# The HF Universe Continues to Shrink

Stockholm (HedgeNordic) – The number of hedge fund launches in the first quarter declined to the lowest quarterly estimate since the 2008 financial crisis, while fund liquidations increased by over 50 percent quarter-over-quarter. The first quarter of 2020 represents the seventh consecutive quarter in which hedge fund liquidations outpaced new launches, according to Hedge Fund Research (HFR).

According to HFR, new hedge fund launches totalled an estimated 84 in the first quarter of 2020, the lowest quarterly figure since the fourth quarter of 2008. However, the number of launches in the first three months of the year was only slightly smaller than the 89 launches recorded in the fourth quarter of last year. HFR data shows that a total of 480 new hedge funds were launched throughout 2019.

Hedge fund liquidations, meanwhile, reached an estimated 304 in the first quarter, up from the 198 closures recorded in the previous quarter. The first quarter's number of closures was the highest figure for liquidations since the fourth quarter of 2015. As previously reported by HFR, an estimated 738 hedge funds closed their doors in 2019, exceeding the 659 liquidations during 2018. An estimated 784 hedge funds were liquidated during 2017.

"New fund launches fell to historic lows in 1Q20 as the coronavirus pandemic drove steep losses across global financial markets, despite strong outperformance of the HFRI throughout the pandemic volatility," says Kenneth J. Heinz, President of HFR. The investable HFRI 500 Weighted Composite was down 9.5 percent in the first quarter, while global equity markets as measured by the FTSE World fell by 19.7 percent during the same period. The HFRI 500 Fund Weighted Composite Index is down 3.9 percent year-to-date through the end of May.

"While the launch environment to begin 2020 has been extremely challenging as a direct result of the drop in investor risk tolerance, institutional allocators which had reduced, eliminated, or failed to implement hedge funds or other risk-reducing alternative allocations were subjected to higher levels of portfolio volatility," says Heinz. "As financial markets adjust to heightened levels of volatility over the intermediate term, we expect interest from forward-looking institutional investors to drive a more favorable launch environment through 2H20."

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