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APRIL 2024

ONES TO WATCH 2024

THE YEAR'S 20 MOST EXCITING HEDGE FUND LAUNCHES

EXECUTIVE SUMMARY

New hedge fund launches are generating excitement, headlines and, most importantly, allocations in numbers not seen since before the pandemic. But which start-ups are attracting the most interest and what is driving the revival in the launch environment?

In Hedgeweek's second 'Ones to watch' emerging managers report, supported by Marex, we identify the 20 'most exciting' new hedge fund firms in 2024 (see next page for methodology) — and lean on industry expertise to uncover the main factors behind the rising tide of interest.

Section one covers the report's core list. Included among the 20 are: ten US-based, seven European and three Asia-Pacific launches. Six of the 20 run – or plan to run – an equity-based strategy, while four are multi-strategy and three apiece macro and credit. One of the 20 – Jain Global – could be the biggest hedge fund launch on record. Several others are also expected to raise over $1bn.

In section two we analyse new survey data and further research to provide an update on continuing trends, identify emerging ones, and offer thoughts on what is driving interest in the 20 'exciting' new hedge fund firms, from the new market/performance paradigm to a potential slowdown in interest in the major multi-PM platforms.

If estimates are correct, as many as 40 new firms led by founders leaving billion-dollar firms could start in 2024. This report sets the scene for what could be a historic year of new launch activity.

WILL WAINEWRIGHT
HEAD OF HEDGE FUND RESEARCH

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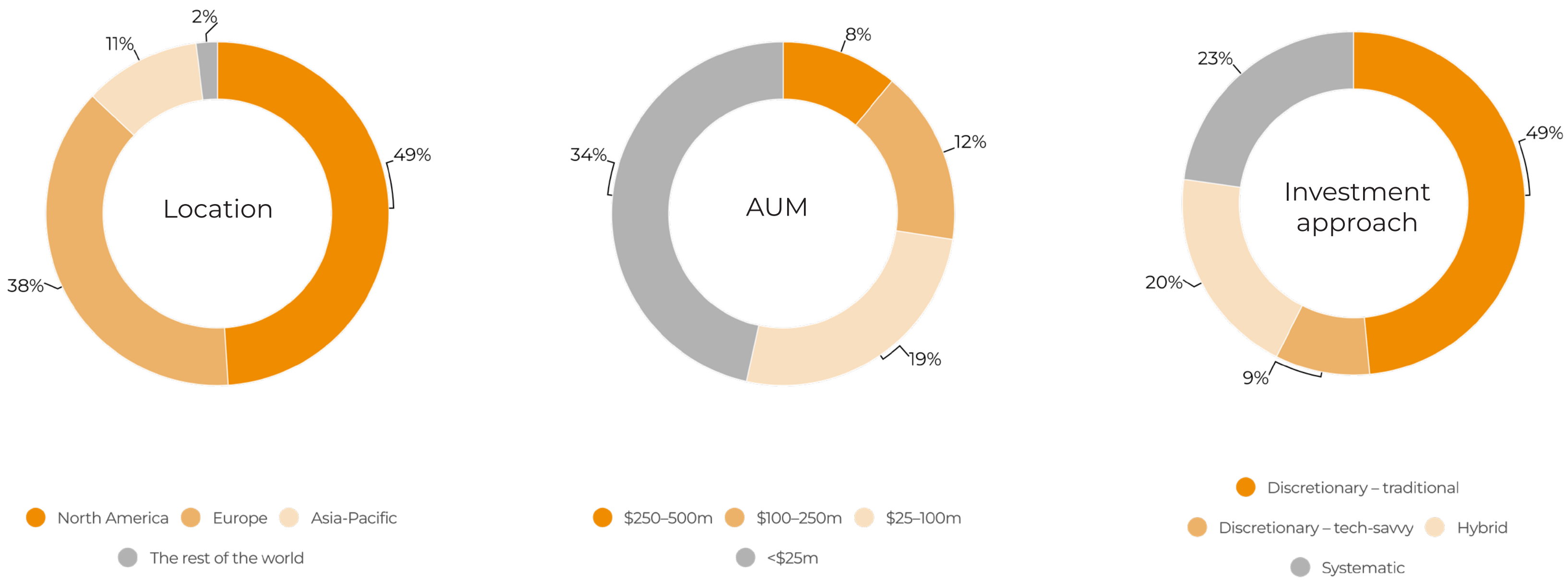


METHODOLOGY

The 20 hedge fund firms included in the report's first section are the titular 'Ones to watch'. This is an editorial list that runs in alphabetical order and is not a ranking. It was compiled by Hedgeweek based on interviews with other established and emerging hedge fund managers and in-house research, taking into consideration multiple factors including founder pedigree, relevance of investment strategy, business innovations, and attractiveness to investors. To be considered for the list, a firm must have either started trading after 30 September 2023 or be scheduled to start trading before 1 January 2025. Pedigree refers to most recent employment of founder.

KEY FINDINGS

1

Investors have their pick of a diversified range of strategies

Six of this year's 20 are equity-based in strategy, down sharply from 15 last year. There is an uptick in multi-strategy (four), while macro and credit have three apiece. That reflects the strong opportunity set facing a range of strategies in the new market paradigm, accompanied by growing investor interest, as noted in various LP surveys and insight from experts in Part II.

2

The market/performance outlook is fuelling confidence

"Our research indicates we will see over 40 new launches in 2024 from $1bn-plus hedge fund firms. That's something we haven't seen for years. It indicates a new confidence from talented managers to go out on their own," says Jon Caplis, founder of PivotalPath in New York. Experts and industry practitioners agree there is a big performance opportunity for hedge funds, evidenced by a strong start to 2024.

3

Multi-strategy trends are shaping the launch market

A wave of start-ups from the major multi-PM platforms – four of the 20 on this list worked most recently at Millennium – is a notable trend. Some of the start-ups are offering a different approach, all will be smaller and offer capacity lacking at the very top firms. There is still a demand for multi-strat, as HFR's Ken Heinz confirms.

4

Private wealth investors are a top target

Family offices are seen as a hotter area of growing interest in start-ups than institutions, according to Hedgeweek's survey of GPs, echoing recent findings showing increased appetite from private wealth channels. "Allocators are very much engaged in new idea flow and potential additions to their rosters of managers," says Jack Seibald, Global Co-Head of Prime Services and Outsourced Trading, Marex.

