

SAMPLE



Hedge Fund Research, Inc.

## NEW HEDGE FUND LAUNCHES FALL AS TOP HFRI PERFORMERS SURGE

*Launches lowest since 2010, highest liquidations since 2009;  
Top performers lead decile dispersion to highest level in four years*

CHICAGO, (March 18, 2014) – New hedge fund launches declined to their lowest level in three years in 2013 even as total hedge fund industry capital ended the year at a record \$2.62 trillion. New hedge fund launches totaled 1,060 for 2013, the lowest level since 935 funds launched in 2010, according to the latest *HFR Market Microstructure Industry Report*, released today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry. While the 2013 full year launch total fell below the totals of 1,108 and 1,113 in each of the prior two years, respectively, launches in 4Q13 rose to 244, topping the 231 from the prior quarter though trailing the 284 launches from 4Q12. Launches for 2013 were led by Equity Hedge strategies, with 428 new funds, followed by Macro strategies with 256 new funds.

Hedge fund liquidations increased to their highest level since 2009, with 904 funds closing during 2013, exceeding the 873 that liquidated in 2012 but trailing the 1,023 from 2009. A record 1471 funds closed in 2008. Liquidations in the fourth quarter totaled 296, the highest quarterly liquidation figure since 1Q09, when 376 funds closed. Liquidations by strategy were also led by Equity Hedge with 341 funds closing, followed by Macro with 213 funds closing. Event Driven strategies had the lowest turnover, with only 75 new launches and 49 liquidations, the lowest in both categories.

Top performing hedge funds led the HFRI to the widest dispersion between the top and bottom performance deciles since 2009. The top decile of HFRI constituents posted a gain of +41.6 percent during calendar year 2013, the highest annual top decile gain since 2010; while the bottom decile of HFRI constituents declined by -18.9 percent, the worst performance figure for the bottom decile since it returned -30.7 percent in 2011. The dispersion between the top and bottom decile in 2013 was 60.5 percent, the highest since the dispersion of 116.4 percent in 2009. The HFRI Fund Weighted Composite Index gained +9.2 percent in 2013, the highest performance since 2010.

