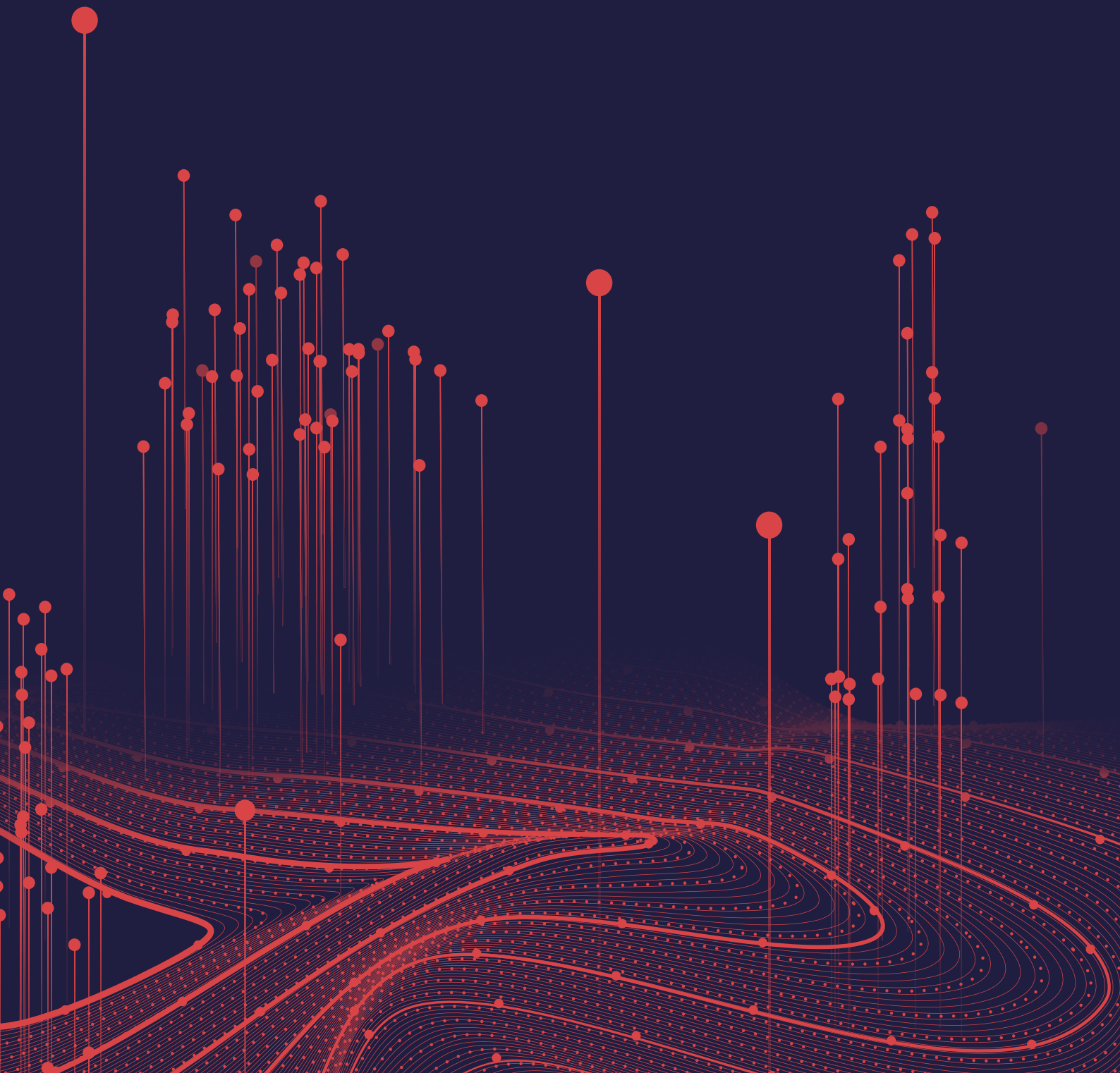




Hedge Fund Research Report 2021

Insights and trends from over 100 leading hedge fund
managers on asset allocation, quant strategies and the
changing landscape of quant managers



Systematic Hedge Funds on the Rise as Post Pandemic Optimism Grows

New research from over 100 leading hedge fund managers reveals widespread enthusiasm for quant strategies

Foreword

Hedge fund managers are very optimistic about their future prospects and see quantitative strategies as a clear area for growth, according to recently commissioned independent research with over 100 global hedge fund managers ⁽¹⁾.

Collectively, the hedge fund managers surveyed manage over \$231 billion in AUM across European, Asian and North American markets, and provide telling insights into the market trends and dynamics of the hedge fund industry.

