

Hedge Fund Confidence Index

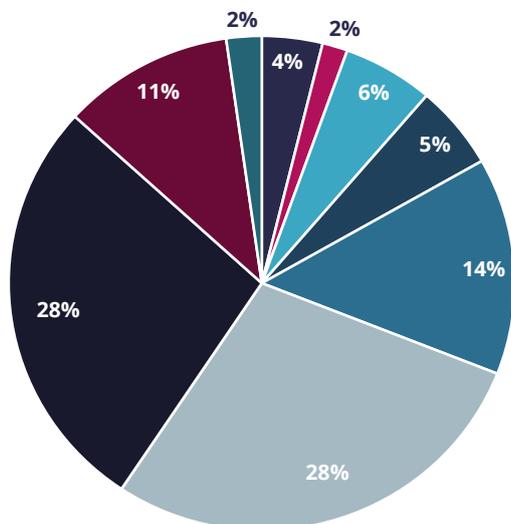


The [AIMA Hedge Fund Confidence Index \(HFCI\)](#) is a new global index that measures the level of confidence hedge funds have in the economic prospects of their business over the next 12 months. A product of AIMA, Simmons & Simmons and Seward & Kissel, the HFCI is calculated during the final two weeks of each quarter and published at the start of the subsequent quarter.

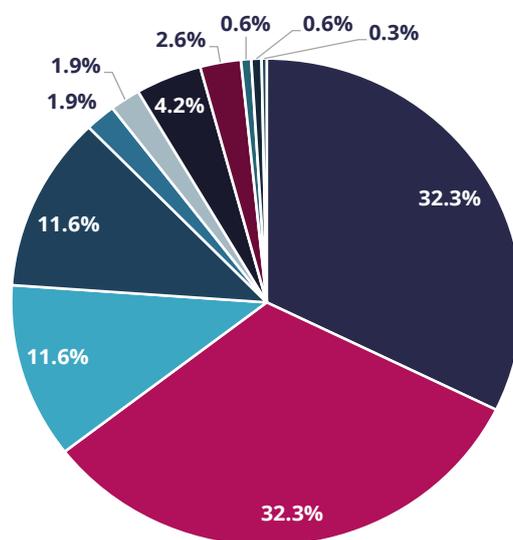
Selecting the appropriate level of confidence, respondents are asked to choose from a range of -50 to +50, where +50 indicates the highest possible level of economic confidence for the firm over the next 12 months. When considering how best to measure their level of economic confidence, hedge fund respondents 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).

Breakdown of respondents

Estimated assets under management for hedge fund respondents: US\$1.6 trillion



- Upto \$50m
- \$100m - \$249m
- \$500m - \$999m
- \$5bn - \$9.9bn
- \$20bn or greater
- \$51m - \$100m
- \$250m - \$499m
- \$1bn - \$4.9bn
- \$10bn - \$19.9bn



