BOREALIS
STRATEGIC CAPITAL PARTNERS, LP

JANUARY 2025

HEDGE FUND NEW LAUNCH LANDSCAPE: 2024 EDITION

Observations from the front lines

As investors focused solely on backing early-stage hedge funds, our firm has a unique perspective of the hedge fund industry. We have analyzed thousands of newly-launching managers since forming Borealis and enjoy sharing our latest observations on the new launch landscape. As a follow-up to our 2023 report, we are pleased to share a 2024 year-in-review.

We have broken our observations up into two sections: Firm/Organization trends and Investment Strategy trends.

EXECUTIVE SUMMARY – HIGH LEVEL OBSERVATIONS

Launch Lull Lingers

Overall new launch volume has settled into a distinctly lower range, with 2022-2024 averaging 373 launches annually compared to an average of 514 per year during 2019-2021. This 28% decline appears concentrated among more commoditized strategies, and we have observed the number of high-quality launches – those with differentiated approaches and experienced teams – has remained relatively stable.

Platform Power Play

The influence of multi-manager platforms on the new launch landscape has manifested in three distinct ways: (i) Aggressive hiring of sector specialist talent contributing to this year's 31% decline in sector-focused equity launches from historical averages, (ii) new multi-manager platforms comprising 4% of 2024 launches, up from 2% in 2022 and 2023, and (iii) established platforms increasingly acting as strategic investors in launches. While platforms continue to attract specialist talent, a growing portion of launching managers are running strategies that don't fit neatly within the platform model (particularly managers who embrace concentration, duration, illiquidity, and volatility, among other attributes).

Anchors Aweigh

The percentage of total launches backed by strategic investors reached 15% in 2024, surpassing the post-COVID peak. This trend reflects both the increasing scale required for successful launches and the scarcity of day-one capital.

Japan's Jubilee

Corporate governance reforms in Japan have catalyzed a notable increase in new launch activity focused on the country. The reforms' emphasis on improving capital efficiency and shareholder value has created opportunities for both constructive engagement and catalyst-driven investing. This trend has been a key driver in Asia-focused launches rebounding to 11% in 2024 from 6% in 2023.

OVERVIEW

THE NEW LAUNCH MANAGER SAMPLE

This study focuses on those managers that launched or attempted to launch hedge funds in the years 2019-2024. In aggregate, this includes a total sample of 2,661 so-called new launches (please see the Methodology section at the end of this report for more detail on how we define new launches).

Below is a breakout by year (as of December 10th, 2024)

2019	2020	2021	2022	2023	2024	TOTAL SAMPLE
501	510	532	383	375	360	2,661

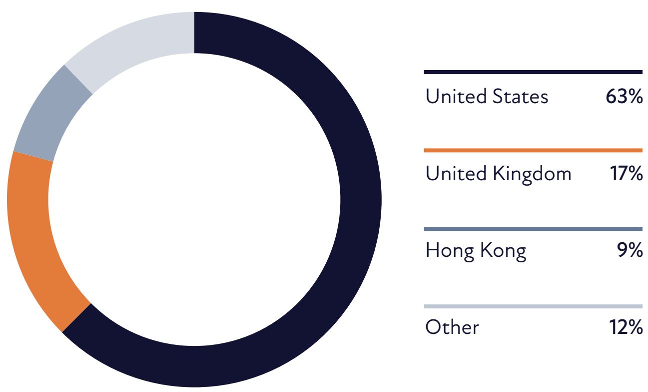
FIRM/ORGANIZATION TRENDS

NEW LAUNCHES BY COUNTRY OF ORIGIN

U.S.-based funds still comprise the majority of new launches in 2024 (63%), followed by the U.K. (17%) and Hong Kong (9%). From an absolute number standpoint, this represents the lowest number of U.S.-based launches we've recorded in our six-year dataset at 225, down significantly from the peak of 339 in 2020.

The share of Asia-Pacific launches has shown notable strength, with Hong Kong and Singapore collectively representing 12% of global launches – their highest combined share since 2021.

