HFR Co-Investment Index

Defined Formulaic Methodology - 2026

Table of Contents

1 Introduction

HFR, Inc. (HFR) is a research firm specializing in the collection, aggregation, and analysis of alternative investment information, serving hedge fund investors, sovereign wealth funds, pension funds, and financial institutions with a combined total global client base of more than $48 trillion. The firm has established the industry standard for hedge fund benchmarks through a comprehensive suite of indices designed to measure performance across strategies, regions, and themes. HFR publishes more than 500 indices, providing reliable coverage of both core hedge fund strategies and specialized segments of the alternative investment universe.

HFR's Indices are built on robust, rules-based methodologies and are powered by the thousands of funds that report monthly performance to HFR. The HFR Database serves as the central repository where data on all of these funds can be found, housing performance information as well as asset details and more than a hundred other qualitative and quantitative fields.

HFR Co-Investment Indices

HFR, Inc. (“HFR”) constructs and publishes indices intended to measure performance across defined segments of the alternative investment universe using transparent, rules-based methodologies. The **HFR Co-InvestmentIndex (the “Index”)** is designed to represent the aggregated performance of a curated set of hedge fund managers that have historically offered Best Ideas and/or Co-Investment opportunities to investors, and that have agreed to provide position-level data and pricing (if needed) for future Best Ideas / Co-Investments. The Index is equally weighted at the manager level and each manager’s positions are equally-weighted as well.

HFR Co-Investment (Security Weighted) Indices

HFR, Inc. (“HFR”) constructs and publishes indices intended to measure performance across defined segments of the alternative investment universe using transparent, rules-based methodologies. The **HFR Co-Investment Index (the “Index”)** is designed to represent the aggregated performance of a curated set of hedge fund managers that have historically offered Best Ideas and/or Co-Investment opportunities to investors, and that have agreed to provide position-level data and pricing (if needed) for future Best Ideas / Co-Investments. The Index is equally weighted at the individual security level.

Index performance is calculated from manager-submitted position-level information and associated performance estimates, subject to the assumptions and limitations described herein.

2 Methodology

2.1 Index Objective and Scope

The Index measures the composite performance of a defined set of eligible managers (the "Constituents") that meet the criteria in Section 2.2 and are approved for inclusion by the HFR Index Administration team.

Key scope constraints:

- **Eligible programs only**: The Index includes manager "Best Ideas" and/or "Co-Investment" opportunity sets.
- **Excluded structures**: The Index **does not** include fund structures or managed accounts.
- **Data commitment**: Managers agree to provide **position-level** information and **pricing support** (if needed) for future Best Ideas / Co-Investments.

2.2 Eligibility Criteria (Manager Level)

A manager is eligible for inclusion in the Index if, in HFR's determination:

1. The manager has **historically offered** Best Ideas and/or Co-Investment opportunities to investors.
2. The submission represents a **Best Ideas / Co-Investment opportunity set**, and does **not** represent a pooled fund vehicle, managed account, or other excluded structure.
3. The manager has **agreed** to provide **position-level data** and **pricing** (if needed) for future Best Ideas / Co-Investments.
4. The manager can submit the required data in the format prescribed by HFR (the "Submission Template").
5. The manager has passed internal operational and qualitative screening as determined by HFR.

2.3 Constituent Selection Process and Data Acquisition

HFR's sourcing and screening process (illustrative pipeline, subject to change over time) is:

- **1,163** firms contacted
- **219** expressed interest and indicated some offering of co-investments / best ideas
- **129** scheduled a call or met with HFR
- **71** provided materials (e.g., decks, performance, or Best Idea / Co-Investment performance)
- **30** deemed appropriate for Index candidacy (including exclusions per Index team guidance)

Final inclusion is determined by HFR approval and ongoing compliance with Section 2.2.

3 Index Construction and Calculation

3.1 Data Inputs

Each constituent manager submits position-level information for their Best Ideas / Co-Investment opportunity set, including (at minimum, as required by the Submission Template):

- Security identifiers / description
- Position direction (enter/exit date)
- Pricing and/or return information for the measurement period

3.2 Index NAV Calculation

The Co-Investment Index is constructed using a **two-step roll-up methodology**. Each participating manager submits a sleeve of securities. HFR first computes each manager's **monthly sleeve return** from the submitted securities and then computes the **Index monthly return** as the equally weighted composite of the manager sleeve returns.

Because the Index is **rebalanced annually**, security weights are set equal at the annual rebalance date t_0 and are permitted to **drift between rebalances** based on relative cumulative performance.

Step 1 — Manager sleeve return (equal-weight securities at rebalance)

For manager $i \in \{1, \dots, n\}$, with m_i submitted securities, the manager's monthly sleeve return for month t is:

$$ROR_t^i = \sum_{j=1}^{m_i} w_t^{i,j} \; r_t^{i,j}$$

where $r_t^{i,j}$ is the total return of security j submitted by manager i over month t, and $w_t^{i,j}$ is the weight of that security in manager i's sleeve for month t.

