



Weekly HF Highlights:

US De-Grossing Limited to Monday; HFs Add Shorts Across US Single-Names

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This Week's Highlights (as of Thursday, March 13th)

In a mixed week for US equities, HF's ultimately turned to adding shorts across US single-names with de-grossing flow limited to Monday. The single name short additions took place across several sectors, led by **TMT**, **Discretionary** and **Financials** as HF's continued to reduce their directional risk amidst market volatility. Interestingly, when looking across index level products, HF's were buyers as they added longs and monetized hedges. Despite the active gross additions from L/S funds through this week, **US Equity L/S gross leverage ended the week lower at 205%, in line with the contraction observed across equities. However, gross leverage remains just off of peak levels as it tracks in the 98th %-tile since 2010.** Meanwhile, the cohort's **net leverage** tracked slightly lower on the week to 45% (*along lowest level over the last 12m*) – marking a notable reduction from peaks of 56% at the start of the drawdown on Feb 18th, 2025.

From a PnL perspective, this week continued to be challenging as the **average global fund** gave back -74bps WTD. While the **average US L/S fund** was more challenged in absolute terms, they fared relatively stronger against the S&P's drawdown considering their net leverage continuing to track above 40% - the group ended the week down -1.4%, representing ~30% of the S&P's performance over the week (-4.3%). On the year, PnL has materially eroded for the US L/S group, as they are now down -1.9% YTD (after being up +2.8% at the start of the drawdown on Feb 18, 2025). **The average global fund is up ~60bps on the year – driven by strength across the EU-based and Asia-based cohorts who had been relatively lightly positioned in US equities.**

In Europe, HF's across all regions continued to be sellers of **EU Equities**, with the bulk of the de-grossing flow driven by **US-based accounts**. **EU Defense** (based on constituents of MSSTDFEN Index) continued to drive the selling as **Industrials** was the most net sold sector in notional terms. HF's were lighter sellers of **EU Financials** and **Consumer-related sectors**, while they were buyers of **Tech** and **Materials**. **Within Asia ex-Japan, China drove all the selling in the region** – the selling was largely driven by local A-Shares, and H-Shares to a lesser extent, while flows across ADRs were flatter. From an exposure standpoint, HF net exposure to China still sits along 12m highs as the selling marked an early reversal. Sector wise, all areas within China were net sold, led by **Consumer Discretionary** and **TMT**. Meanwhile, HF's also trimmed gross exposure from **Japan**, with the selling led by **Industrials** and **Financials**.

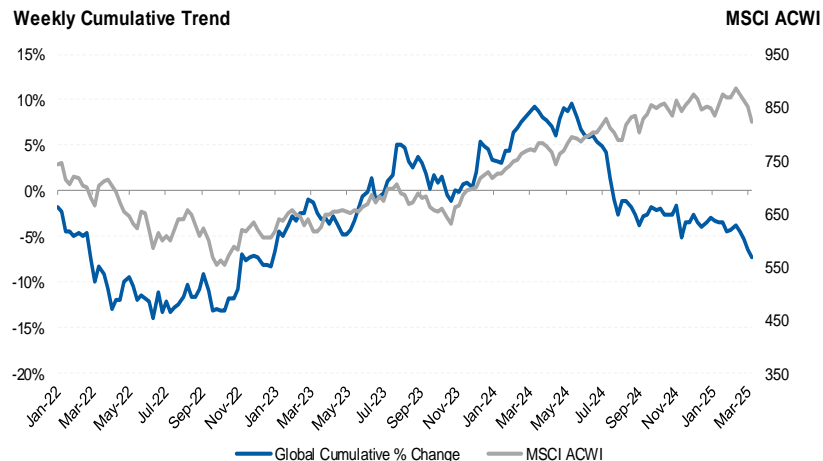
Looking at PnL across the global cohorts, the **average EU-based HF** is up +1.9% YTD, while the **average EU-based L/S** is up +2.8% - while favorable in absolute terms, this represents a fraction of the gains from the Euro STOXX 600 which is up +6.9% YTD. PnL sits the strongest across **Asia-based accounts** as the average Asia-based HF is up +2.7% YTD, and the **average Asia-based L/S** fund is up +2.6%. It's worth noting, however, that **China focused L/S funds are the only group to be positive through the month of March (+15bps) and are up the most YTD as they have gained +4.5% (vs. MSCI Asia +1.9%).**

