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HFRI GAINS AS EQUITIES FALL ON VIRUS LOCKDOWNS, U.S. ELECTION UNCERTAINTY

Equity Hedge, Event-Driven lead as DJIA, DAX post sharp declines; HFRI 500 Commodity, Tech drive sub-strategies as rates rise

CHICAGO, (November 6, 2020) – Hedge funds posted performance gains in October, navigating a hectic month of campaigning heading into the U.S. election, which was also punctuated by a sharp increase in coronavirus cases in both U.S. and Europe, resulting in reinstitution of quarantine lockdowns to prevent virus spread.

The HFRI Fund Weighted Composite Index® gained +0.4 percent for the month, partially offsetting the narrow September decline and bringing YTD performance to +1.2 percent, according to data released today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry. The investable HFRI 500 Index gained +0.3 percent in October, led by gains in Equity Hedge and Event-Driven strategies inversely-correlated to the declines in the DJIA and DAX.

Risk Premia strategies posted mixed performance in October with gains in Equity Quality and Currency Momentum sub- strategies offset by declines in Multi-Asset exposures. The HFR Bank Systematic Risk Premia Equity Quality Index gained +3.4 percent, while the HFR Bank Systematic Risk Premia Currency Momentum Index vaulted +6.6, though these were partially offset by the HFR Bank Systematic Risk Premia Multi-Asset Index, which fell -1.5 percent for the month.

UCITS Liquid Alternative Indices posted a moderate decline with the HFRI-I Liquid Alternative UCITS Composite Index falling -0.5 percent for the month, while the HFRX Global

Index dropped -0.2 percent. The HFR Blockchain Composite Index surged +10.2 percent in October, as Bitcoin posted strong gains.

Equity Hedge strategies led industry performance by posting gains that were inversely-correlated to equity market declines, topping the DJIA by nearly 500 basis points (bps) and the DAX Index by over 1000 bps in October. The investable HFRI 500 Equity Hedge Index advanced +0.9 percent for the month, led by Technology and Healthcare exposures, while the HFRI Equity Hedge (Total) Index also gained +0.9 percent in October, increasing YTD performance to +3.5 percent. The investable HFRI 500 EH: Technology Index surged +3.4 percent for the month, increasing its YTD return to +20.6 percent, which leads all sub-strategies.

Event-Driven also advanced in October, topping the global equity market declines, led by sub-strategies Merger Arbitrage and Distressed. The HFRI Event-Driven (Total) Index gained +0.5 percent for the month, while the investable HFRI 500 Event-Driven Index advanced +0.2 percent, as expectations for corporate transactions activity into 2021 continued to build. The HFRI ED: Merger Arbitrage Index gained +1.9 percent in October, led by transactions in Technology, while the HFRI ED: Distressed Index advanced +1.1 percent, increasing the YTD return to +2.1 percent.

Fixed income-based Relative Value Arbitrage posted a narrow gain for the month as interest rates increased, led by Yield Alternatives and Convertible Arbitrage exposures. The HFRI Relative Value (Total) Index advanced +0.5 percent in October, while the investable HFRI 500 Relative Value Index posted a narrow decline of -0.02 percent. The HFRI RV: Yield Alternatives Index advanced +1.5 percent for the month, while HFRI RV: Convertible Arbitrage Index added +1.1 percent.

Macro strategies posted mixed performance through the uncertain macroeconomic and geopolitical environment as gains in Commodity strategies were offset by declines in Currency strategies. The investable HFRI 500 Macro Index declined -0.4 percent in October, while the HFRI Macro (Total) Index fell -0.7 percent. Macro sub-strategy declines were led by the HFRI Macro: Currency Index, which lost -2.6 percent for the month. The HFRI Macro: Commodity Index partially offset declines with a +2.0 percent return in October.

As previously reported by HFR, investors allocated new capital to the hedge fund industry in the 3Q 2020, the first quarterly net inflow since 1Q 2018, as hedge funds received an estimated net inflow of $13.0 billion for the quarter, increasing total industry capital to $3.31 trillion.

"Hedge funds posted impressive performance in October as managers positioned for the US election, with gains inversely-correlated to steep equity market declines into month-end, which were concentrated in the technology sector as well as European equities, as governments reimposed lockdowns to better contain the additional spread of the coronavirus," stated Kenneth J. Heinz, President of HFR. "Institutional investors continue to strategically increase allocations to hedge funds, driving capital inflows in 3Q, with these positioning not only for an uncertain geopolitical environment resulting from the US election, the indeterminate path of the coronavirus, and the corresponding economic impact, but also for the prospect of a global economic recovery into 2021. Strong, defensive industry performance throughout the 2020 volatility is likely to provide powerful momentum driving industry growth and expansion in early 2021."

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