### **Fees Remain Largely Unchanged**

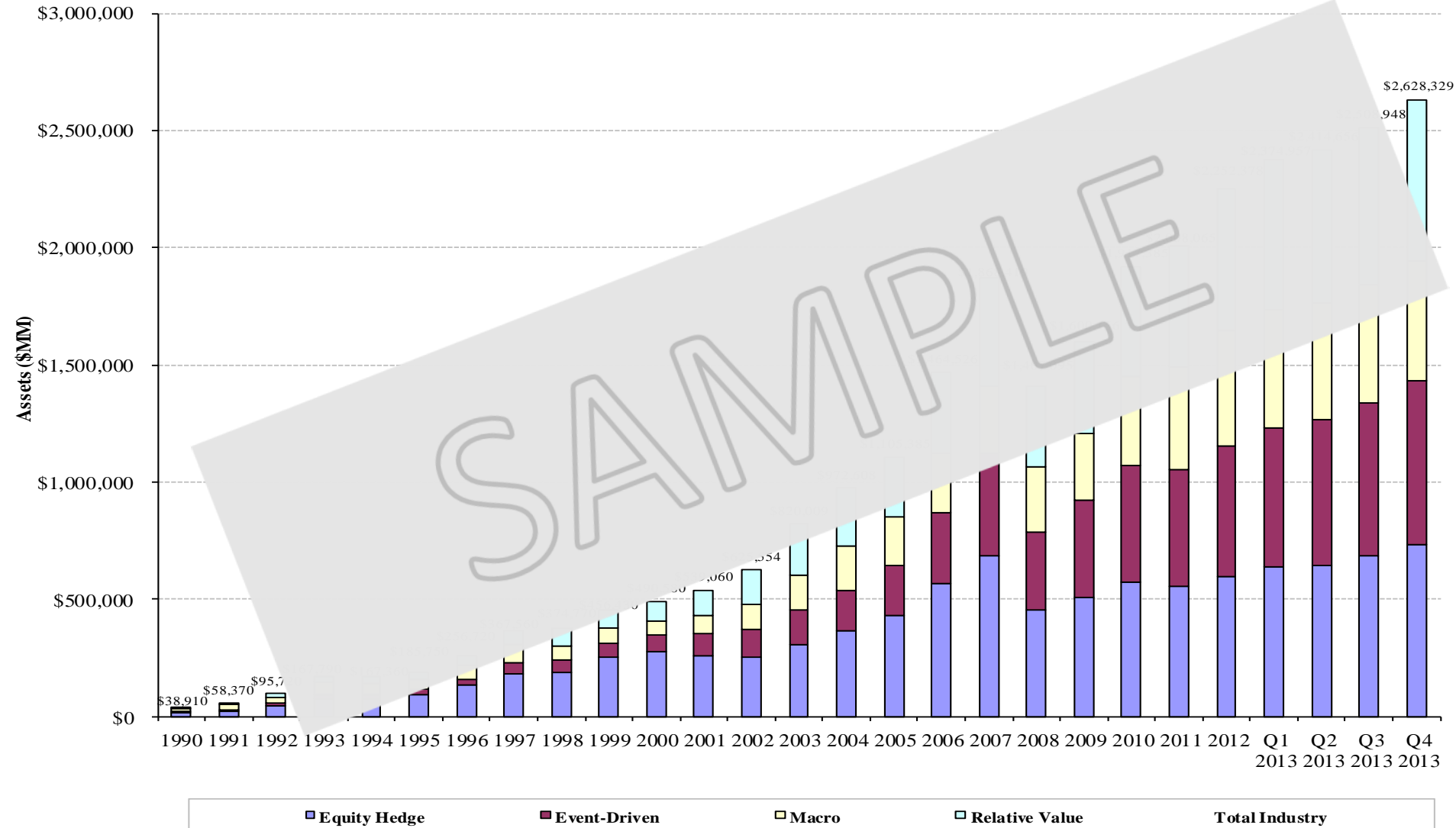
Hedge fund management and incentive fees were narrowly changed in both the most recent quarter and for the full year, with average management fees rising 1 bps to 1.54 percent in 4Q13, while average incentive fees rose 7 bps to 18.27 percent. For the full year 2013, the average management fee was 1.54 and the average incentive fee was 18.29 percent. The vintage of funds launched in 4Q13 offered slightly lower fee terms, with average management fees of 1.52 percent and incentive fees of 16.56 percent. For the full year 2013, the average management fee for new fund launches was 1.42 percent and the average incentive fee was 16.99 percent.

“Despite the modest and encouraging normalization of data on capital inflows by firm size though year end, data on launches and liquidations suggests the capital raising environment for mid- to small hedge funds continues to be challenging,” stated Kenneth J. Heinz, President of HFR. “As the scope and audience for new hedge fund products continues to expand, new funds are faced with the combined challenges of generating performance to attract investors while offering comprehensive, institutional infrastructure, competitive fee terms and attracting investment professionals necessary to expand the business franchise. Execution across all of these is now necessary to expand into the institutional marketplace, resulting in improved quality of products industry-wide and contributing to the increased appeal of the hedge fund industry for investors of all types.”