US Key Stats as of Mar 13, 2025 (similar stats for other regions on pages 5-7)

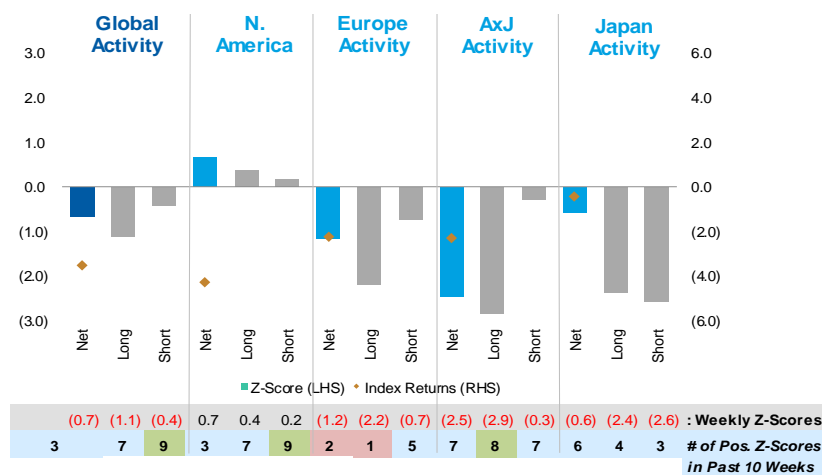
- **US L/S Leverage: Net** @ 45% (19th %-tile since '10) || **Gross** @ 205% (98th %-tile since '10)
- **Americas L/S Net Performance: MTD: -3.3%** (S&P 500 **-7.2%**) || **YTD: -1.9%** (S&P 500 **-5.9%**)
- **Top 50 Crowding Performance (Longs – Shorts): WTD: +2.3%** || **MTD: -2.6%** || **YTD: -4.3%**

