

# Despite Hedge Fund AuM Growth, New Launches Decline

Stockholm (HedgeNordic) - Representing the lowest level since 2009, Q3 2016 saw a paltry 170 new hedge fund launches, down from 200 in Q2 and 269 in Q3 2015. This is despite surprisingly steady gains following the Brexit vote and the U.S. presidential election, according to the most recent HFR Market Microstructure report.

The decrease marks the fourth consecutive quarter of contraction in active funds, with the 576 funds launched in 2016 representing a decline of over 200 from the previous year. Mirroring this trend, hedge fund liquidations also increased in Q3, rising to 252 from 239 in the previous quarter and totalling 782 for the year so far, which is on track to be the highest number since the financial crisis.

"The total number of hedge funds has declined from its peak in Q3 2015, even as industry capital has risen to record levels, with a large component of the recent consolidation occurring within the fund of hedge funds (FOF) space," says Kenneth J. Heinz, president of HFR. "Over the last year, as total industry capital increased by +3.4%, the number of single-manager hedge funds declined -2.5%, while the number of FOF's fell by 6.6%."

However, the recent period has also demonstrated rise in the size of the average hedge fund as a result of the overall increase of industry capital. This, Mr. Heinz suggests, means "investors are becoming more comfortable and willing to allocate to innovative, emerging managers as a complement to more established holdings. Investor risk tolerance has increased significantly since the U.S. election, [and] this combined with continued macroeconomic uncertainty and favorable political policy evolution is likely to drive industry growth into early 2017," he says.

Total hedge fund industry capital increased to a record USD 2.979 trillion through Q3 2016, the report found, surpassing the previous record of USD 2.969 trillion in Q2 2015. However, the total number of hedge funds declined to 9,925, falling below the 10,000 mark for the first time since 2014.

*Picture: (c) Milles-Studio—shutterstock.com*