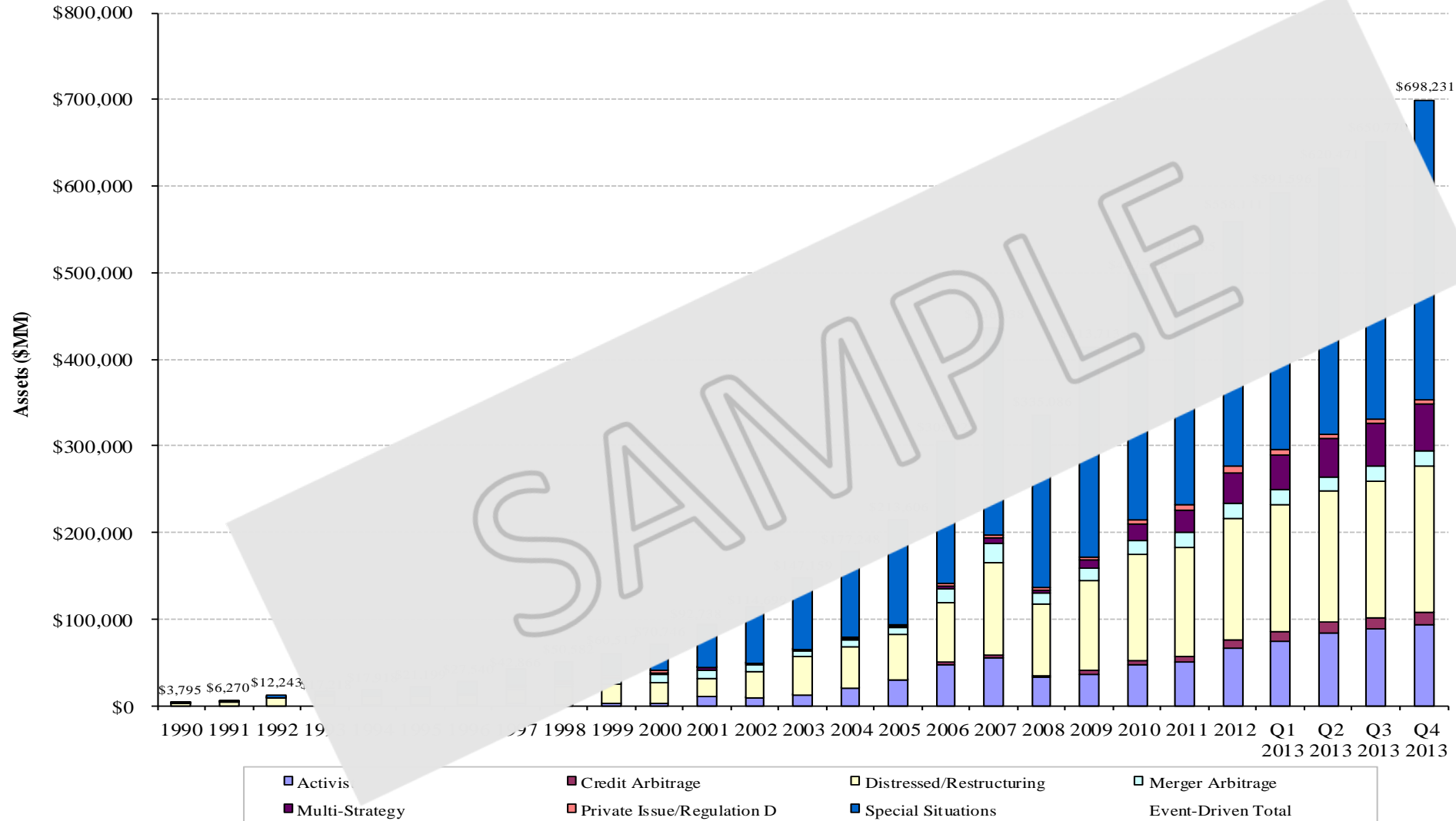
# Estimated Growth of Industry Assets by Main Strategy