Weekly Flows: Global Summary

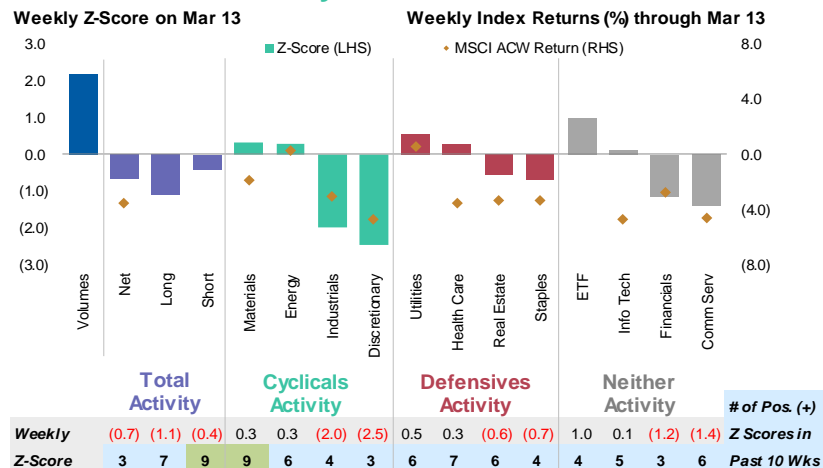
Global Cumulative Flows



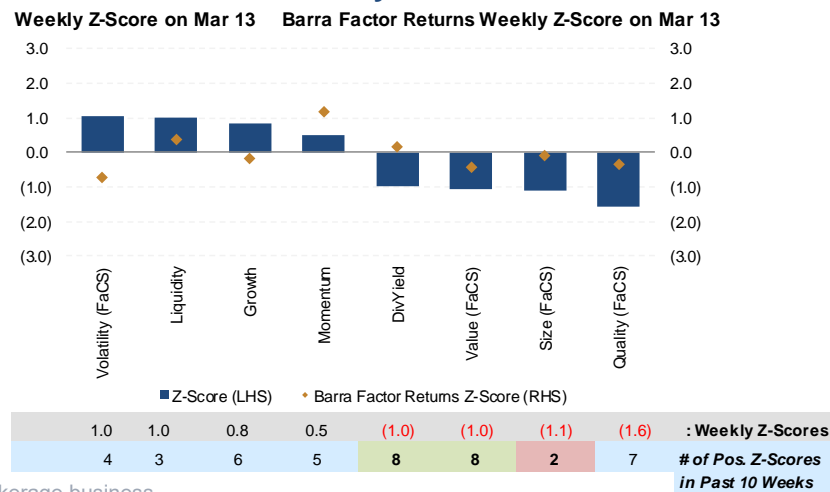
Regional Weekly Flows



Global Sector Weekly Flows



N. America Factor Weekly Flows



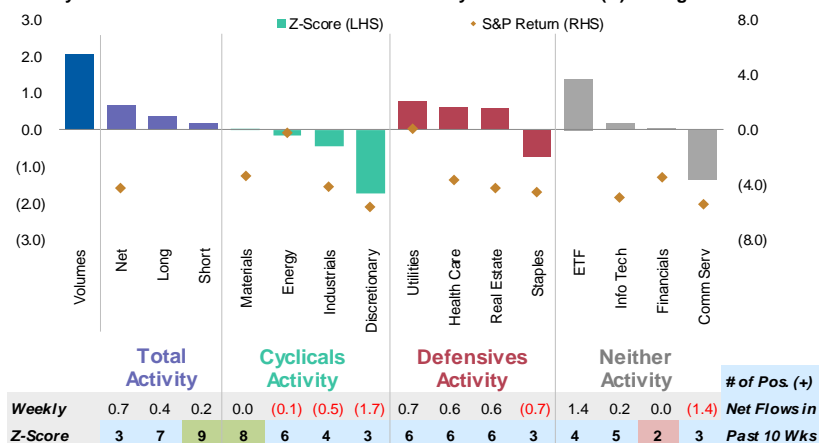
(1) Note: Charts reflect HF buying and selling of equities across Morgan Stanley's Prime Brokerage business.

Sources for Charts in Report: Bloomberg, MSCI Barra, Morgan Stanley Prime Brokerage, data as of Mar 13, 2025

