HEDGE FUND FIRMS that launch multiple funds on average underperform those with one fund by 2.80% per year, new research has found.

Academics found that investors do not benefit from the launch of follow-on funds, which on average lag a firm’s flagship offering by 2.64% per year, after adjusting for risk. Melvin Teo, professor of finance at Singapore Management University, and fellow researchers found the performance of flagship funds deteriorates by 4.83% per year following the launch of the first non-flagship fund.

But they also found that firms with successful flagship funds can launch non-flagships that charge higher fees, set more onerous redemption terms and attract greater inflows. “Is this beneficial to investors? No,” Teo said, presenting the findings at the Lyxor 9th Annual Hedge Fund Research Conference in Paris.

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