BREAKOUT BY COUNTRY (2024)



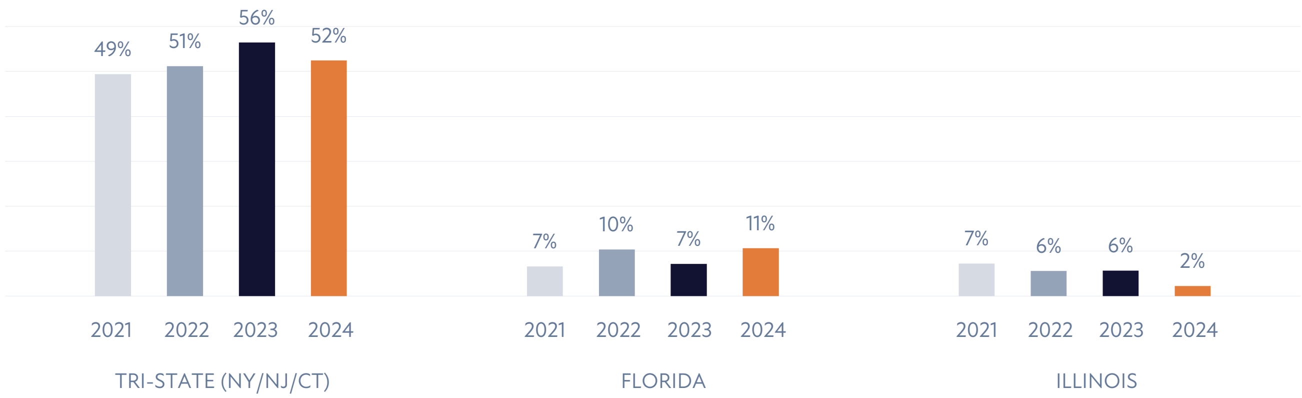
Methodology note: Percentages reflect composition of all new launches for the periods defined above. For this analysis, if a manager has multiple office locations, we considered only the primary office location (informed by the location of the key investment decision maker).

U.S.-BASED NEW LAUNCHES BY STATE

Tri-State based launches (NY, NJ, and CT) continue to represent the majority of U.S. hedge fund launches at 52%. Meanwhile, Florida's share of new launches has continued its upward trajectory, reaching 11% in 2024, nearly matching California's share and marking a dramatic increase from just 3% in 2020. This sustained growth appears to validate the state's emergence as a legitimate challenger to traditional financial centers.

Conversely, we've observed a notable decline in launches from certain historically active regions, particularly our home state of Illinois, which fell to eighth place with just 2% of U.S.-based launches in 2024, down from third place (7%) in 2021. In absolute numbers, Illinois-based launches have declined from 24 to 5 over that time frame. This decline appears to correlate with Chicago's perceived anti-business policies, prompting the relocation of several major investment firms, including Citadel, to other states, causing a compounding effect on new launch activity (and thus creating a vicious feedback loop).

YoY COMPARISONS



Methodology note: Percentages reflect composition of all new launches for the periods defined above. For this analysis, if a manager has multiple office locations, we considered only the primary office location (informed by the location of the key investment decision maker).

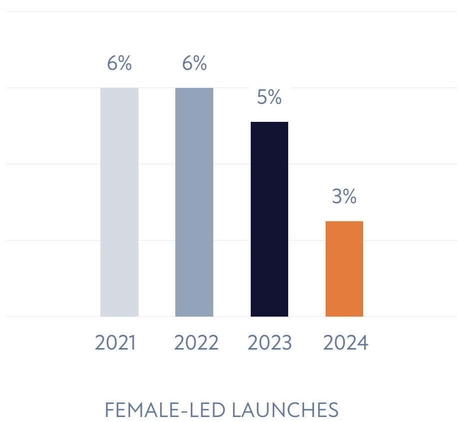
FEMALE-LED NEW LAUNCHES

The share of female-led launches fell sharply in 2024 to 3%, marking its lowest level since we began tracking this data in 2019. This represents a significant decline from the peak of 6% observed in both 2021 and 2022. In absolute terms, we recorded just 10 female-led launches in 2024, approximately half the number of launches seen in 2023 and well below the high-water mark of 32 launches in 2021.

