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HEDGE FUND LAUNCHES HIGHEST IN FOUR YEARS AS INVESTORS POSITION FOR VOLATILITY

*Liquidations remain near lowest levels since 2004;
Goldman Sachs, UBS, JPM, Morgan Stanley lead prime brokerage;
HFR launches Co-Investment Index*

CHICAGO, (March 26, 2026) – New hedge fund launches accelerated into 2026 while liquidations remained near historic lows, as investors positioned for increasing geopolitical risk, AI and cryptocurrency volatility, and uncertain economic growth and inflation in 2026. The estimated number of new funds launched in 2025 rose to 562, 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 with closures totaling an estimated 287 liquidations, far below the 406 funds that shut down 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 2026, surging to an estimated \$5.16 trillion.

In 4Q 2025, an estimated 135 new funds were launched, led by Equity Hedge (65) and Macro (35) funds, which represents a trend shift from prior quarter when Relative Value Arbitrage led new launches by strategy. On the liquidations side, an estimated 72 funds closed their doors in 4Q25, led by Equity Hedge (35) and Relative Value (17) funds.

HFR LAUNCHES CO-INVESTMENT INDEX

HFR launched the HFR Co-Investment Index (HFRCINV) in March 2026, a high-performing index that captures aggregate performance of curated fund managers offering Best Ideas and Co-Investment opportunities to investors. The index is investable and boasts a 5-year annualized return of

18.47% and a 5-year Sharpe ratio of 1.04 as of March 16, 2026. Please visit [HFR.com](https://www.hfr.com) for more information of this exciting new index.

The performance dispersion of the HFRI Fund Weighted Composite Index® (FWC) expanded in 2025, as the top decile of index constituents returned an average of +47.3 percent, while the bottom decile declined by an average of -11.3 percent, representing a top/bottom decile dispersion of 58.6 percent, compared to the estimated top/bottom dispersion of 45.3 percent in 2024.

The average industry-wide management fee declined 1 basis point in 4Q25 from the prior quarter, settling at an estimated 1.33 percent, while the average industry-wide incentive fee increased to an estimated 15.83 percent, up 3 basis points. For funds launched in 2025, the average management fee was an estimated 1.25 percent, while the average incentive fee was 17.92 percent.

HFR estimates that Goldman Sachs, UBS, JP Morgan, and Morgan Stanley remained the top prime brokers for hedge funds heading into 2026, while SS&C GlobeOp, Citco Fund Services, and IFS State Street remained the top hedge fund administrators.

“Hedge fund launches reflect strong demand from institutional and retail investors in response to strong industry-wide performance, defensive and opportunistic positioning relating to geopolitical risk and a liquid, low-correlated performance profile relative to alternatives in private equity and private credit. Volatility across all assets has increased significantly into late 1Q26, likely garnering interest in specialized, low-correlated and liquid strategies which diversify across geopolitical, private credit, energy and macroeconomic risks,” stated Kenneth J Heinz, President of HFR. “As industry growth continues to accelerate to record levels, managers and investors are expanding the scope of their relationships with co-investment opportunities, and HFR is pleased to have recently launched the only co-investment index, highlighting strong performance of these opportunities. Volatility and uncertainty have surged to record levels as a result of the Iran military conflict and though the drivers of volatility may evolve throughout the year, volatility is likely to continue and evolve in coming months, propelling industry capital to new milestones while investors strategically position for both opportunities and risks.”

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HFR 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 500 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, **HFR is The Institutional Standard.**