

The BarclayHedge Fund Flow Indicator

FEBRUARY 2023

Persistent Position Trimming in 2022 Gives Managers Pause on New Launches

On Assets Industry Ends 2022 About Where It Started, Less Forward Momentum

The global hedge fund industry experienced **-\$45.82 billion** in net redemptions in December, equivalent to a **-0.94%** loss of industry assets. December's outflows were up from **-\$20.05 billion** in redemptions in November, and contributed to **-\$318.52 billion** in total industry outflows since April 2022.

A **-\$69.78 billion** trading loss in December brought total hedge fund industry assets down to **\$4.84 trillion** as the month ended.

"2022 closed in much the same manner as it proceeded: Investors consistently, though measuredly, cut exposure to hedge funds throughout the year with the quarter-ending months seeing the greatest proportion of selling activity. Redemptions exceeded subscriptions in 11 consecutive months, following modest subscription activity in January 2022," observed Ben Crawford, Head of Research at Backstop BarclayHedge. "Interestingly, two of the best performing sectors of the industry in 2022 came under heavy selling pressure: Equity Market Neutral funds and Global Macro managers (on average) pummeled broad equity and debt indices and yet both found themselves losing in excess of 10% of their investor dollars over the course of the year. It would seem a significant segment of institutional investors are betting that 2023 will play out far differently than 2022."

While a majority of hedge fund subsectors saw investor dollars exit in December, a few reported inflows. They were led by **Equity Long-Only** funds which were up **+\$2.97 billion (0.72% of sector assets)**, followed closely by **Emerging Markets - Asia** funds which swelled **+\$2.61 billion (1.79% of sector assets)**. Elsewhere, a triad of sectors came out just ahead in December: **Distressed Securities** funds climbed **+\$3.34 million (0.22% of sector assets)**; the **Emerging Markets - Global** funds sector picked up **+\$20.15 million (0.09% of sector assets)**; and the **Emerging Markets - Eastern Europe** sector eked out **+\$0.5 million** in net subscriptions in December.

Subsectors reporting redemptions in December were led by **Multi-Strategy** funds which saw **-\$23.64 billion** worth of net redemptions (**-3.37% of sector assets**). They were followed by **Fixed Income** funds which were hit up for **-\$9.79 billion (-1.09% of sector assets)**. **Macro** funds were drained of **-\$4.34 billion (-2.29% of sector assets)**; **Equity Long Bias** funds lost **-\$4.24 billion (-1.34% of sector assets)**; **Balanced (Stocks & Bonds)** funds leaked **-\$2.46 billion (-0.32% of sector assets)**; and **Event Driven** funds were down **-\$2.05 billion (-0.81% of sector assets)**.

While the hedge fund industry experienced redemptions in most of the world's regions in December, far and away the largest volume of outflows came from funds in the **U.S. and its offshore islands**, which saw **-\$38.96 billion** exit, for a reduction of **-1.40%** in the region's assets.

Hedge funds experienced December inflows in **Continental Europe** adding **\$1.14 billion (+0.09% of assets)**, and in the **U.K. and its offshore islands** with approximately **\$270 million** in inflows (**+0.06% of assets**).

The managed futures industry's monthly redemption streak stretched to seven with **-\$4.39 billion** in net outflows, for a reduction of **-1.16% of industry assets**. All four CTA subsectors tracked reported net redemptions for the month, led by **Systematic CTAs** with **-\$3.97 billion** in outflows.

"While investor rotation away from Systematic CTAs was a big trend throughout 2022, we would be remiss if we didn't call out that both Discretionary CTAs and Multi-Advisor Futures Funds enjoyed a banner year for asset growth," commented Crawford. "Retained trading profits and new subscriptions swamped redemptions from Discretionary CTAs and did so with enough vigor to increase that subsector's assets by 35.61% in 2022. The pattern was much the same with Multi-Advisor funds, which grew their collective assets by 19.93%."

