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HFRI 500 INDEX POSTS MIXED DECLINE IN MAY AS FINANCIAL MARKET VOLATILITY ACCELERATES

Energy, Commodity Hedge Funds extend 2022 gains; HFRI 500 outperformance of Nasdaq expands

CHICAGO, (June 7, 2022) – Hedge funds produced mixed declines in May as volatility across global equity, bonds and commodity markets accelerated, with equities falling into correction territory amidst many investors positioning for the US economy to enter recession as a result of generational inflation. The investable HFRI 500 Fund Weighted Composite Index declined -0.5 percent for the month, with Macro hedge funds paring strong YTD gains while Event Driven strategies led declines, 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 Fund Weighted Composite Index declined -0.6 percent for the month.

The top decile of the HFRI constituents gained an average of +5.7 percent in May while the bottom decile declined by an average of -8.4 percent for the month, representing a top-bottom dispersion of 14 percent. Through the first five months of 2022, the top decile of the HFRI has surged an average of +33.9 percent, while the bottom decile has declined by an average of -25.7 percent. Approximately forty percent of hedge funds posted gains in May.

The investable HFRI 500 Macro Index declined -0.2 percent in May, paring its strong YTD gain to +14.1 percent, with strong contributions from Fundamental Commodity, Multi-Strategy and Discretionary Thematic offset by declines in Quantitative, trend-following strategies. Macro sub-strategy performance was led by the investable HFRI 500 Macro: Multi-Strategy Index, which gained +1.7 percent in May, and the HFRI 500 Macro: Commodity Index, which added +1.2 percent in May, extending its historic YTD return to +38.3 percent, as the US Federal Reserve began raising interest rates to curb rampant inflation. Quantitative, trend-following Macro sub-strategies pared strong YTD gains with HFRI 500 Macro: Systematic Diversified Index falling -0.7 percent for the month, bringing YTD performance to +17.6 percent.

Fixed income-based, interest rate-sensitive strategies also posted mixed performance for the month as the investable HFRI 500 Relative Value Index declined -0.5 percent, while the HFRI Relative Value (Total) Index fell -0.55 percent in May. HFRI RVA sub-strategy performance was led by the HFRI RV: Volatility Index which advanced +1.0 percent, while the HFRI RV: Sovereign Index gained +0.75 percent. These gains were offset by the HFRI RV: Multi-Strategy Index which fell -1.9 percent for the month, while the HFRI RV: Yield Alternatives Index declined -1.7 percent.

Equity Hedge funds, which invest long and short across specialized sub-strategies, also posted mixed performance in May, with the investable HFRI 500 Equity Hedge Index falling -0.4 percent while the HFRI Equity Hedge (Total) Index fell -0.5 percent. EH sub-strategy performance was led by the HFRI 500 EH: Energy/Basic Materials Index which surged +5.5 percent, while the HFRI 500 EH: Fundamental Value Index, also gained +0.7 percent. These gains were offset by losses in the HFRI 500 EH: Healthcare Index, which declined -4.0 percent, and the HFRI 500 EH: Technology Index, which fell -0.8 percent in May.

Event-Driven strategies, which often focus on out-of-favor, deep value equity exposures and speculation on M&A situations, posted declines in May, as the investable HFRI 500 Event-Driven Index fell -1.95 percent and the HFRI Event-Driven (Total) Index lost -1.6 percent for the month. ED sub-strategy declines were led by the HFRI 500 ED: Special Situations Index, which declined -2.5 percent, as well as the HFRI 500 ED: Activist Index and HFRI 500 ED: Merger Arbitrage Index, both of which declined -1.7 percent in May.

Risk premia strategies posted mixed performance for the month, as the HFR Bank Systematic Risk Premia Rates Index surged +5.0 percent in May, which was partially offset by the HFR BSRP Credit Index which declined -4.3 percent.

Liquid Alternative strategies also posted narrow declines with the HFRI-I Liquid Alternative UCITS Index falling -0.37 percent in May, though the HFRI-I Liquid Alternative UCITS Macro Index led monthly performance with a +0.2 percent return.

The HFRI Diversity Index posted a decline of -2.0 percent in May while the HFRI Women Index fell -0.5 percent.

“Hedge fund outperformance of US equites continued in and through the extreme financial market volatility in May, with managers navigating not only the continuation of the Russia/Ukraine war, record energy price increases, generational inflation and increasing interest rates, but with the additional factor of increased likelihood of a consumer led US economic recession," stated Kenneth J. Heinz, President of HFR. "Hedge funds have effectively navigated this intense 2022 volatility with not only Macro, CTA & Commodity strategies, but the broad-based HFRI 500 Composite of all hedge fund strategies each producing the largest outperformance of the S&P 500 and Nasdaq Composite indices, respectively, since index inception, through the first five months of a calendar year. Institutions invest in hedge funds primarily for defensive capital preservation, portfolio protection and risk mitigation, and are likely to increase allocations in coming quarters as a result of this strong outperformance through the current inflationary volatility, uncertain geopolitical and macroeconomic environment."

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