

Hedge Fund Confidence Index



Q4 2024: Confidence holds steady as small managers shine through macro challenges

AIMA, in partnership with Simmons & Simmons and Seward and Kissel, are proud to present the 17th 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).

Q4 2024 - Q4 2025 confidence forecast

This edition of the HFCI surveyed 100 hedge fund firms worldwide, collectively managing over \$590 billion in assets under management (AUM). This HFCI offers an exclusive glimpse into hedge funds' outlook on the economic prospects of their businesses for 2025.

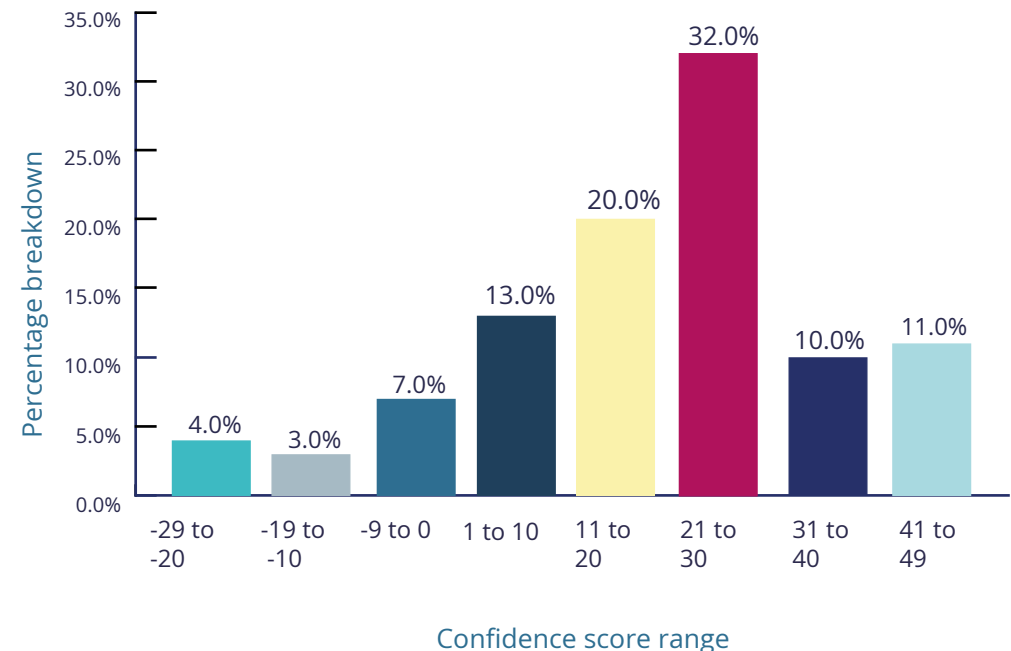
The results show an average confidence score of +18.8, the highest Q4 reading since records began in 2020. Overall, 86% of respondents reported a positive confidence score, a marginal drop from 91% in Q3.

We analyse confidence scores in greater detail by AUM bands on page 7 and offer a time series table on page 10.

Q4 overall confidence score: +18.8

Figure 1, Q4 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's inception in 2020, Q4 has, on average, produced a lower confidence score than any other quarter. Meanwhile, Q3 consistently records the highest quarterly confidence scores for each respective year. However, Q4 2024's score presents a greater degree of stable optimism about respondents' economic prospects for the year ahead. The points difference between Q4 and Q3 is negligible compared to previous drop-offs in year-end sentiment.

This time, the difference is the relatively strong average confidence among smaller hedge fund managers – those managing less than \$1 billion – who reported their third-highest confidence score on record for any quarter. We analyse the drivers behind their bullish stance for 2025 on page 3.

Figure 2, HFCI scores over time



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

Strong optimism around upcoming performance and capital raising opportunities were the core drivers of confidence this quarter. 93% of respondents expressed confidence in their fund’s ability to perform, a slight uptick from 92% in Q3. Similarly, confidence in fundraising improved, with 86% of hedge fund managers citing it as a positive factor, a modest rise from Q3.