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HEDGE FUND & CTA FLOWS (\$BIL) – DECEMBER 2022

Industry – Sector	Net Inflows (\$ Bil USD)			Year-to-Date Net Inflows (\$ Bil USD)			Trailing Twelve Months Net Inflows (\$ Bil USD)			AUM (\$ Bil USD)
	Flow	Trading P/L	Flow %	YTD Flow	YTD Trading P&L	YTD Flow %	TTM Flow	TTM Trading P&L	TTM Flow %	Total Assets
Balanced (Stocks & Bonds)	-2.46	-15.01	-0.32%	-39.19	-86.20	-5.19%	-39.19	-86.20	-5.19%	762.57
Convertible Arbitrage	-0.35	0.33	-0.91%	3.76	-0.24	10.69%	3.76	-0.24	10.69%	36.54
Distressed Securities	0.03	-0.04	0.22%	-0.74	-0.53	-4.64%	-0.74	-0.53	-4.64%	14.88
Emerging Markets - Global	0.20	-3.60	0.09%	-18.87	-48.60	-8.42%	-18.87	-48.60	-8.42%	222.08
Emerging Markets - Eastern Europe	0.01	-0.04	0.27%	-0.39	-0.70	-4.26%	-0.39	-0.70	-4.26%	1.87
Emerging Markets - Asia	2.61	1.69	1.79%	-19.62	-21.64	-9.89%	-19.62	-21.64	-9.89%	154.27
Emerging Markets - Latin America	-0.64	-0.24	-4.72%	0.12	0.37	1.16%	0.12	0.37	1.16%	10.23
Equity Long Bias	-4.24	-5.70	-1.34%	-33.83	-34.26	-8.95%	-33.83	-34.26	-8.95%	308.03
Equity Long/Short	-1.53	0.74	-0.97%	-21.48	-1.44	-12.55%	-21.48	-1.44	-12.55%	157.03
Equity Long-Only	2.97	-24.41	0.72%	-17.48	-93.71	-5.75%	-17.48	-93.71	-5.75%	397.03
Equity Market Neutral	-1.62	0.69	-3.24%	-7.17	0.87	-13.02%	-7.17	0.87	-13.02%	50.08
Event Driven	-2.05	-1.56	-0.81%	-15.67	-14.12	-5.61%	-15.67	-14.12	-5.61%	249.15
Fixed Income	-9.79	-2.48	-1.09%	-128.75	-87.60	-12.67%	-128.75	-87.60	-12.67%	899.37
Macro	-4.34	0.13	-2.29%	-21.21	13.88	-10.56%	-21.21	13.88	-10.56%	186.21
Merger Arbitrage	-1.24	0.23	-1.12%	7.61	0.97	8.07%	7.61	0.97	8.07%	130.57
Multi-Strategy	-23.64	-4.92	-3.37%	-2.47	-1.95	-0.50%	-2.47	-1.95	-0.50%	673.96
Option Strategies	-0.99	-0.03	-1.98%	-1.35	1.07	-2.66%	-1.35	1.07	-2.66%	49.28
Other	1.73	-2.33	1.97%	2.68	-5.01	3.07%	2.68	-5.01	3.07%	88.84
Sector Specific	-0.59	-13.30	-0.12%	-5.89	-89.59	-1.28%	-5.89	-89.59	-1.28%	466.22
Hedge Fund Industry	-45.82	-69.78	-0.94%	-322.56	-467.99	-6.72%	-322.56	-467.99	-6.72%	4843.57
UCITS 40 Act	-11.51	-61.77	-0.56%	-134.45	-320.97	-7.23%	-134.45	-320.97	-7.23%	1990
UCITS Funds	-4.21	-15.19	-0.30%	-130.77	-162.64	-9.00%	-130.77	-162.64	-9.00%	1409.66
Funds of Funds	-1.94	-3.99	-0.59%	-10.65	-26.80	-2.88%	-10.65	-26.80	-2.88%	337.97
Managed Futures Industry	-4.39	-0.28	-1.16%	-13.55	30.10	-3.91%	-13.55	30.10	-3.91%	364.95
CTA - Discretionary	-0.17	0.51	-0.58%	6.36	0.94	35.61%	6.36	0.94	35.61%	29.76
CTA - Systematic	-3.97	-0.67	-1.17%	-20.04	29.92	-6.35%	-20.04	29.92	-6.35%	323.63
CTA - Hybrid	-0.25	-0.12	-1.11%	0.06	-0.76	0.32%	0.06	-0.76	0.32%	21.09
CTA - Multi Advisor Futures Fund	-0.41	-0.09	-1.93%	2.58	0.96	19.93%	2.58	0.96	19.93%	19.59

*Assets under management (AUM) are calculated independently of flows and reflect new funds added to the database in December 2022. Hedge Fund AUMs and flows as presented in this report do not include managed futures (CTA) AUMs and flows.

