

Rising Hedge Fund Launches Not Enough

Stockholm (HedgeNordic) – New hedge fund launches are on the rise, but closures continue to outpace launches for a fourth consecutive quarter. According to HFR, an estimated 153 new hedge funds were launched in the second quarter, whereas 186 funds closed their doors during the quarter.

According to the latest HFR Market Microstructure Report, an estimated 289 hedge funds opened up in the first half of 2019, with new launches increasing for a second consecutive quarter. The industry welcomed 561 new hedge funds last year, which represented the lowest annual figure for launches since 2000. Hedge fund closures amounted to 399 in the first half of 2019, the highest annualized pace for liquidations since 2016, when 1,016 funds were closed. The second quarter of 2019 represents the fourth consecutive quarter in which hedge fund closures exceeded new launches.

“Early 2019 risk-on trends moderated through mid-year on increased political and economic uncertainty, including Brexit, uncertain trade negotiations, competitive currency devaluations and persistently negative interest rates,” says Kenneth J. Heinz, President of HFR. “As this uncertainty has increased, hedge fund launches have also increased as investors position for additional shifting in the macroeconomic and geopolitical financial market environment,” he adds.

The average management fees across the industry remained at the lowest level since HFR started publishing these estimates in 2008. The average management fee declined by one basis point quarter-over-quarter to an estimated 1.4 percent. The average performance fee fell by ten basis points to 16.5 percent. The average management fee charged by the hedge funds launched in the second quarter of 2019 was 1.25 percent, whereas the average incentive fee was 15.65 percent. New launches in the first quarter of 2019 charge investors an estimated average management fee of 1.19 percent and an average performance fee of 17.9 percent.

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