

Institutional Investors Flock to Hedge Funds, Industry Now on Track to Reach \$5 Trillion Within Two Years

With Intelligence 2026 Hedge Fund Outlook Ratchets Up Growth Forecast as Funds Track Toward Eight-Year High in Asset Inflows

NEW YORK, NY, UNITED STATES, December 4, 2025 /EINPresswire.com/ -- Hedge funds have

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Sam MacDonald, Hedge Fund Research Lead, With Intelligence

become the ultimate risk mitigation tool for the world's largest pension funds and other institutional investors who have helped put the industry on track to reach an eight-year high in new asset inflows in 2025. According to the [With Intelligence Hedge Fund Outlook 2026](#), a combination of ongoing volatility, multi-strategy expansion, and new fund launches has accelerated growth across the industry, with overall hedge fund industry assets now projected to hit \$5 trillion by the end of 2027—one year earlier than originally forecast in January 2025. The new report tracks the major trends driving hedge fund industry growth.

“All the barometers we use to gauge the relative health of the hedge fund industry, from fund flows to trends in strategy diversification to new fund launches, are pointing to an acceleration of the growth we've seen this year,” said Sam MacDonald, Hedge Fund Research Lead, With Intelligence. “Many of the largest institutional allocators are still underweight hedge funds and continue to ramp up their interest in the sector as a means of mitigating looming geopolitical and market risks.”

Following are some of the highlights in the With Intelligence Hedge Fund Outlook 2026:

- **Hedge Fund Assets on Track to Reach \$5 Trillion by 2027:** Total hedge fund assets under management reached \$4.2 trillion through June 2025, and at their current growth rate, will reach the \$5 trillion mark by the end of 2027, one full year earlier than originally forecast. The accelerated growth rate is driven in part by \$43 billion in asset inflows into hedge funds through September of 2025, which puts 2025 on track to be the biggest year of hedge fund inflows since 2017.

- **New Fund Launch Activity Surges:** Another key indicator of overall industry health has been the rapid pace of new fund launches. Through the first nine months of 2025, With Intelligence has tracked 344 new funds in development, the most since the COVID-19 pandemic. So far this year, tier two multi-strategy funds have outperformed tier-one firms, generating an average return of 7.7%.

- **Many Big Investors Still Underweight Hedge Funds:** The largest U.S. public pension funds and endowments still have considerable room to grow when it comes to meeting their target allocations. CalSTERS, Ohio PERS, and Ohio STRS alone have to invest more

than \$23 billion before they reach their current hedge fund allocation targets.

- **Commodities Emerge as Diversification Play:** Physical commodities will be the biggest diversification play in 2026 as both larger firms and start-ups hunt for alpha that quant approaches cannot easily access.

To access the full With Intelligence Hedge Fund Outlook 2026, please click [here](#).

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