FOR IMMEDIATE RELEASE

Contacts:

HFR	**MacMillan Communications**	**Hydra Strategy**
Kenneth Heinz	Chris Sullivan	Henrietta Hirst
Chicago/312.658.0955	New York/212.473.4442	London/+44 (0) 7880 742 375
info@hfr.com @HFRInc @KennethJHeinz	chris@macmillancom.com	Henrietta.hirst@hydrastrategy.co.uk

HEDGE FUND LAUNCHES RISE AS INFLATION BUILDS

HFRI top decile surges to rolling year record to begin 2021; Liquidations narrowly increase as trading volatility accelerates

CHICAGO, (June 30, 2021) – New hedge fund launches increased in the first quarter of 2021 to the highest level since 4Q17 as hedge funds posted strong performance to begin 2021 and inflationary pressures have begun to emerge in the US, 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.

New hedge fund launches increased to an estimated 189 in 1Q2021 and exceeded the estimated number of liquidations for the third consecutive quarter, following eight consecutive quarters of contraction. Launches in 1Q exceeded the 4Q estimate of 175 new funds, implying an annualized launch rate well in excess of the FY 2020 launches to 539, a period which included a record low number of launches in 1Q20 as the global pandemic began.

Fund liquidations also increased modestly in 1Q21 to 159, a slight uptick from the prior quarter but also marking a decline of nearly 50 percent from the 304 liquidations in 1Q20. First quarter liquidations would imply an annualized liquidation rate of approximately 600-650 funds, which would be well below the two prior year liquidation totals of 770 and 739 in 2020 and 2019, respectively.

Strong launch and HFRI performance trends are expected to accelerate through mid-2021, as paced by the best starting performance to a calendar year since 1993. The investable HFRI 500 Fund Weighted Composite Index® jumped +8.8 percent YTD through May 2021, while the HFRI Fund Weighted Composite Index® surged +9.7 percent. Over the trailing 8-month period (since beginning of 4Q20), these Indices have gained +19.37 and +21.68 percent., respectively. The HFRI 500 Event-Driven

Index has led strategy performance YTD with a +11.7 percent return through May, while the HFRI Equity Hedge (Total) Index has led strategy-level performance over the trailing 8-month period, vaulting +27.8 percent.

As previously reported by HFR, total hedge fund industry capital surged to a record $3.8 trillion in 1Q 2021.

The 12-month rolling HFRI decile performance dispersion exploded as the top decile surged to a record to begin 2021. The top HFRI decile rocketed to a gain of +126.8 percent in the trailing 12-month period ending 1Q21, the highest rolling 12-month top decile average return on record and more than doubling the calendar year 2020 top decile average return of +60.3 percent. The bottom decile of index constituents declined an average of -12.4 percent in the trailing 12 months, cutting in half the calendar year 2020 bottom decile decline of -24.8 percent. In 1Q2021, the top decile gained an average +29.7 percent, while the bottom decile fell -8.4 percent, resulting in a top/bottom dispersion of 38.1 percent.

Average hedge fund management fees again remained flat from the prior quarter industry-wide at an estimated 1.37 percent, while the average incentive fee declined 15 basis points to end 1Q at 16.20 percent. Both estimated fees represent the lowest level since HFR began publishing these estimates.

For new funds launched in 1Q21, the estimated average management fee increased to 1.4 percent, slightly above the industry-wide average of 1.37, and also above the estimated average mgt. fee of 1.24 percent for funds launched in the prior quarter (4Q20). The average incentive fee for funds launched in 1Q21 was an estimated 17.1 percent, above the total industry-level average of 16.2 but below the average incentive fee of 17.25 for funds launched in calendar year 2020.

"Strong HFRI performance accelerated industry growth to begin 2021, including both new fund launches and a record level of total industry capital as investors positioned for trends toward increasing inflationary pressures and surging trading volumes from individual investors. Continuing the trend from the prior quarter, an increase in trading volume from retail investors and a renewed interest in strategies focused on both out-of-favor, deep value equites, as well as stocks with high short interest, have increased idiosyncratic equity volatility in recent months," stated Kenneth J. Heinz, President of HFR. "Powerful, record performance by the top decile of the HFRI led the recent surge, with a combination of Equity Hedge and Event-Driven strategies contributing to overall HFRI gains. In addition, uncorrelated Macro strategies and interest rate-sensitive Relative Value Arbitrage strategies have also advanced, representing important capital preservation as investor attention has shifted toward expectations for higher interest rates and rising inflationary pressures. Managers positioned for these powerful trends are likely to lead industry performance and growth in 2021."

Follow HFR on Twitter: @**HFRInc** *Follow Ken Heinz on Twitter:* **@KennethJHeinz**

Follow HFR on Weibo: @**HFRAsia**

About HFR®

HFR is the global leader in the alternative investment industry, specializing in the indexation and analysis of hedge funds. Established in 1992, HFR produces the HFRI, HFRX and HFRU Indices, the industry's most widely used benchmarks of global hedge fund performance. HFR calculates over 100 indices of hedge fund performance ranging from industry-aggregate levels down to specific, niche areas of sub-strategy and regional investment focus. HFR Database, a comprehensive resource available for hedge fund investors, includes fund-level detail on historical performance and assets, as 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, **HFR is The Institutional Standard.**

# # #