



# Annual Hedge Fund Asset Flows & Performance Report

As of Q1 2025

## Introduction

Hedge fund AUM came in at an estimated \$5.7 trillion through Q1 2025 marking an all-time high for the industry. Net flows into hedge funds measured \$27.6 billion in Q1 2025 and \$30.7 billion over the last 12 months. Asset-weighted returns for the industry were positive, 1.3%, during the quarter. Funds of hedge funds (FoHFs) continued to languish with total AUM measuring \$242 billion and net outflows of \$16.2 billion in Q1 2025.

### Nasdaq eVestment Research

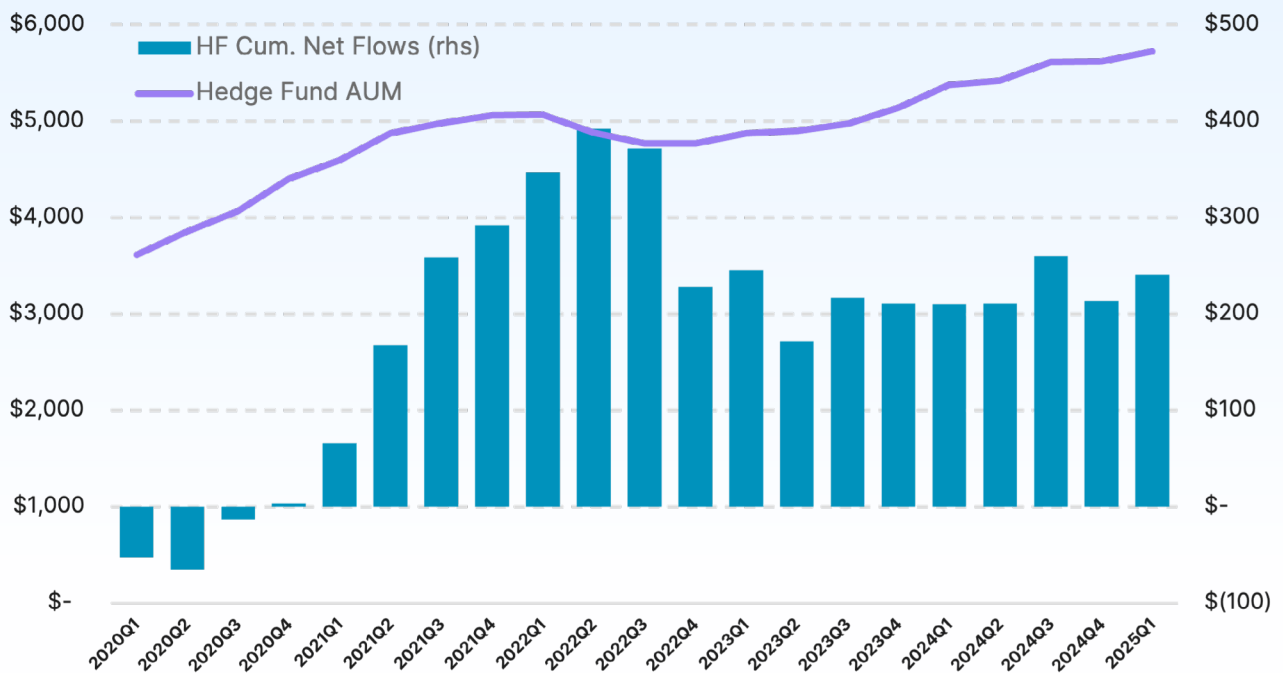
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### Hedge Fund Industry

AUM and cumulative net flows (beginning Q1 2020) in USD billions, figures do not include funds of hedge funds



## A Walk Down Memory Lane & Q1 2025 Review

As the global economic and trade policy framework entered a new paradigm as of early April 2025, and amidst questions surrounding varying private market strategies, the pursuit of uncorrelated alpha may invigorate asset owners to take an even closer look at hedge fund allocations. However, hedge funds as a whole were not immune to the inflation-driven market rout in 2022 nor the V-shaped price action during the onset of COVID-19.