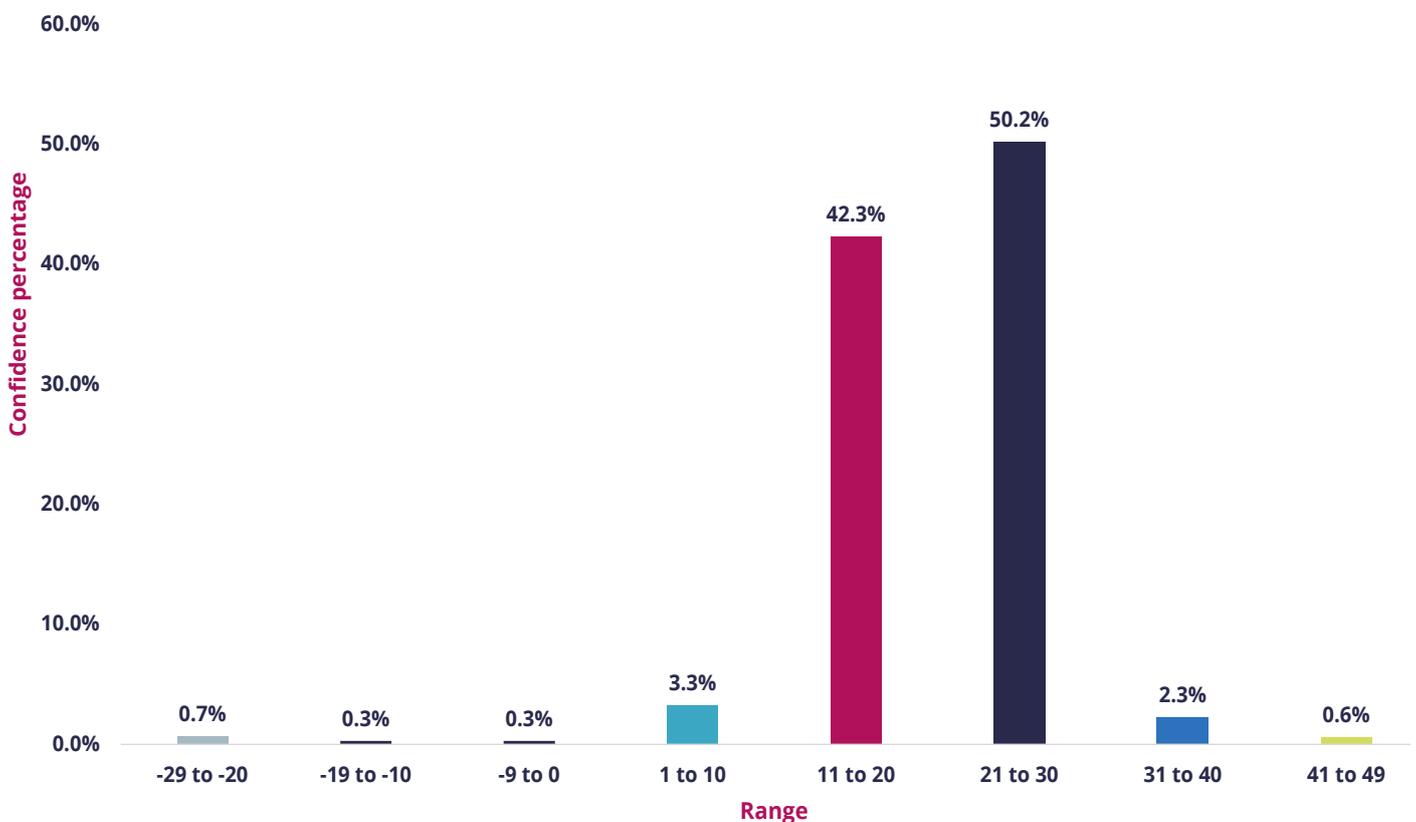
- U.S.A
- Hong Kong
- Europe (excl. UK)
- Japan
- Australia
- Other
- UK
- Singapore
- Middle East
- Canada
- Asia-Pacific

Q3 2021 results

Based on a sample of more than 300 hedge funds (accounting for approx. US\$1.6 trillion in assets) that participated in the index, the average measure of confidence (in the economic prospects of their business over the coming 12 months) is +20.4¹, just under one point higher than the average measure reported in Q2. Almost all (99%) of all hedge funds that participated in the index are confident in the economic prospects of their business over the coming 12 months.

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)

