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# NEW HEDGE FUND LAUNCHES FALL TO LOWEST SINCE 2008 AS US DOLLAR SURGE DRIVES MACRO GAINS

## *HFRI Macro Index thrives as global equities plunge; Industry-wide fees remain steady as rates rise, volatility accelerates*

CHICAGO, (September 30, 2022) – New hedge fund launches plunged to the lowest level since 4Q 2008 as the HFRI 500 Macro Index surged through global inflation-induced financial market volatility driven by commodities and long US Dollar currency exposures, according to the latest *HFR Market Microstructure Report*, released today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry.

The estimated number of new hedge fund launches fell to only 80 in 2Q22, a significant decline from the estimated 185 launches in 1Q22, representing the lowest launch rate since only 56 new funds launched in 4Q 2008. In the trailing 12 months ending 2Q22, an estimated 510 total new hedge funds have launched. The number of hedge fund liquidations increased from the prior quarter, as an estimated 156 funds closed its doors in 2Q22, up from 126 fund liquidations in 1Q22. In the trailing 12 months ending 2Q22, an estimated 501 funds have liquidated, resulting in a minimal increase in total number of active hedge funds over the trailing 12 months.

The investable HFRI 500 Macro Index has surged +14.3 percent YTD through August, with gains driven by long commodity and US Dollar positions as the US Federal Reserve continued to raise interest rates to slow the generational inflation market environment. After producing a strong +9.9 percent return in 2021, the HFRI 500 Fund Weighted Composite Index has exhibited strong defensive capital preservation over the volatile start to 2022, topping equity market losses by over 2500 basis points (bps) despite posting a narrow YTD decline of -2.65 percent through August.

The performance dispersion of the HFRI Fund Weighted Composite Index® narrowed slightly over the prior quarter, as the top decile of index constituents returned an average of +10.6 percent in 2Q22, falling from +19.85 percent in the prior quarter, while the bottom decile declined by an average of -23.15 percent in 2Q, falling from -18.6 percent in the prior quarter, and representing a top/bottom decile dispersion of 33.8 percent. Over the trailing four quarters, the top decile of index constituents returned an average of +29.7 percent, while the bottom decile declined by an average of -35.5 percent, representing a top/bottom decile dispersion of 65.2 percent.

Hedge fund fees remained steady in 2Q22, as the average industry-wide management fee was unchanged from the prior quarter at an estimated 1.36 percent, while the average incentive fee increased narrowly by 2 bps to 16.05 percent. The estimated average management fee represents the lowest level since HFR began publishing these estimates in 2008. For funds launched in 2Q22, average management fees declined 11 bps from the prior quarter to an estimated 1.32 percent. Average incentive fees for funds launched in 2Q22 was estimated at 17.9 percent, representing a decline of 8 bps from the prior quarter though remaining above the overall industry-wide average.

"Macro outperformance trends accelerated through mid-3Q, extending the powerful trend driven by commodity, long US-Dollar currency positions, and short equity and fixed income exposure with industry-wide defensive outperformance of steep equity and fixed income losses. New launches fell sharply for the quarter despite the strong outperformance, as risk-off sentiment drove investor risk aversion, with investors maintaining exposures to established funds through the current volatile market paradigm of unprecedented geopolitical and macroeconomic uncertainty," stated Kenneth J. Heinz, President of HFR. "Powerful risk-off sentiment has accelerated gains across uncorrelated Macro strategies through mid-3Q22, with contributions from commodity, fundamental discretionary, and quantitative trend-following exposures. As these trends continue to dominate performance through year end, it is likely that institutional investors will continue to expand allocations to both Macro funds and the entire industry with the objective of defensive capital preservation, long US Dollar exposure, reduced portfolio duration, and powerful inflation protection from these increased allocations."

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