Hedge fund allocators may find the current situation reasonably analogous to the events starting in late Q4 2018 with concerns over global trade, slowing economic growth particularly out of China, and safe haven currencies catching bids. Hedge funds returned -4.0%, on an asset-weighted basis, in Q4 2018, followed by a quick rebound of 3.9% in Q1 2019 – macro, volatility, and specialty credit managers performed particularly well over that two-quarter period. On the other hand, with current government debt yields significantly elevated versus 2018, even wider concerns around global trade and security, and doubts with regard to the U.S. dollar's historical relationship to periods of global uncertainty, we may find a new set of strategies and managers outperforming in Q2 2025 and beyond.

For hedge fund managers, Q4 2018 marked the beginning of a stretch of redemptions from the industry running through Q2 2020. Q4'18-Q1'19 outflows totaled \$71.3 billion, and redemptions over the full seven quarters totaled \$223.5 billion. The outflows were also widespread with 59% of managers experiencing net outflows in each quarter. Ending our historical analogy there, we now turn to the most recently ended quarter with spotlights on specific strategies.

### Hedge Funds by Strategy

Strategy	Q1 2025 AUM	Q1 2025 Net Flows	Q1 2025 Return	Q4 2024 AUM	CY 2024 Net Flows
<b>Hedge Funds</b>	<b>\$5,722</b>	<b>\$27.6</b>	<b>1.3%</b>	<b>\$5,618</b>	<b>\$2.7</b>
Convertible Arbitrage	\$36	\$2.9	2.6%	\$32	\$2.7
Credit Long/Short	\$513	\$4.4	1.6%	\$501	\$42.6
Distressed Debt	\$113	\$1.0	-2.8%	\$116	\$1.0
Equity Long/Short	\$1,102	\$22.8	-0.1%	\$1,080	\$(29.3)
Event Driven/Special Situations	\$674	\$(30.2)	0.5%	\$700	\$(16.5)
Fixed Income Relative Value	\$339	\$6.3	2.7%	\$324	\$38.5
Insurance-Linked	\$158	\$13.5	0.7%	\$144	\$(15.7)
Macro	\$758	\$(6.0)	4.1%	\$734	\$(87.6)
Managed Futures	\$327	\$8.4	-2.9%	\$328	\$16.8
Market Neutral Equity	\$282	\$11.9	0.0%	\$270	\$25.3
Merger/Risk Arbitrage	\$53	\$(0.3)	2.8%	\$52	\$(6.9)
Multi-Strategy	\$931	\$(1.2)	3.3%	\$903	\$42.5
Volatility Strategies	\$88	\$(6.2)	2.8%	\$92	\$(15.0)
<b>Fund of Hedge Funds</b>	<b>\$242</b>	<b>\$(16.2)</b>	<b>0.1%</b>	<b>\$258</b>	<b>\$2.7</b>