This decline is particularly notable given the increased industry focus on diversity initiatives we had observed in previous years.

Methodology note: Percentages reflect composition of all new launches for the periods defined above. For fund and strategy attributes, we rely largely on a manager descriptions and cannot necessarily attest to the veracity of such qualities that are often self-defined. Female led does not necessarily reflect majority ownership, only a lead position in the investment decision making process (CIO, co-CIO, etc.)

YoY COMPARISON

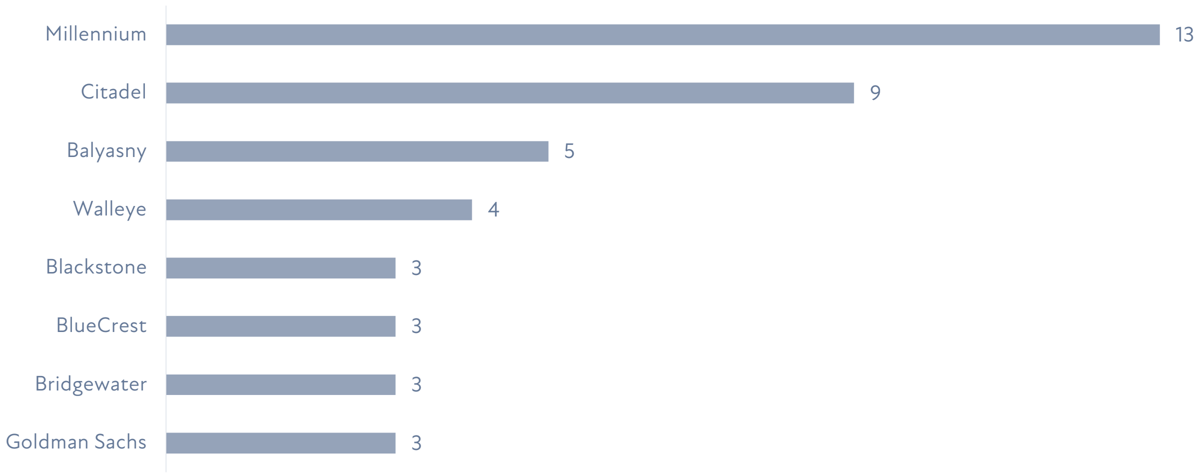


COMMON PEDIGREES

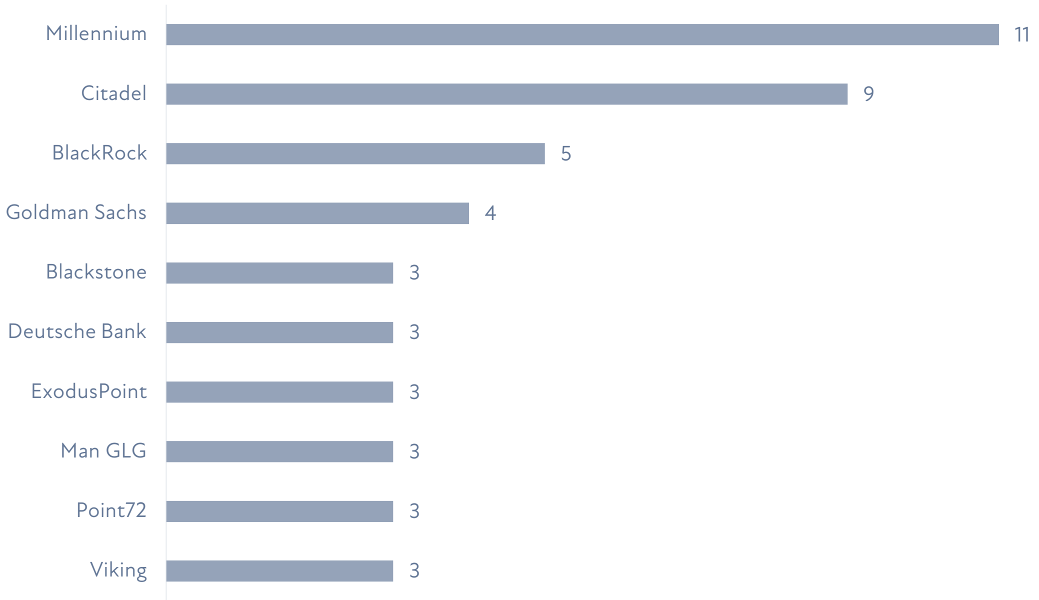
For the fourth consecutive year, Citadel and Millennium have represented the two most common sources for new launches.

