HFR

FOR IMMEDIATE RELEASE

Contacts:

HFR
Kenneth Heinz
Chicago/312.658.0955
info@hfr.com @HFRInc
@KennethJHeinz

Craft & Capital
Chris Sullivan
New York/212.473.4442
chris@craftandcapital.com

Hydra Strategy
Henrietta Hirst
London/+44 (0) 7880 742 375
henrietta.hirst@hydrastrategy.co.uk

HFRI 500 SURGES TO BEGIN 2023

Directional Equity Hedge, Event Driven lead strategy gains;
ED: Distressed, Special Situations, Shareholder Activist surge on M&A outlook;
HFR Cryptocurrency, Risk Parity Indices jump, paring 2022 declines

CHICAGO, (February 7, 2023) – Hedge funds surged to begin 2023 as risk-on sentiment dominated financial markets and investors positioned for a moderation of inflationary pressures and interest rate increases through mid-2023, despite continued uncertainty over weakening economic growth. The investable HFRI 500 Fund Weighted Composite Index jumped +2.5 percent in January, led by directional Equity Hedge 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® (FWC) gained +2.8 percent for the month, as the top decile of the HFRI FWC constituents advanced by an average of +12.5 percent, while the bottom decile fell by an average of -4.0 percent, representing a top/bottom dispersion of 16.5 percent. Approximately three-quarters of hedge funds posted positive performance in January.

Equity Hedge funds, which invest long and short across specialized sub-strategies, led strategy gains for the month, as investors positioned for an improved equity market environment in 2023, including a moderation of interest rate increases and slowing of generational inflation. The investable HFRI 500 Equity Hedge Index advanced +4.3 percent for the month, while the HFRI Equity Hedge (Total) Index gained +4.2 percent. EH sub-strategy performance was led by the HFRI 500 EH: Multi-Strategy Index, which surged +6.6 percent in January, while the HFRI 500 EH: Fundamental Growth Index jumped +6.1 percent.

As investors positioned for an active uptick in M&A in 2023, Event-Driven strategies, which often focus on out-of-favor, deep value equity exposures and speculation on M&A situations, also drove industry-wide gains in January, with the investable HFRI 500 Event-Driven Index surging +3.8 percent, while the HFRI Event-Driven (Total) Index jumped +3.55 percent. Event Driven sub-strategy performance was led by the HFRI 500 ED: Distressed/Restructuring Index, which surged +6.5 percent for the month, while the HFRI 500 ED: Activist Index jumped +5.4 percent, and the HFRI 500 ED: Special Situations Index gained +5.0 percent.

Fixed income-based, interest rate-sensitive strategies also advanced in January, as investors positioned for a moderation of inflationary pressures and interest rate increases; the investable HFRI 500 Relative Value Index advanced +1.7 percent for the month, while the HFRI Relative Value (Total) Index gained +1.95 percent. Leading sub-strategy performance, the HFRI 500 RV: Fixed Income-Asset Backed Index surged +4.2 percent in January, while the HFRI 500 RV: Multi-Strategy Index jumped +2.8 percent, and the HFRI 500 RV: FI-Corporate Index added +2.25 percent.

Macro strategies generated mixed performance to begin 2023, with the investable HFRI 500 Macro Index posting a narrow decline of -0.17 percent for the month after jumping +14.35 percent in 2022, while the HFRI Macro (Total) Index advanced +0.3 percent in January. Declines in quantitative, trend-following CTA strategies offset gains in Fundamental Discretionary Macro, with the HFRI 500 Trend Following Index falling -0.6 percent, while the HFRI 500 Macro: Discretionary Thematic Index gained +1.8 percent.

The HFR Cryptocurrency Index vaulted +27.3 percent in January, paring the 2022 performance decline of -54.0 percent, as cryptocurrency values leapt for the month while realized volatility remained elevated. The HFR Risk Parity Index also surged in January with the HFR Risk Parity Vol 15 Index gaining +8.3 percent, also paring the 2022 decline of -30.75 percent.

Liquid Alternative UCITS strategies advanced in January, with the HFRX Market Directional Index surging +3.5 percent, while the HFRX Global Hedge Find Index gained +1.67 percent. HFRX sub-strategy performance was led by the HFRX Event Driven Index and the HFRX Relative Value Index, both of which gained +2.3 percent for the month. The HFRI Diversity Index surged +4.8 percent in January, while the HFRI Women Index jumped +2.75 percent.

“Hedge funds surged to begin 2023 as investor risk on sentiment drove gains across directional equity and event driven strategies, and as equity markets jumped on early signs of moderating generational inflation and slowing pace of interest rate increases by the US Federal Reserve. In contrast to 2022, leading exposures include Shareholder Activist, Special Situations, Cryptocurrency and Fundamental Equity,” stated Kenneth J. Heinz, President of HFR. “While the macroeconomic and geopolitical environment remains extremely fluid, volatile and reactive to new economic data, sometimes overreacting, the industry has posted broad-based gains and exhibited strong, defensive capital preservation through transitional periods of shifting drivers of performance. It is likely that these intense, dynamic, micro-cycles of performance will dominate 1H23 as fund managers and investors adjust to new paradigms of inter- and intra-market correlations; managers who are positioned to navigate these specialized opportunities will lead industry growth in 2023."

HFR Indices are ESMA registered.

For more information from HFR:

Visit ***www.HFR.com***

*Follow HFR on Weibo: @**HFRAsia***

*Follow HFR on Twitter: @**HFRInc***

Follow Ken Heinz on Twitter: ***@KennethJHeinz***

About HFR®

HFR is the global leader in the alternative investment industry, specializing in the indexation and analysis of hedge funds. Established in 1992, HFR produces the HFRI, HFRX and HFRU Indices, the industry's most widely used benchmarks of global hedge fund performance. HFR calculates over 100 indices of hedge fund performance ranging from industry-aggregate levels down to specific, niche areas of sub-strategy and regional investment focus. HFR Database, a comprehensive resource available for hedge fund investors, includes fund-level detail on historical performance and assets, as well as firm characteristics on both the broadest and most influential hedge fund managers. HFR has developed a detailed fund classification system, enabling granular and specific queries for relative performance measurement, peer group analysis and benchmarking. The HFR suite of analysis products leverages HFR Database to provide detailed, current, comprehensive, and relevant aggregate reference points on all facets of the hedge fund industry. HFR also offers consulting services for clients seeking customized top-level or more sophisticated analysis. For the hedge fund industry's leading investors and hedge fund managers, **HFR is The Institutional Standard.**

# # #