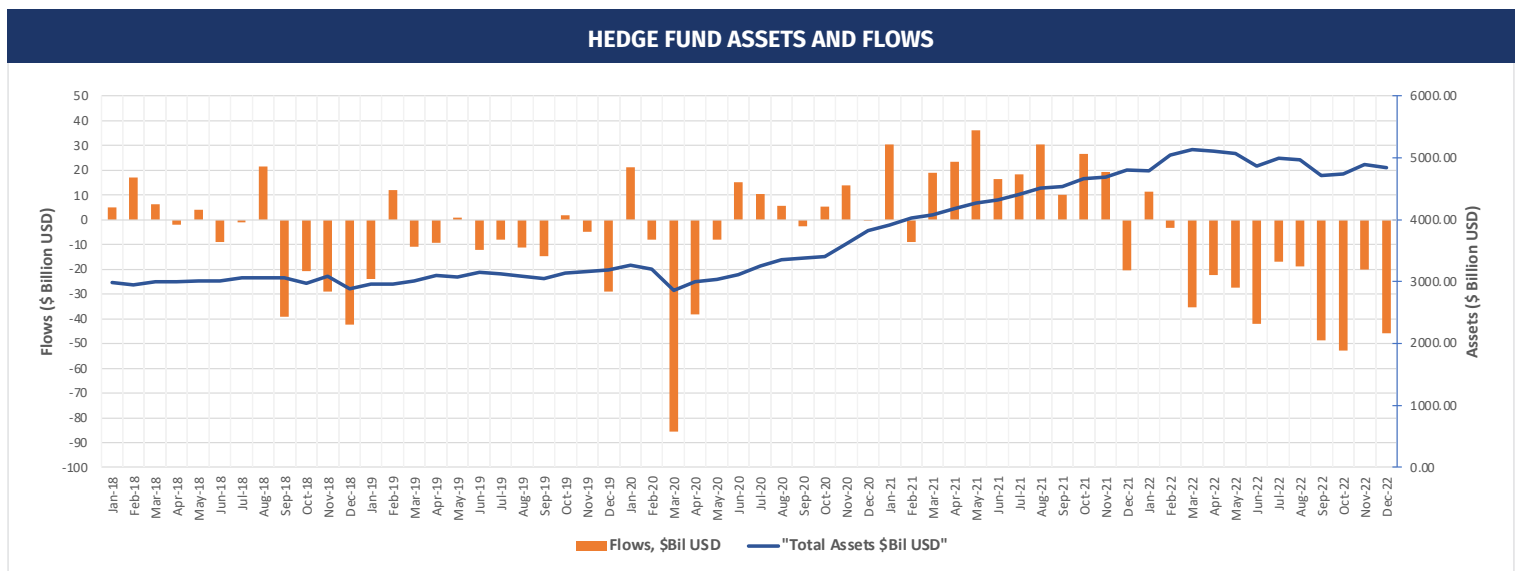
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Consistent Investor Trimming in 2022 Blunted Enthusiasm for New Fund Launches

“The steady trend of redemption pressure from existing funds throughout 2022 also had the effect of tamping down the number of new fund launches. The count of new fund launches in 2022 appears to be down more than 60% year-over-year,” noted Crawford. “With the diminishment of this counterbalancing source of AUM growth, net redemptions this year eventually sapped all of the inertia released after a blockbuster 2021-year. As a result, our modeling shows as of the end of 2022, industry AUM levels reverted back down to the mark notched in Q4 2021.”