Andrew Liddle, Chief Operating Officer, SigTech

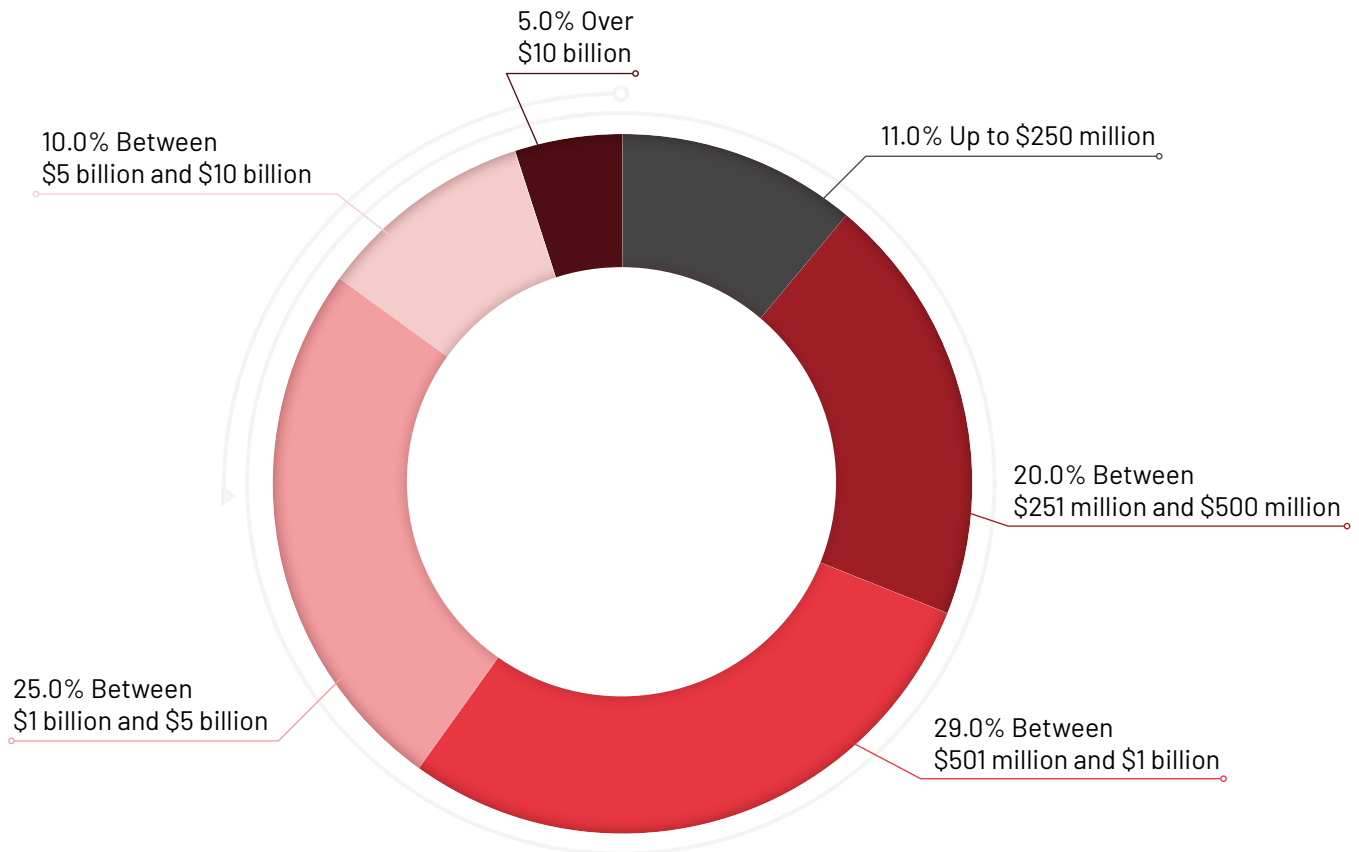
80% of hedge fund managers expect institutional investors to increase their allocation to quant strategies in the next twelve months

73% of managers believe the current economic and fiscal environment is attractive for quant strategies

86% expect the number of quant fund managers to increase over the next five years

AUM of survey respondents

We surveyed 100 hedge fund managers across the UK, US, and Asia with up to \$231 billion in AUM, collectively. The interviews were conducted online in June 2021.



Value	Value	Responses
11.0% Up to \$250 million	11.0%	11
Between \$251 million and \$500 million	20.0%	20
Between \$501 million and \$1 billion	29.0%	29
Between \$1 billion and \$5 billion	25.0%	25
Between \$5 billion and \$10 billion	10.0%	10
Over \$10 billion	5.0%	5

Total: 100

How do you see the level of asset allocation to quant strategies from institutional investors changing this year compared to 2020?

Growing allocation to quant hedge fund strategies

The findings reveal that 80% of hedge fund managers expect institutional investors to increase their allocation to quant strategies in 2021, with 29% expecting a significant rise.

