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HEDGE FUND LAUNCHES ACCELERATE INTO 2026 ON RECORD HFRI PERFORMANCE, CAPITAL GROWTH

Highest launch quarter since 1Q22 as industry capital surges to record; Liquidations remain near lowest levels in 20 years; Goldman Sachs, UBS, JPM, Morgan Stanley lead prime brokerage

CHICAGO, (January 16, 2026) – New hedge fund launches accelerated into year-end while liquidations remained near historic lows, as investors positioned for evolving geopolitical risk, strong economic growth, and uncertainty about inflation heading into 2026. The estimated number of new funds launched in 3Q25 rose to 165, bringing the YTD 2025 total to 427 through the third quarter, on strong pace for 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. Hedge fund liquidations remained at historically low levels in 3Q, as only an estimated 77 funds closed during the quarter, bringing the YTD 2025 total to 215, far 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 4Q25, surging to an estimated $4.98 trillion.

By strategy, in a trend shift from prior quarter, Relative Value Arbitrage led new launches in 3Q25, with an estimated 70 new RVA funds launching, followed by Equity Hedge and Macro, which saw an estimated 47 and 41 new launches, respectively, in the third quarter. Equity Hedge funds represented the largest number of liquidations in the quarter, as an estimated 27 EH funds shut down in 3Q25.

The performance dispersion of the HFRI Fund Weighted Composite Index® (FWC) contracted in 3Q25, as the top decile of index constituents returned an average of +22.2 percent, while the bottom decile declined by an average of -4.4 percent, representing a top/bottom decile dispersion of 26.6 percent, compared to the estimated top/bottom dispersion of 31.1 percent in 2Q25. For the trailing 12 months ending 3Q25, the top decile of FWC constituents returned an average of +41.1 percent, while the bottom decile declined by an average of -12.6 percent, representing a top/bottom decile dispersion of 53.7 percent.

The average industry-wide management fee remained unchanged from the prior quarter at an estimated 1.34 percent; this has been below 1.4 percent since 3Q19. The average industry-wide incentive fee ended 3Q25 at an estimated 15.8 percent, up 1 basis point from 2Q25 though representing a year-over-year decline of 11 bps from 3Q24. For funds launched in 3Q25, the average management fee was an estimated 1.18 percent, while the average incentive fee was 16.29 percent.

HFR estimates that Goldman Sachs, UBS, JP Morgan, and Morgan Stanley remained the top prime brokers for hedge funds heading into 4Q25, while SS&C GlobeOp, Citco Fund Services, and IFS State Street remained the top hedge fund administrators.

"Hedge fund launches are a reflection of strong industry-wide performance, record capital levels, and an increasing demand from investors, including institutional and expanding to retail investors. Allocators are deploying capital to hedge funds at levels not seen since 2007, maintaining allocations to established managers with a proven track record, while also considering newly launched funds, which often produce strong performance in their first few years," stated Kenneth J Heinz, President of HFR. "While 2025 was the strongest year for hedge funds performance since 2009, performance was not driven by equity market beta, but rather opportunistic, specialized exposures. Managers effectively navigated diverse market cycles in 2025 and have positioned themselves for an acceleration of this trend into 2026, with uncertainty regarding inflation and monetary policy, trade/tariff policy and catalysts for potential geopolitical risk acceleration based on evolving situations in Venezuela, Iran and others. It is likely that these powerful, expanding trends continue to accelerate record asset levels and performance in 2026, driving industry capital to new milestones while investors strategically position for both opportunities and risks."

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