For the year, the hedge fund industry experienced **-\$322.56 billion** more in redemptions than subscriptions. A **-\$467.99 billion** aggregate trading loss for the year brought total industry assets to the **\$4.84 trillion** figure as December ended, down from \$4.90 trillion at the end of November but up slightly from nearly \$4.80 trillion a year earlier.



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Arb Funds Were Consistent Investor Darlings Throughout an Otherwise Dour 2022

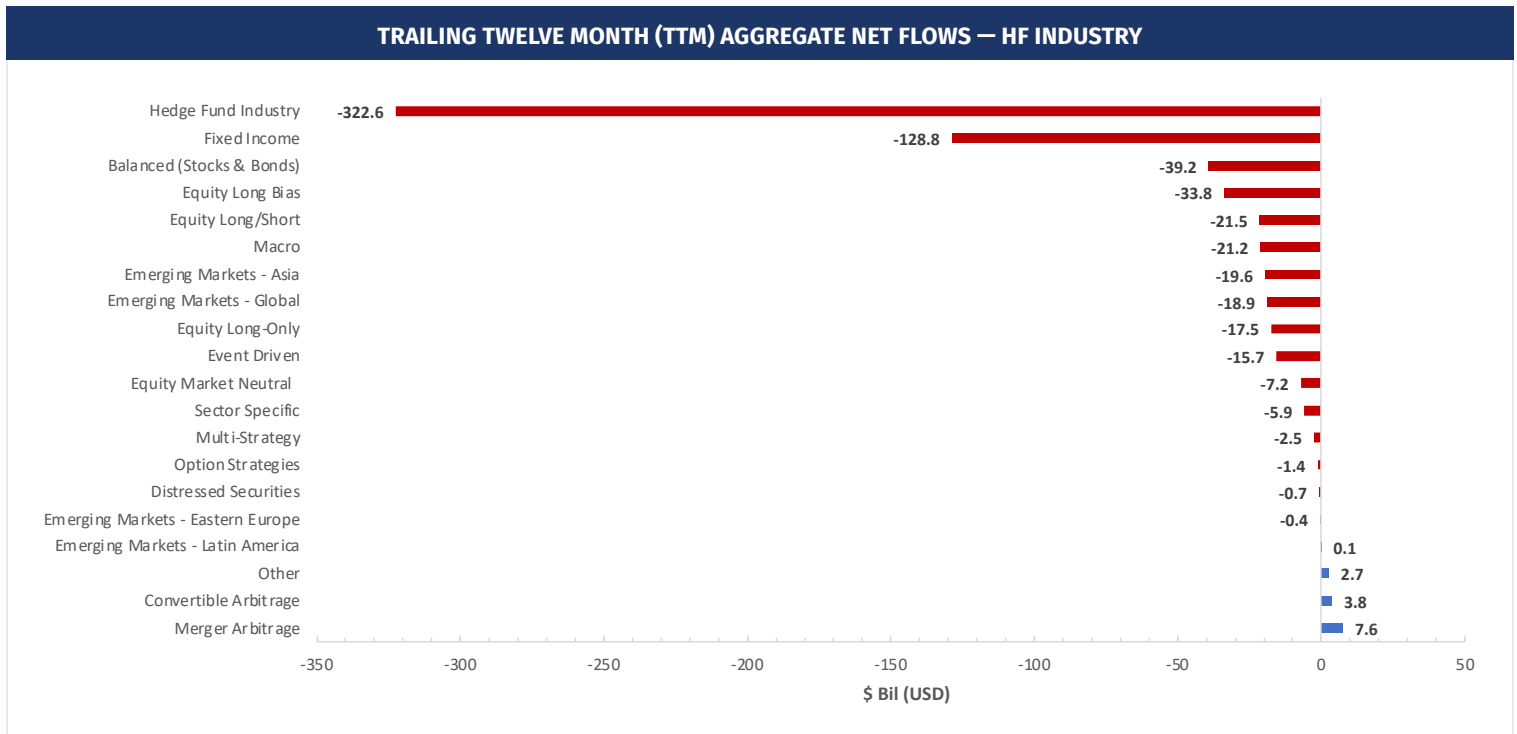
Convertible- and Merger- Arbitrage funds led a small (but merry!) band of hedge fund subsectors in posting net subscriptions for calendar year 2022. **Merger Arbitrage funds** had the largest absolute increase, picking up **+\$7.61 billion (8.07% of sector assets)** while **Convertible Arbitrage funds** grew their capital base the most in relative terms with **+\$3.76 billion** in net subscriptions (**10.69% of sector assets**). Elsewhere, **Emerging Markets - Latin America** funds tagged along with **+\$12.24 million (1.16% of sector assets)**.