CLASS OF '24

Hedgeweek's latest annual list of the 20 most exciting emerging hedge fund firms features a range of strategies spread between the US, Europe and Asia – all led by well-pedigreed founders aiming to make their mark in a new market environment.

2024 is facing up to be a record year for new hedge fund launches, with multiple ventures under development from top talent leaving billion-dollar firms. The market environment and renewed LP enthusiasm for new firms is supporting their ventures, which are spread throughout different strategies – six equities, four multi-strategy and three apiece in macro and credit (see Fig. 1.1) – and region – ten US, seven in Europe and three in Asia (see Fig. 1.3). The opportunities ahead and challenges facing the wider emerging manager community will be covered in this report's second section. But first, read on to learn the 20 emerging hedge fund firms that Hedgeweek research has highlighted as 'ones to watch' in 2024.

30TH CENTURY PARTNERS

Specialism: Multi-strategy
Headquarters: Hong Kong
Founder: Kurt Baker
Pedigree: Millennium

Fundraising has started towards what could be among the biggest new fund launches in Asia-Pacific for years. Baker is a former head of prime brokerage at Morgan Stanley, who most recently spent almost a decade with Millennium in business development roles. He reportedly aims to start his firm with $3bn later this year using a multi-manager approach, bringing in top talent to trade on the platform.

$3bn

Fundraising target at 30th Century Partners

ARROWPOINT INVESTMENT PARTNERS

Specialism: Multi-strategy
Headquarters: Singapore
Founder: Jonathan Xiong
Pedigree: Millennium

Xiong, the former regional co-CEO at Millennium, is also attracting attention with a new launch that has been backed by US giant Blackstone. His multi-strategy venture will reportedly launch in Q3 and could pass the $1bn mark on day one. Xiong, who had seven years at Goldman Sachs before half a decade with Millennium, is based in Singapore. Arrowpoint will also have a Hong Kong office.

BENCHSTONE CAPITAL MANAGEMENT

Specialism: Equity long/short
Headquarters: New York
Founder: Tommaso Trento
Pedigree: Citadel

Trento founded Benchstone last year after gardening leave following his time at Citadel. He spent the bulk of his career as a portfolio manager at D.E. Shaw, where he spent seven years. The firm's flagship TMT and consumer-focused strategy "blends deep research on single stocks with balanced portfolio construction". Reportedly backed by Schonfeld via external allocation.

BIRNAM OAK ADVISORS

Specialism: Event-driven
Headquarters: New York
Founder: Christopher Delong
Pedigree: Taconic Capital Advisors

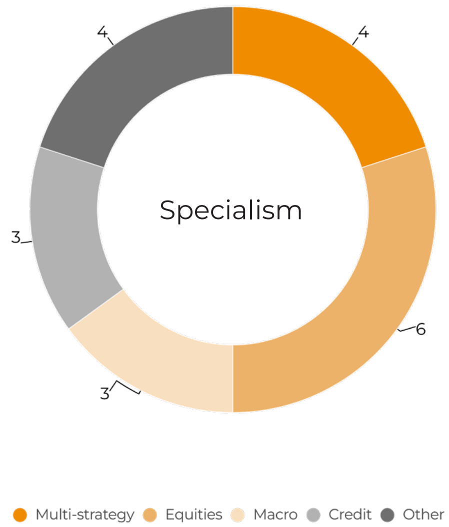
Few founders can compete with the career longevity of Delong, who had been with Taconic almost 25 years. His new firm, Birnam Oak Advisors, started this year and makes event-driven investments in merger arbitrage, capital structure arbitrage, legal/regulatory risks, volatility expressions and highly liquid capture of duration and credit spread.

CISU CAPITAL PARTNERS

Specialism: Equity long/short
Headquarters: London
Founder: Mark Wills
Pedigree: Elliott Management

After more than a decade with Paul Singer's firm, Wills is joining the cluster of ex-Elliott managers to have founded new firms in London (Palliser Capital and Sparta Capital among two in recent years). Reported to be launching in Q2 this year with between $200m and $300m under management, though talks ongoing. Fund will focus on financial services.

Fig. 1.1 Hedgeweek's top 20 emerging hedge funds in 2024 by specialism



Source: Hedgeweek Hedge Fund Manager Survey Q1 2024

“

Our research indicates we will see over 40 new launches in 2024 from $1bn-plus hedge fund firms.

Jon Caplis
Founder at PivotalPath, on the increase in launches in 2024

DELTROIT ASSET MANAGEMENT

Specialism: Credit
Headquarters: London
Founder: Michael Hintze
Pedigree: CQS

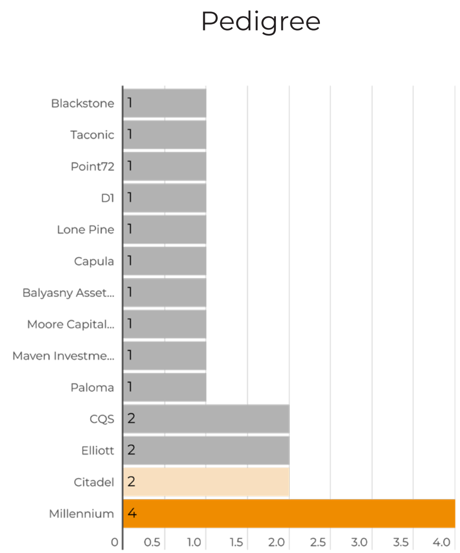
Industry veteran Hintze is starting up under his own steam after selling most of CQS – essentially the non-hedge fund part – to Canadian group Manulife Asset Management. He has taken his Directional Opportunities strategy, worth more than $1bn as of December 2023, with him and Deltroit was reported by Bloomberg to be planning a $2bn launch in March.

FAROS POINT CAPITAL MANAGEMENT

Specialism: Credit
Headquarters: London
Founder: Nick Pappas
Pedigree: CQS

Pappas was global head of credit at CQS for more than three years, until the end of 2020. He had previously worked in Europe for US credit manager BlueMountain. His new Europe-focused venture was aiming to launch with $200m and limit fundraising at $500m. It is reported to have backing from a group of college endowments in the US.