Traditional investment banks continue to play a diminished role as a source of new launches, with only Goldman Sachs appearing among the top pedigrees in 2024. Meanwhile, multi-manager platforms continue to dominate as the primary source of new launch talent with 11% of new launches in 2024 coming out of one of the following firms: Millennium, Citadel, Balyasny, Walleye, BlueCrest, Eisler, and Point72.

2024 LAUNCH PEDIGREES (BY COUNT)



2023 LAUNCH PEDIGREES (BY COUNT)



Methodology note: For "pedigree" data, we only considered the key investment principal's last employer if the investment manager had a singular decision-making process. For firms with co/multi-CIO decision making structures, we considered the last employer for each of the key decision makers.

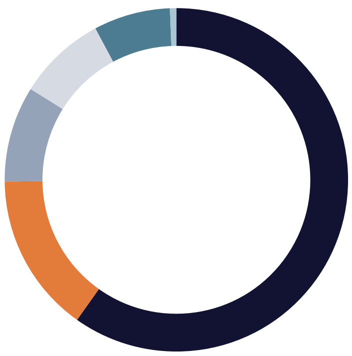
INVESTMENT STRATEGY TRENDS

NEW LAUNCHES BY STRATEGY CLASSIFICATION

The composition of new launches by strategy continues to be dominated by equity-focused managers, reaching 60% in 2024, the highest level we've observed in our dataset (going back to 2019).

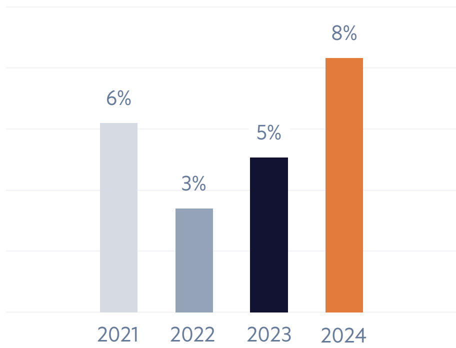
Event strategies saw a notable uptick in 2024, rising to 8% of launches from 5% in 2023, likely reflecting managers' anticipation of increased corporate activity on the horizon. Similarly, opportunistic strategies continued their steady rise, reaching 7% of launches, the highest level in our dataset.

BREAKOUT BY STRATEGY (2024)



Equity	60%
Macro	15%
Credit	9%
Event	8%
Opportunistic	7%
Other	1%

YoY COMPARISON



EVENT STRATEGIES

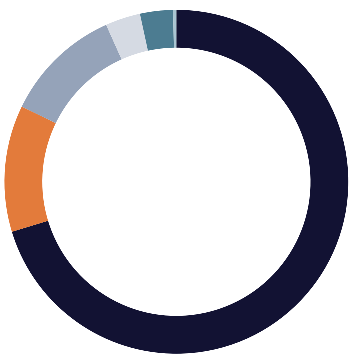
Methodology note: Percentages reflect composition of all new launches for the periods defined above. Strategy classifications are our own.

NEW LAUNCHES BY REGIONAL FOCUS (ALL STRATEGIES)

The majority of new launches continue to pursue a global mandate, reaching 70% in 2024 – marking the highest level in our dataset. This trend likely reflects managers' desire to maintain maximum flexibility in their opportunity set.