Among Hedge Fund subsectors which lost assets over the trailing 12 months, **Fixed Income funds** were by far the hardest hit with **-\$128.75 billion** in net redemptions (**-12.67% of sector assets**). In relative terms, **Fixed Income funds** were among the bottom three performing subsectors, flanked by **Equity Market Neutral funds**, which surrendered **-\$7.17 billion (-13.02% of sector assets)**, and **Equity Long/Short funds** which gave up **-\$21.48 billion (-12.55% of sector assets)**.

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TRAILING TWELVE MONTH (TTM) AGGREGATE NET FLOWS — HF INDUSTRY



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Tepid Asset Gains in Europe and UK Insufficient to Offset Hedge Fund Redemptions Everywhere Else

The hedge fund industry reported net inflows in only two of the world's regions in December: Funds in **Continental Europe** added **\$1.14 billion (0.09% of assets)**, while funds in the **U.K. and its offshore islands** picked up approximately **\$270 million** or **0.06% of assets**.

Redemptions were the norm elsewhere in the world led by the **U.S. and Offshore Islands** funds **-\$38.96 billion (-1.40% of sector assets)**. Elsewhere, hedge funds in **Canada** lost **-\$1.65 billion (-1.07% of sector assets)**; funds in **Latin America** shed approximately **-\$660 million (-5.62% of sector assets)**; funds in **Asia excluding China and Japan** saw approximately **-\$130 million** exit **(-0.22% of sector assets)**; funds in **China and Hong Kong** experienced approximately **-\$110 million** in redemptions **(-0.25% of sector assets)**; and funds in **Japan** saw approximately **-\$40 million** in outflows **(-1.00% of sector assets)**.

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FLows INTO Hedge Funds By Region