Fig. 1.2 Hedgeweek's top 20 emerging hedge funds in 2024 by founder pedigree



Source: Hedgeweek Hedge Fund Manager Survey Q1 2024

FINCH BAY CAPITAL

Specialism: Activism
Headquarters: London
Founder: Leo Markel
Pedigree: Elliott

Markel's new venture is the second start-up of note planned by former Elliott executives this year in London. Markel will be CIO and has teamed up with former ValueAct employee Daniel Urdaneta to start the fund, which will reportedly look to raise $500m by the end of the year. Its activism will focus on corporate strategy at mid-sized companies in Europe and America of $1bn-plus market cap.

JAIN GLOBAL

Specialism: Multi-strategy
Headquarters: New York
Founder: Bobby Jain
Pedigree: Former Millennium

Founder Jain's pedigree as the first co-CIO at Millennium before leaving to start his new firm has led to unprecedented interest in his new firm's hires, fees and plans. With flows into multi-manager shops having seemingly peaked, Jain may fall short of the $8.5bn day-one record set by ExodusPoint in 2018 – but it will almost certainly be the biggest launch of 2024.

JJJ CAPITAL MANAGEMENT

Specialism: Macro
Headquarters: London
Founder: Joeri Jacobs
Pedigree: Moore Capital Management

Jacobs started trading his new fund in Q4 last year backed by Moore, where he had spent more than 13 years. His former employer, which stopped running most of its external commitments in 2019, reportedly backed JJJ with $1bn of its more than $3bn day-one figure. Jacobs will run an inflation-oriented trading strategy and will not take additional capital on board after its large initial fundraise.

$8.5bn

Record day-one hedge fundraise achieved by ExodusPoint in 2018

LUMINARX CAPITAL MANAGEMENT

Specialism: Special situations
Headquarters: New York
Founder: Min Htoo
Pedigree: Blackstone

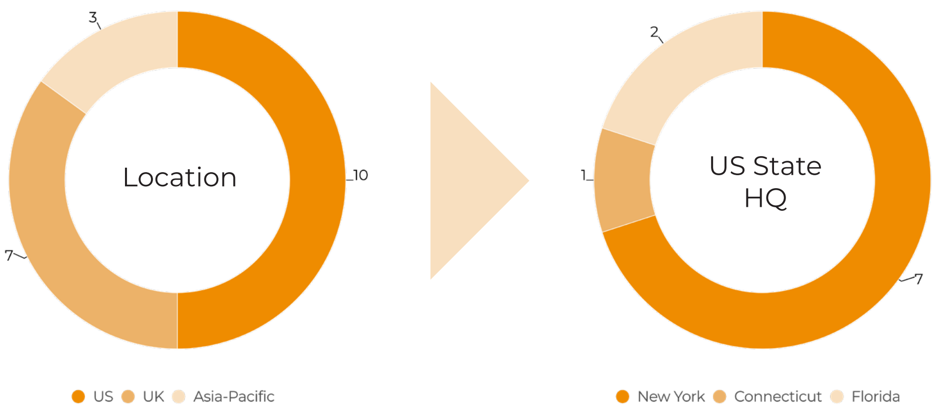
Strong pedigree in the founding duo of Gideon Berger and Min Htoo, the former co-CIOs of Blackstone Alternative Asset Management. Their new firm was expected to launch with more than $1bn, investing in focused on Special Situations investing and "providing innovative, flexible, and strategic capital solutions." The vehicle to deliver this is named Cinergy and launched in partnership with Citi.

NORIAS RESEARCH GROUP

Specialism: Multi-strategy
Headquarters: Florida
Founder: Doug Haynes
Pedigree: Point72

Described as a "next generation long/short equity platform combining the best of fundamental and systematic investing," Norias is the brainchild of former Point72 president Haynes. It hopes to raise $1bn by mimicking the multi-manager model but with a quant overlay, which means there are no sky-high trader costs, and therefore no pass-through fee. Haynes has teamed up with industry veteran Remy Trafelet, as managing partner, and former Systematica business development chief Declan Ryan, as head of investor relations.

Fig. 1.3 Hedgeweek's top 20 emerging hedge funds in 2024 by HQ location



Source: Hedgeweek Hedge Fund Manager Survey Q1 2024

OBION CAPITAL MANAGEMENT

Specialism: Equity long/short
Headquarters: Florida
Founder: David Hobbs
Pedigree: D1 Capital

Obion Capital is expected to be a major launch due to the founding partnership of David Hobbs, ex-D1 Capital, and Keith Weiner, who was president at Suvretta Capital. Their Florida launch is being closely watched given their pedigree, with Hobbs spending five years at Dan Sundheim's D1 and Weiner more than a decade at Suvretta.

PARLIAMENT HOLDINGS

Specialism: Credit
Headquarters: New York
Founder: Thomas Einhorn and Roger Schmitz
Pedigree: Paloma Partners

Hohn's business marked two decades this year. Most of its assets are invested in a concentrated long-only equities portfolio which uses "a private equity approach" in its fundamental research process, according to the TCI website. Long-term holdings include Airbus, Cellnex and Alphabet. Hohn's donations to the campaign group Extinction Rebellion have made headlines. It also has a real estate investment business, founded in 2014. Has opened office in Abu Dhabi led by global head of investor relations.

PERRYRIDGE CAPITAL

Specialism: Equity long/short
Headquarters: Connecticut
Founder: Arthur Wit
Pedigree: Lone Pine Capital

Wit, a former Lone Pine Capital partner, is planning to launch his long/short equity fund focused on healthcare and industrials globally in the middle of this year. He had been with Lone Pine for more than a decade. Perryridge's COO/CFO is Christine Clarke who had been with HealthCor Management for 16 years.

