Hedge Fund Launches Exceed Closures in Q2

Stockholm (HedgeNordic) – The number of hedge fund launches exceeded closures in the second quarter of 2018, according to a report released by Hedge Fund Research (HFR). The past quarter marked the fourth consecutive quarter of growth in the overall number of hedge fund vehicles. Launches in the Nordic hedge fund industry materially exceeded closures in the first half of 2018.

An estimated 148 hedge funds were launched globally in the second quarter of this year, down from 158 funds which took off in the first quarter of the year and 180 funds launched in the second quarter of 2017. The second-quarter figure of new hedge funds equaled the lowest quarterly number of launches that was recorded for the first quarter of 2009.

The number of hedge fund closures declined significantly in the past year or so. Hedge fund liquidations in the second quarter of 2018 totaled 125, compared to a substantially higher figure of 222 in the same period of 2017. Last quarter's number of closures was the lowest quarterly figure for liquidations since the third quarter of 2007. An estimated 145 hedge funds closed their doors in the first quarter of 2018, down from 259 closures in the second quarter of last year and 166 closures in the last quarter of the year.

A similar trend can be observed in the Nordic hedge fund industry. Eleven members of the Nordic Hedge Index (NHX) have been launched so far in 2018, three of which took off in the first quarter of the year. Six Nordic hedge funds were launched in the more fruitful second quarter, with an additional two vehicles started during the current quarter. In terms of liquidations, only four members of the NHX closed their doors thus far this year, two of which were merged into other existing funds. There was one closure recorded in the first quarter of the year, another one in the subsequent quarter, with the remaining two closures being completed in the current quarter.

The HFRI Fund Weighted Composite Index gained 1.8 percent year-to-date through the end of August. According to HFR, performance dispersion across hedge funds increased in the second quarter of 2018 compared to the previous quarter, as the performance of both the top and bottom quartiles improved. The top decile of HFRI constituents based on performance generated an average return of 12.7 percent last quarter, compared to an average return of 9.4 percent in the first quarter of the year. The bottom decile, meanwhile, returned a negative 9.9 percent on average, marking an increase from the negative average return of 11.2 percent reported for the first quarter.

According to HFR's president, Kenneth J. Heinz, "hedge fund industry growth and performance has been steady through mid-2018, as the tension between US economic growth and US equity dollar gains has not only contrasted with slower growth or weakness in non-US regions, but the disparity has widened in recent months. Institutional investors continue to expand alternative allocations through this process, strategically balancing the risks associated with the fluid impacts of trade and tariff discussions while carefully considering fundamental aspects of fees and liquidity on portfolio performance."

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