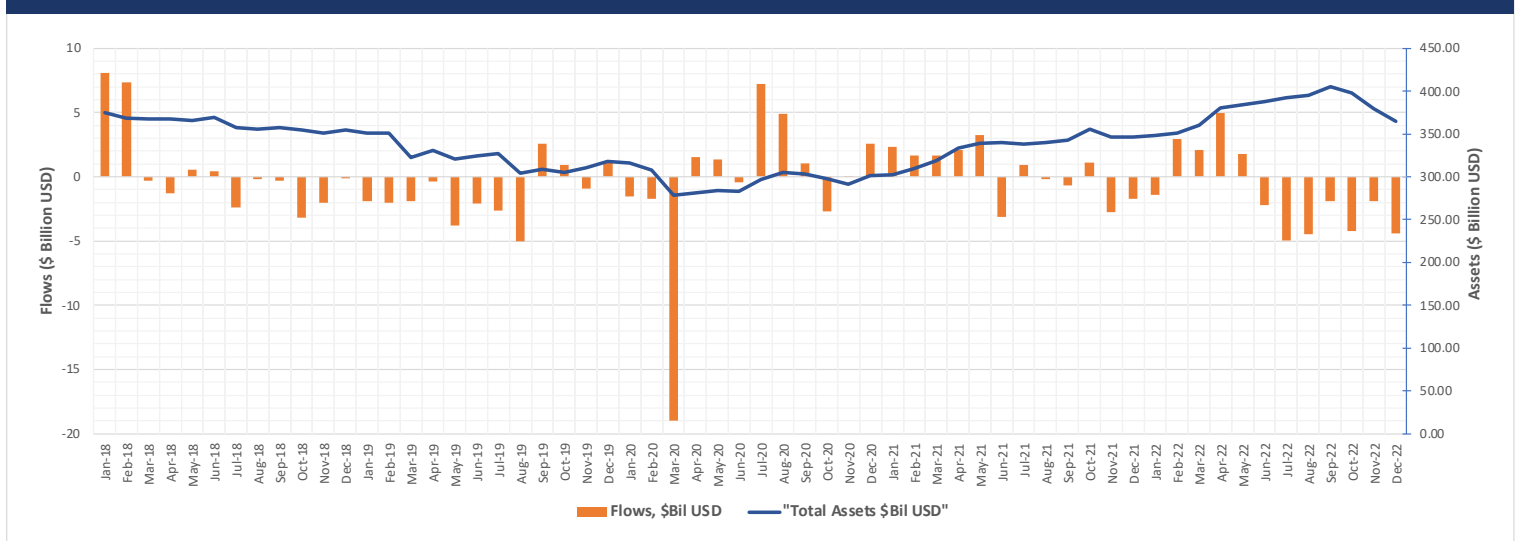
Industry – Region	Net Inflows (\$ Bil USD)			Year-to-Date Net Inflows (\$ Bil USD)			Trailing Twelve Months Net Inflows (\$ Bil USD)			AUM (\$ Bil USD)
	Flow	Trading P/L	Flow %	YTD Flow	YTD Trading P&L	YTD Flow %	TTM Flow	TTM Trading P&L	TTM Flow %	Total Assets
HF - U.S. and Offshore Islands	-38.96	-55.75	-1.40%	-218.92	-321.70	-8.26%	-218.92	-321.70	-8.26%	2705.88
HF - Asia Ex. China/Japan	-0.13	-0.74	-0.22%	-0.85	-4.45	-1.31%	-0.85	-4.45	-1.31%	58.04
HF - Canada	-1.65	-1.15	-1.07%	-4.17	-4.91	-2.83%	-4.17	-4.91	-2.83%	151.76
HF - China/Hong Kong	-0.11	1.09	-0.25%	-6.50	-8.39	-9.98%	-6.50	-8.39	-9.98%	44.72
HF - Continental Europe	1.14	-17.29	0.09%	-99.25	-168.27	-7.53%	-99.25	-168.27	-7.53%	1277.55
HF - Japan	-0.04	0.08	-1.00%	0.11	-0.30	2.59%	0.11	-0.30	2.59%	4.04
HF - Latin America	-0.66	-0.03	-5.62%	-0.27	0.44	-2.43%	-0.27	0.44	-2.43%	7.76
HF - U.K. and Offshore Islands	0.27	-1.53	0.06%	-79.17	-39.23	-13.93%	-79.17	-39.23	-13.93%	480.72

Investors Continue Turning Away from Systematic CTAs in December

The managed futures industry reported **-\$4.39 billion** in redemptions in December, amounting to **-1.16% of industry assets**. December's outflows were up from **-\$1.89 billion** in November. A **-\$280 million** trading loss in December brought total CTA industry assets to **\$364.95 billion** as the month ended, down from **\$379.05 billion** at the end of November.

For the 12 months through December, the managed futures industry experienced **-\$13.55 billion** in aggregate net redemptions, equivalent to a loss of **-3.91% of industry assets**. A **\$30.10 billion** trading profit in 2022 contributed to **\$364.95 billion** in total industry assets as the year closed, up from **\$348.44 billion** a year earlier.

CTA Industry Assets & Flows



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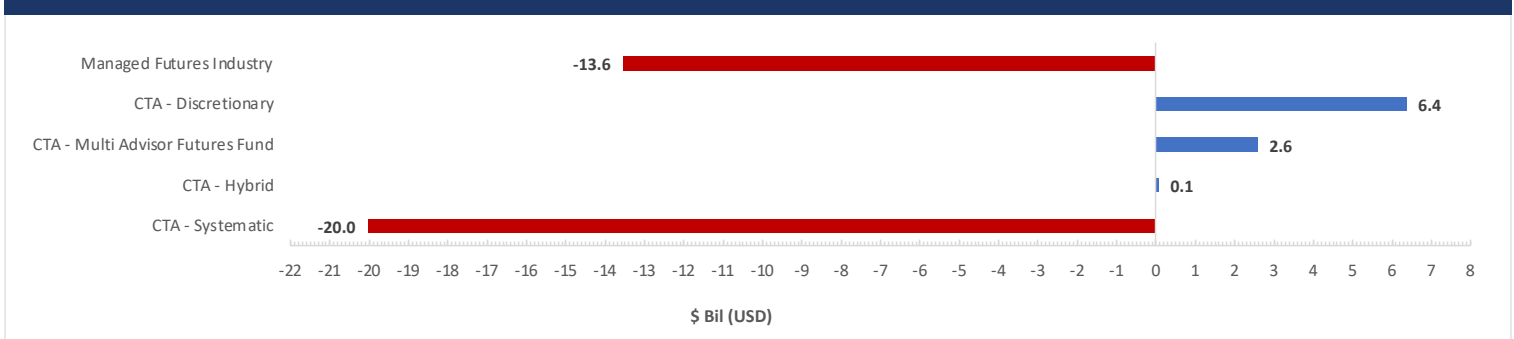
Rotation Toward Discretionary and Multi-Advisor Futures Funds Continued in December

