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HEDGE FUNDS NAVIGATE VIRUS, POLITICS IN AUGUST TO EXTEND HISTORIC FIVE-MONTH SURGE

HFRI Equity Hedge gains +4.3 percent, vaults over +22 percent since March; Quant Directional, Tech, Energy, Activist lead sub-strategy gains

CHICAGO, (September 8, 2020) – Hedge funds extended the recent performance surge in August, navigating a complex and volatile environment driven by the ongoing global pandemic, violent social unrest and protests across U.S. cities, and evolving uncertainty around the upcoming U.S. election. The HFRI Fund Weighted Composite Index® (FWC) advanced +2.7 percent in August, as reported today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry. The August gain extends the five-month return for the HFRI FWC to +15.4 percent, the strongest since the five-month period ending February 2000, and vaults the HFRI FWC index value to an all-time high of 15,093.

The investable HFRI 500 Fund Weighted Composite Index also gained +1.9 percent in August, extending its five-month return to +13.1 percent marking the strongest five-month performance since inception. The August gain increased YTD performance to +1.9 percent, topping the DJIA and FTSE 100 by 240 and 2300 bps, respectively.

Industry-wide gains were led by Equity Hedge (EH) strategies, as Quant strategies, large-cap Technology and specialized Energy exposures extended leadership across broad-based sub-strategy gains. The investable HFRI 500 Equity Hedge Index surged +3.6 percent for the month, bringing the historic five-month advance to +20.2 percent, also the strongest five-month period since index inception. EH sub-strategy performance was led by the HFRI EH: Quantitative Directional Index, which jumped +8.5 percent in August, as well as the HFRI EH: Technology Index, which advanced +5.7 percent for the month, extending its five-month surge to +27.9 percent. Energy exposures also drove EH performance, as the HFRI EH: Energy/Basic Materials Index added +3.9 in August and increased its five-month return to +26.4 percent

UCITS Liquid Alternative Indices and Risk Premia also posted strong gains for August, led by Equity and Credit exposures. The HFRI-I Liquid Alternative UCITS Composite Index advanced +0.8 percent, led by the HFRI-I Equity Hedge Index, which gained +1.5 percent. The HFR Bank Systematic Risk Premia Credit Index surged +20.0 percent for the month, while the HFR BSRP Multi-Asset Index jumped +3.7 percent.

Credit-sensitive Event-Driven (ED) and fixed income-based Relative Value Arbitrage (RVA) strategies also advanced in August, with the HFRI Event-Driven (Total) Index gaining +2.6 percent, while the HFRI Relative Value (Total) Index added +1.5 percent. ED sub-strategy performance was led by the HFRI ED: Activist Index, which advanced +8.4 percent for the month, and the HFRI ED: Special Situations Index, which gained +3.3 percent. RVA performance was driven by the HFRI RV: Yield Alternative Index, which surged +3.1 percent in August, as well as the HFRI RV: Convertible Arbitrage Index, which gained +2.4 percent.

Macro strategies posted a narrow gain for the month as U.S. interest rates increased; Commodity gains were offset by trend-following declines, with the HFRI Macro (Total) Index gaining +0.1 percent. The HFRI Macro: Commodity Index advanced +2.4 percent in August, extending the YTD return to +6.5 percent. Offsetting these gains, the HFRI Macro: Systematic Diversified/CTA Index declined -0.4 percent for the month.

"Hedge funds extended the historic performance surge in August despite ongoing virus and political uncertainty, posting the strongest five-month total return since early 2000 and the third-strongest five-month recovery return from a drawdown trough since its inception in 1990," stated Kenneth J. Heinz, President of HFR. "While recent realized gains have been compelling, the continued dynamic market environment continues to comprise a rich forward-opportunity set for long short investing, with additional opportunities evolving in highly valued technology names, commodity and crypto currency exposures, as well as improving CMBS and other mortgage spread positions. It is likely that institutional investors will continue to increase allocations to hedge funds and other alternative assets as ideal portfolio exposures for opportunistically navigating current and future market uncertainty."

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HFR (Hedge Fund Research, Inc.) is the global leader in the alternative investment industry, specializing in the indexation and analysis of hedge funds. Established in 1992, HFR produces the HFRI, HFRX and HFRU Indices, the industry's most widely used benchmarks of global hedge fund performance. HFR calculates over 100 indices of hedge fund performance ranging from industry-aggregate levels down to specific, niche areas of sub-strategy and regional investment focus. HFR Database, a comprehensive resource available for hedge fund investors, includes fund-level detail on historical performance and assets, as well as firm characteristics on both the broadest and most influential hedge fund managers. HFR has developed a detailed fund classification system, enabling granular and specific queries for relative performance measurement, peer group analysis and benchmarking. The HFR suite of analysis products leverages HFR Database to provide detailed, current, comprehensive and relevant aggregate reference points on all facets of the hedge fund industry. HFR also offers consulting services for clients seeking customized top-level or more sophisticated analysis. For the hedge fund industry's leading investors and hedge fund managers, **Hedge Fund Research is The Institutional Standard.**

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