Q3 overall confidence score: +20.4

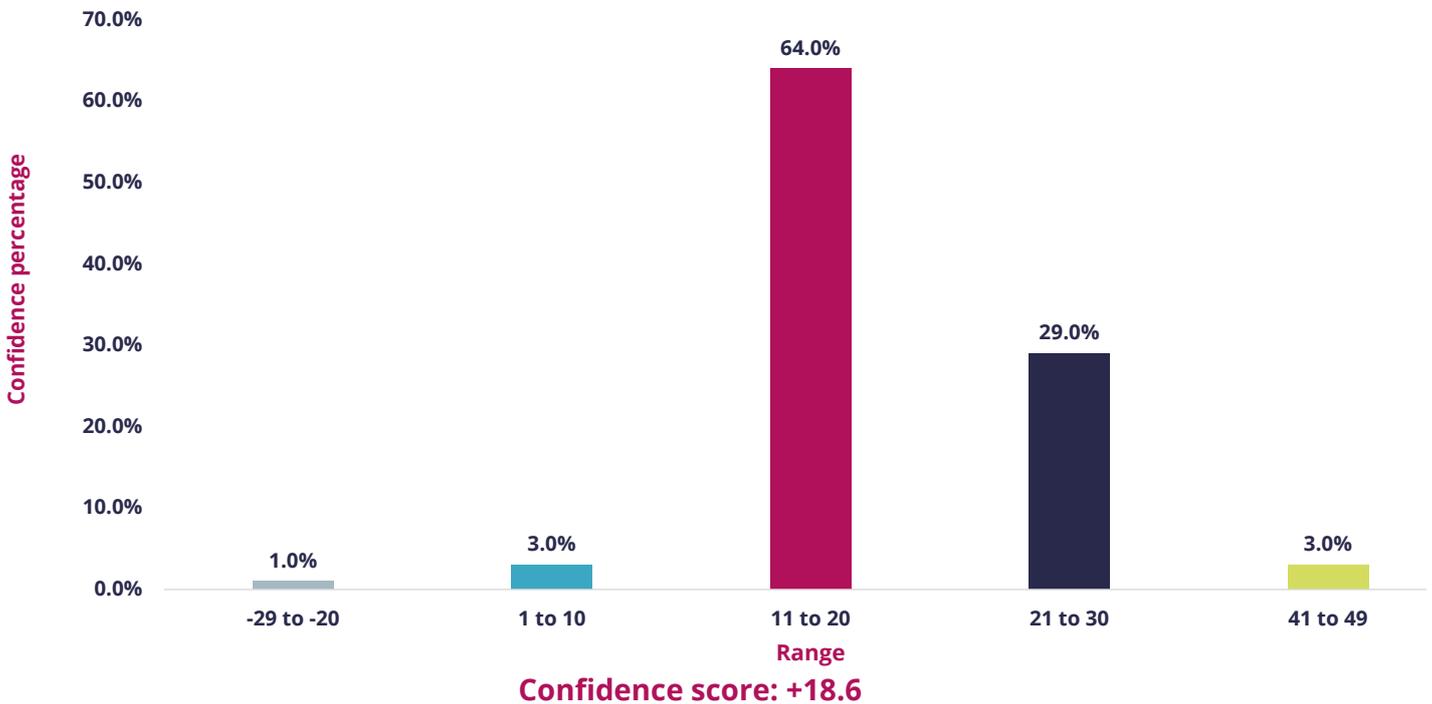


¹ The average confidence numbers and charts within are based on confidence scores. This has been done to remove outliers which would otherwise skew results.

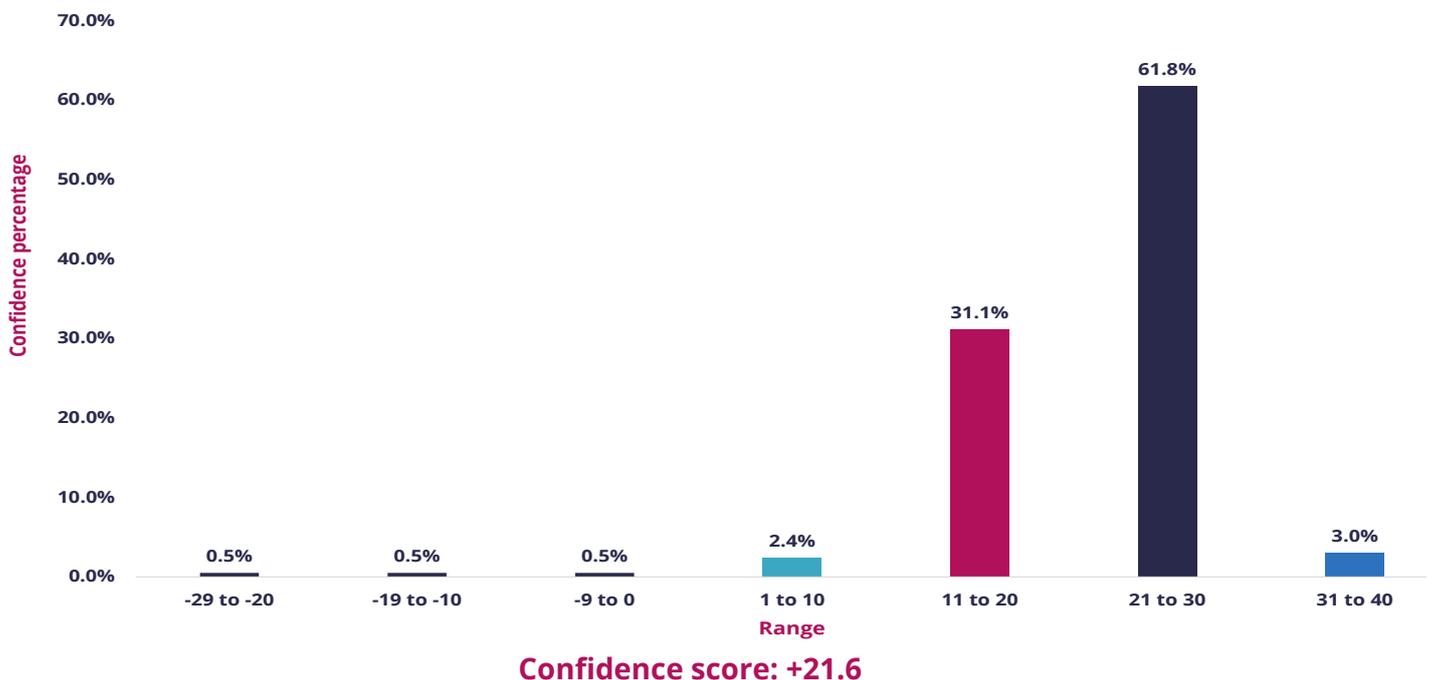
Breakdown by hedge fund by size:

Observing the funds' confidence levels based on size, we split the population of responses into larger funds (for those that manage greater than US\$1 billion in assets) accounting for 69% of the total number of responses and smaller funds (for those that manage US\$1 billion or less) accounting for 31%. This is a notable change compared to previous quarterly reports where the split has been closer to 50/50.

Less than US\$1bn



Greater than US\$1bn



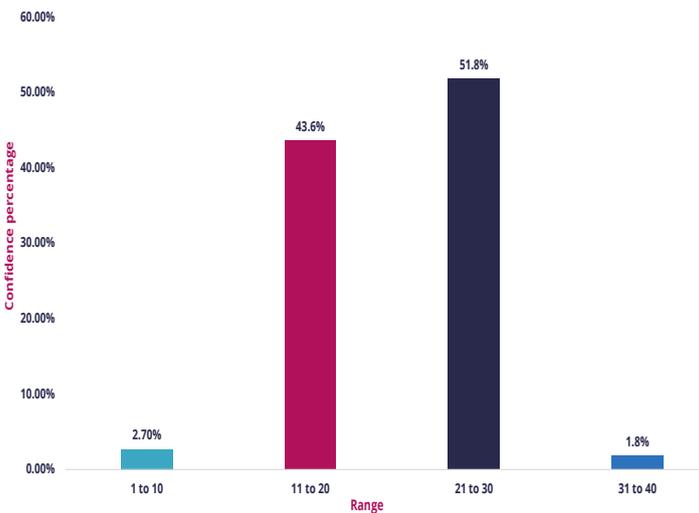
Breakdown by hedge fund location:

Confidence among hedge fund managers globally continues to climb for the third successive quarter with notable increases from non-North American managers.

On a regional basis, three out of the four regions posted higher confidence levels than in Q2. The exception being North America where confidence numbers on average fell by approximately two points to +20.4. By comparison, UK based hedge funds report the highest confidence rating versus their regional peers. Confidence levels are underpinned by larger UK based hedge funds who scored the highest on confidence (+22.3) than any other region.

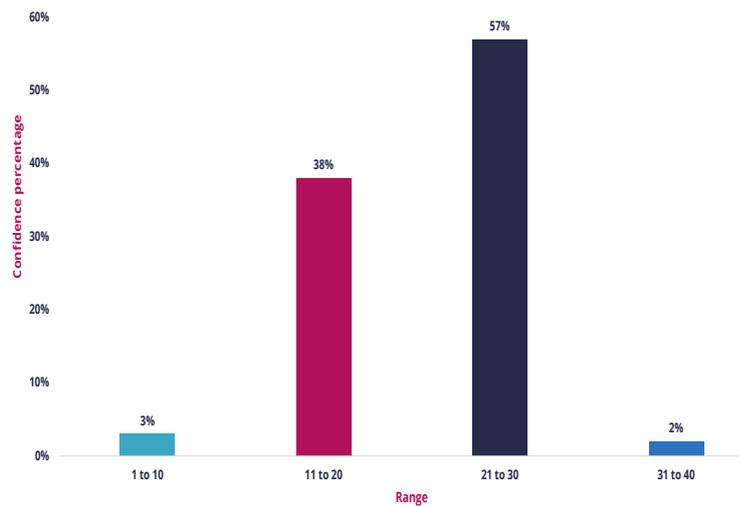
Confidence levels among APAC based hedge funds continue to be encouraging with the region marking its third consecutive increase with funds in the region scoring +19.5.