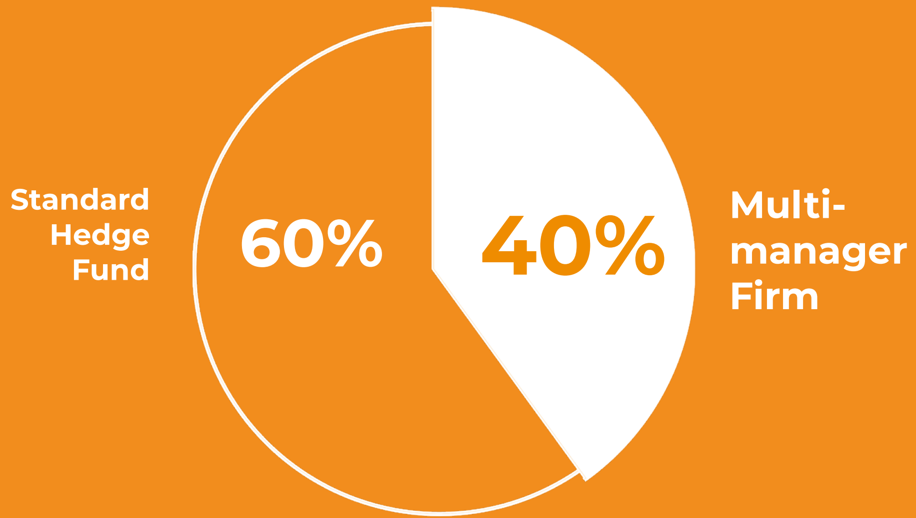
24 years

Christopher Delong's tenure at Taconic Capital Advisors

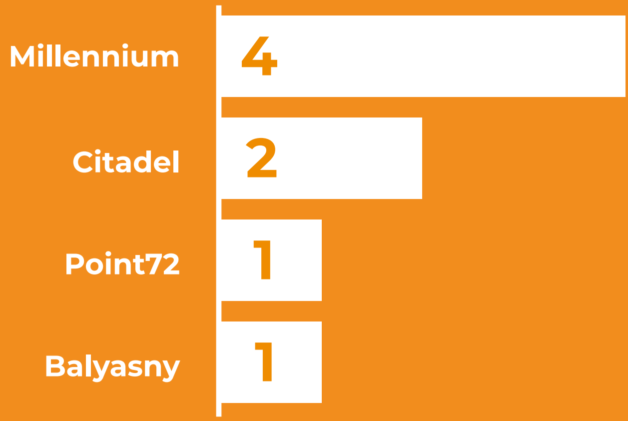
KEY FINDING

Pod-shop pedigree is a key factor in today's launch market, with 40% of the Top 20 founded by managers who worked most recently for one of the major multi-manager platforms in the US...

Background of HedgeWeek's 20 "ones to watch" launches in 2024:



... of those eight firms



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REGENTS GATE CAPITAL

Specialism: Equity market-neutral
Headquarters: London
Founder: Joshua White
Pedigree: Balyasny

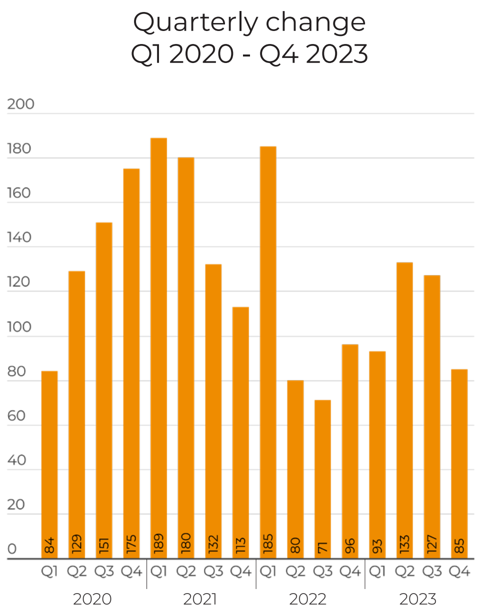
The industrials-focused strategy led by former Balyasny and Citadel manager White – who worked for Ken Griffin's firm between 2005 and 2016 – is one of London's most closely-watched new firms. Combines "human fundamental insight, large data and AI machine learning techniques" in its approach. Tara Skinner, former marketer with Brevan Howard, IPM and Oceanwood, is head of business development and investor relations.

TAULA CAPITAL

Specialism: Macro
Headquarters: London
Founder: Diego Megia
Pedigree: Millennium

Megia is leading the the biggest London-based hedge fund launch in years, due to open in 2024 with reported backing of billions from Millennium. The macro trader could start with a day-one total of more than $4bn, making it a globally significant launch. Previously with Citadel, he joined Millennium in 2019 and will reportedly take a team of up to 30 into his new firm.

Fig. 1.4 Hedge fund launch numbers since the pandemic



Source: Hedge Fund Research, Inc

TESSELLIS CAPITAL MANAGEMENT

Specialism: Equity long/short
Headquarters: New York
Founder: Chiki Gupta Brahm
Pedigree: Citadel

Tessellis is one of the most promising woman-led ventures to emerge in recent years. Most recently trading within the global equities team at Citadel, founder Brahm also spent almost six years at Marshall Wace after starting her career in hedge funds as an analyst at Hoplite Capital Management. Gupta Brahm's fund will be trading industrials, consumer and TMT stocks.

WEST BASIN CAPITAL MANAGEMENT

Specialism: Macro
Headquarters: New York
Founder: Nat Dean
Pedigree: Capula Investment Management

Dean is spinning out his Capula Tactical Macro fund, a $3.5bn strategy, into a new firm later this year, according to Bloomberg. Capula is expected to retain a commercial interest in the business. Dean formerly worked at Element Capital Management and joined Capula in 2017. Though a spinout, expected to be one of the biggest new firms started in 2024.

*UNNAMED

Specialism: Event-driven
Headquarters: Hong Kong
Founder: Jamie Goodman
Pedigree: Maven Investment Partners

Goodman, who was most recently Asia-Pacific portfolio manager at Maven Investment Partners, has reportedly won backing worth $500m from Millennium for his new venture, the name of which is not yet public. He previously worked for 17 years at Goldman Sachs. Bloomberg reports he will manage money exclusively for Millennium at first.

