



HEDGE FUND RESEARCH, INC.

## FOR IMMEDIATE RELEASE

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## EMERGING HEDGE FUND MANAGERS LEAD INDUSTRY GAINS

*Hedge fund launches steady, liquidations fall in 2Q as assets eclipse milestone;  
Average management, incentive fees mixed for established, new hedge funds*

CHICAGO, (September 17, 2014) – Emerging hedge fund managers have led industry performance over the past year, as equity markets have extended gains, investor risk tolerance has escalated and total hedge fund capital has increased to a record level. Emerging hedge fund managers with a track record of less than two years have posted an average gain of +11.3 percent in the trailing 12 months ending 2Q14, topping the gain of +9.1 percent for the HFRI Fund Weighted Composite, as reported in the latest *HFR<sup>®</sup> Market Microstructure Industry Report*, released today by HFR, the established global leader in the indexation, analysis and research of the global hedge fund industry. The HFRI Diversity Index, comprised of hedge funds owned by women and ethnic minorities, has gained +11.1 percent over the same period.

New hedge fund launches totaled 285 in the second quarter of 2014, in line with both 289 from the first quarter and 288 from the second quarter of 2013. Launches for the trailing 12 months totaled approximately 1,050 funds, slightly below calendar year totals from the past three years. Hedge fund liquidations declined to 189 in the second quarter of 2014 from 272 in the prior quarter; liquidations in the trailing 12 months totaled 979 funds, exceeding the liquidations in each of the prior four calendar years and the highest since 2009, following the financial crisis.

HFRI performance dispersion narrowed over the last four quarters ending 2Q14, with both top and bottom deciles of HFRI constituents converging toward average industry performance. The top decile of HFRI constituents posted an average gain of +34.4 percent in the trailing 12 months through 2Q, the second highest gain since 2010, trailing only the +41.6

percent gain from 2013. The bottom decile of HFRI performance posted an average decline of -12.7 percent, improving 600 basis points from the -18.9 percent decline for the 2013.

The average management fee industry wide charged by hedge funds in 2Q was 1.52 percent, unchanged from the prior quarter, although management fees have declined 2 basis points from 1.54 percent since 2Q13. The average incentive fee charged by hedge funds in 2Q declined 3 basis points to 17.96 from the prior quarter. Fee data was mixed for the vintage of funds launched in the second quarter, with average management fee of 1.51 percent, falling from the first quarter of 2014, but in line the FY 2013 launch average of 1.52 percent. Incentive fees for new 2Q launches averaged 17.6 percent, the highest level since 3Q12.

“Emerging hedge fund managers continue to drive not only industry performance gains, but also strategic innovation across the hedge fund industry, with new funds launching to identify and monetize opportunities created by the shifting financial industry landscape, investor preferences and risk thresholds,” stated Kenneth J. Heinz, President of HFR. “The capital raising environment for new hedge funds has improved, but it continues to be challenging for new and emerging managers to meet the demands of risk-conscious institutional investors. However, in the present paradigm of low interest rates and low inflation, investors are likely to benefit from the unconstrained return generation capabilities and idiosyncratic innovations which new, emerging hedge fund strategies add to their portfolio exposures and allocations.”

**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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