51.0%
Increase slightly

29.0%
Increase dramatically

13.0%
Stay the same

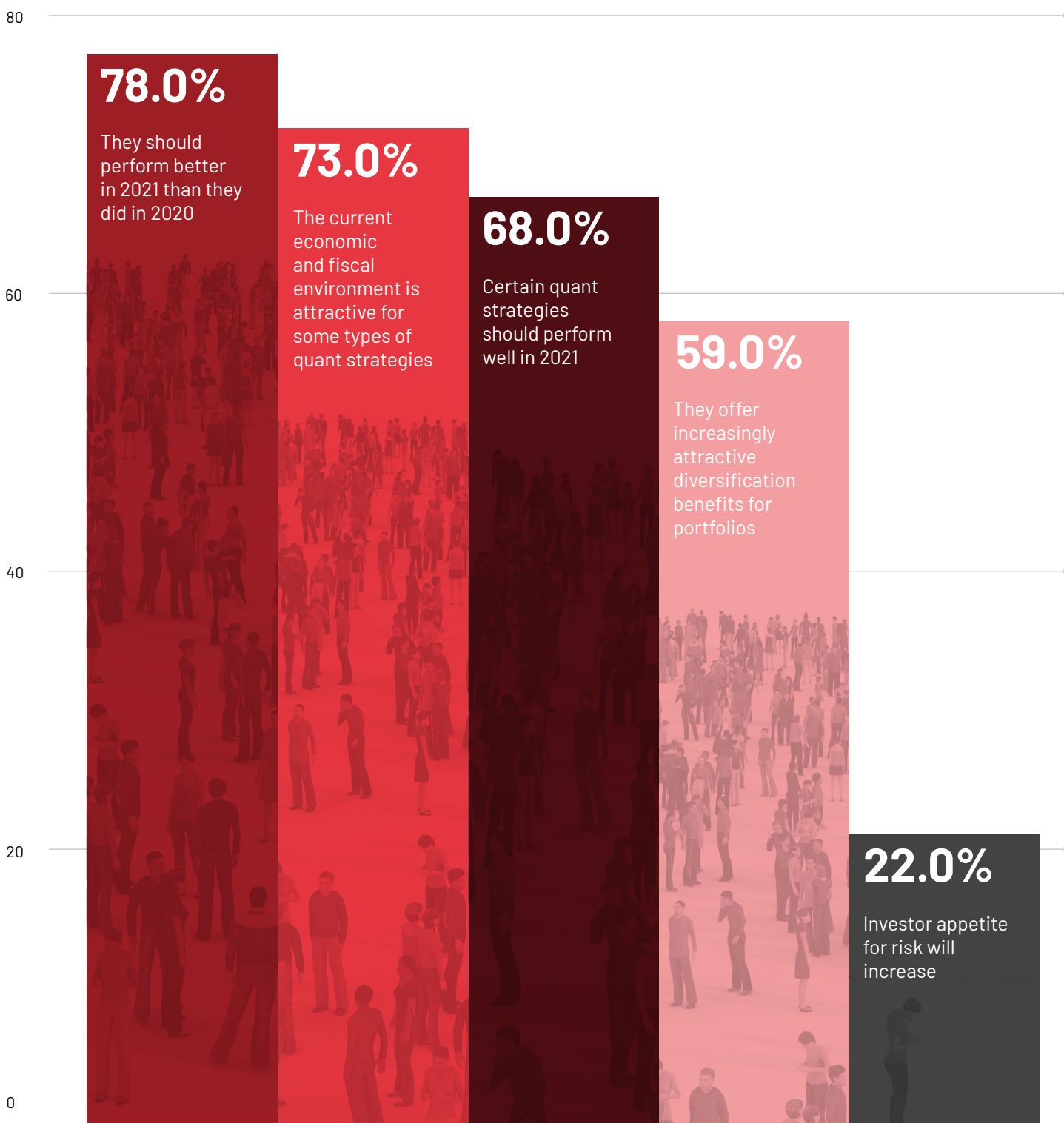
7.0%
Decrease

If you think allocations to quantitative strategies will increase, why is this?

Macro environment drives opportunities for quant strategies

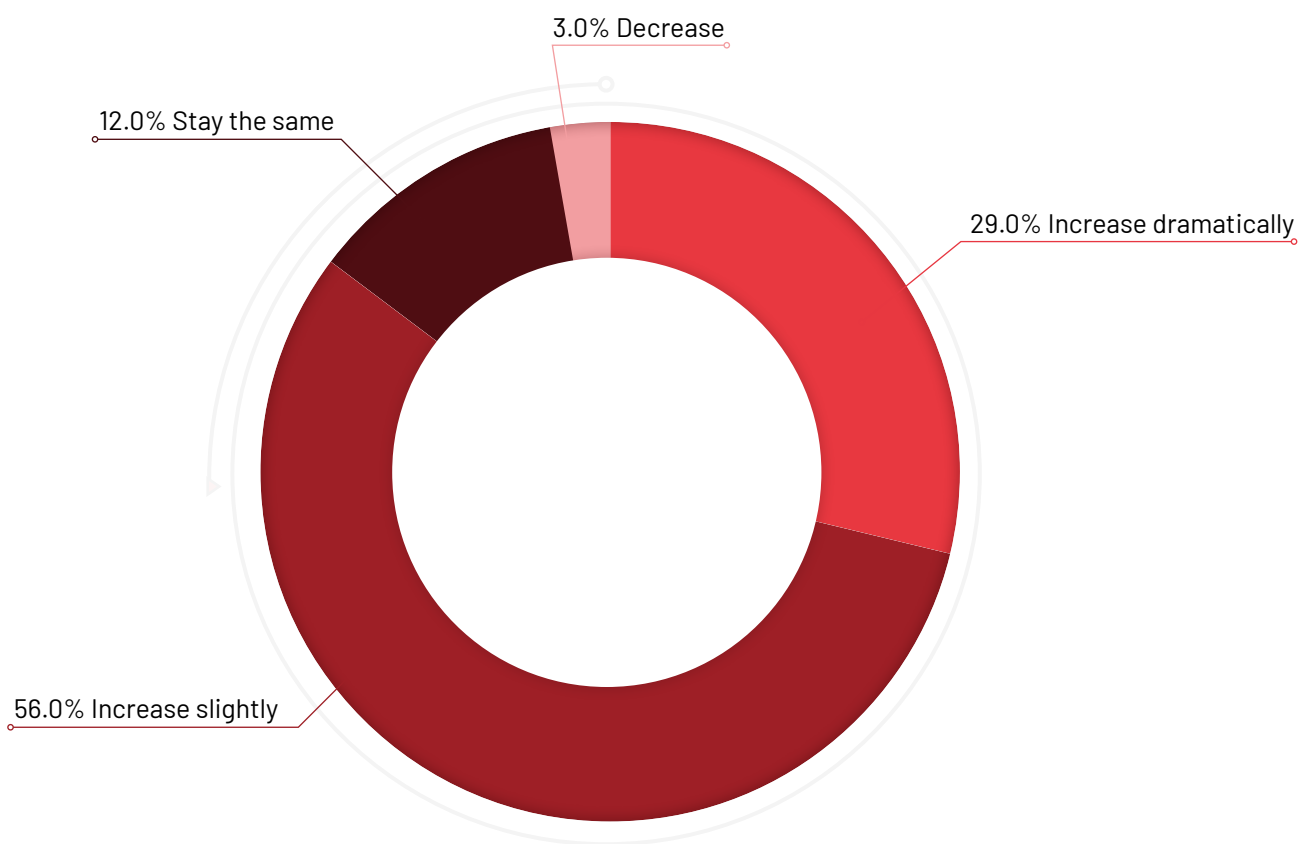
A key reason for optimism in the sector is that 78% of managers surveyed believe that quantitative strategies should perform better in 2021 than they did in 2020 and 73% believe the current economic and fiscal environment is attractive for quant strategies. Some 68%