Strikingly, the bullish attitude to performance was demonstrated by both larger and smaller respondents, with confidence scores holding steady from 96% to 98% for smaller hedge fund managers and from 89% to 88% for larger hedge fund managers. When asked about their ability to raise capital, this trend was mirrored for both larger and smaller hedge fund managers.

On average, hedge fund managers are also more confident in their cost management ability for the year ahead than they were in Q3. 20% of respondents indicated that managing expenses was a drag on their confidence, down from 27% in the previous quarter. Larger hedge fund managers were disproportionately affected, with 16% citing cost concerns compared to 12% of their smaller peers.

The Q4 2024 HFCI illustrates a hedge fund industry that remains cautiously optimistic. While performance potential and investor interest drive confidence, the enduring challenge of cost efficiency continues to shape sentiment across the board.

Figure 3, Ability to raise capital

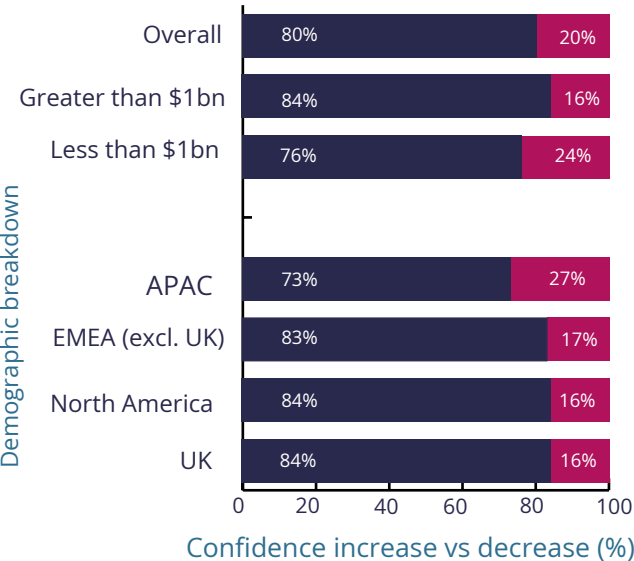


Figure 4, Ability to generate revenue and manage costs

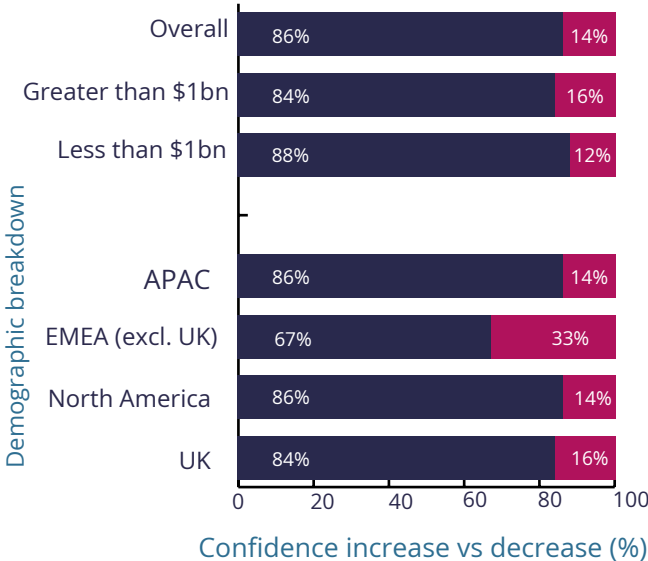
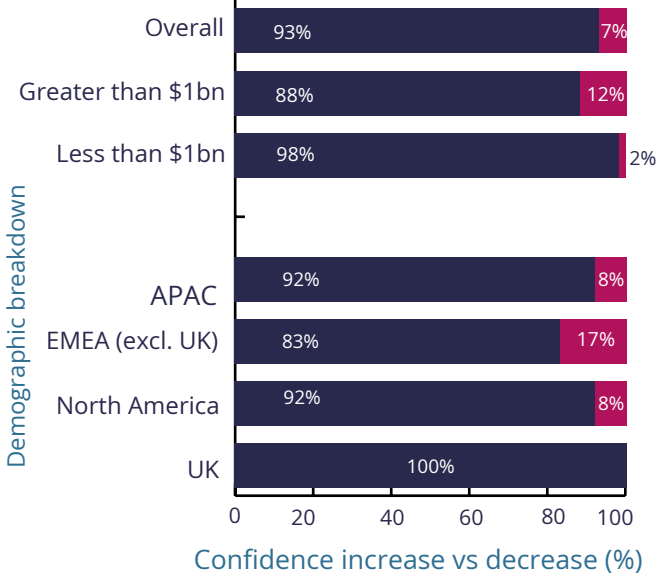