$3.5bn

West Basin Capital Management spinout figure

Fig. 1.5 Hedgeweek's top 20 emerging hedge funds in 2024

US

Firm name	HQ location (state)	Specialism	Founder(s)	Founder(s) pedigree	Key fact
Benchstone Capital Management	New York	Equity long/short	Tommaso Trento	Citadel	Reported Schonfeld backing.
Birnham Oak Advisors	New York	Event-driven	Christopher DeLong	Taconic Capital Advisors	DeLong with Taconic almost 25 years.
Jain Global	New York	Multi-strategy	Bobby Jain	Millennium	Requires $8.5bn on day-one to beat ExodusPoint record.
Luminarx Capital Management	New York	Special situations	Min Htoo	Blackstone	Former co-CIOs of Blackstone Alternative Asset Management.
Norias Research Group	Florida	Multi-strategy	Doug Haynes	Point72	Remy Trafelet and Declan Ryan onboard.
Obion Capital Management	Florida	Equity long/short	David Hobbs	D1 Capital	Keith Weiner, ex-president at Suvretta Capital, involved
Parliament Holdings	New York	Credit	Thomas Einhorn and Roger Schmitz	Paloma Partners	Second start-up by Einhorn, previously behind Dhalion Advisors.
Perryridge Capital	Connecticut	Equity long/short	Arthur Wit	Lone Pine Capital	Healthcare/industrials focus.
Tessellis Capital Management	New York	Equity long/short	Chiki Gupta Brahm	Citadel	Industrials, consumer and TMT stocks. Also ex-Marshall Wace.
West Basin Capital Management	New York	Macro	Nat Dean	Capula	Spinout with Capula to retain economic interest.

Europe

Firm name	HQ location	Specialism	Founder(s)	Founder(s) pedigree	Key fact
CISU Capital Partners	London, UK	Equity long/short	Mark Wills	Elliott Management	Financial services focus.
Deltroit Asset Management	London, UK	Credit	Michael Hintze	CQS	Hedge fund strategy kept out of Manulife Asset Management deal.
Faros Point Capital Management	London, UK	Credit	Nick Pappas	CQS	College endowment backing.
Finch Bay Capital	London, UK	Activism	Leo Markel	Elliott Management	Teamed up with former ValueAct investor.
JJJ Capital Management	London, UK	Macro	Joeri Jacobs	Moore Capital Management	$3bn initial fundraise.
Regents Gate Capital	London, UK	Equity market-neutral	Joshua White	Balyasny Asset Management	Industrials focus. White also ex-Citadel.
Taula Capital	London, UK	Macro	Diego Megia	Millennium	$4bn+ day-one figure would be London's biggest launch for years.

Asia - Pacific

Firm name	HQ location	Specialism	Founder(s)	Founder(s) pedigree	Key fact
30th Century Partners	Hong Kong	Multi-strategy	Kurt Baker	Millennium	$3bn fundraising target
Arrowpoint Investment Partners	Singapore	Multi-strategy	Jonathan Xiong	Millennium	Backed by Blackstone
*Unnamed	Hong Kong	Event-driven	Jamie Goodman	Maven Investment Partners	Reported Millennium backing.

Analyst note: *The list was compiled following interviews with other managers and Hedgeweek research, taking into consideration multiple factors including founder pedigree, relevance of strategy, and attractiveness to investors. In order to be considered for the list, a hedge fund firm must have either started trading after 30 September 2023 or be scheduled to start trading before 1 January 2025.*

Source: Various, Hedgeweek research

NEW ERA

It could be a record year for hedge fund launch activity. Hedgeweek analyses the trends at play from performance, business development and operational perspectives.

"Our research indicates we will see over 40 new launches in 2024 from $1bn-plus hedge fund firms. That's something we haven't seen for years. It indicates a new confidence from talented managers to go out on their own," says Jon Caplis, founder of PivotalPath in New York.

Positivity in the launch space is supported by a slight increase in numbers in 2023, according to Chicago-based HFR (see Fig. 1.4). Launches started to outpace closures again midway through the year after dropping off during the pandemic. There were 438 launches and 415 closures in 2023, HFR said.

But the big difference this year is not the number but the strong pedigree of many planned new ventures. The backgrounds of many of the Top 20 are truly top-tier, with four from Millennium alone (see Fig. 1.2).

The biggest of these is led by Bobby Jain, who was the first co-CIO at Millennium alongside Izzy Englander and was widely seen as his most likely successor. Bobby Jain could be the biggest hedge fund launch ever seen later this year, pending the outcome of a closely watched fundraise. Six (two from each firm) of the ventures come from talent who worked most recently at Citadel, Elliott and CQS.

Why now? "Launching funds has been a pretty challenging experience," says Ken Heinz of HFR. He says the global pandemic and volatility of the subsequent "generational inflation" was the most "most difficult" launch environment he had seen.

"That contributed to a risk-off sentiment, which not only affects hedge fund performance and the type of hedge funds people allocate to, but the propensity [to invest in launches]."

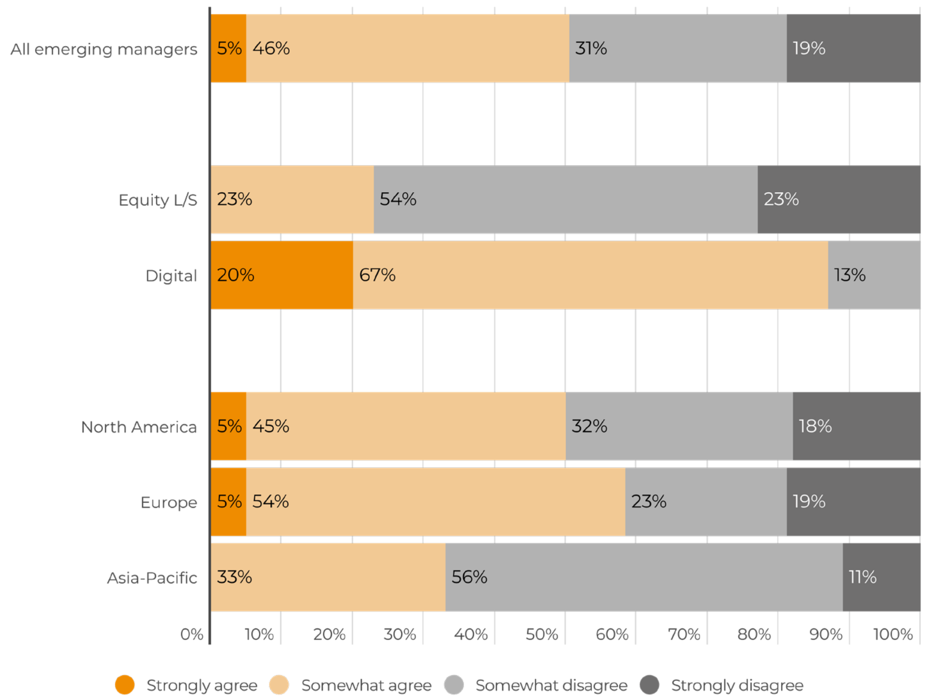
Now, however, there is a lot of latent demand. "It definitely feels more positive out there and there are more conversations taking place in Europe and Asia," says Phill Chapple, COO at Monterone Partners, a sub-billion equities manager in London.