## Hedge Fund Industry 1990 – 2013



# Estimated Growth of Assets by Sub-Strategy

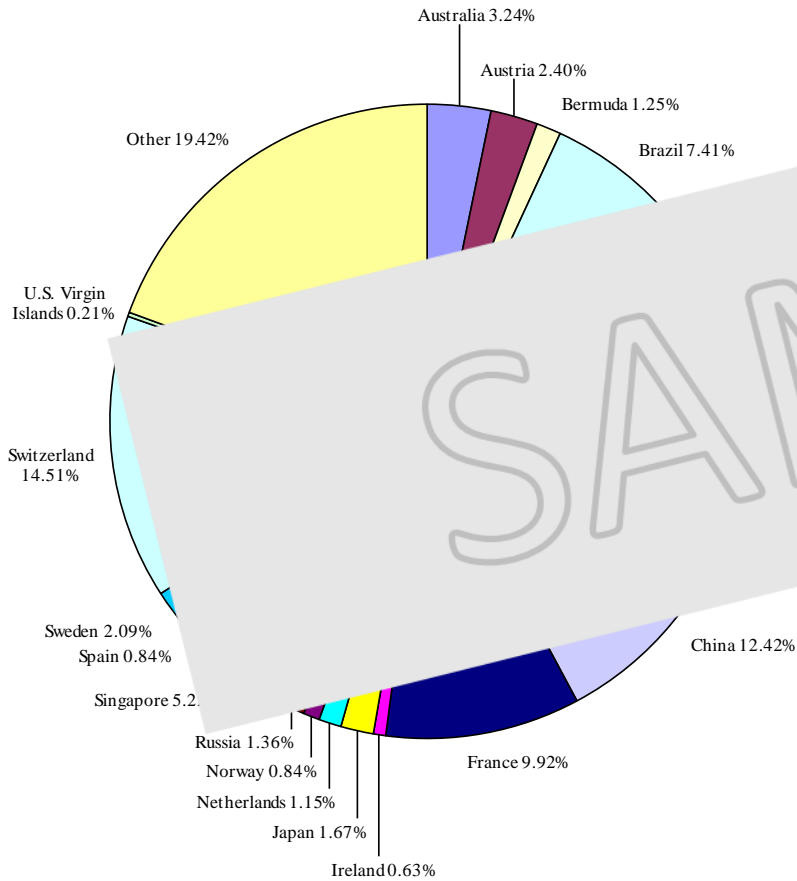
## Event-Driven 1990 – 2013



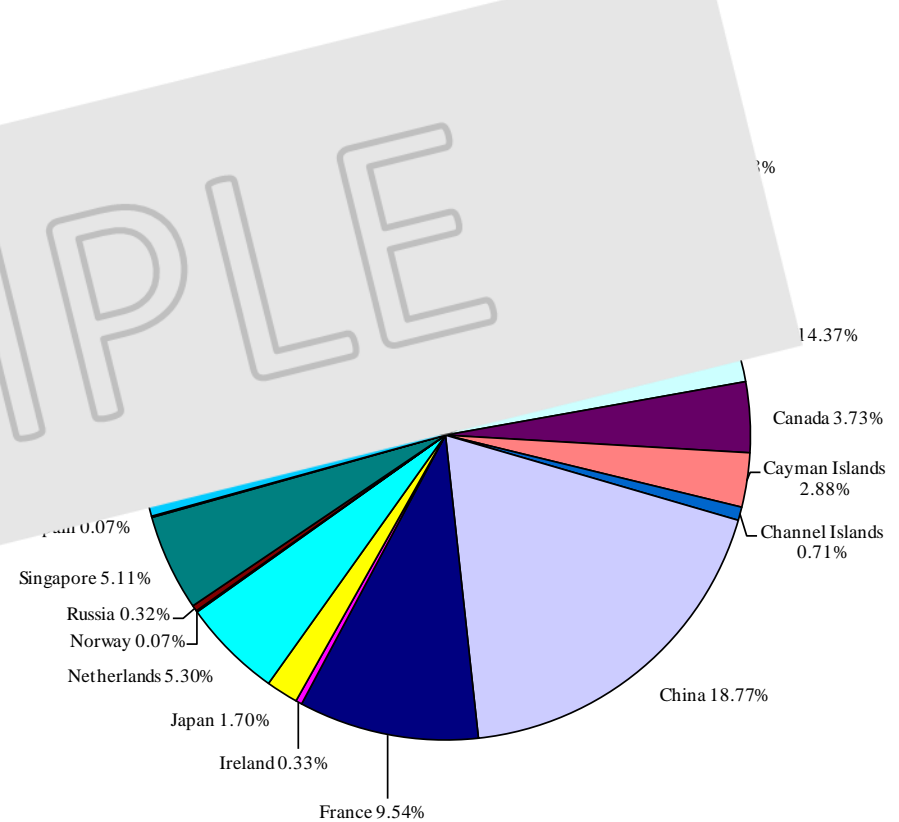
# Estimated Breakdown of Fund Management Firm Location *excluding USA and UK*