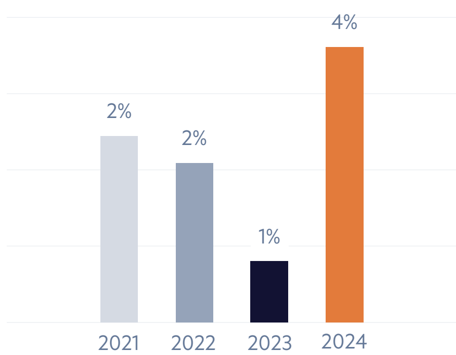
After falling to a multi-year low of 6% in 2023, Asia & Oceania-focused launches rebounded significantly in 2024 to 11% of the total. A notable driver of this resurgence has been Japan-focused strategies, with managers seeking to capitalize on the country's ongoing corporate governance reforms. These reforms have intensified focus on shareholder value and capital efficiency, creating compelling opportunities for value, event-driven, and activist strategies in the region.

BREAKOUT BY GEOGRAPHICAL FOCUS (2024)



Global	70%
North America	12%
Asia & Oceania	11%
Europe	3%
Emerging Markets	3%
Latin America	0%
Middle East & Other	0%

YoY COMPARISON



JAPAN-FOCUSED STRATEGIES

Methodology note: Percentages reflect composition of all new launches for the periods defined above. Regional classifications are our own. If a manager focuses on more than one region, or does not have a specific regional focus, they are considered global.

NEW LAUNCHES BY SECTOR FOCUS (EQUITY ONLY)

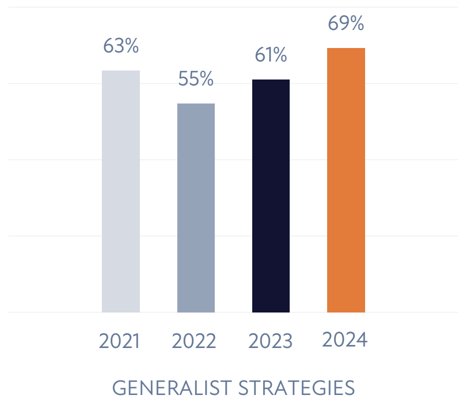
Within equity-focused launches, we observed a strong reversion to generalist mandates in 2024, reaching 69% of launches, nearly matching the peak levels seen in 2019. However, looking at absolute numbers tells a more nuanced story: generalist launches remain about 9% below their historical average, while sector specialist launches have declined by over 30%.

This outsized decline in sector specialist launches likely reflects the continued growth of multi-manager platforms, which have been particularly aggressive in hiring sector-focused portfolio managers. These managers' ability to execute intra-sector, market neutral strategies makes them especially attractive to platform models, effectively reducing the pool of potential sector specialist launches.

BREAKOUT BY SECTOR FOCUS (EQUITY ONLY: 2024)

Generalist	69%
TMT/Consumer	12%
Energy/Industrials/Materials/Utilities	8%
Healthcare	7%
Financials/Real Estate	3%