Weekly Flows: Sector Flows Summary

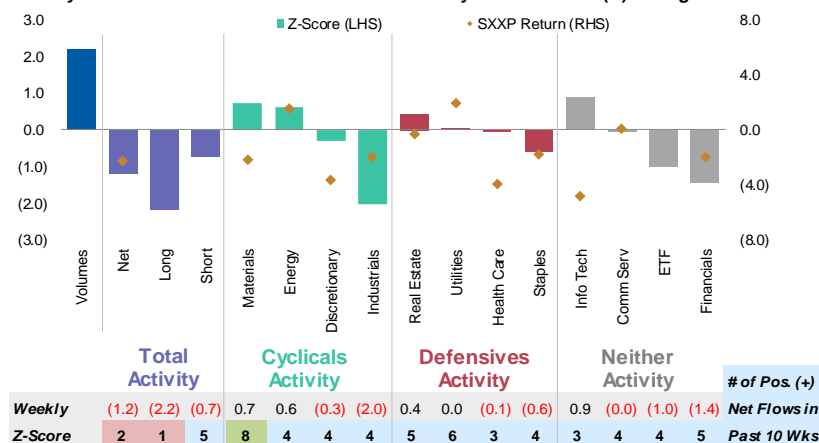
N. America Weekly Sector Flows

Weekly Z-Score on Mar 13



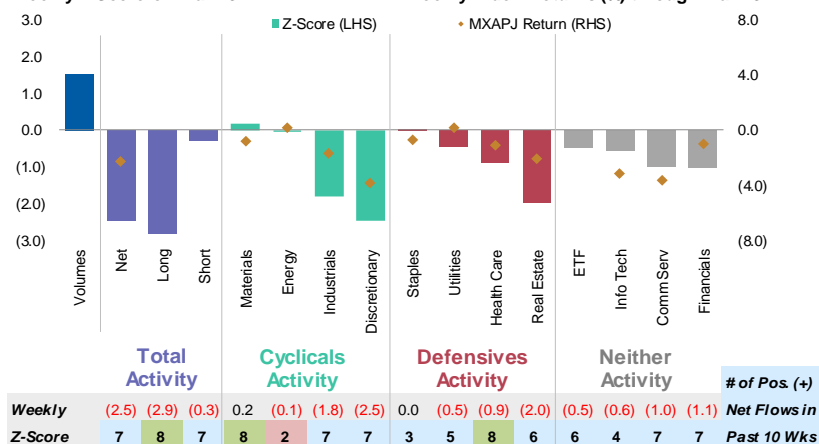
Europe Weekly Sector Flows

Weekly Z-Score on Mar 13



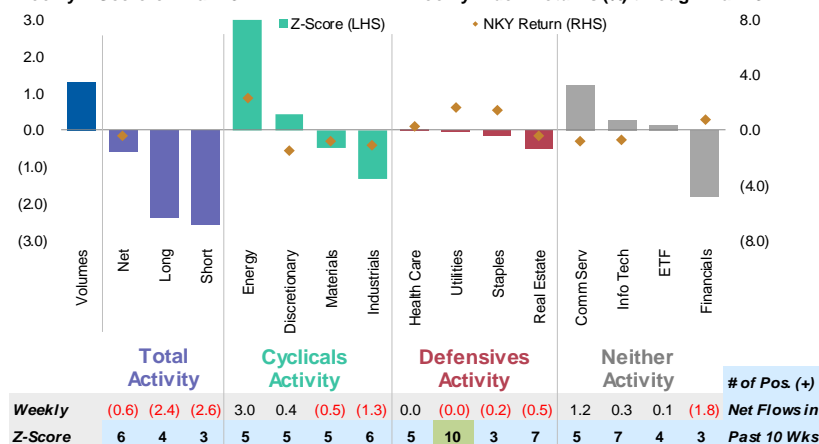
Asia Ex Japan Weekly Sector Flows

Weekly Z-Score on Mar 13



Japan Weekly Sector Flows

Weekly Z-Score on Mar 13



Sources for Charts in Report: Bloomberg, MSCI Barra, Morgan Stanley Prime Brokerage, data as of Mar 13, 2025

Regional Leverage: US, Europe, and Asia

Regional Leverage: Current HF Leverage Levels

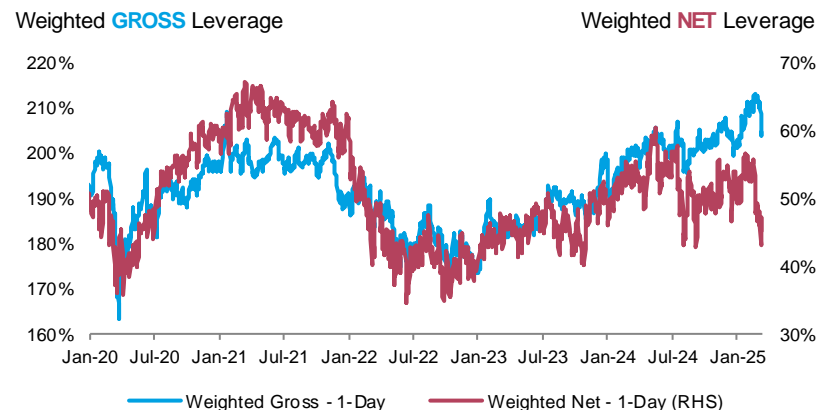
Gross Leverage By Region

Region	Current Level	1-Year tile	%- 5-Year tile	%- %Tile Since '10	WoW % Change	MTD % Change
US	205%	73%	94%	98%	-7%	-7%
Europe	162%	21%	6%	6%	1%	0%
Asia	137%	87%	66%	67%	-1%	-3%

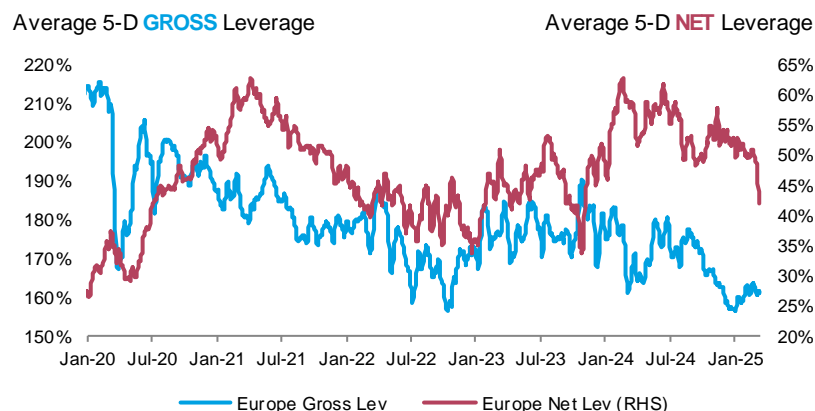
Net Leverage By Region

Region	Current Level	1-Year tile	%- 5-Year tile	%- %Tile Since '10	WoW % Change	MTD % Change
US	45%	3%	28%	19%	-1%	-4%
Europe	42%	0%	21%	53%	-4%	-7%
Asia	62%	5%	25%	69%	1%	-2%

