2024, it’s clear that there’s been a notable uptick across the board. Specifically, the UK market stands out with its performance. After a journey of ups and downs, this quarters high confidence level really highlights the UK’s strong position and resilience. It’s a clear indicator of the market’s recovery and growth, signalling a positive outlook for the future.”*

Steve Nadel, Partner at Seward & Kissel, said: *“Q3 2024 continued the see-sawing confidence trend we first detected back in 2022 where confidence goes up one quarter and down the next. However, given the extremely strong confidence demonstrated in Q3, especially in the North America, UK and long-short equity categories, we may be witnessing a breakout from previous trend lines. This may be attributable to, among other things, increased clarity in the various positions of the two US Presidential candidates and the recent decrease in interest rates.”*

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