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Contacts:

HFR

Kenneth Heinz
Chicago/312.658.0955

info@hfr.com  @HFRInc
@KennethJHeinz

MacMillan Communications

Chris Sullivan
New York/212.473.4442

chris@macmillancom.com

Hydra Strategy

Henrietta Hirst
London/+44 (0) 7880 742 375

Henrietta.hirst@hydrastrategy.co.uk

HEDGE FUNDS GAINS ACCELERATE IN APRIL

HFRI Equity Hedge, Macro extend surge on US reopening; Crypto, Technology, Special Situations drive sub-strategy performance

CHICAGO, (May 7, 2021) – Hedge funds advanced in April for the seventh consecutive month on strong corporate earnings and investor optimism regarding the US economic reopening, extending gains from both 1Q21 and FY20. The HFRI Fund Weighted Composite Index® (FWC) gained +2.7 percent in April, while the investable HFRI 500 Fund Weighted Composite Index advanced +2.3 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 HFRI FWC has gained +8.7 percent through the first four months of 2021, the strongest YTD performance through April since 1999 and the longest period of consecutive monthly gains (7) since the index produced 15 consecutive months ending January 2018. In the trailing seven-month period, the HFRI FWC has surged +20.5 percent, representing the 2nd strongest such period on record, as only the seven-month period ending March 2000 (+24.1 percent) was stronger.

The performance dispersion of the underlying index constituents contracted in April, as the top decile of the HFRI gained an average of +10.3 percent, while the bottom decile declined by an average of -1.8 percent for the month, representing a top-bottom dispersion of 12.1 percent. By comparison, the top-bottom dispersion in March was 15.9 while February saw dispersion of 20.2 percent.

Equity Hedge strategies, which invest long and short across specialized sub-strategies, accelerated recent gains in April, as strong corporate earnings and optimism over the US economic reopening drove equities to record levels. The HFRI Equity Hedge (Total) Index surged +3.2 percent for the month, with strong contributions from a wide dispersion of sub-strategy performance led by the high-

beta, long-biased Quantitative, Technology and Fundamental exposures. The investable HFRI 500 Equity Hedge Index gained +2.6 percent in April, extending the 7-month gain to +22.8 percent. The HFRI EH: Quantitative Directional Index surged +5.4 percent and the HFRI EH: Technology Index jumped +4.1 percent in April, while the HFRI EH: Fundamental Growth Index and HFRI EH: Fundamental Value Index advanced +3.6 and +3.5 percent, respectively, for the month.

Uncorrelated Macro strategies also advanced in April, driven primarily by fundamental Commodity and trend-following CTA strategies. The HFRI Macro (Total) Index jumped +2.7 percent for the month, while the investable HFRI 500 Macro Index advanced +2.3 percent. Macro sub-strategy performance was led by the HFRI Macro: Commodity Index, which surged +5.4 percent and the HFRI Macro: Systematic Diversified/CTA Index, which added +3.0 percent for the month.

Event-Driven strategies, which often focus on out-of-favor, deep value equity strategies and situations, extended the recent surge into 2Q21 as the investable HFRI 500 Event-Driven Index advanced +2.6 percent in April, while the HFRI Event-Driven (Total) Index gained +2.4 percent. ED sub-strategy gains were again led by Special Situations and Merger Arbitrage, strategies which categorically trade in deep value equity situations, including companies which are possible targets for restructuring, acquisitions or investor-driven strategy shifts. The HFRI ED: Special Situations Index advanced +3.1 percent in April, while the HFRI ED: Merger Arbitrage Index added +2.8 percent.

The fixed income-based, interest rate-sensitive HFRI Relative Value (Total) Index gained +1.5 percent while the investable HFRI 500 Relative Value Index advanced +1.1 percent in April. Sub-strategy performance was led by the HFRI RV: Yield Alternatives Index, which vaulted +4.0 percent for the month, and the investable HFRI 500 RV: Asset Backed Index, which advanced +1.4 percent.

Extending the recent surge into 2Q, Blockchain and Cryptocurrency exposures continued to deliver strong performance as cryptocurrencies reached record highs and as hedge funds increasingly incorporated related exposures into new and existing fund strategies. The HFR Cryptocurrency Index surged +50.6 percent in April to bring YTD performance to +261.9 percent.

Risk Premia and Liquid Alternatives also posted gains in April, led by Multi-Asset and Commodity exposures. The HFR BSRP Multi-Asset Index gained +6.0 percent for the month, while the HFR BSRP Commodity Index advanced +4.4 percent. The HFRI-I Liquid Alternative UCITS Index advanced +1.2 percent in April, driven by a +2.0 percent gain in the HFRI-I UCITS Event Driven Index.

“Hedge funds extended record 2021 performance in April, including gains trailing back to 2H20, with broad-based contributions across all strategies concentrated in Equity Hedge, Macro, Technology, Cryptocurrency and Special Situations, as strong corporate earnings combined with increasing optimism over the U.S.-led global economic reopening,” stated Kenneth Heinz, President of HFR. “Through the seven consecutive months of gains, hedge funds have navigated multiple market cycles (both positive and

negative), including a new US political administration, unprecedented fiscal stimulus initiatives, additional virus mutations/variants, and a sharp increase in heavily-shortened, deep value equities driven by retail trading platforms. It is likely that these powerful macroeconomic and geopolitical trends and risks will continue to evolve throughout 2021, creating opportunities for institutions to allocate to fund managers that are well positioned for this environment and that have demonstrated performance success over through recent periods of volatility.”

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