"I think allocator sentiment has shifted now there is sight of interest rates coming down – it isn't a case of hedge funds needing to make 10% to beat the risk-free rate in a meaningful way, or even more for a start-up." Respondents to Hedgeweek's survey agreed, though private wealth investors (family offices and high-net-worth individuals) were seen as more likely than institutions to have upped interest in emerging hedge funds over the past 12 months (see Figs. 2.1 and 2.2). North American family offices were the most interesting targets (see Fig. 2.3).

Equity strategies were the most represented, with seven of the Top 20. Investor appetite towards long/short equity has rebounded after years of outflows, with the strategy having their first month of net inflows in almost two years in February.

The positive $1.5bn flow movement came amid better performance, with equity hedge funds leading performance so far in 2024 and single strategy hedge funds outperforming platform rivals charging pass-through in 2023.

Fig. 2.1 Proportion of emerging hedge fund managers that believe institutional investors are showing more interest in emerging managers



Analyst note: *Chart covers only the responses from firms with AUM <$500m. Respondents were asked, 'To what extent do you agree that institutional investors are more open to the idea of investing in emerging hedge fund managers today than they were 12 months ago?'*

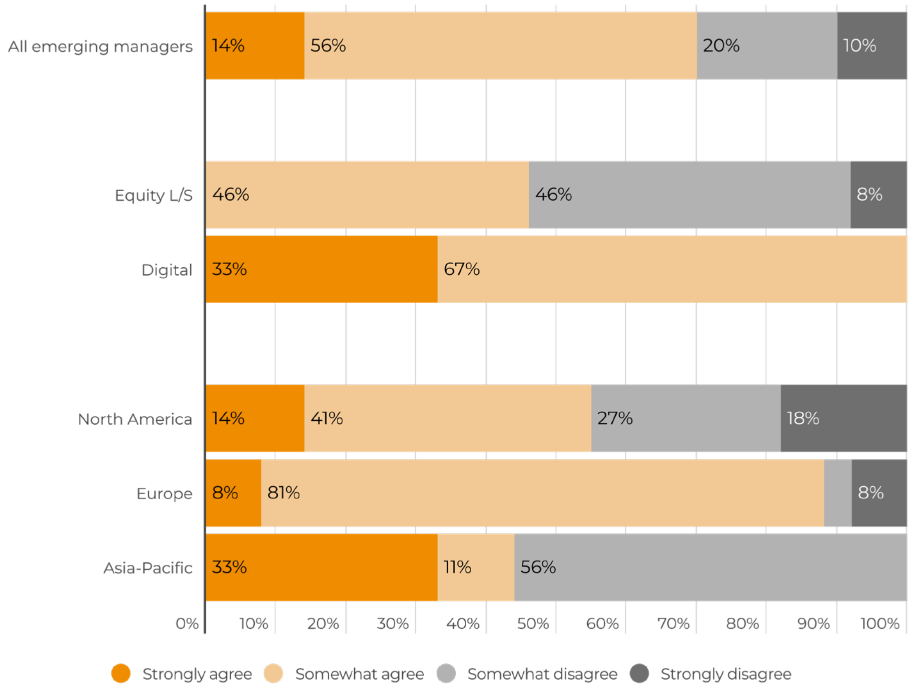
Source: Hedgeweek Hedge Fund Manager Survey Q1 2024

“

There’s a lot of latent demand [for quality hedge fund launches].

Ken Heinz
HFR

Fig. 2.2 Proportion of emerging hedge fund managers that believe private wealth investors are showing more interest in emerging managers



Analyst note: *Chart covers only the responses from firms with AUM <$500m. Respondents were asked, 'To what extent do you agree that private wealth investors – i.e. family offices, HNWIs – are more open to the idea of investing in emerging hedge fund managers today than they were 12 months ago?'*

Source: Hedgeweek Hedge Fund Manager Survey Q1 2024

"Long/short equity fund flows looked pretty decent for the first time in a long time," says Peter Laurelli, global head of Nasdaq eVestment Research. "The $1.5bn of net inflow for long/short equity doesn't move the needle compared to the $70bn removed over the prior two years, but at least February wasn't the twenty-fourth consecutive month of net outflow for the universe."

Multi-strategy and credit funds also saw renewed interest in February.

"The market and trading environment for hedge funds generally is good, especially credit, which is why we are seeing a lot of interest in sub-strategies like distressed and long/short credit," adds Caplis, who also sees a key structural shift explaining this wave of new and well pedigreed launches.

"A lot of new fund launches in recent years had been swallowed up by the growth and popularity of multi-strategy 'pod-shop' platforms. These firms remain popular but their growth may have peaked and investors feel fully-invested," he says.

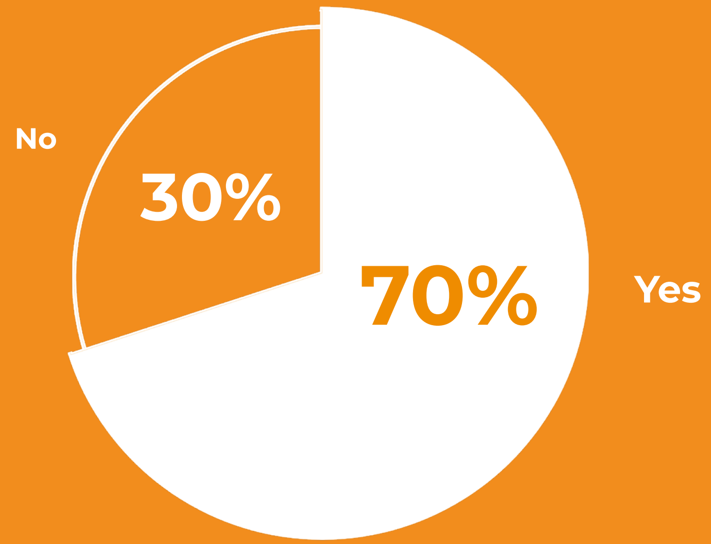
"There has been more focus on their fees and liquidity terms as a result, so the pendulum is swinging back towards single managers. Investors are enjoying being part of the negotiation process compared to their interactions with multi-managers.

