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NEW HEDGE FUND LAUNCHES FALL AND LIQUIDATIONS RISE TO CONCLUDE 2019

CHICAGO, (March 27, 2020) – New hedge fund launches declined in 4Q, continuing the trend from the prior quarter, with the number of launches falling to the lowest level since 2008. Launches totaled an estimated 89 in 4Q19, bringing the FY 2019 total to 480 new funds, according to the latest *HFR Market Microstructure Report*, released today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry. The 2019 launch total represents the lowest annual total for new funds since 2000.

Fund liquidations increased in 4Q, reversing the decline from the prior quarter as 198 funds closed their doors in 4Q, exceeding the 141 funds from the prior quarter. For the year, an estimated 738 funds liquidated, exceeding the 2018 total of 659 liquidations, but falling slightly below the 2017 total of 784 liquidations. The fourth quarter 2019 represents the sixth consecutive quarter in which estimated liquidations exceeded launches.

The HFRI Fund Weighted Composite Index® (FWC) gained +10.4 percent for 2019, the highest annual return since 2009, and was led by the HFRI Equity Hedge (Total) Index, which surged +13.6 percent.

Hedge fund performance dispersion increased in 4Q19, with the average performance of both the top and bottom deciles increasing. The top decile of HFRI constituents jumped +16.8 percent for the quarter, an increase from the +7.9 percent of top decile constituents in 3Q. Meanwhile, the bottom decile of constituents in 4Q fell only -6.5 percent, an increase from the -10.96 percent decline in 3Q19. The top/bottom dispersion of 23.3 percent in 4Q19 represents an increase of 441 basis

points over the 3Q dispersion. The calendar year 2019 decile dispersion of 48.9 also represents an increase over the 2018 calendar year performance dispersion of 43.4 percent, as top decile surged +37.7 percent in 2019, while the bottom decile fell -11.2 percent.

Average hedge fund management fees and incentive fees industry-wide were unchanged in 4Q, remaining at 1.39 percent and 16.4 percent, respectively, representing the lowest level since HFR began publishing these estimates in 2008. For funds launched in 2019, the average management was an estimated 1.22 percent, a decrease from the 2018 average of 1.29 percent. The average incentive fee for funds launched in 2019 was an estimated 17.44 percent, also representing a decline from the prior year's estimated 17.9 percent fee.



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About HFR®

HFR (Hedge Fund Research, Inc.) is the global leader in the alternative investment industry, specializing in the indexation and analysis of hedge funds. Established in 1992, HFR produces the HFRI, HFRX and HFRU Indices, the industry's most widely used benchmarks of global hedge fund performance. HFR calculates over 100 indices of hedge fund performance ranging from industry-aggregate levels down to specific, niche areas of sub-strategy and regional investment focus. HFR Database, a comprehensive resource available for hedge fund investors, includes fund-level detail on historical performance and assets, as well as firm characteristics on both the broadest and most influential hedge fund managers. HFR has developed a detailed fund classification system, enabling granular and specific queries for relative performance measurement, peer group analysis and benchmarking. The HFR suite of analysis products leverages HFR Database to provide detailed, current, comprehensive and relevant aggregate reference points on all facets of the hedge fund industry. HFR also offers consulting services for clients seeking customized top-level or more sophisticated analysis. For the hedge fund industry's leading investors and hedge fund managers, **Hedge Fund Research is The Institutional Standard.**

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