Figure 5, Overall performance of the fund(s)



Preqin, Annual performance of hedge funds by strategy, 2017 - 2024 YTD (January 2025)

From a strategy standpoint, global macro and multi-strategy funds lead the way. Notably, multi-strategy funds was the only strategy to experience a rise in confidence, increasing from +17.8 in Q3 to +18.3 in Q4. While global macro funds recorded a 2.3-point decline from the previous quarter, their confidence level of +18.5 remains the highest among all strategies. In contrast, long-short equity funds experienced a significant quarter-on-quarter drop in confidence, falling by 6.2 points.

Figure 6

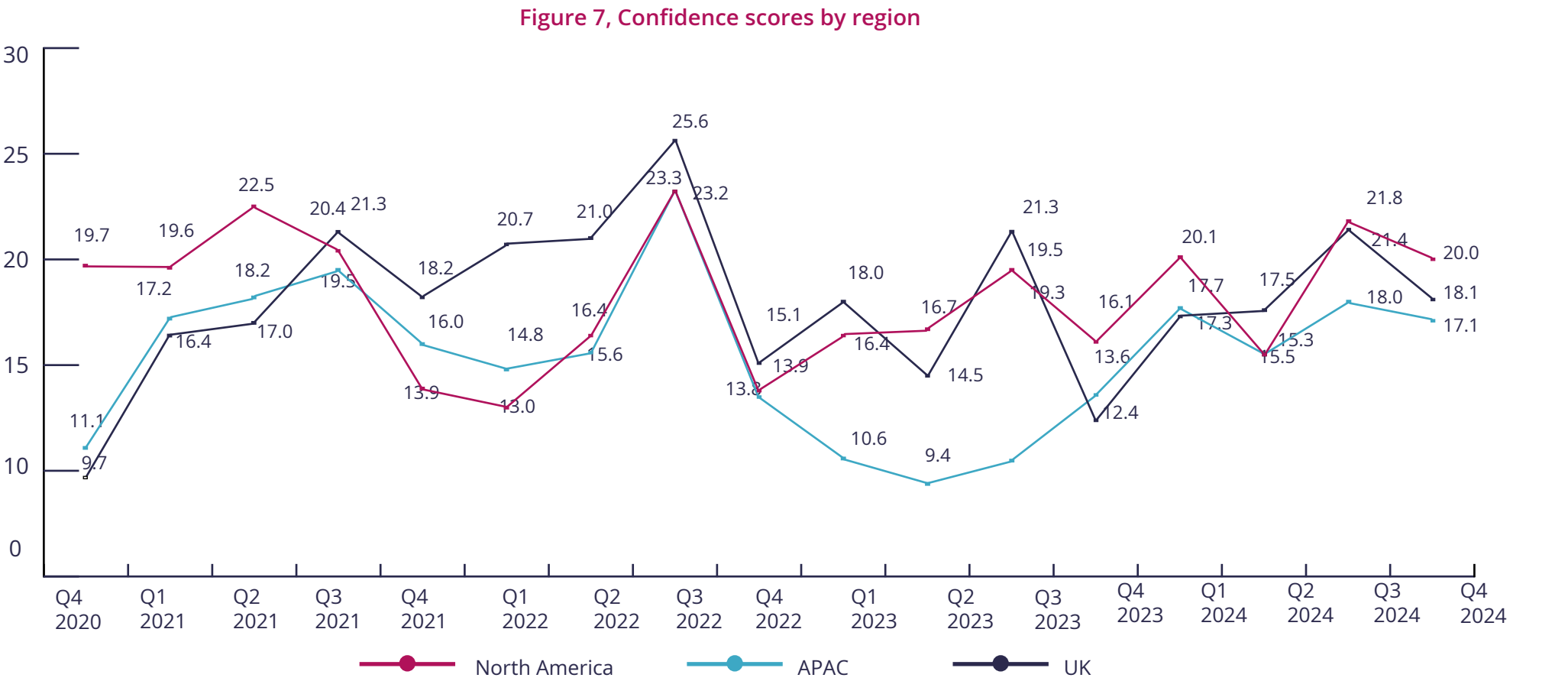
	2017	2018	2019	2020	2021	2022	2023	2024 YTD
All Hedge Funds	14.05%	-3.04%	13.23%	19.22%	15.14%	-7.35%	13.98%	12.65%
Equity Strategies	17.13%	-5.03%	17.14%	21.65%	13.34%	-9.97%	14.13%	11.45%
Macro Strategies	7.62%	1.09%	11.34%	15.29%	7.98%	6.67%	6.09%	8.88%
Event Driven Strategies	10.95%	-2.22%	8.80%	14.21%	16.96%	-4.33%	10.73%	8.73%
Credit Strategies	7.45%	1.78%	7.37%	5.50%	6.45%	-2.79%	8.55%	7.99%
Relative Value Strategies	5.21%	0.79%	6.23%	10.01%	7.62%	2.34%	7.71%	9.41%
Multi-Strategy	10.82%	-1.96%	10.52%	12.74%	10.90%	-2.70%	8.98%	10.29%

