



## FOR IMMEDIATE RELEASE

### Contacts:

#### **HFR**

Kenneth Heinz

Chicago/312.658.0955

[info@hfr.com](mailto:info@hfr.com)

[@HFRInc](https://twitter.com/HFRInc)

@KennethJHeinz

#### **MacMillan Communications**

Chris Sullivan

New York/212.473.4442

[chris@macmillancom.com](mailto:chris@macmillancom.com)

#### **Hydra Strategy**

Henrietta Hirst

London/+44 (0) 7880 742 375

[Henrietta.hirst@hydrastrategy.co.uk](mailto:Henrietta.hirst@hydrastrategy.co.uk)

## **HEDGE FUND LAUNCHES STEADY AS INVESTORS POSITION FOR HIGHER INTEREST RATES**

***HFRI dispersion falls from 1Q record;  
Liquidations narrowly decline as industry capital approaches historic milestone***

CHICAGO, (September 30, 2021) – New hedge fund launches remained steady through mid-2021, 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 prevailing trend in launches continued as strong HFRI gains drove total industry capital toward a historic milestone while managers and investors positioned for higher interest rates as a result of rising inflation, government spending, and tapering of Federal Reserve bond purchases.

New hedge fund launches narrowly declined to an estimated 180 in 2Q 2021, though exceeded the estimated number of liquidations for the fourth consecutive quarter, following eight consecutive quarters of contraction. Launches in the trailing four quarters totaled 695 new funds, a total which tops calendar year totals for the past three years dating back to 2017 when 735 funds launched.

Fund liquidations also modestly declined in 2Q21 to 149, the lowest total since 137 funds closed in 3Q20 but also marking a decline of over 50 percent from the 304 liquidations in 1Q20. Liquidations in the trailing four quarters totaled 596, a historically low level of closures, falling below the respective totals of the past 13 calendar years dating back to 2007 when 563 funds liquidated.

Strong launch and HFRI performance trends are expected to accelerate through 2H21, with total industry capital on the verge of a historic milestone. As previously reported by HFR, total hedge fund industry capital surged to a record \$3.96 trillion in 2Q 2021.

### **Performance Rises; Fees Fall for Industry but Tick Up for New Funds**

Led by Equity Hedge and Event Driven strategies, the investable HFRI 500 Fund Weighted Composite Index<sup>®</sup> jumped +9.23 percent YTD through August 2021, while the HFRI Fund Weighted Composite Index<sup>®</sup> (FWC) surged +10.0 percent. The HFRI 500 Event Driven Index leads strategy performance YTD with a +12.4 percent return through August, while the HFRI 500 Equity Hedge Index has gained +10.8 percent, led by the HFRI 500 EH: Fundamental Growth Index which has surged +13.0 percent.

The performance dispersion of the HFRI FWC in the trailing 12-month period ending 2Q21 narrowed from the record level period ending 1Q21 but remained historically high. The top HFRI decile surged an average +89.0 percent over this period, which lagged the +126 percent top average gain in the trailing 12-month period ending 1Q21, but is nearly 50 percent above the calendar year 2020 top decile average return of +60.3 percent. The bottom decile of index constituents declined an average of -9.5 percent in the trailing 12 months, improving from the -12.7 in the trailing 12-month period ending 1Q21, as well from as the calendar year 2020 decline of -24.8 percent. For the quarter, the top decile of index constituents returned an average of +16.9 percent, while the bottom decile fell an average of -5.3 percent. This 2Q21 top/bottom dispersion of 22.2 percent represents a narrowing of constituent performance from the prior quarter, which saw a top/bottom performance dispersion of 38.1 percent.

Average hedge fund fees industry-wide posted modest declines from the prior quarter with management fees falling 1 basis point to 1.36 percent, while the average incentive fee declined 3 basis points to end 2Q21 at 16.17 percent. Both estimated fees represent the lowest level since HFR began publishing these estimates.

For new funds launched in 2Q21, the estimated average management fee increased to 1.51 percent, slightly above the industry-wide average of 1.36, as well as the 1.40 percent average mgt fee for funds launched in the prior quarter. The average incentive fee for funds launched in 2Q21 was an estimated 17.0 percent, slightly below the average incentive fee of 17.1 percent for funds launched in 1Q21, as well as the average incentive fee of 17.25 for funds launched in calendar year 2020.

“Trends of strong launches and historically low liquidations accelerated through mid-year, with total industry capital poised to surpass a historic milestone, while the HFRI extended strong 1H gains as investors positioned for higher US interest rates driven by inflation and funding new stimulus measures,” stated Kenneth J. Heinz, President of HFR. “The top decile of the HFRI over the past year continued its recent surge, with a combination of Equity Hedge and Event-Driven strategies contributing to overall HFRI gains. Uncorrelated Macro strategies and interest rate-sensitive Relative Value Arbitrage strategies have also experienced strong launch trends as investor attention has shifted towards expectations for higher interest rates and rising inflationary pressures. As industry capital approaches a historic milestone,

managers positioned for these powerful trends are likely to continue to attract institutional investor interest through 2H2021.”



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.**

###