EMEA (includes UK)



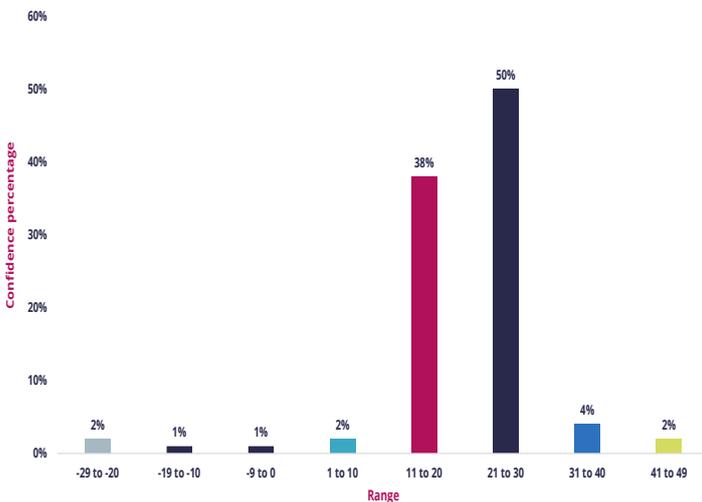
Confidence score: +20.8

UK



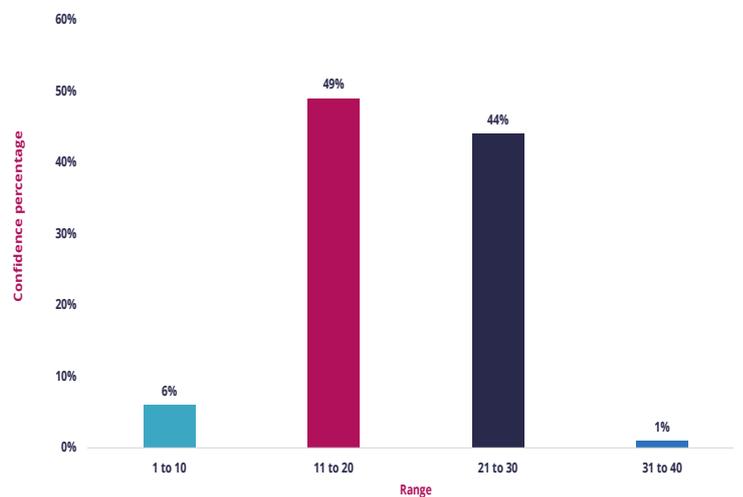
Confidence score: +21.3

North America



Confidence score: +20.4

APAC



Confidence score: +19.5

Prospects for the hedge fund industry remain encouraging:

After a protracted period of fairly modest performance across the hedge fund industry compared to major indices, the past year has witnessed increasing levels of confidence. Prospects for the hedge fund industry are as strong as they have been in over a decade. Year-to-date, hedge funds on average are posting double-digit returns net of fees with the mood across the industry being further boosted by continued positive net inflows in the first half of this year.

Although the COVID-19 Delta variant has dampened the mood a little among North American based funds, the overall impression is that this is a temporary setback with travel expected to recover strongly over the next quarter. With the prospect of managers and investors being able to meet regularly in person for the first time in nearly two years, this could be the catalyst for a surge in hedge fund interest, including new capital investment and fund launches.

Despite the impressive confidence levels posted by the industry, it remains bedevilled with a wide variety of challenges from increased regulatory around the globe, talent management and operational hurdles, not to mention beginning to adjust to the new, in-person working COVID environment.

Comparison of results of HFCI: Q4 2020 to Q3 2021

Breakdown of HF Managers	Ave Confidence Score Q4 2020	Ave Confidence Score Q1 2021	Ave Confidence Score Q2 2021	Ave Confidence Score Q3 2021
Overall	+13.8	+18.4	+19.5	+20.4
Less than US\$1bn	+16.6	+17.2	+18.1	+18.6
Greater than US\$1bn	+10.8	+19.4	+21.1	+21.6
EMEA (includes UK)	+9.7	+17.3	+17.7	+20.8
UK	+9.7	+16.4	+17	+21.3
North America	+19.7	+19.6	+22.5	+20.4
APAC	+11.1	+17.2	+18.2	+19.5

UK *“The marked increase in confidence over the last year amongst UK hedge fund managers is great to see - and is reflected in the work we have been doing for our UK headquartered clients. Our established clients have been very active creating new products across the full range of strategies and the new start-up manager market continues to see strong levels of activity and growth,”* said **Devarshi Saksena, Simmons & Simmons.**

US *“There have been new challenges that have arisen from COVID variants and the political climate in the US and thus it’s slightly unsurprising that North America based managers are less optimistic about the next twelve months than they were last quarter, however, NA managers are overall still optimistic,”* said **Steve Nadel, Seward & Kissel.**

Tom Kehoe, global head of research and communications at AIMA, said: *“Prospects for the hedge fund industry are as strong as they have been in many years, underpinned by solid industry performance and renewed investor interest. Despite several industry headwinds including COVID variants, increased regulatory scrutiny as well as operational challenges for the industry to consider, hedge funds globally remain cautiously optimistic regarding the economic prospects of their business over the coming 12 months.”*

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