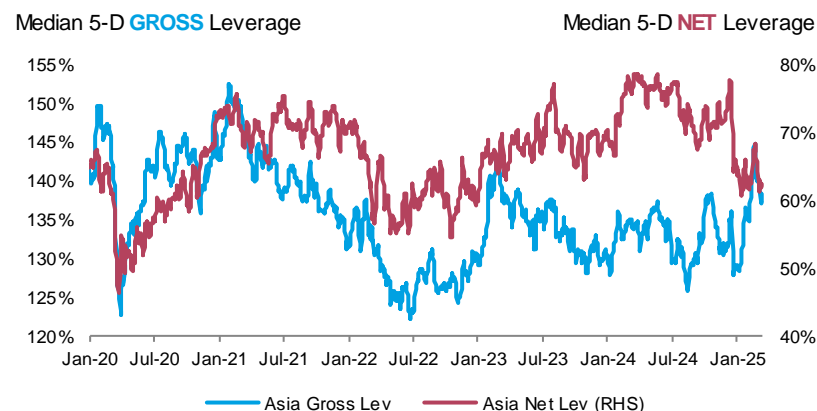
US: Weighted 1-D Equity L/S Gross and Net Lev



Europe: Average 5-D Equity L/S Gross and Net Lev



Asia: Median 5-D Equity L/S Gross and Net Lev



Sources for Charts in Report: Bloomberg, MSCI Barra, Morgan Stanley Prime Brokerage, data as of Mar 13, 2025

Performance Highlights: MTD & YTD HF Performance Estimates

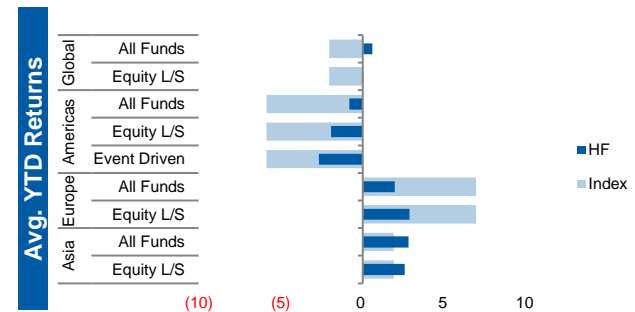
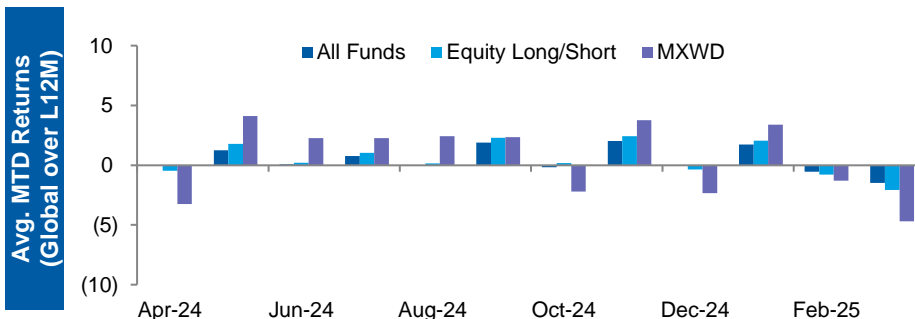
Hedge Fund Performance Estimates (Adjusted for incentive fee considerations)

Region	Strategy	Median	Average	Percentiles				
				10%	25%	50%	75%	90%
Global	All Funds	(0.91)	(1.47)	(5.07)	(3.18)	(0.91)	0.56	2.13
	Equity Long/Short	(1.56)	(2.07)	(5.18)	(3.83)	(1.56)	0.32	2.08
Americas	All Funds	(1.72)	(2.26)	(5.31)	(3.87)	(1.72)	0.07	1.66
	Equity Long/Short	(2.67)	(3.35)	(5.59)	(4.75)	(2.67)	(0.79)	1.37
	Event Driven	(3.36)	(2.92)	N/A	N/A	(3.36)	(0.54)	N/A
Europe	All Funds	0.02	(0.15)	(3.69)	(2.11)	0.02	1.89	2.98
	Equity Long/Short	0.03	(0.27)	N/A	(2.10)	0.03	1.25	2.47
Asia	All Funds	(0.01)	(0.55)	N/A	(1.41)	(0.01)	0.97	N/A
	Equity Long/Short	(0.20)	(0.49)	N/A	(1.34)	(0.20)	1.01	N/A
	China - Equity L/S	0.65	0.15	N/A	(0.77)	0.65	1.25	N/A