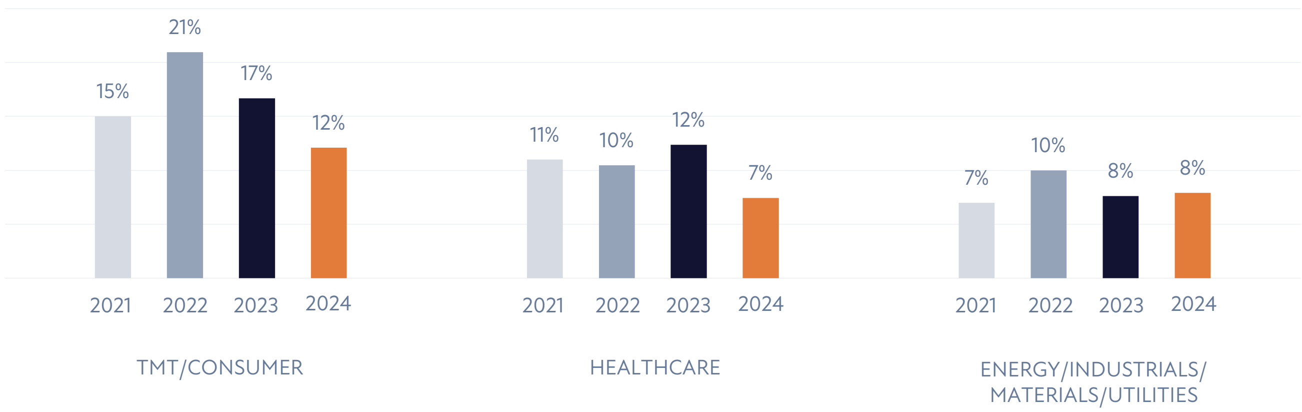
YoY COMPARISON



The reduction in sector specialist launches is most evident in TMT/Consumer and Healthcare, which fell to 12% and 7%, respectively, from their recent peaks. Energy/Industrials/Materials/Utilities remained stable at 8% of launches, while Financial/Real Estate specialists saw a modest uptick to 3% but remained well below their 2020 peak of 6%.

The decline in 'vanilla' sector specialist launches reflects broader industry maturation, with basic sector coverage increasingly commoditized within multi-manager platforms. However, we continue to see compelling opportunities among sector specialists who combine deep domain expertise with distinctive approaches – whether through activism, private markets capabilities, or specialized trading strategies that platforms may struggle to embrace.

YoY COMPARISONS (EQUITY ONLY)



Methodology note: Percentages reflect composition of all new launches for the periods defined above. If a manager focuses on multiple sector buckets (as presented above), or do not state a specific sector focus, they are considered a generalist in their sector orientation

MULTI-MANAGER PLATFORM LAUNCHES

Not only are established multi-manager platforms continuing to shape the new launch landscape through their talent acquisition, but we're also observing an uptick in new platform launches themselves, reaching 4% of all launches in 2024, more than double the rate observed in 2022 and 2023.

This surge in new platforms likely reflects managers' desire to replicate the success of industry leaders, though we note the barriers to entry in this space remain considerable given infrastructure requirements and increasingly competitive compensation structures.

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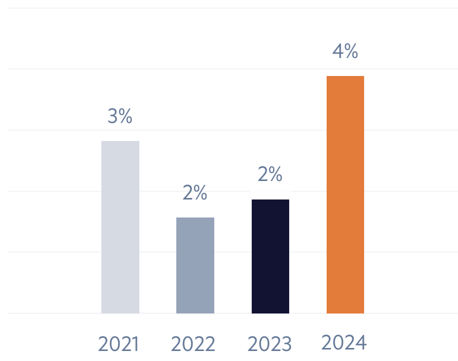
YoY COMPARISON



MULTI-MANAGER PLATFORM LAUNCHES

ACTIVIST STRATEGIES

Strategies incorporating activism as a core tenet represented 5% of launches in 2024, more than doubling from 2023 and marking the highest level in our dataset. This surge appears driven by two distinct catalysts: first, the shifting corporate governance landscape in Japan has created new opportunities for constructive engagement with management teams. Second, persistent valuation discounts in certain market segments – particularly international, small cap, and value stocks – have attracted managers seeking to catalyze value realization through active ownership.

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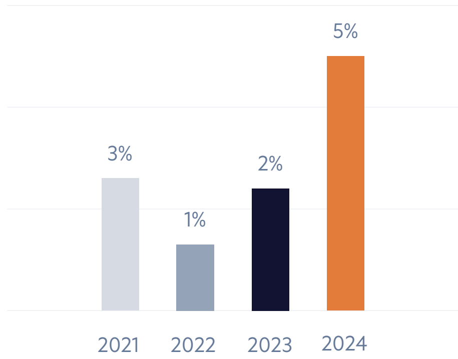


ACTIVIST STRATEGIES

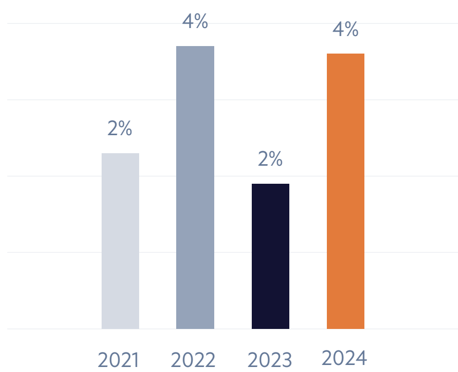
ENERGY TRANSITION

Energy transition-focused strategies rebounded to 4% of launches in 2024, nearly matching the peak observed in 2022. While this area continues to attract significant capital and talent, we note that many of these strategies have evolved beyond traditional clean technology investing to include opportunities across the broader industrial transformation required for decarbonization.