say they expect quant strategies to outperform this year, and nearly six out of ten (59%) believe many are becoming more attractive because they offer diversification benefits for portfolios. Growing levels of sophistication and innovation in the sector are fueling this trend.



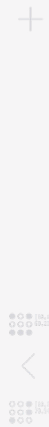
How do you see the number of quant strategies being launched changing over the next two years?

The majority of respondents (85%) are bullish about quant strategies and see more being launched over the next two years, with 29% of managers predicting a dramatic increase.



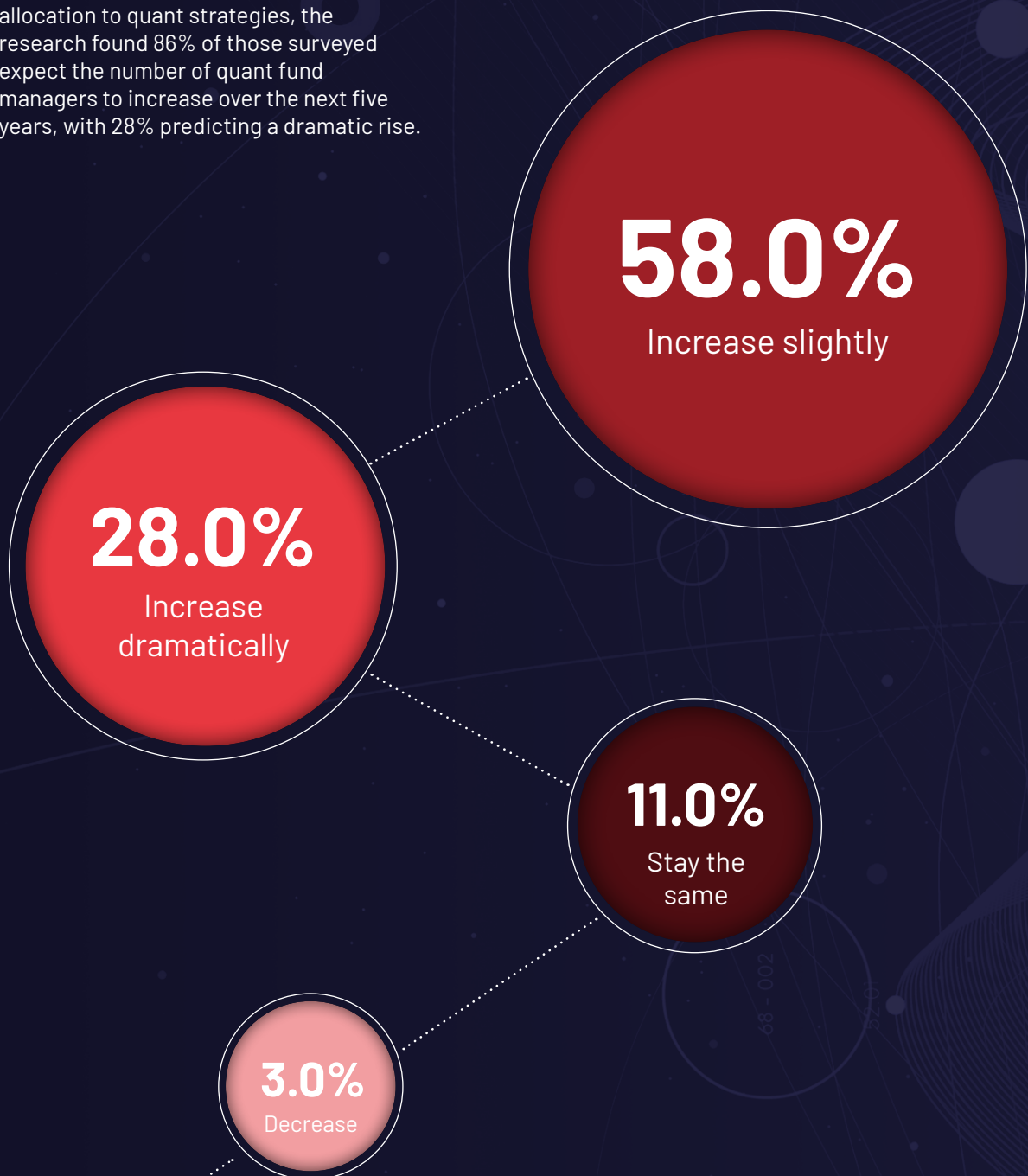
Value	Value	Responses
Increase dramatically	29.0%	29
Increase slightly	56.0%	56
Stay the same	12.0%	12
Decrease	3.0%	3

