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Contacts:

HFR	**MacMillan Communications**	**Hydra Strategy**
Kenneth Heinz	Chris Sullivan	Henrietta Hirst
Chicago/312.658.0955	New York/212.473.4442	London/+44 (0) 7880 742 375
info@hfr.com @HFRInc @KennethJHeinz	chris@macmillancom.com	henrietta.hirst@hydrastrategy.co.uk

HFRI 500 MACRO SURGE ACCELERATES AS US DOLLAR EXTENDS HISTORIC GAINS

Quant, trend-following and Currency lead as British Pound posts steep decline; HFRI 500 tops equities by over 700 basis points in September; Larger funds outperform, HFRI Asset Weighted Index +1.1 percent for month

CHICAGO, (October 7, 2022) – Macro hedge funds surged in September, with strong contributions from currency and fixed income exposures as the U.S. Dollar extended record gains, the Federal Reserve increased interest rates in an effort to slow generational inflation, and U.S. equities posted steep, broad-based declines. The investable HFRI 500 Fund Weighted Composite Index fell -1.5 percent for the month, though topped declines in U.S. equities by over 700 basis points, as strong Macro performance was offset by declines across Equity Hedge, Event-Driven, and Relative Value 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® declined -2.3 percent in September, while the HFRI Asset Weighted Index advanced +1.1 percent for the month, increasing the YTD return to +3.8 percent.

The dispersion of hedge fund performance widened in September, as the top decile of the HFRI constituents advanced by an average of +6.4 percent, while the bottom decile fell by an average of -14.3 percent, representing a top/bottom dispersion of 20.7 percent. By comparison, the top/bottom dispersion was only 14.5 percent in August. Through the first nine months of the year, the top decile of the HFRI has surged an average of +38.0 percent, while the bottom decile has declined by an average of -35.3 percent, representing a top/bottom dispersion of 73.3 percent. Approximately one-quarter of hedge funds posted positive performance in September.

Macro strategies accelerated strong YTD performance as the U.S. Dollar surged, with the British Pound falling below a historic low of 1.04 against the U.S. Dollar, while equity market posted steep declines, the Fed raised interest rates and volatility surged, with performance led by Quantitative, trend-following CTA strategies and Currency-focused exposures. Led by the HFRI 500 Macro: Systematic Diversified Index, which surged +4.4 percent in September, the investable HFRI 500 Macro Index jumped +2.75 percent for the month, extending YTD performance to +17.45 percent, leading all strategy indices. The HFRI Macro (Total) Index also added +1.7 percent in September, led by the HFRI Macro: Currency Index, which advanced +2.3 percent for the month. Through the first three quarters of 2022, Macro sub-strategy gains have been led by the HFRI 500 Macro: Commodity Index, which has surged +43.9 percent, and the HFRI 500 Macro Systematic Diversified Index, which has jumped +22.7 percent.

Fixed income-based, interest rate-sensitive strategies posted mixed performance for September, with gains in Volatility exposures offset by declines in Yield Alternatives, as the Federal Reserve continued to raise interest rates to slow generational inflation; the HFRI Relative Value (Total) Index declined -1.4 percent for the month, while the investable HFRI 500 Relative Value Index fell -1.05 percent. The HFRI 500 RV: Volatility Index gained +1.5 percent for the month, while the HFRI RV: Yield Alternative Index fell -8.6 percent.

Event-Driven strategies, which often focus on out-of-favor, deep value equity exposures and speculation on M&A situations, posted declines in September as the HFRI Event-Driven (Total) Index fell -4.0 percent, while the investable HFRI 500 Event-Driven Index fell -3.4 percent for the month. ED sub-strategy declines were driven by the HFRI 500 ED: Multi-Strategy Index, which declined -6.55 percent for the month, and the HFRI 500 ED: Distressed Index, which fell -6.5 percent.

Equity Hedge funds, which invest long and short across specialized sub-strategies, also posted declines in September as equity markets fell sharply, with the investable HFRI 500 Equity Hedge Index falling -4.45 percent, while the HFRI Equity Hedge (Total) Index posted a decline of -4.2 percent. EH sub-strategy declines were led by the HFRI 500 EH: Fundamental Growth Index, which fell -5.6 percent for the month, which was partially offset by a gain of +4.3 percent the HFRI 500 EH: Energy Basic Materials Index.

Liquid Alternative UCITS strategies also mixed performance in September, with the HFRX Absolute Return Index gaining +2.5 percent, while the HFRX Global Hedge Fund Index fell -0.96 percent. Strategy performance was led by the HFRX Macro Index, which jumped +3.0 percent for the month with strong contributions from the HFRX Macro: Systematic Diversified/CTA Index, which surged +6.5 percent. The HFRI Diversity Index declined -3.8 percent in September, while the HFRI Women Index fell -3.5 percent.

"Financial market volatility accelerated in September, with the additional catalyst of dislocations in the currency markets adding to continued equity market declines, rising interest rates, and generational inflation. Through the first three quarters of 2022, Macro hedge funds opportunistically navigated the volatility surge to extend record outperformance of equity markets, while the overall hedge fund industry produced the strongest outperformance of equity markets in 20 years," stated Kenneth J. Heinz, President of HFR. "Currency-focused and quantitative, trend-following CTA strategies led performance as interest rates increased and the U.S. Dollar surged against the Euro, Japanese Yen and British Pound Sterling, with strong gains in these strategies partially offsetting weakness in directional equity and event driven strategies. Macroeconomic and geopolitical risks continue to accelerate into year-end and are expected to drive extreme volatility and the potential for destabilizing dislocations. 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."

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