"Working for the 'pod-shops' has benefited the PMs launching new firms by providing experience of strong and sophisticated

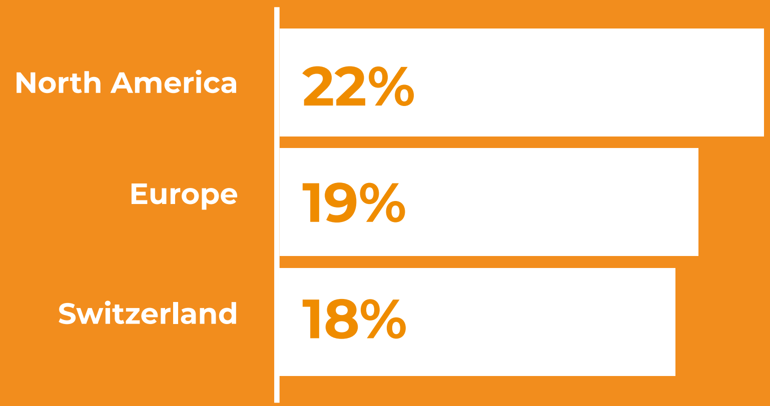
KEY FINDING

Private wealth is a growing target for emerging hedge fund managers

Do you agree that private wealth investors – i.e. family offices, HNWIs – are more open to the idea of investing in emerging hedge fund managers today than they were 12 months ago?'



Top three family office targets for emerging managers running $500m or less:



(EU, APAC, LatAM and other regions trailed)

INSIGHTS

infrastructure, giving them more confidence and knowledge to apply to their own businesses. Don't forget the big multi-manager platforms, though extremely well compensated, can be quite intense places to work, so talented managers may now be looking for something different and more nuanced in their careers. A well-planned start-up can provide a lot of fulfilment as well as financial reward."

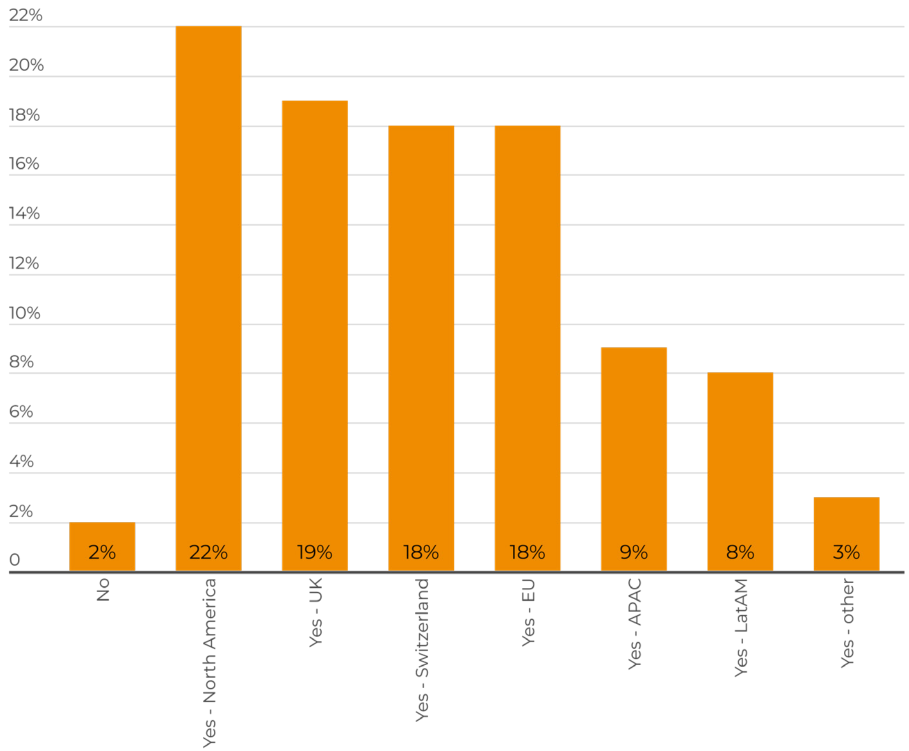
Heinz agrees the multi-strategy background of many promising new launches is a function of the demand for the approach.

"I think the multi-strategy model is strong and has never been stronger. People are launching those as well." The apparent peak of the major multi-PM platform is not inhibiting launches, Heinz believes, but in fact supportive of it.

A related driver of LPs looking for something different to the major platforms – pass-through fees and capacity aside – is crowding risk in many key trades. Adam Singleton, CIO of external alpha at Man Group's solutions business, says he has "seldom felt so nervous" about hedge fund performance such a strong start to 2024.

"Most active managers that we speak to have surprisingly positive outlooks for expected returns over the next 6-12 months, and not just because the going has been easy for the past few weeks," he said in a note. "Potential rate cuts and healthy market dislocations are leading to expectations of good quality alpha generation across the hedge fund industry.

