



## FOR IMMEDIATE RELEASE

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## HEDGE FUND LAUNCHES TOP LIQUIDATIONS AS INDUSTRY GROWTH ACCELERATES

*New launches in 3Q exceed liquidations for first time since 2Q15;  
Growth areas for 2018 include Blockchain/Cryptocurrency, Risk Parity, Technology,  
Healthcare and Activist*

CHICAGO, (December 21, 2017) – New hedge fund launches exceeded liquidations on a quarterly basis for the first time in over two years, as improved investor risk tolerance and declining costs drove total hedge funds industry capital to a record \$3.16 trillion in 3Q17. New fund launches totaled 176 in the quarter, narrowly exceeding the 170 launches recorded in same quarter last year and bringing the year-to-date (YTD) total to 545 funds, according to the latest *HFR Market Microstructure Report*, released today by HFR<sup>®</sup>, the established global leader in the indexation, analysis and research of the global hedge fund industry.

At the same time, the number of liquidations fell sharply in the period to 137, representing a steep and favorable decline over both the prior quarter's total of 222, as well the 252 liquidations in 3Q16. Year-to-date through September 30, there were 618 liquidations and 545 launches, a substantial narrowing over FY 2016, when 1,057 funds liquidated and 729 were launched.

The HFRI Fund Weighted Composite Index<sup>®</sup> has gained +7.6 percent YTD through November and has posted 13 consecutive months of performance gains. The HFRI Equity Hedge (Total) Index leads main strategy performance with a YTD return of +12.0 percent, while the

HFRI Emerging Markets: India Index and the HFRI EH: Healthcare Index each lead regional and sub-strategy performance, with gains of +29.3 and +17.6 percent, respectively.

Average hedge fund management fees were essentially unchanged from the prior quarter at 1.45 percent, though the average incentive fee fell 10 bps to 17.1 percent. The average management fee for funds launched in the first three quarters of 2017 was 1.37 percent, representing a slight increase over the 1.31 percent management fee for 2016 launches. However, the average incentive fee for funds launched in the first three quarters of 2017 declined to 16.8 percent, representing a drop of nearly 60 bps from 2016 launches. As reported previously, HFR estimates that only approximately 30 percent of all hedge funds currently charge equal to or greater than a 2-and-20 fee structure.

HFRI performance dispersion continued to contract in 3Q17, though the average performance of both the top and bottom deciles increased. The top decile of hedge funds gained an average of +11.4 percent, while the bottom decile declined -5.6 percent (a dispersion of 17.0 percent), representing an improvement from +10.1 and -8.3 percent, respectively, in 2Q17 (18.4 percent dispersion). Over the trailing 12-month period ending 3Q, the top decile of funds averaged a +30.5 percent return, while the bottom decile fell an average of -14.0 percent, a one-year performance dispersion of 44.5 percent.

“2017 has been a recovery year for the hedge fund industry from 2016, with improved performance, exciting strategy expansion and lower costs driving new fund launches and total industry capital to a new record,” stated Kenneth J. Heinz, President of HFR. “We had anticipated a continuation of this favorable trend in new launches which we expect to continue with the added tailwind of growth not only from Risk Parity and Risk Premia strategies, but also from funds focused on Asian and Emerging Markets, Technology, Healthcare and Activist, as well as from managers specializing in Blockchain and Cryptocurrency investing. This powerful industry evolution and growth trajectory is very likely to accelerate in 1H18,” Heinz said.

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well as firm characteristics on both the broadest and most influential hedge fund managers. HFR has developed a detailed fund classification system, enabling granular and specific queries for relative performance measurement, peer group analysis and benchmarking. The HFR suite of analysis products leverages HFR Database to provide detailed, current, comprehensive and relevant aggregate reference points on all facets of the hedge fund industry. HFR also offers consulting services for clients seeking customized top-level or more sophisticated analysis. For the hedge fund industry's leading investors and hedge fund managers, **Hedge Fund Research is The Institutional Standard.**

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