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HEDGE FUND LAUNCHES ACCELERATE AS INDUSTRY CAPITAL APPROACHES \$5 TRILLION MILESTONE

Highest launch quarter since 1Q24 as industry capital surges;

Liquidations fall to lowest level in nearly 20 years;

Average incentive fees decline year-over-year;

Goldman Sachs, UBS, JPM, Morgan Stanley remain top choices for prime broker

CHICAGO, (October 16, 2025) – New hedge fund launches accelerated into 2H25 while historical low liquidations fell further, as investors positioned for falling geopolitical risk and lower interest rates, while M&A and AI strategic investment surged into 2H25. The estimated number of new funds launched in 2Q25 rose to 141, bringing the first half 2025 total to 262, on pace to top the estimated 479 launches in 2024, which was the highest annual total since 2021, according to the latest *HFR Market Microstructure Report*, released by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry. Historically low liquidations fell further over the same period, with only an estimated 65 funds closing in 2Q25, bringing the first half total to 138, and pacing the year to fall below the estimated 406 liquidations in 2024, which was the lowest level since 2004. As previously reported by HFR, total hedge fund industry capital reached another record level to begin 2H25, surging to an estimated \$4.74 trillion.

By strategy, Equity Hedge (EH) led new launches in 2Q25, with an estimated 60 new EH funds opening its doors, followed closely by Macro, which saw an estimated 54 new funds launched in the second quarter. EH also represented the largest number of liquidations in the quarter, as an estimated 25 EH funds shut down in 2Q, increasing its 1H25 total to 53 liquidations for the strategy.

The performance dispersion of the HFRI Fund Weighted Composite Index® (FWC) expanded in 2Q25, as the top decile of index constituents returned an average of +21.2 percent, while the bottom

decile declined by an average of -9.8 percent, representing a top/bottom decile dispersion of 31.0 percent, compared to the estimated top/bottom dispersion of 25.8 percent in 1Q25. For the trailing 12 months ending 2Q25, the top decile of FWC constituents returned an average of +34.5 percent, while the bottom decile declined by an average of -17.6 percent, representing a top/bottom decile dispersion of 52.1 percent.

The average industry-wide management fee remained unchanged from the prior quarter at an estimated 1.34 percent, which is down only 1 basis point year-over-year. The average incentive fee ended 2Q25 at an estimated 15.79 percent, a decline of only 1 basis point from the prior quarter, though this represents a year-over-year decline of 18 bps from 2Q24. For funds launched in 2Q25, the average management fee was an estimated 1.26 percent, while the average incentive fee was 17.73 percent.

Goldman Sachs, UBS, JP Morgan, and Morgan Stanley remained the top prime brokers for hedge funds into 2H25, while SS&C GlobeOp, Citco Fund Services, and IFS State Street remained the top hedge fund administrators.

“Hedge fund industry strength accelerated into 2H25 with record assets under management expected to surge further in coming quarters, combining the highest first half of new launches in three years with the lowest estimated number of liquidations in 20 years, as investors navigated unprecedented AI investment, historic M&A, lower interest rates, falling geopolitical risk, and continued tariff uncertainty,” stated Kenneth J Heinz, President of HFR. “Institutions continue to increase allocations to both existing funds as well as newly launched funds, with the goals of opportunistically navigating these historic market cycles and managing unprecedented opportunities alongside evolving policy uncertainty and risk. It is likely that these powerful trends accelerate asset growth and performance through year end, driving industry capital to new milestones while investors strategically position for both opportunities and risks.”

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