Annual rebalance (equal weights)
At the annual rebalance date t_0, each submitted security is set to equal weight:

$$w_{t_0}^{i,j} = \frac{1}{m_i}$$

Weight drift between annual rebalances (cumulative return scaling)

Between annual rebalances, weights drift in proportion to each security's cumulative total return since t_0. Define cumulative total return through month $t-1$ as:

$$1 + R_{t-1}^{i,j} = \prod_{\tau=t_0}^{t-1} \left(1 + r_{\tau}^{i,j}\right)$$

The corresponding drifted weight used for month t is:

$$w_t^{i,j} = \frac{w_{t_0}^{i,j}\left(1+R_{t-1}^{i,j}\right)}{\sum_{k=1}^{m_i} w_{t_0}^{i,k}\left(1+R_{t-1}^{i,k}\right)}$$

Given equal weights at t_0, this simplifies to:

$$w_t^{i,j} = \frac{\left(1+R_{t-1}^{i,j}\right)}{\sum_{k=1}^{m_i}\left(1+R_{t-1}^{i,k}\right)}$$

Step 2 — Index composite return (equal-weight managers)

At Rebalance time, the Index monthly return is the equally weighted average of manager sleeve returns, less the Index adjustment term F(if applicable):

$$ROR_t = \frac{1}{n}\sum_{i=1}^{n} \quad ROR_t^i - F$$

where n is the number of managers included for month t.

NAV update

Given an initial index level NAV_{t_0}(e.g., 1000 at inception), the Index level evolves as:

$$NAV_t = NAV_{t-1} \times (1+ROR_t)$$

Additional Construction Notes

- **Position timing convention (month-start inclusion).**
  For index construction, each submitted Best Idea / Co-Investment security (or holding) is assumed to be **initiated at the beginning of the month** in which the idea is first implemented and remains in the manager sleeve **through month-end of the month until the manager indicates the position is exited.** This convention also applies to securities that were purchased intra-month; such positions are **treated as if held from the first calendar day of that month** for purposes of monthly return attribution and sleeve aggregation unless manager provided a monthly return stream.

- **Privately held / non-public securities (normalization from manager-provided total return).**
  For securities that are not publicly priced, where the manager provides only a **total return over the full holding period** (i.e., a start-to-exit performance figure or cumulative time series without reliable monthly marks), HFR normalizes the security into a monthly return stream such that the **compounded monthly returns exactly reproduce** the manager-submitted total return over the holding period.

Method used. If a security is held for T months (from entry month t_0 through exit month $t_0 + T - 1$) and the manager provides a total holding-period return R_{total}, HFR converts this into a constant monthly return r applied evenly across the holding months:

$$r = (1+R_{\text{total}})^{1/T} - 1$$

The normalized monthly return series is then set as:

$$r_{t_0} = r_{t_0+1} = \cdots = r_{t_0+T-1} = r$$

which guarantees:

$$\prod_{\tau=t_0}^{t_0+T-1} (1 + r_\tau) = (1 + r)^T = 1 + R_{\text{total}}$$

This approach preserves the manager-submitted compounded performance while producing a standardized monthly return stream suitable for sleeve-level aggregation and index roll-up. (If a manager provides a monthly time series directly, that series is used instead of this normalization.)

- **Annual rebalance.**
  The Index is **rebalanced annually** at the rebalance date t_0. Within each manager sleeve, securities are set to equal weights at rebalance and weights are permitted to drift between annual rebalances according to cumulative performance (as defined in Section 3.2).

- **Manager removal / termination treatment.**
  If a manager is removed from the Index constituent list, the manager sleeve's performance is included **through the manager's last reported performance update**. Following that last month reported, the manager is excluded from subsequent index composite calculations.

3.3 Index Disruption Event

"Index Disruption Event" means:

where, in the determination of HFR, Inc., it is not possible or it is not reasonably practicable for it to determine the price or value of a constituent; or

(2) a value for a constituent is not announced or is otherwise unavailable when such announcement or availability would normally be scheduled; or

(3) the occurrence of an event or circumstance (including, without limitation, a major market disruption, a systems failure, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance) that HFR Inc. determines affects the Index.

(4) the occurrence of other event or circumstance (including, without limitation, a personnel loss, a significant client(s) redemption, an audit holdback, a side pocket implemented, redemptions suspended / Gate activated, reduced liquidity of liquidating constituent, money laundering charges, Cyber security breach / Client info leaked or stolen, Fraud, breach of any law, regulation or rule, Market specific short bans or suspensions, Major reputation hurting story or any similar intervening circumstance) that HFR Inc. determines affects the Index.

If, in the determination of HFR, Inc., any of the foregoing is material.

Upon the occurrence of an Index Disruption Event on any day on which the official closing level of the Index is scheduled to be published, HFR, Inc. (i) shall not calculate and publish the Index Level and/or (ii) if relevant, may make such adjustments to the provisions of the Index to account for such Index Disruption Event as it determines appropriate, including, without limitation, delaying the application of any procedures or requirements of the Index.

Appendix — Notation and Definitions

Time / Sets

- t: month index (monthly observation frequency)
- t_0: annual rebalance month (start of the rebalance window)
- n: number of managers included in month t
- m_i: number of submitted securities for manager i

Returns

- $r_t^{i,j}$: total return of security $j$submitted by manager $i$for month t
- ROR_t^i: manager $i$sleeve return for month t
- ROR_t: Index monthly return for month t
- $R_{t-1}^{i,j}$: cumulative total return of security $(i, j)$from $t_0$through $t-1$

Weights

- $w_t^{i,j}$: weight of security $j$within manager i's sleeve applied to month t
- $w_{t_0}^{i,j}$: rebalance weight of security $j$within manager i's sleeve at t_0(equal-weight at rebalance)

Index Level

- NAV_t: Index level at month t
- F: index adjustment term (if applicable) applied at the index return level

Accompanying Notes

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Addendum – Revisions to the Methodology

Date	Revision	Process