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HFRI 500 GAINS AS EQUITIES FALL IN AUGUST

*Commodity, Currency & Multi-Strategy lead Macro gains;
Interest rate sensitive Relative Value, Event Driven also advance*

CHICAGO, (September 8, 2022) – Hedge funds gained in August as U.S. equity markets declined, reversing strong intra-month gains with declines into month end, as the Federal Reserve warned that aggressive monetary policy measures would be required to reduce generational inflation. The investable HFRI 500 Fund Weighted Composite Index advanced +0.5 percent for the month, narrowing the 2022 decline to -2.5 percent, with gains driven by a recovery in Macro and Event Driven strategies, 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® also added +0.5 percent in August, led by quantitative, trend-following Macro CTA strategies and Currency exposures.

The dispersion of hedge fund performance narrowed in August, as the top decile of the HFRI constituents advanced by an average of +6.5 percent, while the bottom decile fell by an average of -12.3 percent, representing a top-bottom dispersion of 18.8 percent. By comparison, the top/bottom dispersion was 22.8 percent in July and 22.5 percent in June. Through the first eight months of the year, the top decile of the HFRI has surged an average of +36.7 percent, while the bottom decile has declined by an average of -29.7 percent, representing a top/bottom dispersion of 66.4 percent. Approximately 45 percent of hedge funds posted positive performance in August.

Macro strategies extended strong YTD performance despite broad equity market declines, increasing interest rates and surging volatility, led by Commodity, Quantitative, trend-following CTA strategies and Currency-focused exposures, as the U.S. Dollar posted strong gains; the investable HFRI 500 Macro Index surged +2.6 percent for the month, extending the YTD performance to +14.8 percent.

The HFRI Macro Index also jumped +1.6 percent in August, with Macro sub-strategy performance led by the HFRI 500 Macro: Commodity Index, which surged +6.5 percent for August, and the HFRI 500 Macro: Multi-Strategy Index, which gained +3.1 percent, while the HFRI 500 Macro: Currency Index added +2.8 percent for the month. Through the first eight months of 2022, Macro sub-strategy gains have been led by the HFRI 500 Macro: Commodity Index, which has surged +45.2 percent, and the HFRI 500 Macro Systematic Diversified Index, which has jumped +17.7 percent.

Event-Driven strategies, which often focus on out-of-favor, deep value equity exposures and speculation on M&A situations, also advanced in August as the HFRI Event-Driven (Total) Index gained +0.8 percent, while the investable HFRI 500 Event-Driven Index advanced +0.4 percent for the month. ED sub-strategy gains were led by the HFRI 500 ED: Multi-Strategy Index, which advanced +1.6 percent, and the HFRI 500 ED: Merger Arbitrage Index, which added +1.2 percent for the month.

Fixed income-based, interest rate-sensitive strategies posted mixed gains in August as the US Federal Reserve warned that aggressive monetary policy measures would be required to reduce generational inflation, with the HFRI Relative Value (Total) Index advancing +0.8 percent for the month, while the investable HFRI 500 Relative Value Index added +0.2 percent. The HFRI 500 RV: Multi-Strategy Index gained +2.2 percent in August, while the HFRI 500 RV: Convertible Arbitrage Index added +1.2 percent.

Equity Hedge funds, which invest long and short across specialized sub-strategies, posted declines in August as equity markets fell sharply, reversing strong prior month gains, with the investable HFRI 500 Equity Hedge Index falling -1.0 percent, while the HFRI Equity Hedge (Total) Index posted a narrow decline of -0.2 percent. EH sub-strategy performance was led by the HFRI EH: Energy Basic Materials Index, which jumped +3.25 percent for the month, which was partially offset by the HFRI EH: Quantitative Directional Index, which declined -3.2 percent.

Liquid Alternative UCITS strategies advanced in August, with the HFRX Market Directional Index gaining +1.6 percent, while the HFRX Global Hedge Fund Index added +0.95 percent, led by the HFRX Event Driven Index, which returned +1.66 percent for the month. Risk premia strategies posted mixed performance in August, with the HFR Bank Systematic Risk Premia Commodity Index surging +3.44 percent, which was offset by the HFR Bank Systematic Risk Premia Rates Index declined -13.5 percent. The HFRI Diversity Index gained +1.4 percent in August, while the HFRI Women Index added +0.23 percent.

“Hedge funds again successfully navigated equity market declines, rising interest rates, generational inflation, and increased expectations for aggressive monetary policy to post a strong, inversely correlated gain in August, extending the strong July surge. Realized volatility was driven by a sharp intra-month sentiment reversal, with the first half of the month driven by an extension of the risk-on

sentiment from July, while the second half was driven by powerful risk-off trends as a result of increased expectations for aggressive monetary tightening by the US Federal Reserve to reduce generational inflation,” stated Kenneth J. Heinz, President of HFR. “Continuing the powerful trends which have dominated 2022, 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. Managers which have demonstrated their ability and strategy robustness in navigating these dynamic, fluid and volatile conditions are likely to attract capital from leading global financial institutions which are looking to reduce interest rate exposure and preserve capital, as well as generate opportunistic exposure to these powerful market trends and conditions.”

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