Equity Indices		
Return	Index	Currency
(4.70)	MSCI AC World	USD
(7.20)	S&P 500	USD
(2.85)	Europe STOXX 600	EUR
0.72	MSCI Asia Pacific	USD

Region	Strategy	Median	Average	Percentiles				
				10%	25%	50%	75%	90%
Global	All Funds	0.08	0.59	(4.01)	(1.68)	0.08	2.21	5.22
	Equity Long/Short	(0.45)	0.04	(5.09)	(2.68)	(0.45)	1.99	4.50
Americas	All Funds	(0.81)	(0.83)	(5.37)	(2.58)	(0.81)	1.31	3.81
	Equity Long/Short	(1.93)	(1.93)	(7.51)	(3.61)	(1.93)	0.60	2.64
	Event Driven	(3.00)	(2.68)	N/A	N/A	(3.00)	(0.42)	N/A
Europe	All Funds	1.37	1.95	(0.47)	0.83	1.37	2.55	5.26
	Equity Long/Short	2.33	2.84	N/A	0.79	2.33	4.78	6.46
Asia	All Funds	1.21	2.78	N/A	(0.36)	1.21	3.17	N/A
	Equity Long/Short	0.88	2.55	N/A	(0.80)	0.88	3.41	N/A
	China - Equity L/S	3.70	4.54	N/A	2.64	3.70	5.94	N/A

Equity Indices		
Return	Index	Currency
(2.05)	MSCI AC World	USD
(5.88)	S&P 500	USD
6.90	Europe STOXX 600	EUR
1.90	MSCI Asia Pacific	USD



Note: Throughout this report (including the figure above) we rely on our Proprietary Estimates of HF returns. The estimates above are for informational purposes only and may differ from actual market wide aggregated performance data. We typically send out a similar analysis base on aggregated data from investor letters around mid-month. Sources for Charts in Report: Bloomberg, MSCI Barra, Morgan Stanley Prime Brokerage, data as of Mar 13, 2025

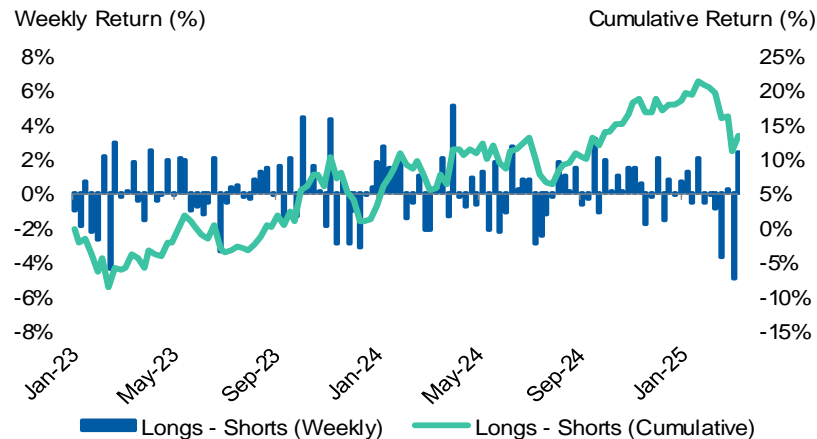
Crowding Performance: Top 50 Crowded Longs vs. Shorts

