HFR Interval Funds Indices

Defined Formulaic Methodology - 2026

Contact HFR at IndexData@hfr.com

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1 Introduction

About HFR

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 performance to HFR. 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 Interval Funds Indices

Interval Funds are a type of closed-end investment company that periodically offers to repurchase its shares from shareholders (See Appendix 1 for more details). The HFR Interval Funds Indices are designed to be representative of the overall composition of the interval fund universe using robust filtering, monitoring, and quantitative constituent selection processes.

HFR, Inc. utilizes a quantitative methodology to construct the HFR Interval Funds Indices. The methodology is based on defined and predetermined rules and objective criteria to select and rebalance components to maximize representation of the Interval Funds Universe. HFR Interval Funds Indices utilize state-of-the-art quantitative techniques and analysis; multi-level screening techniques ensure that each Index is a pure representation of its corresponding investment focus.

The HFR Interval Funds Indices are available in both an equal-weighted and an asset-weighted version. The equal-weighted index weights all eligible constituents equally, while the asset-weighted index weights constituents in proportion to their reported assets under management. Constituents of all indices are selected from an eligible pool of more than 200 interval funds which are screened for various reporting characteristics to ensure unique fund strategy inclusion. The HFR Interval Funds Indices are rebalanced on a quarterly basis.

HFR Interval Funds Indices performance data and underlying constituents are available for licensing. Please contact IndexData@hfr.com for more information.

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2 Constituents Selection

2.1 Eligibility Criteria

The process begins with screening the entire HFR Database of active interval funds. Funds eligible to be index constituents have to meet all of the following criteria:

- Fund is registered as an interval fund under the Investment Company Act of 1940 (Rule 23c-3)
- Performance denominated in U.S. Dollars
- Fund reports NAV at least monthly

The performance of the Indices is denominated in USD and is published daily.

2.2 Constituents Selection Process

All confirmed interval funds that report NAV and satisfy the eligibility criteria are selected as constituents for the Equal Weighted Index. For the Asset Weighted Index, funds must also report assets under management.

The following formula is used to define the representative Interval Funds Universe ("Strategy Universe") derived from the Interval Funds Universe expressed as:

$$IFU = \bigcup HFS$$

where HFS is the set of interval funds classified by their strategy.

The funds comprising the HFS are filtered using the following formula to create the Strategy Universe.

$$SU = \{ f \in IFU : H(freq - 22) \cdot \delta(currency, USD) = 1 \}$$

where $H(x)$ is the step function defined as

$$H(x) = 1 \text{ if } x < 0, \;\; H(x) = 0 \text{ if } x \geq 0$$

$\delta(x, y)$ is the delta function defined as

$$\delta(x, y) = 1 \text{ if } x = y, \;\; \delta(x, y) = 0 \text{ if } x \neq y$$

and

- $freq$ is the reporting frequency in business days
- $currency$ is the denomination currency of the fund

In cases where a manager lists multiple funds with the same or similar investment profiles, HFR chooses only the most representative fund for inclusion. HFR also screens for funds that exhibit abnormal volatility compared to their peers and considers them for removal from the index.

3 Index Construction and Calculation

HFR Interval Funds Indices (the "Index" and collectively, "Indices") are total return indices and are published daily by HFR at www.HFR.com and on Bloomberg on a t-1 basis. Computation of the Index NAV uses actual performance of constituent funds as reported by the managers. Performance reflects constituent fund management fees, incentive fees, dividends and other distributions.

3.1 Equal Weighted Index

The HFR Interval Funds Index is equally weighted at rebalance time across all selected funds. The Index NAV is set at a value of 1000 at inception where "*t*=0". The NAV changes are driven by the Index performance, which is defined as the percentage change in the value of the Index from a previous date "*t*-1" to current date "*t*":

