

Press Release

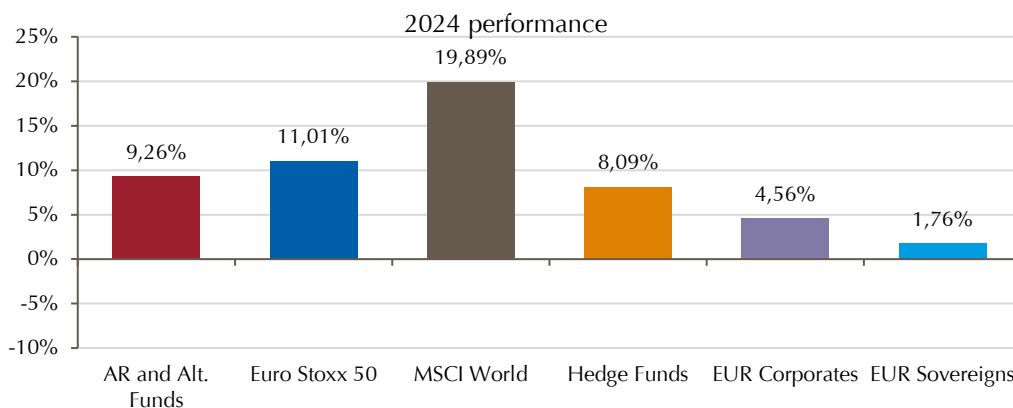
27 February 2025

2024 Liquid Alternatives strategies give a 9.26% annual return. Best result since the study was launched.

Robust risk management. Turnaround in cash flows initiated.

Hedge fund strategies in the UCITS mantle have been remarkably successful in 2024: With an average fund performance of 9.26%, the asset class saw the best return since the start of 2008. Both in returns and risk management, the segment impressed with single-digit drawdowns on almost all strategies and a positive Sharpe ratio for almost two-thirds of the funds. Another positive signal came from cash flows: For the first time in two years, the asset class returned to net inflows in the second half of the year – the turnaround has begun. This is demonstrated by Lupus alpha’s semi-annual liquid alternatives study based on data from the analysis house LSEG Lipper.

Nearly 90% of all absolute return and liquid alternatives funds registered in Germany generated positive returns in 2024. Taking the average of all strategies, the asset class performed almost on par with European equities and significantly outperformed Euro bonds. UCITS-regulated hedge funds also clearly outperformed their unregulated counterparts. Only global equities outperformed Liquid Alternatives, driven by the S&P 500 (+25.02%) and especially the Magnificent 7.



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High-quality risk management: The maximum losses were in single digits for almost all strategies. The alternative fixed income strategies Absolute Return Bond and Alternative Credit Focus with maximum drawdowns of less than -3% were particularly impressive. Over five years, 9 out of the 14 strategies were more resilient than Euro sovereign and corporate bonds even during periods of stress. The high-quality risk management is also reflected in the Sharpe ratios: 62.4% of all funds are positive, and one in five is even at 1 or more.

Cash flows show a turnaround: After record outflows of EUR 35.1 billion last year, the segment returned to inflows in the second half of 2024. This significantly reduced net outflows in the full year to only EUR 4.29 billion. Every other strategy showed positive net cash flows at the end of the year, led by Absolute Return Bond with an increase of EUR 4.7 billion. This led to a five-point increase in the strategy's market share to 21.4%. The two alternative fixed income strategies remain the largest group in the market at 30%.

Remarkable: The **investment behaviour of institutional and retail investors showed striking differences in 2024**. In some cases, retail investors demonstrated a high level of risk appetite and are increasingly relying on strategies with more equity risk, particularly equity leveraged. For institutional investors, the focus is on the diversification contribution of the asset class. They favour investment strategies with lower drawdowns, in particular alternative fixed income strategies and equity market neutral.

Ralf Lochmüller, Managing Partner and CEO of Lupus alpha, identifies the renewed confidence of institutional investors in this asset class: "Given the continued high probability of a crisis and high valuations of global equities, investors are shifting more towards alternative investment segments with higher downside protection." He adds: "Investors are expanding their range of strategic asset allocation in order to provide more stable portfolios."

The downloadable [white paper](#) contains further detailed information, including a breakdown of the performance of individual strategies.

About the study: Since 2008, Lupus alpha has been evaluating the universe of absolute return and liquid alternatives funds on the basis of data from LSEG Lipper. The Study covers UCITS-compliant funds with an active management approach that are authorised for distribution in Germany. The Study focuses on market size, development and composition, performance in the investment segment and individual strategies, as well as key risk figures. It evaluates the three levels of aggregation – the overall universe, strategies within the universe, and funds within the strategies – and distinguishes between 14 strategies. The alternative long/short equity strategy, for example, comprises 93 funds.

About Lupus alpha: As an independent, owner-operated asset management company, Lupus alpha has been synonymous with innovative, specialised investment solutions for 25 years. As one of Germany's European small and mid-cap pioneers, Lupus alpha is one of the leading providers of volatility strategies as well as collateralised loan obligations (CLOs). The specialist product range is rounded off by global convertible strategies and risk overlay solutions for institutional portfolios. The Company manages a volume of approximately EUR 16 billion for institutional and wholesale investors. For further information, visit www.lupusalphade.com.

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