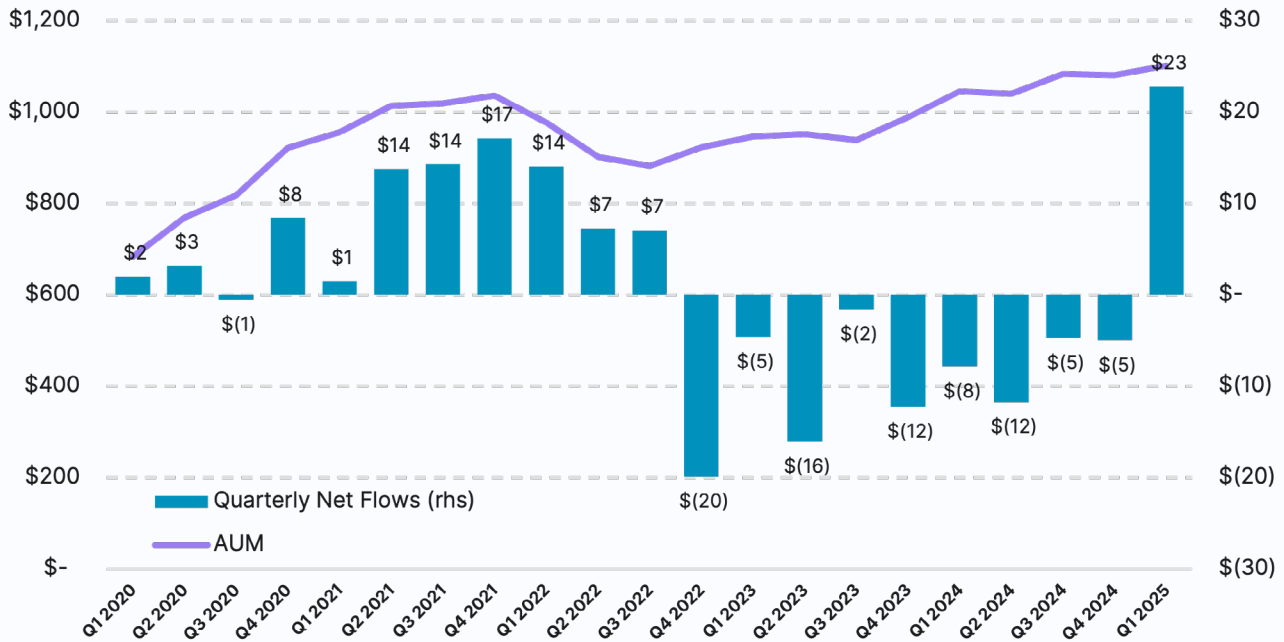
Note: Select strategies shown, may not sum to total. Dollar figures in USD billions. Returns are shown asset-weighted, net-of-fees, and in USD



At the strategy level, we saw investor appetite during the quarter for both **equity long/short** (+\$22.8 billion) and **market neutral equity managers** (+\$11.9 billion). This was a particularly welcome development for equity long/short managers who, in aggregate, experienced a nine-quarter stretch of net outflows totaling \$83.8 billion. Performance for both categories was roughly flat in the quarter versus the Nasdaq-100's -8.3%, the S&P 500's -4.3%, and the MSCI ACWI's -1.2%. While Q2 performance is still an open question, based on Q1 performance results, we speculate that equity managers were relatively well positioned heading into the quarter.