Total: 100



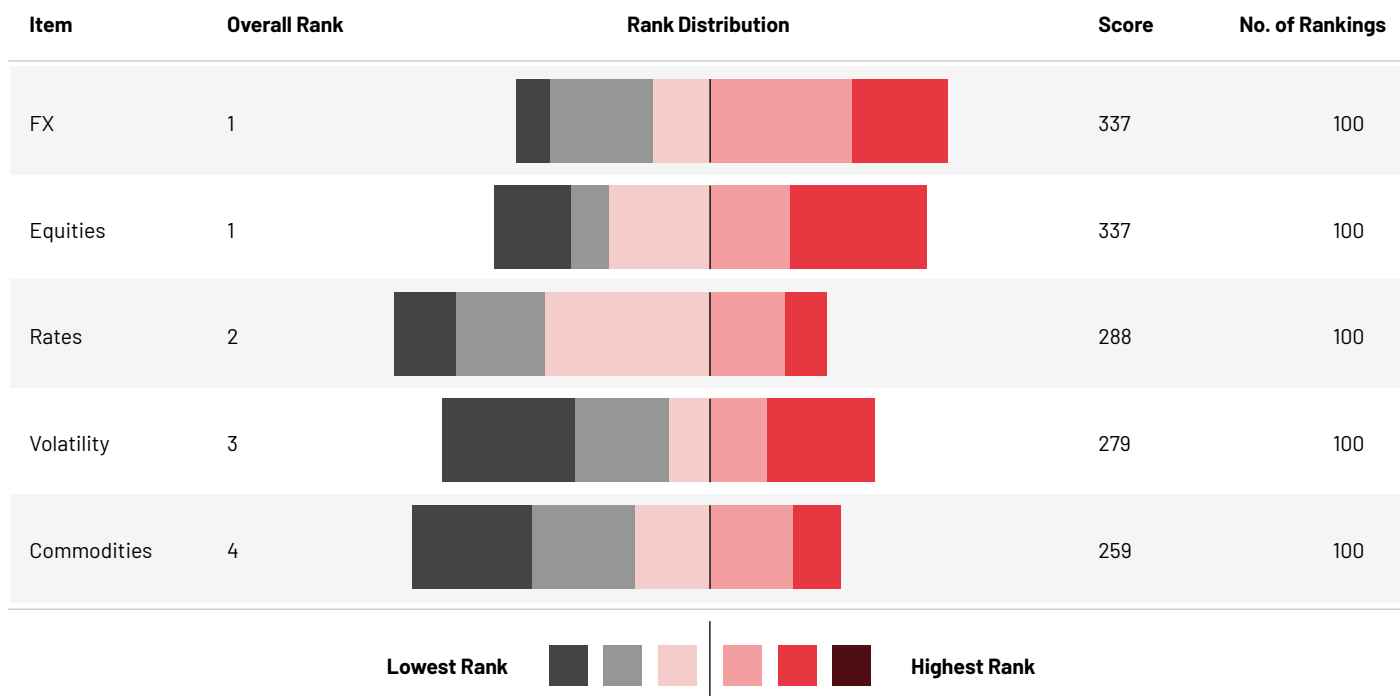
How do you see the number of quant managers in the world changing over the next five years?

With asset owners set to increase their allocation to quant strategies, the research found 86% of those surveyed expect the number of quant fund managers to increase over the next five years, with 28% predicting a dramatic rise.

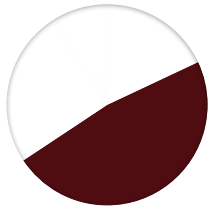


Over the next 12 months, how do you see asset inflow into quant strategies in different asset classes changing?

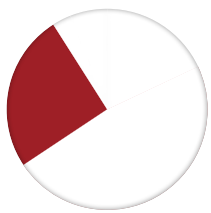
When asked which quant strategies are likely to see the biggest increase in inflows over the next 12 months, the hedge fund managers interviewed predicted FX and equities will see the largest rise, followed by rates, volatility and commodities strategies.



How do you see the level of asset allocation to quant strategies from institutional investors changing this year compared to 2020?