Additionally, many of these new launches are employing more nuanced approaches – including short positions in overhyped or overvalued "clean technology" companies, as well as companies they view as poorly positioned for the transition.

Methodology note: Percentages reflect composition of all new launches for the periods defined above. For fund and strategy attributes, we rely largely on a manager descriptions and cannot necessarily attest to the veracity of such qualities that are often self-defined.

YoY COMPARISON



STRATEGIES FOCUSED ON ENERGY TRANSITION

LAUNCHES WITH STRATEGIC/ANCHOR INVESTOR

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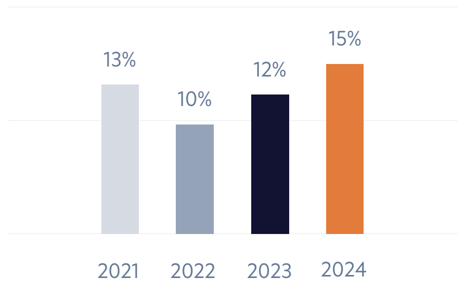

LAUNCHES W/ STRATEGIC OR ANCHOR INVESTOR

The percentage of new launches anchored by strategic investors reached 15% in 2024, the highest level in our dataset and notably above the 13% peak observed during the post-COVID period in 2021. As a firm focused exclusively on backing early-stage managers, we believe several factors are driving this trend:

- The economics of launching a hedge fund continue to evolve, with increasing infrastructure requirements and competitive pressures demanding greater scale at launch.
- Allocator capital remains constrained as many institutions grapple with portfolio illiquidity stemming from their private capital investments.
- Certain multi-manager platforms, particularly Millennium, are increasingly deploying capital as strategic investors in external launches, an interesting evolution in the platform model.

The steady rise in strategic investor involvement from pre-pandemic levels (10% in 2019-2020) to today's 15% appears to reflect a structural shift in how new launches are approaching their initial capitalization.

Methodology note: Percentages reflect composition of all new launches for the periods defined above. For fund and strategy attributes, we rely largely on a manager descriptions and cannot necessarily attest to the veracity of such qualities that are often self-defined.

CONCLUSION

The 2024 new launch landscape illuminates several distinct trends reshaping the hedge fund industry. This evolution favors those managers pursuing truly differentiated approaches, whether through specialized market opportunities like Japan's corporate reform wave, emerging themes like energy transition, or novel business models that challenge traditional sector boundaries.

While launch volumes may be lower, the quality and sophistication of new managers have never been higher – and we believe today represents a particularly fertile environment for experienced allocators who can identify and help scale the next generation of differentiated hedge fund managers.

METHODOLOGY

A few words on methodology: We believe the hedge fund industry suffers from an over-reliance on “bucketing,” and we are generally loath to do it ourselves. While we believe each hedge fund firm is unique, for this study we created rules to standardize and track the hedge fund characteristics we felt were interesting and relevant. Throughout this study, we included notes on the assumptions and methodologies utilized.

The data set utilized is proprietary and compiled from internal analysis, various news outlets, prime brokerage reporting, and other sources. We include all launches (including attempted launches) that were known to Borealis – referred to throughout as “New Launches” – and is not necessarily a complete summary of all launches throughout the industry.

Launch year “vintage” refers to the launch or attempted launch of a commingled limited partnership vehicle. Fund managers who attempted to launch a fund, but did not succeed, are still included in this study and their vintage year refers to the most recent targeted launch year, which may shift in later reports. The data presented are as of December 10, 2024.