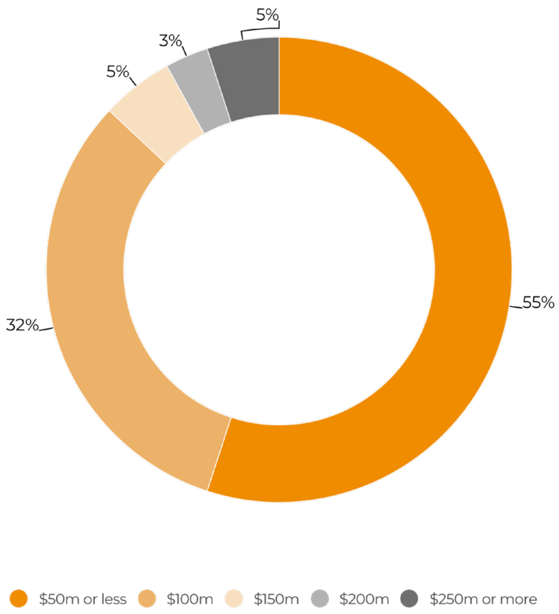
Fig. 2.3 Family offices being targeted



Analyst note: *Chart covers responses sub-$500m firms. Respondents were asked, 'Will you be targeting allocations from family offices over the next 12 months?'*

Source: Hedgeweek Hedge Fund Manager Survey Q1 2024

Fig. 2.4 Current breakeven points for emerging hedge fund businesses



Analyst note: *Chart covers only the responses from firms with AUM <$500m. Respondents were asked, 'Which of the following AUM thresholds best represents your firm's breakeven point?' No respondent chose '$200m'.*

Source: Hedgeweek Hedge Fund Manager Survey Q1 2024

JACK SEIBALD

Global Co-Head of Prime Services and Outsourced Trading, Marex

Why is there so much buzz around the hedge fund launch outlook in 2024?

The decisions by several top portfolio managers to spin out from the large platforms has generated a lot of excitement and interest. The multi-manager firms brought in a lot of the top traders during the pandemic and prior to that. But there's another set of talent that prefers to build and run their own ventures.

With the difficult market conditions undoubtedly a contributing factor, the outlook on rates, combined with macro and geopolitical uncertainty, presents a totally different environment than post pandemic. Allocators want exposure to new funds who can capitalise actively in that environment, especially credit, private credit and macro. But also equity managers, given how different the stock outlook has become.

That opportunity set is reflected in the spread of strategies represented on the list: six equity funds, four multi-strats and three each in macro and credit.

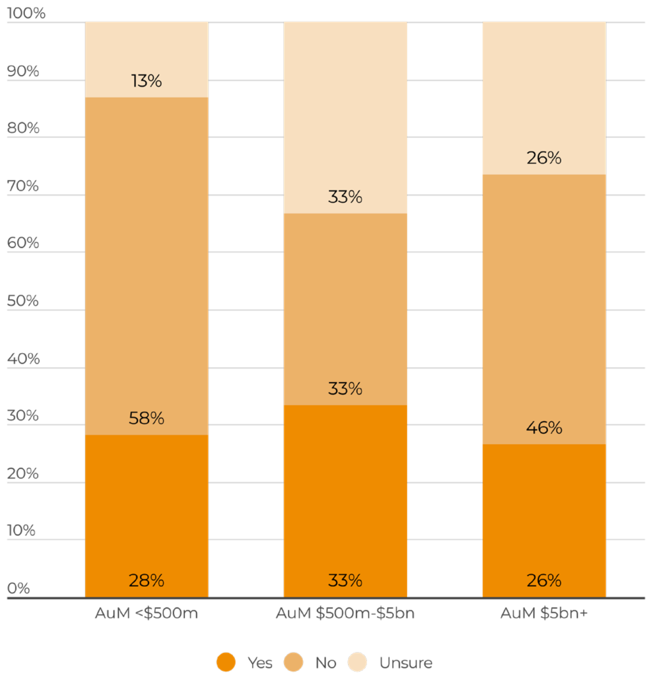
Absolutely. It does seem that the rebound of the equity market in 2023 has helped bolster the long short equity category, which has had its struggles of late. Coupled with continued interest in the private credit, credit strategies, the hedge fund industry as a whole has started 2024 very positively and I think that shows that the alternatives sector is well placed to take advantage of the market outlook.

Another notable aspect is the increase in launch activity outside the US this year, in response to investor interest. In last year's Top 20, 60% were US. This year it is half, with seven European and three in Asia-Pacific. We are definitely seeing LP interest in global opportunities, whereas the US dominated last year.

How did last year's performance affect appetite?

Positively. Virtually every category we track was positive in 2023, with the exception of systematic macro. Thus far in 2024, our allocators are very much engaged in new idea flow and potential additions to their rosters of managers. However, we feel the performance expectations are growing given the attractive yield environment for risk free assets.

Fig. 2.5 Extent of hedge fund business outsourcing by firm AUM



Analyst note: *Respondents were asked, 'Are you looking to outsource more business functions?'*

Source: Hedgeweek Hedge Fund Manager Survey Q1 2024

"If one goes looking for a harbinger of what could go wrong, it's hard to get much past the risk of crowding in active strategies. Momentum in all its forms has done well since the start of the year, suggesting that winning trades keep on winning, which is either driven by or leads to crowding."

He adds that the risk presented by crowding is larger because the hedge fund industry is more concentrated in bigger players and platform models than at any point in the past.

"Each of these participants is no doubt better at managing risks than in previous technical market events, but few have a sufficient vantage point to properly model systemic risks. In our view, there is good cause right now to be wary of excessive leverage and a benefit to keeping exposures liquid."

The current break-even point for an emerging manager is widely seen as sub-$100m: 32% says $50 or less and 55% say $50-100m (see Fig.2.4). The use of outsourcing is likely to increase as a means of keeping costs down (see Fig. 2.5).

Higher costs across the business have been on the mind of every COO. "Firms have definitely had to be a lot more focused on the bottom line and business planning. That's important for all firms – we've been in business a decade now – but even more so as a start-up." ■

BROADENING HORIZONS

The hedge fund launch market is back in business and 2024 could emerge as a record year, according to Hedgeweek's second 'Ones to Watch' ranking and survey of the sector.

From Jain Global, the most-watched of a quartet of Millennium pedigreed launches to feature on the list, to Tessellis Capital Management, the only woman-led venture this year, a range of new launches are attracting unprecedented interest in the new market environment. If allocations live up to the headlines it will be a historic year.

This report has revealed the broad strategy and geographic range of hedge funds emerging in 2024, reflecting the interest in new ventures across styles and regions. Several of them will start with $1bn or more on day-one, a significant achievement in any year, and end up employing hundreds of industry personnel and making millions for investors. Others may well stumble.

But in a new era for the hedge fund industry, which is aiming to capitalise on new market opportunities and prove that strong and consistent return streams can be delivered by firms small and emerging – and not just huge and established – the 'Ones to Watch' list is a sign of growing industry confidence.

HEDGEWEEK

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