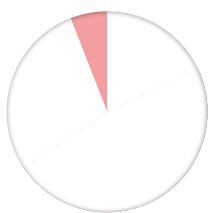
48.0%
Increase slightly



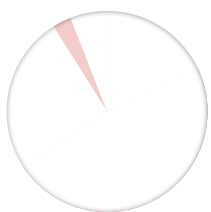
25.0%
Stay the same



18.0%
Increase dramatically



6.0%
Decrease slightly

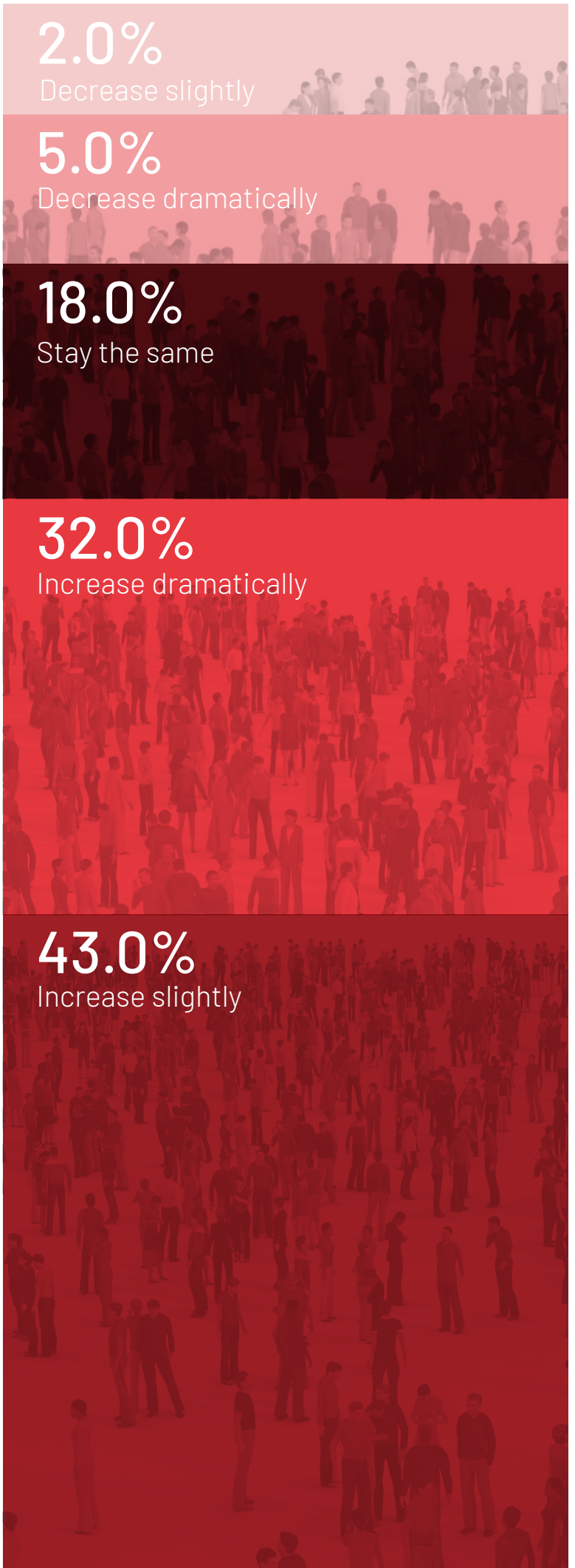


3.0%
Decrease dramatically

If you think that quant strategies are improving their levels of transparency, what impact do you think this will have on the amount institutional investors allocate to them?