All Single-Manager Strategy Funds – Q4 2013

## By # Funds



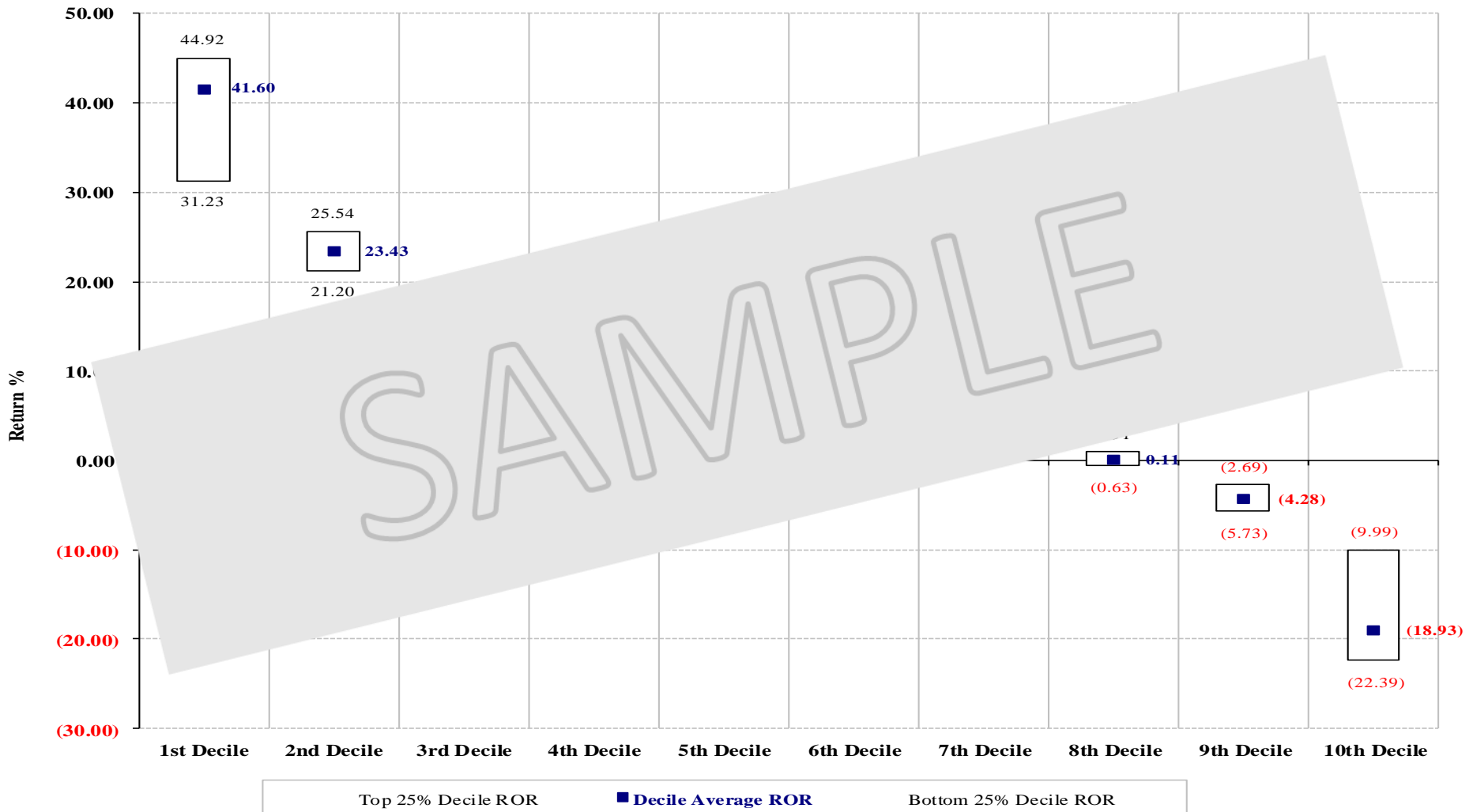
## By Assets



# HFRI