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EQUITY HEDGE FUNDS LEAD INDUSTRY GAINS TO BEGIN SECOND HALF OF 2022

HFRI 500 Event Driven also surges, led by Activist, Multi-Strategy; HFR Risk Parity Vol 15 Index vaults over 8 percent in July

CHICAGO, (August 5, 2022) – Hedge funds gained in July as US equity markets posted a strong reversal after the worst first half of a calendar year in over 50 years, despite accelerating generational inflation, the US Federal Reserve increasing interest rates, and the US economy entering a recession, 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 Fund Weighted Composite Index advanced +1.3 percent for the month, narrowing the 2022 decline to -2.7 percent, with gains driven by a recovery in Equity Hedge and Event Driven strategies.

The dispersion of hedge fund performance narrowed in July, as the top decile of the HFRI constituents advanced by an average of +9.9 percent, while the bottom decile fell by an average of -5.8 percent, representing a top-bottom dispersion of only 15.7 percent. By comparison, the top/bottom dispersion was 26.8 percent in June and 22.1 percent in May. Through the first seven months of the year, the top decile of the HFRI has surged an average of +28.9 percent, while the bottom decile has declined by an average of -26.6 percent, representing a top/bottom dispersion of 55.5 percent. Nearly 60 percent of hedge funds posted positive performance in July.

Equity Hedge funds, which invest long and short across specialized sub-strategies, posted strong performance in July, with the investable HFRI 500 Equity Hedge Index advancing +3.25 percent while the HFRI Equity Hedge (Total) Index gained +2.9 percent. EH sub-strategy performance was led by the

HFRI EH: Technology Index, which gained +5.0 percent for the month, while the HFRI EH: 500 Fundamental Growth Index added +4.4 percent.

Event-Driven strategies, which often focus on out-of-favor, deep value equity exposures and speculation on M&A situations, also advanced in July as the HFRI Event-Driven (Total) Index jumped +3.0 percent, while the investable HFRI 500 Event-Driven Index gained +2.4 percent for the month. ED sub-strategy gains were led by the HFRI ED 500: Activist Index, which surged +4.5 percent, and the HFRI ED 500: Multi-Strategy Index, which added +3.7 percent for the month.

Fixed income-based, interest rate-sensitive strategies also gained in July as the Federal Reserve increased interest rates and inflation remained at extreme levels, with the investable HFRI 500 Relative Value Index advancing +1.5 percent, while the HFRI Relative Value (Total) Index gained +1.1 percent. RVA sub-strategy performance was led by the HFRI 500 RV: FI-Asset Backed Index, which gained +3.6 percent, and the HFRI 500 RV: FI-Sovereign Index, which added +1.5 percent for the month.

Macro strategies pared their strong 1H gain with a decline in July with gains in fundamental, discretionary Macro offset by declines in Quantitative, trend-following CTA strategies. The investable HFRI 500 Macro Index fell -1.5 percent for the month, lowering YTD performance to +11.9 percent. Macro sub-strategy performance was led by the investable HFRI 500 Macro: Commodity Index, which gained +1.9 percent in July and has vaulted +37.15 percent YTD, and the HFRI 500 Macro: Discretionary Thematic Index, which added +1.4 percent for the month. Declines were driven by the HFRI 500 Macro: Systematic Diversified Index, which fell -3.0 percent, paring its YTD return +14.8 percent.

Risk Parity products generated strong performance in July, as the HFR Risk Parity Vol 15 Index vaulted +8.4 percent for the month. Liquid Alternative UCITS strategies also advanced in July, as the HFRX Market Directional Index gained +1.9 percent, while the HFRX Global Hedge Fund Index added +0.54 percent, led by the HFRX Relative Value Index, which returned +2.15 percent for the month. Risk premia strategies posted mixed performance in July, with the HFR Bank Systematic Risk Premia Credit Index surging +5.0 percent, while the HFR Bank Systematic Risk Premia Multi-Asset Index declined -5.9 percent. The HFRI Diversity Index gained +2.5 percent in July, while the HFRI Women Index advanced +0.95 percent.

"Led by high beta strategies, hedge funds posted the strongest gains in 15 months, as powerful risk-on sentiment drove a sharp reversal in equity markets, while the US economy entered a recession and the US Federal Reserve raised interest rates again in an effort to slow generational inflation. Despite the July equity market recovery, macroeconomic and geopolitical risks remain elevated, with managers effectively navigating rapidly evolving, dynamic and volatile market cycles across equity, fixed income, currency and commodity exposures, driven by global inflationary pressures, uncertain military conflict scenarios and instability in energy markets and supply chains," stated Kenneth J. Heinz, President of

HFR. “Managers are effectively positioned for both defensive capital preservation and portfolio protection, as well as opportunistic and favorable shifts in the current market paradigm. Institutions are likely to continues to allocate capital to managers which have demonstrated their strategy’s robustness and effectiveness through the recent spike in turmoil and volatility.”

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