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

ROR_t is the percentage change in the total value of the Index from "*t-1*" to "*t*":

$$ROR_t = \sum_{i=1}^{n} w_t^i \times ROR_t^i$$

where ROR_t^i is the total return of constituent i at time "*t*", n is the number of constituents in the Index and w_t^i is the weight of constituent i at time "*t*". The fund weight is computed as:

$$w_t^i = \begin{cases} 1/n & \text{for } t = t_0 \\ \dfrac{(1 + R_{t-1}^i)}{\sum_{j=1}^{n}(1 + R_{t-1}^j)} & \text{for } t > t_0 \end{cases}$$

where $R_{t-1}^i$is the cumulative total return of constituent i between the rebalance date "t_0" and time "*t-1*":

$$1 + R_{t-1}^i = \prod_{t'=\mathrm{T}}^{t-1}(1 + ROR_{t'}^i).$$

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3.2 Asset Weighted Index

The HFR Interval Funds Asset Weighted Index weights constituents in proportion to their reported assets under management. The Index NAV is set at a value of 1000 at inception where "t=0". The NAV changes are driven by the Index performance, which is defined as the percentage change in the value of the Index from a previous date "t-1" to current date "t":

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

ROR_t is the percentage change in the total value of the Index from "t-1" to "t":

$$ROR_t = \sum_{i=1}^{n} w_t^i \times ROR_t^i$$

where ROR_t^i is the total return of constituent i at time "t", n is the number of constituents in the Index and w_t^i is the weight of constituent i at time "t". Weights are determined at each quarterly rebalance based on each constituent's assets under management as a proportion of the total constituent assets under management.

The weight w_t^i of fund i at time "t" is computed as

$$w_t^i = \begin{cases} \dfrac{AUM_{t-1}^i}{\sum_{j=1}^{n} AUM_{t-1}^j} & \text{for } t = t_0 \\ \dfrac{w_{t0}^i \times (1 + R_{t-1}^i)}{\sum_{j=1}^{n} w_{t0}^j \times (1 + R_{t-1}^j)} & \text{for } t > t_0 \end{cases}$$

where $AUM^i{}_t$ corresponds to the assets under management of constituent i at time "t", R_{t-1}^i is the cumulative total return of constituent i between the rebalance date "t_0" and time "t-1":

$$1 + R_{t-1}^i = \prod_{t'=t_0}^{t-1} (1 + ROR_{t'}^i).$$

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3.3 Index Notes

The following notes apply to both the Equal Weighted and Asset Weighted Indices:

- The Indices are rebalanced on a quarterly basis. For the Asset Weighted Index, weights are reset at each rebalance based on the most recently reported assets under management.
- Funds are eligible for inclusion in the quarter after they become eligible. For instance, a fund that becomes eligible in June is considered for inclusion in the indices for the July rebalance.
- The Indices are updated daily on a t-1 basis.
- Index NAV is not reported on days that are bank holidays in the United States.
- Index performance is considered final upon publication for that date and is no longer subject to change.
- If a fund liquidates/closes, that fund's performance will be included in the Index as of that fund's last reported performance update.
- Duplicate share classes of funds are not considered as Index constituents.

3.4 Index Disruption Event

"Index Disruption Event" means:

(1) 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.

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Appendix 1: Interval Funds

An interval fund is a type of closed-end investment company registered under the Investment Company Act of 1940 that periodically offers to repurchase its shares from shareholders. Unlike traditional closed-end funds, interval funds do not trade on a secondary market. Instead, they are required under Rule 23c-3 of the Investment Company Act of 1940 to make periodic repurchase offers to shareholders at net asset value (NAV).

While the structure and regulatory framework of interval funds encompasses many different dynamics of consideration, those with the most significance to investors include:

- Registration and Regulation: Interval funds are registered with the U.S. Securities and Exchange Commission (SEC) under the Investment Company Act of 1940 and are subject to regulatory oversight, including requirements for periodic reporting, valuation, and governance.
- Periodic Repurchase Offers: Under Rule 23c-3, interval funds are required to make repurchase offers to shareholders at regular intervals, typically quarterly. The fund must offer to repurchase between 5% and 25% of outstanding shares at each interval, at the fund's current NAV.
- Access to Alternative Investments: Interval funds provide investors with access to less liquid asset classes and alternative investment strategies, including private credit, real estate, hedge fund strategies, and other illiquid investments that are typically unavailable through traditional open-end mutual funds.
- Liquidity Structure: Unlike open-end funds, shareholders cannot redeem shares on a daily basis. The periodic repurchase structure allows the fund manager to invest in less liquid securities without the constraints of daily redemption requirements, potentially enhancing returns.
- NAV Reporting: Interval funds are required to calculate and report their NAV on a regular basis, with most funds providing at least monthly NAV reporting. This provides investors with regular transparency into the value of their investment.

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Accompanying Notes

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Addendum – Revisions to the Methodology

Date	Revision	Process