Data provided by Preqin

Breakdown by hedge fund location

This quarter, North America extended its confidence lead over other major regions with a score of +20.0, driven by strong confidence in fundraising ability and delivering performance. However, the more intriguing narrative lies in the convergence of confidence levels across three key regions.

Historically, confidence scores among North America, the UK, and APAC have displayed noticeable disparities. However, over the past five quarters, the gap between the most and least confident regions has shrunk significantly, reflecting a growing consensus among hedge fund managers. This quarter's scores illustrate that the gap has narrowed between the UK and APAC – which both saw drop-offs in their average confidence scores. Meanwhile, while still registering a modest decline in confidence from Q3, North America demonstrates a greater degree of resiliency for the year ahead. As a distinct geography, the Middle East also recorded a high confidence score. However, the sample size was relatively small.



This convergence between the UK and APAC may reflect the shared challenges of operating within a complex global macroeconomic environment and uncertainty around what the new Trump administration will entail.

The UK experienced the most significant decline in confidence among all regions, with its score dropping from +21.4 in Q3 to +18.1 in Q4. This dip can be attributed to only 79% of UK respondents reporting a positive confidence score, compared to 86% in APAC and 89% in North America, highlighting a relatively lower level of optimism among UK-based hedge fund managers.

Figure 9, APAC

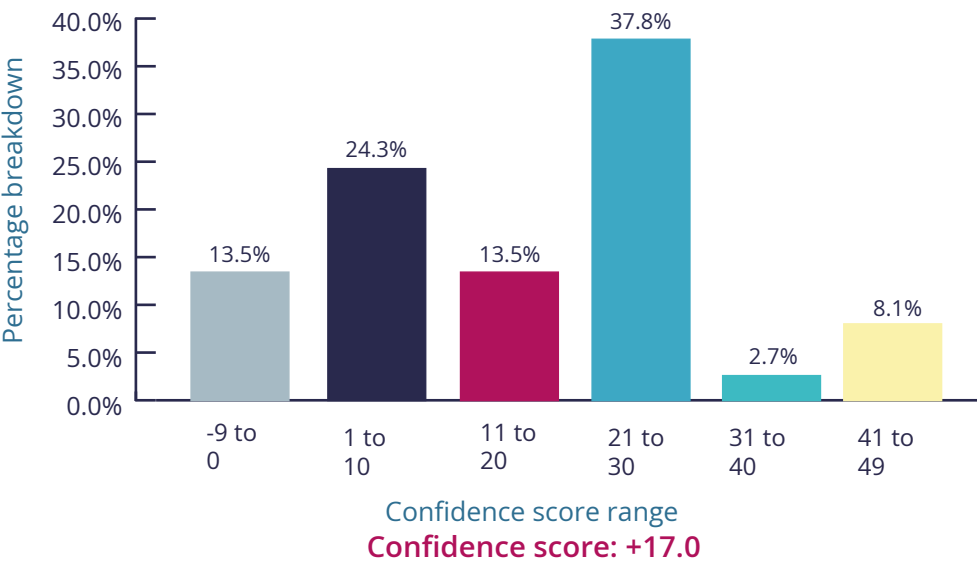


Figure 8, North America

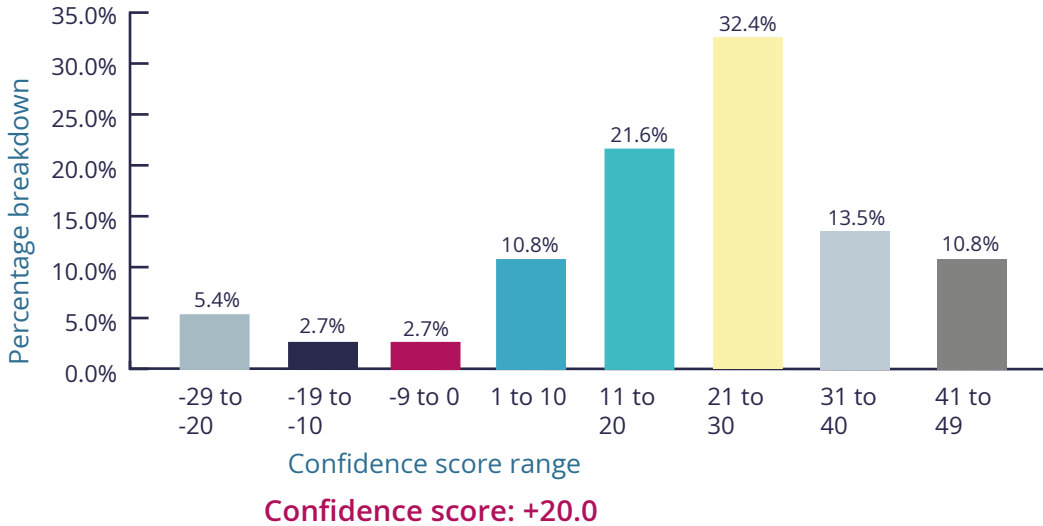
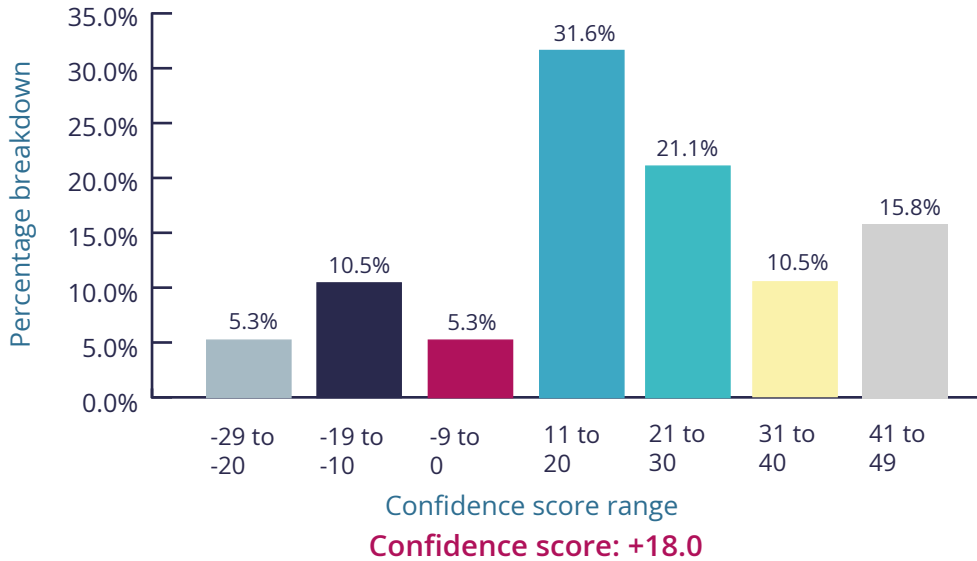