Crowding Performance by Region

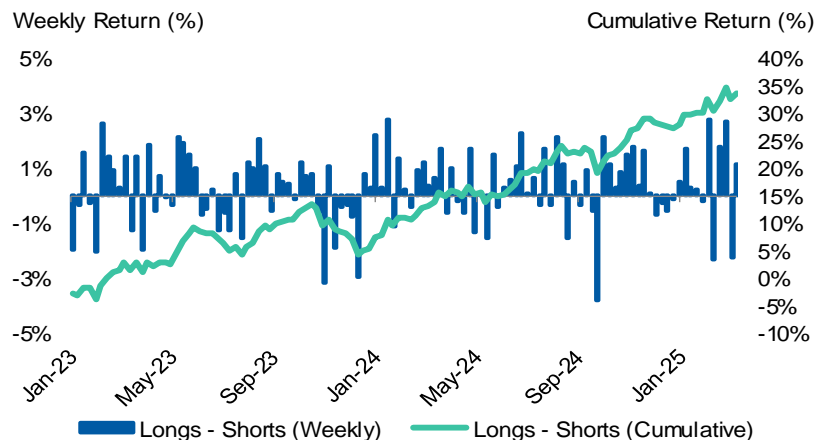
Performance of Top 50 Crowded Longs vs. Shorts by Region

	Metric	Top 50 Longs	Top 50 Shorts	Appr. Spread	Index Return	Index
N. Am	WTD	-3.11%	-5.45%	2.35%	-4.28%	S&P 500
	WTD Spread Z-Score	0.66	0.88	126	-	
	MTD	-10.05%	-7.50%	-2.56%	-7.21%	
	YTD	-7.76%	-3.46%	-4.30%	-5.87%	
Europe	WTD	-1.97%	-3.12%	1.15%	-2.15%	Euro STOXX 600
	WTD Spread Z-Score	(0.06)	0.83	0.54	-	
	MTD	-0.85%	0.20%	-1.05%	17.1%	
	YTD	13.81%	6.72%	7.10%	12.05%	
Asia	WTD	-2.04%	-0.91%	-1.13%	-1.85%	MSCI AC Asia Pacific
	WTD Spread Z-Score	(0.37)	(0.88)	(1.32)	-	
	MTD	2.14%	2.27%	-0.12%	0.65%	
	YTD	9.87%	4.66%	5.21%	157%	

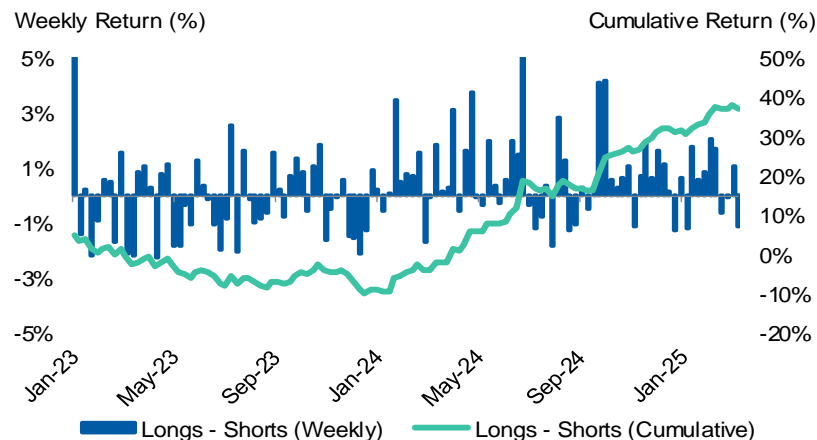
N. America: Average Weekly Crowded Returns



Europe: Average Weekly Crowded Returns



Asia: Average Weekly Crowded Returns



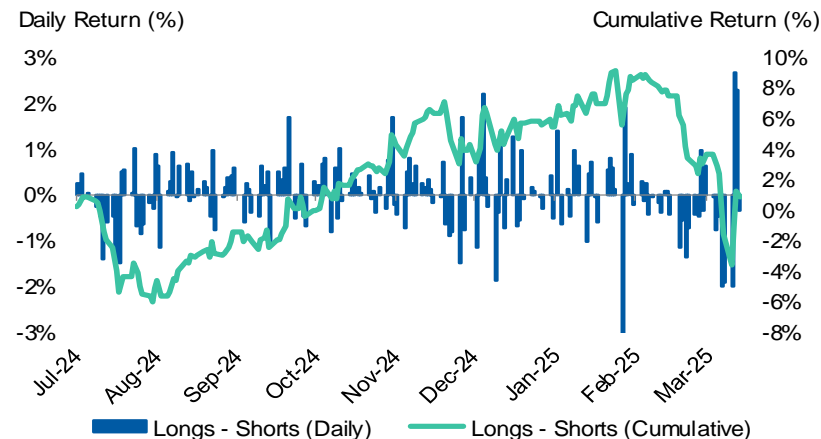
Sources for Charts in Report: Bloomberg, MSCI Barra, Morgan Stanley Prime Brokerage, data as of Mar 13, 2025