Fund Weighted Composite Analysis

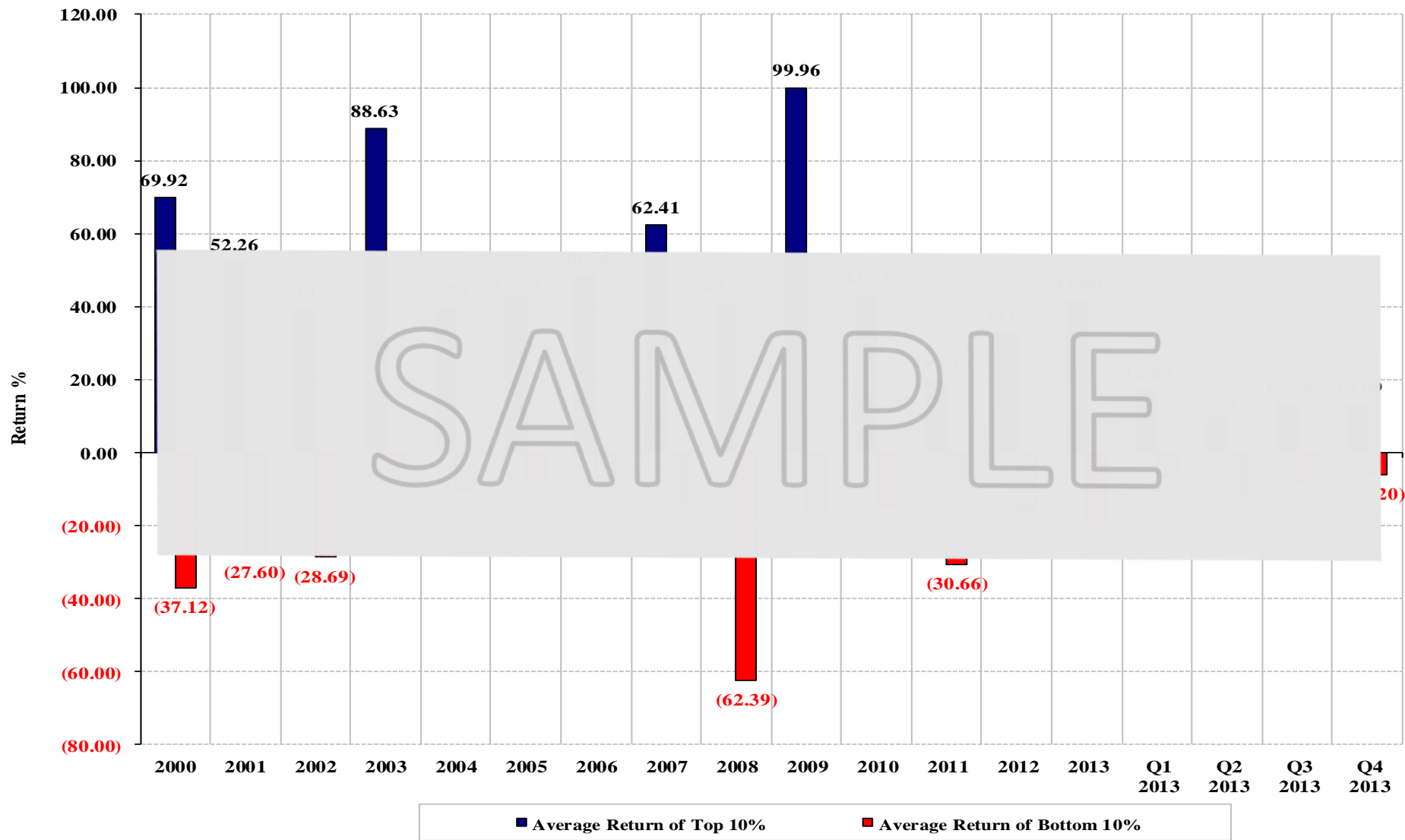
## Dispersion of Average Fund Performance by Deciles