Figure 10, UK

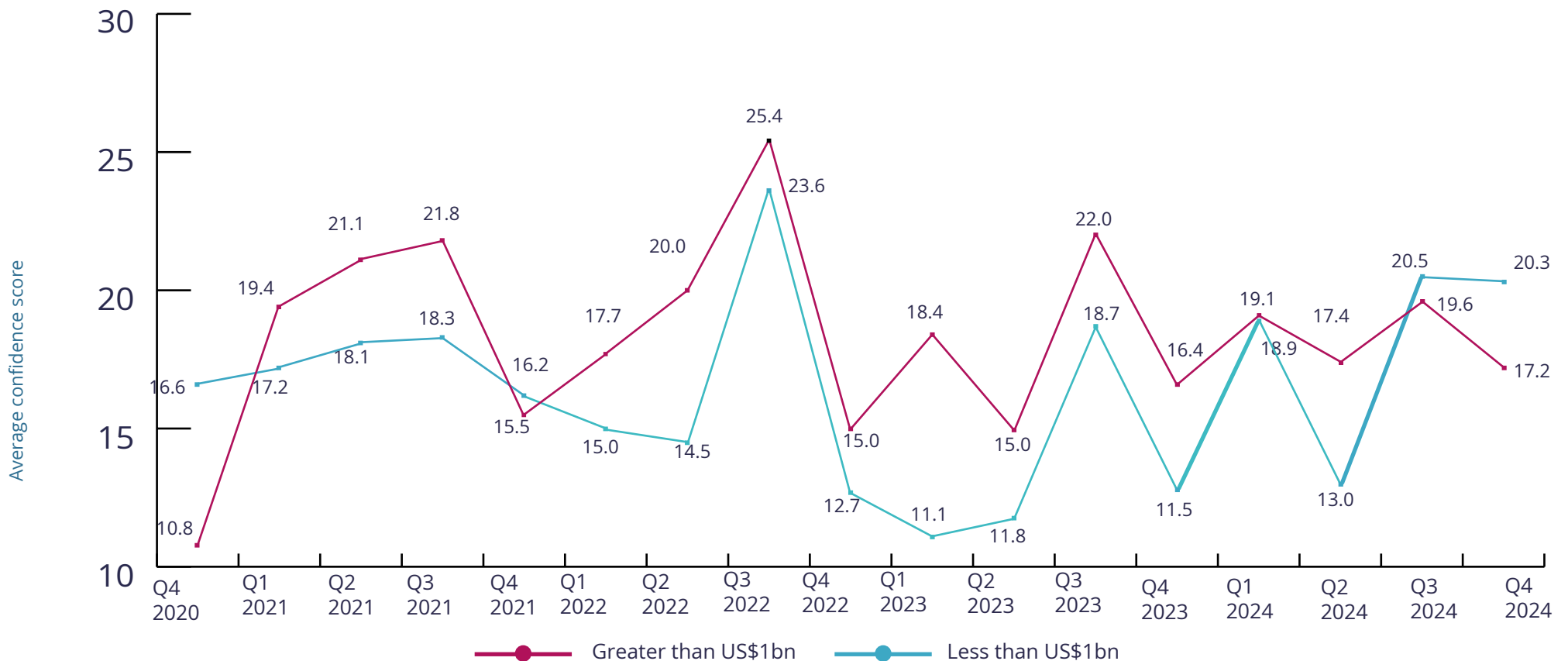


Breakdown by hedge fund AUM

Average confidence levels declined for larger and smaller hedge fund managers, but the overall score remained relatively steady. Smaller hedge managers extended their lead over larger hedge fund managers, with the gap between the two growing from +0.9 to 3.1 in +Q4. This is due to smaller managers' confidence holding steady, whereas larger managers saw a notable drop of 2.4 quarter-on-quarter.

Smaller hedge fund managers recorded a confidence score of +20.3, significantly exceeding their historical average of +16.1. Meanwhile, larger hedge fund managers reported a score of +17.2, down from Q3's +19.6. However, their sentiment held close to the group's rolling average, demonstrating stability despite ongoing cost pressures.