## Equity Long/Short

AUM and quarterly net flows in USD billions



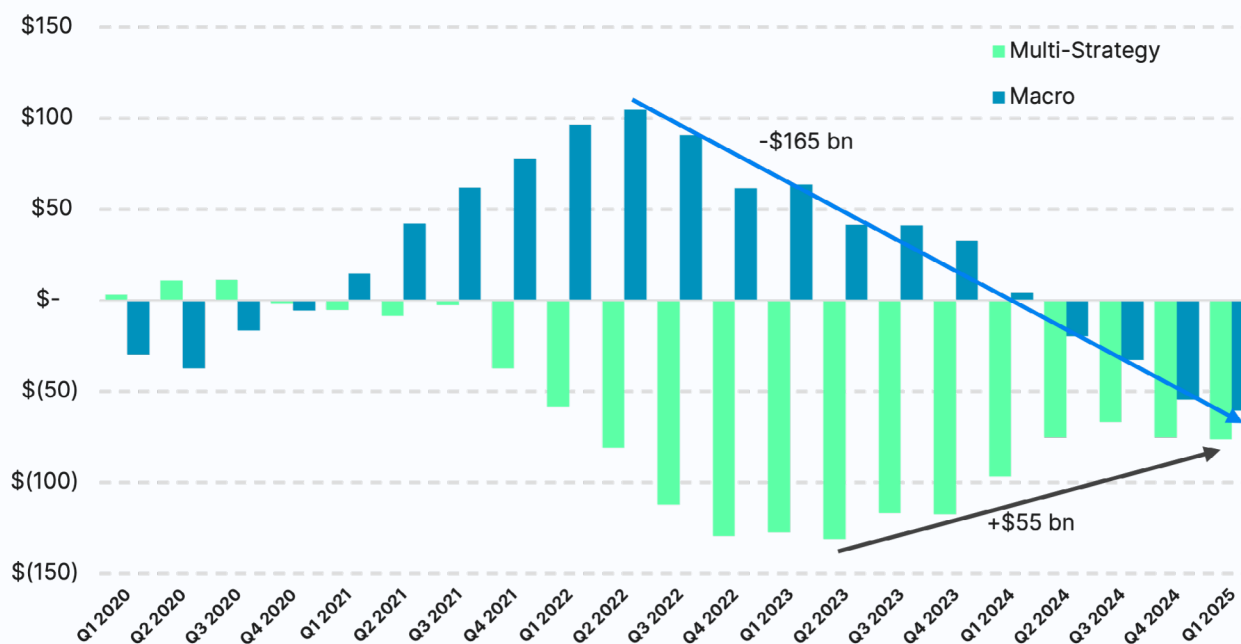
**Fixed income relative value and credit long/short strategies** also saw net inflows in Q1. Both categories kept up against broader bond indices as German and French 10-year yields decoupled from U.S. benchmark yields in early-March on account of Germany's more expansionary fiscal stance, followed by a widening of high yield spreads to end the quarter. Fixed income relative value and credit long/short managers reported Q1 asset-weighted returns of 2.7% and 1.6%, respectively, versus the Bloomberg Global Aggregate Bond's 2.6% and the Bloomberg Global High Yield's 1.9%.



**Multi-strategy funds**, with net allocations totaling \$42.5 billion in 2024, started 2025 off cold with net redemptions measuring \$1.2 billion in Q1. Multi-manager funds are widely reported to have suffered losses in April amidst the spike in market volatility given trade tariff uncertainties – whether the underperformance is sustained once the quarter is completed and/or it materially affects capital allocation decisions remains to be seen. The outcropping of multi-manager firms over the past few years may remind investors of the explosion in macro fund AUM following outperformance by high profile managers during the 2008 Financial Crisis. However, few managers were able to recapture the magic of that period. **Macro funds** notched returns of 4.1% in Q1 2025, but continued to experience investor redemptions amidst the increased market volatility. Macro funds are seeing sustained outflows which continue to be led by larger managers.