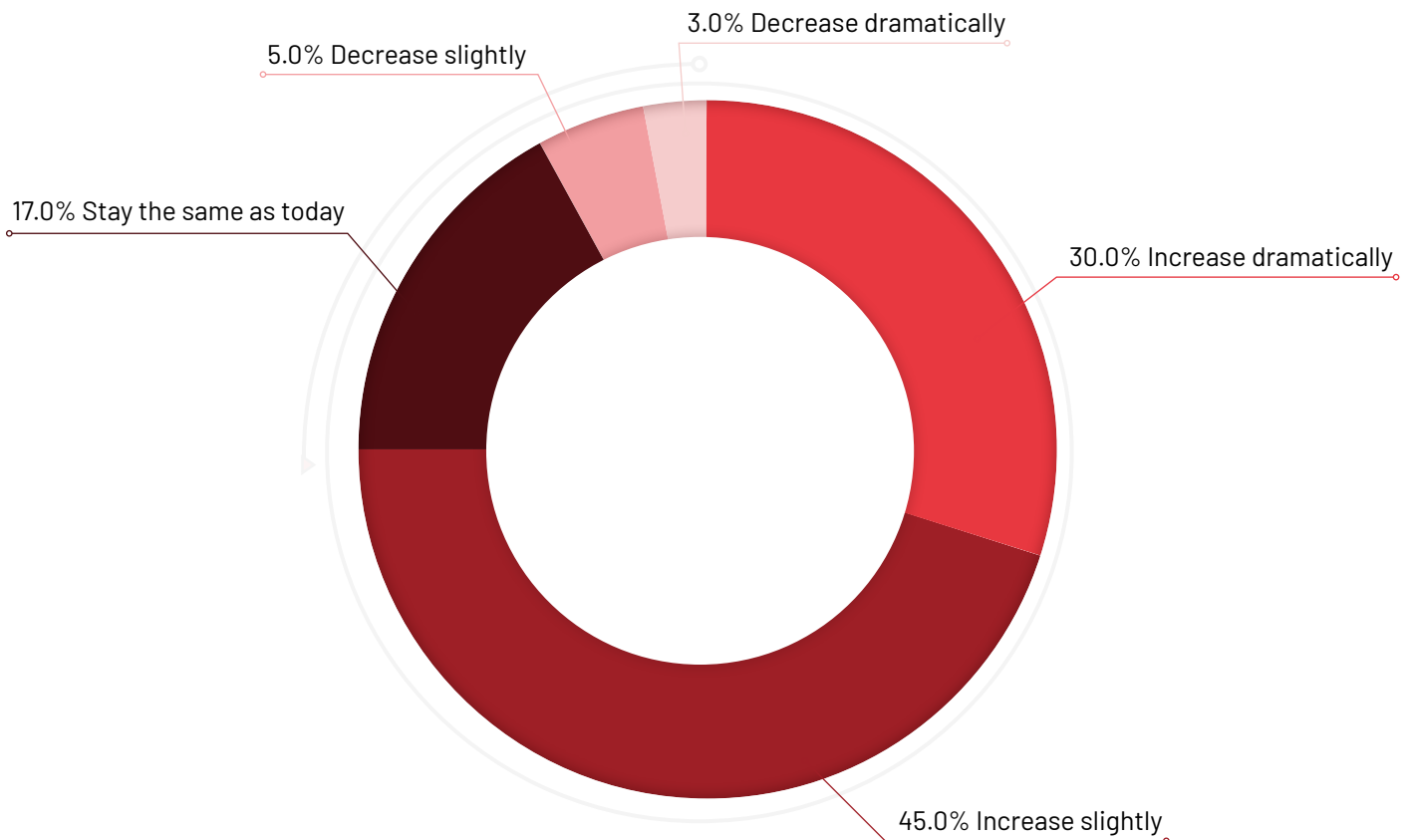
Increased transparency

As the hedge fund industry continues to grow, levels of transparency in the quant market are expected to increase. 75% of hedge fund managers think increased transparency will lead to institutional investors increasing their allocation.



Over the next two years, what do you think will happen to allocation levels to hedge funds from institutional investors?

75% of respondents see increased allocations from institutional investors to hedge funds over the next two years, with 17% believing that it will remain the same as it is today.



Value	Value	Responses
Increase dramatically	30.0%	30
Increase slightly	45.0%	45
Stay the same as today	17.0%	17
Decrease slightly	5.0%	5
Decrease dramatically	3.0%	3

Total: 100

How has the use of social media and chat rooms by hedge funds to support their strategies changed over the past 12 months?

48.0%
Increase slightly

24.0%
Increase dramatically

16.0%
Stay the same

6.0%
Decrease slightly

6.0%
Decrease dramatically

Social media

New and innovative datasets were also found to have supported the growth in systematic strategies: 24% of hedge fund managers questioned have dramatically increased their analysis of social media and chatroom data over the past 12

months. A further 48% said it has increased, and only 12% said they have focused on this data less.

Furthermore, over the next two years 30% say they will dramatically increase their use of chat room and

social media data to support signal construction and trading strategies. A further one in three (35%) believe their usage of this data will rise slightly.

Over the next two years, how do you see the use of social media and chat rooms by hedge funds to support their strategies changing?

Value		Value	Responses
Increase dramatically		30.0%	30
Increase slightly		35.0%	35
Stay the same as today		25.0%	25
Decrease slightly		5.0%	5
Decrease dramatically		4.0%	4
Don't know		1.0%	1

Thinking of the trading infrastructure used by quant hedge funds today, how would you rate the following features in terms of their importance?

Quant tech

When questioned about what mattered most to them in trading infrastructure, 65% of hedge funds surveyed said backtesting (providing consistent results between live trading and backtests by factoring in real-life trading costs and market structures) was 'very important'.