Figure 11, AUM comparison over time



Commentary: North America reasserts confidence as President Trump returns

The latest dataset of hedge fund managers' sentiment projects a sense that they expect 2025 to be a positive year if their assessment of the market and their position in it is correct and remains unchanged over the next 12 months.

As stated above, North American survey respondents, who are overwhelmingly from the US, extended their lead over other regions and presented uncharacteristic bullishness in the final weeks of 2024. The mainstream thesis for the driving force behind that confidence points to President Donald Trump's return. The paradigm shift his return to the White House represents, both in terms of the new status quo in political and regulatory spheres, is hard to understate. Gary Gensler has vacated his role as chair of the SEC, and his incoming full-time replacement, Paul Atkins, is expected to radically de-escalate tensions with Wall Street and the crypto sector, and take a more pragmatic approach to enforcement and regulatory oversight. Moreover, the legal victories of AIMA and its industry peers against the SEC's Private Fund Adviser Rule and Dealer Rule (they were found to be unlawful and must be fully vacated) provided reassurance to hedge fund managers that the regulatory rug wasn't going to be pulled out from under them.

On a macroeconomic scale, investment opportunities abound, while geopolitical tensions that have overshadowed market sentiment for several years show signs of easing. All of this goes back to explaining why this index's usual Q4 confidence crash since 2020 was much milder than previous years, with smaller hedge fund managers, in particular, reporting resiliency as they look to the year ahead.

However, the alternative investment industry will still face its fair share of challenges in 2025. Stubborn inflation and higher-for-longer rates, potentially impacted by Trumponomics and US trade policy, and a challenging fundraising environment – as the latest data demonstrates – are just some of the financial themes that survey respondents will consider as they plot a course for the year ahead.

