

Hedge Funds Proved their Worth in 2020

The asset class mitigated investors' losses and rebounded faster than the public markets

Hedge funds performed well in 2020. Returns across the asset class were +16.63%, ahead of the S&P 500 PR Index (16.26%), resulting in the asset class' highest annual return since 2009. Hedge funds also offered downside protection through lower levels of volatility over 2020 compared with the public markets. Equity was the best performing hedge fund strategy with a +19.64% return. Hedge fund AUM grew, reaching \$3.87tn as of November 2020, an increase of 6% compared with 2019. Investors and managers were cautious, with investors placing smaller amounts of capital than previous years and managers launching fewer funds. Liquidations outpaced new fund launches for only the second year in the past decade. Still, investors say the primary attraction of hedge funds is risk diversification, followed by low correlation to other asset classes. With this in mind, 73% plan to allocate the same or more capital to hedge funds in 2021 compared with 2020.

For more information, see the [2021 Preqin Global Hedge Fund Report](#) sample pages here:

<https://www.preqin.com/insights/global-reports/2021-preqin-global-hedge-fund-report>

If you would like a complimentary press copy of the report, please contact us at press@preqin.com.

David Lowery, Head of Research Insights:

“For much of 2020, hedge funds paid a collective price for underperformance in previous years. Investors took money out of the industry and put it into lower-cost vehicles like UCITS or ETFs. However, after nine consecutive quarters of outflows, Q3 2020 marked the first quarter of net inflows, bringing much-needed optimism to the hedge fund industry. Established managers are taking a growing share of capital raised across all alternative asset classes, but investors are seemingly aware of the benefits of investing in first-time funds and are taking advantage of the large supply.”

Key Hedge Funds Facts:

- **In 2020, the Preqin All-Strategies Hedge Fund Benchmark return was +16.63%**, higher than the S&P 500 PR Index, which gained 16.26%.
- **As of November 2020, hedge fund AUM reached \$3.87tn**, an increase of 6% compared with 2019. Hedge funds remain the second largest of the alternative asset classes after private equity.
- **During 2020, fund launches fell to 740, while the number of fund liquidations rose to 758.**
- **Most investors (39%) are planning to increase their exposure to cryptocurrency/blockchain strategies;** 26% expect to reduce their exposure to discretionary CTAs.
- **Almost two-thirds (63%) of surveyed investors cited diversification as being of prime importance** when investing in hedge funds, with 44% naming low correlation to other asset classes.

Along with the 2021 Preqin Global Alternatives Reports, Preqin is pleased to announce the launch of [Insights+](#), an all-access pass to exclusive, subscriber-only research and analysis. With Insights+, subscribers will keep informed about major trends in alternative assets and deepen their understanding of key areas in the market. Underpinned by our award-winning proprietary data, Insights+ aims to help readers make sense of an increasingly complex industry.

Preqin is the Home of Alternatives™, the foremost provider of data, analytics and insights to the alternative assets community. From pioneering rigorous methods of data collection to developing a revolutionary platform, we have committed ourselves to furthering the understanding of alternatives for over 16 years. Through close partnership with our clients, we continuously build innovative tools and mine new intelligence to enable them to make the best decisions every day.

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