### Full Year 2013



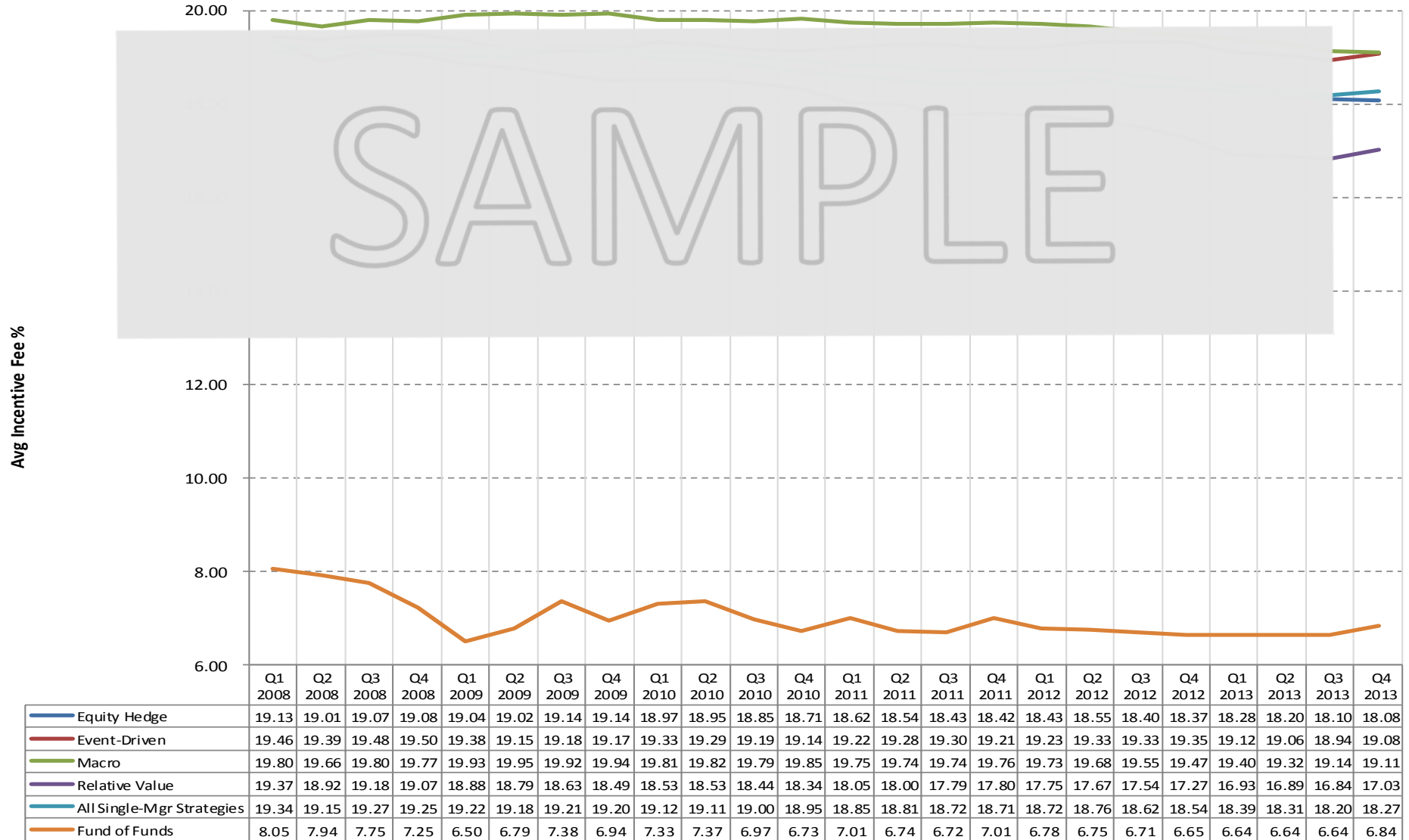
# HFRI Fund Weighted Composite Analysis

## Average Fund Performance of Top/Bottom Deciles 2000 – 2013



# Average Incentive Fee per Strategy

## Changes from Q1 2008 – Q4 2013





# Performance by Fund Asset Size Tier

*Periods ending Q4 2013*