All four CTA subsectors tracked experienced redemptions in December: Systematic CTAs saw **-\$3.97 billion** in net redemptions (**-1.17% of sector assets**); **Discretionary CTAs** suffered **-\$17.01 million** in net outflows (**-0.58% of sector assets**); **Hybrid CTAs** were off **-\$25.31 million** (**-1.11% of sector assets**); and **Multi-Advisor Futures Funds** dropped **-\$41.21 million** (**-1.93% of sector assets**).

Three of four CTA subsectors posted inflows for the calendar year 2022. **Discretionary CTAs** had net subscriptions of **+\$6.36 billion** (**35.61% of sector assets**); **Multi-Advisor Futures Funds** picked up **+\$2.58 billion** (**19.93% of sector assets**); and **Hybrid CTAs** gained **+\$6.19 million** (**0.32% of sector assets**).

Redemptions from **Systematic CTAs** in 2022 outpaced subscriptions by **-\$20.04 billion** (**-6.35% of sector assets**).

TRAILING TWELVE MONTH (TTM) AGGREGATE NET FLOWS — CTA INDUSTRY



December Redemptions from CTAs Broadly Distributed

CTA redemptions were the norm across the world's regions in December. CTAs in the **U.S. and Offshore Islands** funds saw **-\$3.05 billion exit** (**-1.28% of regional assets**); funds in the **U.K. and Offshore Islands** experienced approximately **-\$930 million** in redemptions (**-1.07% of regional assets**); funds in **Continental Europe** shed approximately **-\$380 million** (**-1.10% of regional assets**); and CTAs in **Canada** reported approximately **-\$20 million** in outflows (**-0.20% of regional assets**). CTAs were generally flat in **Asia (Excluding Japan and China)** and slightly ahead in **Hong Kong and Mainland China** (**+0.52% of regional assets**).

FLOWS TO CTAs BY REGION

Industry - Region	Net Inflows (\$ Bil USD)			Year-to-Date Net Inflows (\$ Bil USD)			Trailing Twelve Months Net Inflows (\$ Bil USD)			AUM (\$ Bil USD)
	Flow	Trading P/L	Flow %	YTD Flow	YTD Trading P/L	YTD Flow %	TTM Flow	TTM Trading P/L	TTM Flow %	Total Assets
CTA - U.S. and Offshore Islands	-3.05	-0.04	-1.28%	-13.84	22.52	-6.54%	-13.84	22.52	-6.54%	225.32
CTA - Asia Ex. China/Japan	0.00	-0.02	0.00%	-0.19	0.17	-2.40%	-0.19	0.17	-2.40%	7.96
CTA - China/Hong Kong	0.00	0.00	0.52%	-0.32	0.01	-29.16%	-0.32	0.01	-29.16%	0.66
CTA - Continental Europe	-0.38	-0.22	-1.10%	-2.68	3.63	-8.63%	-2.68	3.63	-8.63%	34.15
CTA - Canada	-0.02	-0.02	-0.20%	-1.53	-1.61	-9.85%	-1.53	-1.61	-9.85%	10.53
CTA - U.K. and Offshore Islands	-0.93	0.02	-1.07%	4.44	5.67	5.69%	4.44	5.67	5.69%	85.37

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