Breakdown of respondents

Figure 12, Regional breakdown

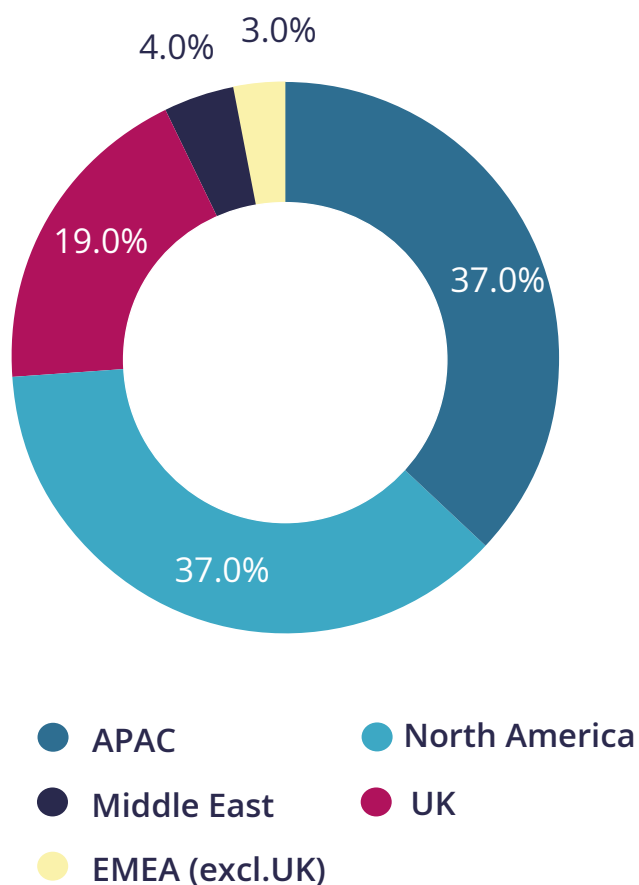
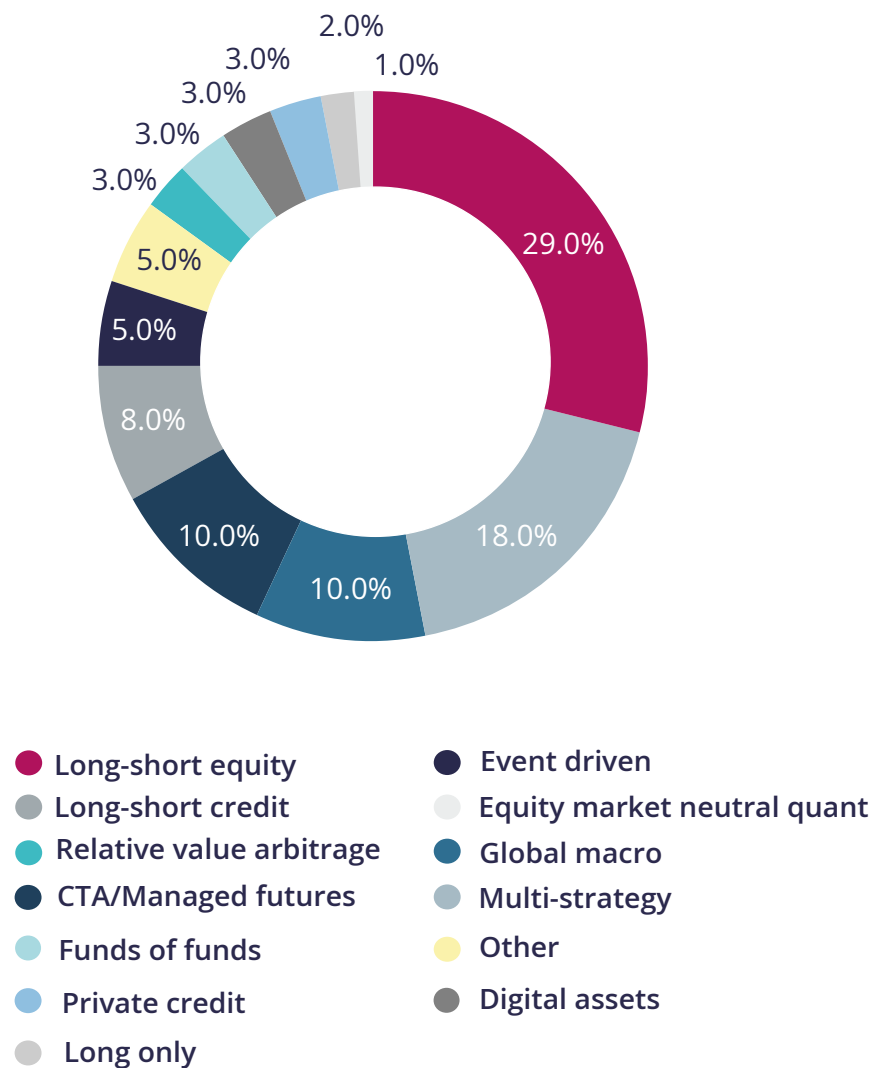


Figure 13, Strategy breakdown



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	Q4 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	18.8	18.7
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	17.2	17.2
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	20.3	20.3
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	17.0	17.1
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	20.0	20.0
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	18.1
EMEA (excl. UK)	-	-	-	-	-	-	-	30.6	14.9	22.2	15.2	27.0	13.6	23.1	18.9	-	-	18.7
Middle East	-	-	-	-	-	-	-	-	16.1	22.6	16.5	27.2	12.2	21.7	18.9	25.5	-	25.5

Tom Kehoe, Global Head of Research and Communications at AIMA, said: *“Given the recent electoral, geopolitical and economic developments event of the past few months, it’s unsurprising that the greater degree of certainty has inspired higher confidence than in prior Q4 surveys. The data suggests that hedge fund managers have cautious optimism that 2025 will be a fruitful year.”*

Devarshi Saksena, Partner, Head at Simmons & Simmons, said: *Reflecting on Q4 2024, we’re seeing a significant surge in optimism globally. This collective optimism is driven by strong performance expectations, successful fundraising, and improved cost management. Despite facing cost efficiency challenges, the industry’s cautious optimism suggests a robust belief in its ability to overcome economic uncertainties and seize growth opportunities.”*

Steve Nadel, Partner at Seward & Kissel, said: *“It’s not at all surprising that there was a dip in the latest quarterly numbers. This may be attributable in part to the uncertainty surrounding a second Trump administration, based on his recent campaign statements as well as his actions during his first term.”*

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