PerTrac Finds Younger or Smaller Hedge Funds Outperform

Study Examines Impact of Size and Age on Hedge Fund Returns

New York, NY—September 27, 2011—Small hedge funds outperform mid-size and large funds, and young funds outperform older ones, according to PerTrac, the world's leading provider of hedge fund analytics. Its report, "*Impact of Fund Size and Age on Hedge Fund Performance*," released today, found that funds with less than $100 million in assets under management (AUM) returned 13.04% in 2010, compared to 11.14% posted by mid-size funds ($100 million to $500 million AUM) and 10.99% gains achieved by large funds (over $500 million AUM). The study also found the performance of small and mid-size funds through the first six months of 2011 was better than their performance over the same period in 2010.

Young funds, defined by PerTrac as less than two years old, gained 13.25% in 2010, compared with gains of 12.65% and 11.77%, respectively, for mid-age funds in existence two to four years and "tenured" funds older than four years. Moreover, young hedge funds appear to have achieved these returns with less risk than their competitors. PerTrac suggested several possible reasons why young funds excel, including that they were able to conduct portfolio changes more quickly and "under the radar," that their less mature administrative and operational needs result in lower fixed costs, and that new technologies allow them to perform their activities more efficiently in more scalable environments. Monte Carlo simulations indicate this trend could continue in the near and intermediate future, according to PerTrac.

"The 2010 and first half of 2011 findings continue to suggest that investors seeking to maximize their returns should examine funds with less than $100 million in AUM or funds with less than two years of existence provided they fit their liquidity and allocation profile," commented Lisa Corvese, Managing Director of Global Business Strategy, at PerTrac.

Until 2008, small funds have consistently beaten mid-size and large funds, according to the study. But in 2008—the only negative year for any of the sized based fund indices—small funds were the worst performers, declining -17.03%. In 2009, small funds came in second behind mid-size funds in performance. But while small funds have generally outperformed mid-size and large funds, their risk profile remains the highest and simulation models suggest this trend could continue, as well.

PerTrac's study also found that:

- Young funds have outperformed both mid-age and tenured funds in 13 out of the last 15 years. In 1999, young funds finished 0.13% behind the mid-age funds. In 2003, young funds finished 0.56% behind the tenured funds and 0.18% behind mid-age funds.

- Mid-age funds have outperformed tenured funds in eight out of 15 years since 1996.

- The best performance year for all three fund age indices was 1999, with young funds returning 34.54%, mid-age funds 34.67%, and tenured funds 25.26%.

- The cumulative total return for young funds is 848.03%, mid-age 462.47%, and tenured 373.32% over the 15 year period.

- The average 2010 AUM of small funds was $26,152,437, mid-size funds $225,671,876, and large funds $1,847,867,623. Small funds comprised 1.25% of the total average AUM in 2010, mid-size 10.75%, and large 88.00%.

The complete study is available for free download by clicking here.

About PerTrac
PerTrac provides software solutions for investment professionals at the fund-level of investing including pensions, family offices, hedge funds, long-only managers, endowments, sovereign wealth funds, funds of funds and industry service providers. More than 1,400 organizations in 50 countries rely on PerTrac software solutions to help them maximize returns, reduce risk and operate more efficiently. Founded in 1996, PerTrac is headquartered in New York with offices in London, Hong Kong, Tokyo, Reno, and Memphis. For additional information on the full suite of PerTrac software solutions, please visit www.pertrac.com.

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