

Hedge Fund Fees Edge Higher in 2018

Stockholm (HedgeNordic) – Hedge funds have been reducing management and performance fees during most of the past decade, but that trend appears to be taking a breather for now. According to data from Eurekahedge, the average performance fee charged by hedge funds increased to 15.5 percent in 2018 from 15 percent in the previous year, whereas the average annual management fee rose 13 basis points to 1.3 percent.

Last year's increase in management fees was the most significant annual rise in fees since Eurekahedge started collecting the data. The increase was mainly attributable to Europe- and Asia-focused funds, which saw an increase in management fees of 20 and 29 basis points during the year to 1.3 percent and 1.7 percent, correspondingly. The average incentive fee for Europe-focused funds increased 109 basis points last year to 15 percent, while Asia-focused vehicles registered an average increase in their performance fees of 309 basis points to 19.1 percent. Data from Eurekahedge gathered by Pensions & Investments also reveals that the percentage of funds charging a performance fee equal to or above 20 percent increased to roughly 55 percent from a prior figure of 45 percent.

Shifting focus from the global to the Nordic hedge fund industry, the average management fee charged by the 16 hedge funds launched in 2018 totaled 0.97 percent. This group of funds charges investors an average performance fee of 15.31 percent. The 13 Nordic hedge funds launched during 2017, meanwhile, charge an average management fee of 1.03 percent and an incentive fee of 16.54 percent. Around 55 percent of all Nordic hedge funds launched in the past two years charge a performance fee of 20 percent, though funds use different thresholds under their fee structures.

Picture © _ImageFlow—shutterstock