

HF Launches Rise, Liquidations Fall

Stockholm (HedgeNordic) – With no travel and no in-person meetings, the coronavirus pandemic has certainly brought challenges to the capital raising process for new hedge funds. Despite these coronavirus-induced challenges, new hedge fund launches rose in the second quarter from a near-record low in the first quarter, according to Hedge Fund Research (HFR). Hedge fund liquidations in the second quarter declined from the previous quarter, which recorded the highest quarterly number of liquidations in more than four years.

According to HFR's latest Market Microstructure Report, an estimated 129 new hedge funds were launched in the second quarter, the highest quarterly figure since 153 funds were launched in the same quarter of last year. This compares with an estimated 84 launches in the first quarter, which had been the lowest quarterly figure since the last quarter of 2008. Despite the increase in launches in the second quarter, the total number of estimated launches in the trailing four quarters remains historically low. Only an estimated 404 funds launched over the 12 months through the end of June.

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“New fund launches rose through mid-year from historic lows in 1Q as hedge funds posted strong performance through mid-year despite the coronavirus pandemic as well as ongoing social unrest in the US and the uncertainty of the upcoming US election,” stated Kenneth J. Heinz (*pictured*), President of HFR. “As investor risk tolerance continues to recover into the second half of the year, institutions are expecting to increase or begin implementing allocations to hedge funds as components of diversified portfolio allocation and in response to the equity and credit market volatility of early 2020.”

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Hedge fund liquidations, meanwhile, declined significantly quarter-over-quarter to an estimated 178 closures in the second quarter from an estimated 304 liquidations in the prior quarter. Fund liquidations remain historically high with an estimated total of 821 liquidations over the trailing four quarters. The second quarter of this year represents the eighth consecutive quarter of hedge fund liquidations outpacing new launches, according to HFR data.