N. America Daily Crowding Perf: Top 50 Crowded Longs vs. Shorts

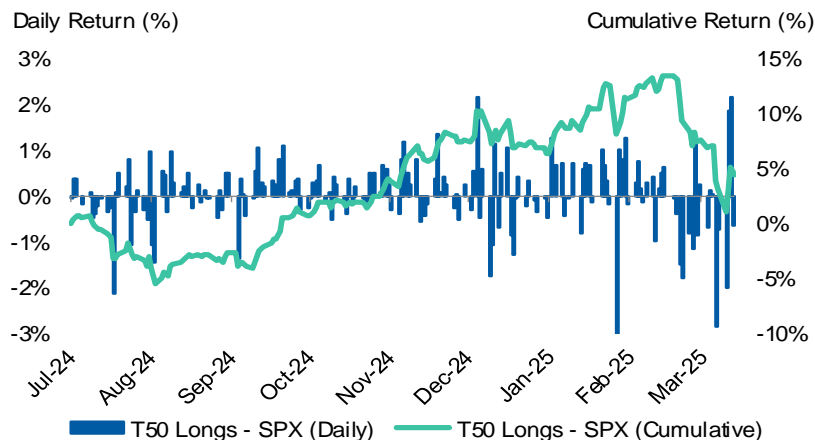
Top 50 Crowded Longs and Shorts Daily Returns

Date	Top 50 Long Appr (L)	Top 50 Short Appr (S)	Appr Spread (L - S)	S&P 500 TR
2/28/2025	1.84%	1.22%	0.63%	1.60%
3/3/2025	(2.46%)	(2.45%)	(0.01%)	(1.75%)
3/4/2025	(1.12%)	(0.35%)	(0.76%)	(1.22%)
3/5/2025	1.16%	1.63%	(0.47%)	1.12%
3/6/2025	(4.67%)	(2.63%)	(2.03%)	(1.78%)
3/7/2025	(0.19%)	1.73%	(1.92%)	0.57%
3/10/2025	(4.70%)	(2.68%)	(2.02%)	(2.68%)
3/11/2025	1.09%	(1.58%)	2.67%	(0.76%)
3/12/2025	2.65%	0.38%	2.27%	0.49%
3/13/2025	(2.03%)	(1.67%)	(0.35%)	(1.38%)
MTD	(10.05%)	(7.50%)	(2.56%)	(7.21%)
YTD	(7.76%)	(3.46%)	(4.30%)	(5.87%)

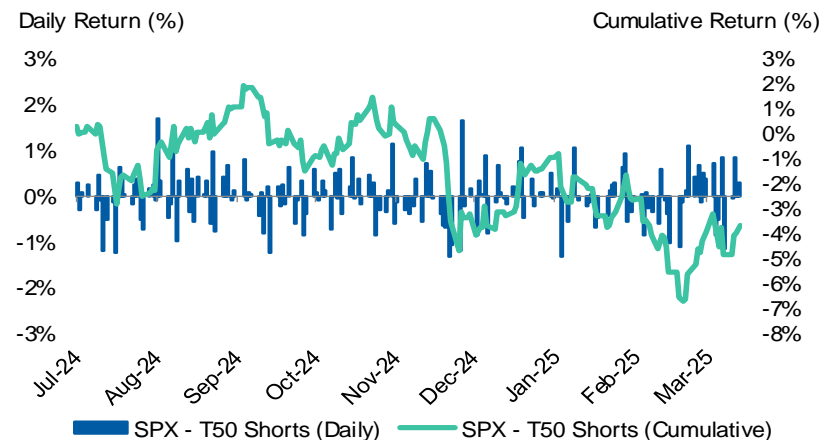
Long vs. Short Spread: Returns of Top 50 Longs MINUS Top 50 Shorts



Long Spread: Returns of Top 50 Longs MINUS S&P 500



Short Spread*: Returns of S&P 500 MINUS Top 50 Shorts



*a positive spread means shorts are *underperforming* the index, which helps returns

Sources for Charts in Report: Bloomberg, MSCI Barra, Morgan Stanley Prime Brokerage, data as of Mar 13, 2025

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