### Macro & Multi-Strategy Fund Cumulative Flows

Cumulative net flows beginning Q1 2020 in USD billions



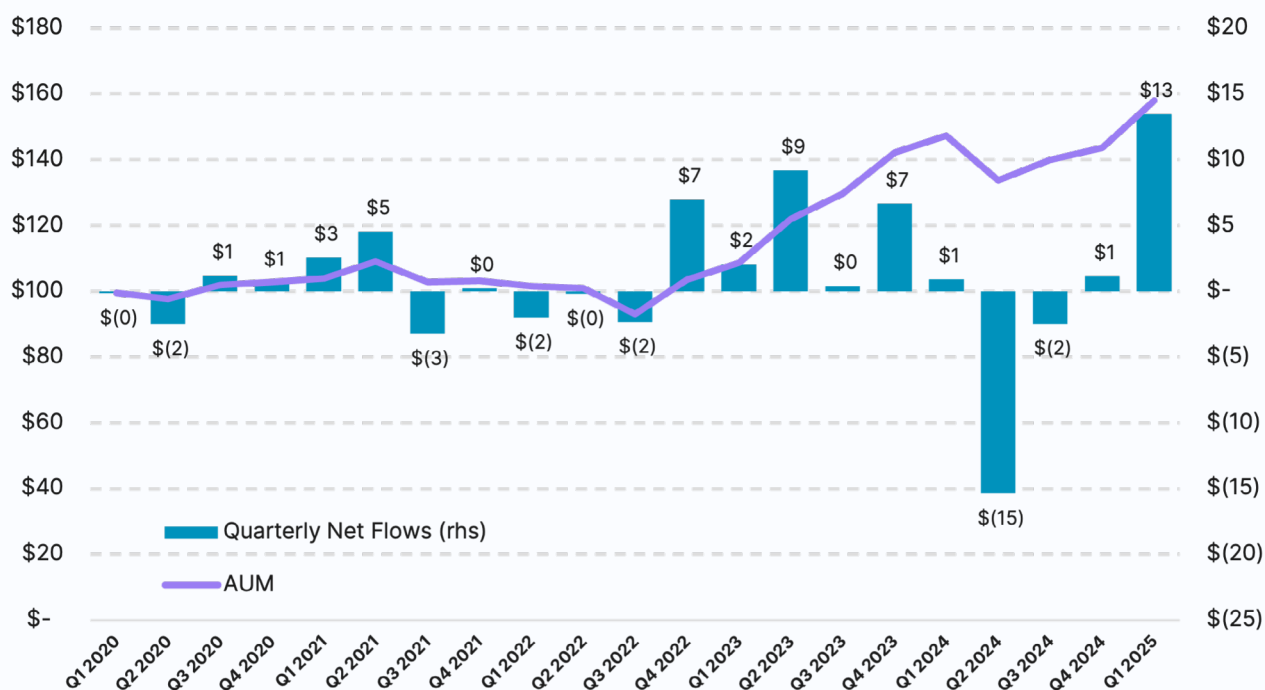
**Event driven managers** posted gains of 0.5% on an asset-weighted basis. **Merger/risk arbitrage** and convertible arbitrage strategies were contributors to performance, while distressed debt was a net detractor. Event driven strategies saw the largest net redemptions amongst our strategy groupings in Q1, measuring \$30.2 billion. This compared to modest inflows for “pure play” convertible arbitrage and distressed debt managers and small-scale outflows for merger/risk arbitrage managers.



Investors allocated \$13.5 billion to **insurance-linked strategies** in Q1 2025, reversing steep outflows experienced in Q2 2024. Insurance-linked strategies, invest across a wide variety of insurance-linked securities (ILS) including catastrophe bonds, “sidecar” structures, industry loss warrants, and collateralized structures; our strategy categorization also includes, to a lesser extent, those investing in longevity risk and the life settlement market. Insurance-linked hedge fund AUM stagnated at roughly \$100 billion from 2018 to 2022. However, the space has been awash in net flows since then, mirroring, or reinforcing, growth in catastrophe bond and other ILS issuance. Growth in the non-catastrophe market may also be playing a factor with cyber, and even generative AI risk, being considered.

### Insurance-Linked Strategies

AUM and quarterly net flows in USD billions



## Conclusion

Performance and investor flows were accretive for hedge funds overall in the Q1 2025 with industry assets making a new peak. However, with heightened market volatility in Q2, investors’ expectations for their hedge fund allocations are set to be tested once again. Data gleaned from prime brokers and regulatory sources showed industry gross exposure only moderately below the all-time highs made in Q3 2024. Furthermore, outlets reported April losses from varying pod shops and U.S. Treasuries market turbulence immediately following “Liberation Day” on April 2nd was being traced back to swap spread and Treasury futures basis trades. With that being said, volatility begets opportunity. Many funds were able to capitalize on equity markets quickly round tripping in 2020 and while volatility is expected to persist given ongoing policy uncertainties, equities, for now, also recouped their losses in short order during this latest episode. Outperformance, particularly in light of private equity’s continued doldrums, may lead the spotlight, and subsequently flows, back to the hedge fund space.



## Get in touch

For more information regarding the Nasdaq eVestment Hedge Fund dataset and our estimation methodology, contact your representative or email us at [evestment@nasdaq.com](mailto:evestment@nasdaq.com).