

Hedge Fund Liquidations Drop as Industry Capital Hits New Record

Stockholm (HedgeNordic) – Hedge fund liquidations dropped in 2Q 2017 as new investor inflows propelled hedge fund industry assets under management to a new record.

According to a recent report released by hedge fund data provider HFR, the number of hedge fund liquidations declined to 222 in 2Q 2017, down from a total of 259 recorded in the prior quarter and 239 in 2Q 2016. A total of 1,057 funds were closed last year, surpassing the post-financial crisis peak of 1,023 registered in 2009. A record 1,471 closures were registered in 2008, as hedge funds were deeply embroiled in the global financial turmoil.

Despite observing a trend toward decelerating closures in the hedge fund industry, closures surpassed the number of hedge fund launches for a seventh consecutive quarter. A total of 180 funds were launched in 2Q 2017, up from 170 in 2Q 2016. This compares with 189 hedge fund launches recorded in 1Q 2017. As of the end of June, there are 9,691 operating hedge funds, compared to 9,733 at the end of the first quarter.

“We expect a continuation of the favorable trend in new launches, as well as expansion of the alternative investor base interest to also encompass Risk Parity & Risk Premia strategies,” HFR president Kenneth Heinz was quoted as saying in a recent press release. “With equity markets continuing the pattern toward increasing record levels, investors continue to exhibit and demonstrate enthusiasm for hedge funds and alternative beta strategies as integral portfolio components,” he added.

New investor inflows in 2Q 2017 increased total industry capital to a record \$3.1 trillion through mid-year, according to the HFR report. Hedge fund data provider Preqin also reports significant capital inflows in the hedge fund industry. A fresh report released by Preqin states that smart-money hedge funds enjoyed their second consecutive quarter of investor inflows in Q2 2017 with a net inflow of \$5.0 billion, which boosted the year-to-date inflows to \$25 billion. This follows a string of five consecutive quarters of outflows from the industry. Preqin data shows hedge fund industry capital stands at \$3.38 trillion as of the end of June.