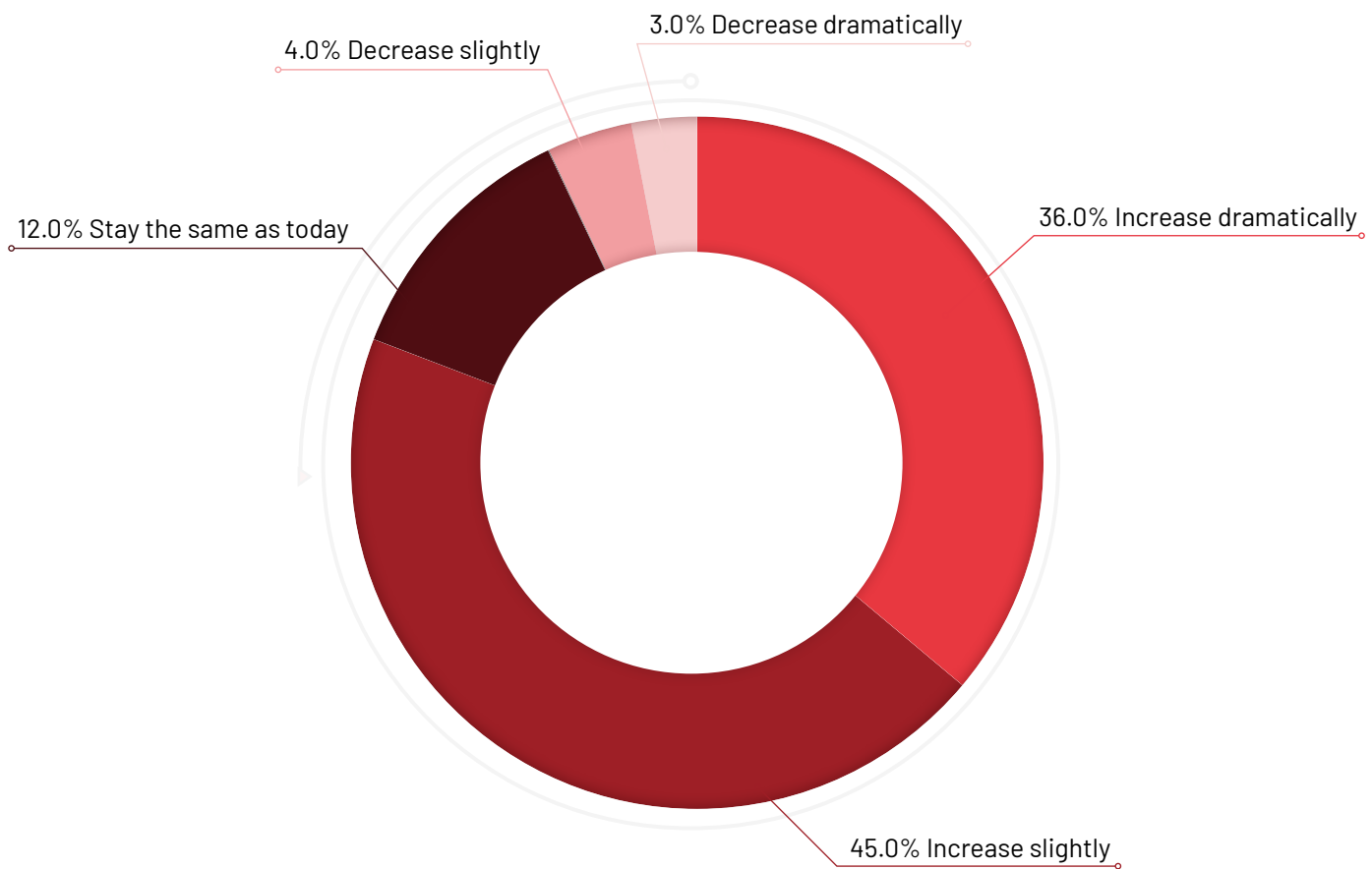
52% said clean data was also very important to them. The ability to move seamlessly from research into production and execution (49%) and getting strategies to market faster (47%) were also cited as significant features.

	Very important	Important	Not very important	Not very important at all	Responses
Backtesting - consistent results between live trading and backtests by factoring in real-life trading costs and market structures	65.0%	31.0%	3.0%	1.0%	100
Clean data	52.0%	42.0%	5.0%	1.0%	100
Ability to move seamlessly from research into production and execution	49.0%	45.0%	5.0%	1.0%	100
Getting to market with strategies faster	47.0%	44.0%	8.0%	1.0%	100
Total					100

Over the next two years, how do you see the use of cryptocurrency in quant investment strategies changing?

Crypto assets

Over the next two years, over 80% of respondents expect an increase in the use of cryptocurrencies in quant strategies, including 36% who foresee a dramatic increase. 45% predict a slight rise.



Value	Value	Responses
Increase dramatically	36.0%	36
Increase slightly	45.0%	45
Stay the same as today	12.0%	12
Decrease slightly	4.0%	4
Decrease dramatically	3.0%	3

Total: 100

Capitalising on data and technology

2021 is proving to be a strong year for hedge funds in terms of performance and the sector is on track for sustained growth⁽²⁾. Exposure to new or previously underutilised datasets and methods in social media, crypto, and even more recently, nowcasting, are further fuelling innovation in the industry.

When launching new systematic investment processes, infrastructure build-out and data management can be slow and expensive, while strategy development and backtesting can be cumbersome and repetitive. Fund managers are increasingly looking for new ways to reduce inefficiencies and create operational leverage via SaaS solutions and 'plug and play' technologies to ensure that their funds can improve their pace, scale and innovation when launching new strategies.

About SigTech

SigTech offers future-proof quant technologies to global investors. Cloud-hosted and Python-based, our platform integrates a next-gen backtest engine and analytics with curated datasets covering equity, rates, FX, commodity and volatility. SigTech eliminates the expensive upfront costs of infrastructure build-out, giving clients an edge in alpha generation from day one.

The SigTech platform was originally built over eight years ago to manage systematic investments at Brevan Howard which remains a SigTech client today. After the spinoff into an independent company in early 2019, the team has grown substantially and established SigTech as the leading provider of quant technologies.

Get in touch to find out more hello@sigtech.com,
or visit our website sigtech.com.

Citations:

⁽¹⁾ SigTech commissioned the market research company Pureprofile to survey 100 hedge fund managers across the UK, US, and Asia. Interviews were conducted online in June 2021.

⁽²⁾ Hedgeweek Article: <https://www.hedgeweek.com/2021/07/09/303209/hedge-funds-generate-strongest-first-half-returns-more-two-decades>.



Get in touch

hello@sigtech.com
sigtech.com

SigTech
82 Baker Street
London
W1U 6TE
UK

