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MACRO LEADS HEDGE FUND PERFORMANCE IN VOLATILE FEBRUARY

Event-Driven strategies also advance as equities fall; HFR launches investable HFRI 400 (US) Index family

CHICAGO, (March 7, 2023) – Hedge funds topped equity and fixed income declines in February as investors positioned for ongoing generational inflation, higher interest rates and the possibility of an economic recession in 2023. On the heels of a strong +2.2 percent return in January, the investable HFRI 500 Fund Weighted Composite Index posted a decline of -0.38 percent (estimated) in February, with performance gains led by quantitative, trend-following Macro strategies, according to data released today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry.

Today HFR launched the HFRI 400 (US) Indices, a first of its kind Index comprised of private hedge funds open to U.S. taxable investors, making these a suitable benchmark for U.S.-based, taxable, high net worth and ultra-high net worth investors. The HFRI 400 (US) Fund Weighted Composite Index posted a decline of -0.3 percent (estimated) in February, while the HFRI Fund Weighted Composite Index® (FWC) fell -0.5 percent for the month. The HFRI Asset Weighted Composite Index®, a composite comprised of the same constituents as the FWC but weighted by fund assets, gained +1.1 percent in February. The top decile of the HFRI FWC constituents advanced by an average of +4.5 percent in February, while the bottom decile fell by an average of -6.2 percent, representing a top/bottom dispersion of only 10.7 percent for the month. Approximately half of hedge funds posted positive performance in February.

Uncorrelated Macro led strategy performance in February, with the investable HFRI 400 (US) Macro Index advancing +0.56 percent (estimated) for the month, while the HFRI Macro (Total) Index added +0.2 percent. Gains in quantitative, trend-following CTA strategies offset declines in Fundamental Discretionary Macro, as the HFRI 500 Trend Following Index advanced +0.9 percent, while the HFRI Macro: Discretionary Thematic Index fell -0.06 percent.

Event-Driven strategies, which often focus on out-of-favor, deep value equity exposures and speculation on M&A situations, also posted gains in February with the investable HFRI 400 (US) Event-Driven Index gaining +0.64 percent (estimated), while the HFRI Event-Driven (Total) Index added +0.1 percent. Event Driven sub-strategy performance was led by the HFRI 500 ED: Special Situations Index, which gained +1.7 percent, while the HFRI ED: Credit Arbitrage Index added +0.5 percent for the month.

Fixed income-based, interest rate-sensitive strategies produced mixed performance in February, as investors positioned for continuation of generational inflationary pressures and interest rate increases; the investable the HFRI 500 Relative Value Index declined -0.14 percent (estimated), while the HFRI Relative Value (Total) Index gained +0.1 percent for the month. Leading sub-strategy performance, the HFRI 500 RV: Volatility Index jumped +0.8 percent in February, while the HFRI 500 RV: Fixed Income-Sovereign Index added +0.2 percent.

Equity Hedge funds, which invest long and short across specialized sub-strategies, declined in February though outperformed equity market declines for the month, with performance led by Market Neutral and Technology sub-strategies. The investable HFRI 500 Equity Hedge Index declined -1.5 percent (estimated) in February, while the HFRI Equity Hedge (Total) Index fell -1.3 percent. EH sub-strategy declines were led by the HFRI EH: Energy/Basic Materials Index, which fell -2.7 percent, while the HFRI 500 EH: Fundamental Growth Index declined -2.6 percent.

Liquid Alternative UCITS strategies declined in February, with the HFRX Absolute Return posted a narrow decline of -0.17 percent, while the HFRX Global Index fell -0.47 percent. HFRX sub-strategy performance was led by the HFRX Macro/CTA Index, which gained +0.5 percent, while declines were led by the HFRX Event Driven Index, which fell -0.94 percent for the month. The HFRI Diversity Index declined -0.8 percent in February, while the HFRI Women Index fell -1.0 percent.

HFR launches the investable HFRI 400 (US) Index family

Following the successful launch of the HFRI 500 investable hedge fund index family, today HFR launched the HFRI 400 (US) Indices. The HFRI 400 (US) Indices are comprised of private hedge funds open to US taxable investors, making these a suitable benchmark for US-based, taxable, high net worth and ultra-high net worth investors. The HFRI 400 (US) Indices utilize a similar investable methodology and construction as the HFRI 500 Indices, suitable for operation of HFR-licensed, tracking fund products.

HFR is actively engaged in strategic conversations with a number of financial institutions regarding interest in licensing the HFRI 400 (US) Indices for tracker fund operation.

"Hedge funds and industry exposures adapted to deteriorating macroeconomic conditions in February with gains across Macro and Event Driven strategies complemented by mixed sub-strategy performance across fixed income based Relative Value and select, low beta Equity Hedge exposures. In a similar manner to 2022, hedge funds exhibited strong, defensive outperformance of equity market declines in February, driven by gains in quantitative, trend following Macro, as financial markets experienced a sharp reversal of the risk-on sentiment from January and investors positioned for a continuation of the trends of generational inflation, higher interest rates and economic uncertainty," stated Kenneth J. Heinz, President of HFR. "Dynamic, robust exposures and positioning by hedge funds have enabled forward looking institutions to effectively navigate recent financial market volatility and the historic breakdown of correlations between equity and bonds that significant institutional capital allocations are predicated on. With the launch of the HFRI 400, U.S. retail, high net worth and ultra-high net worth investors now have a robust investable benchmark for hedge fund performance, mirroring that of the HFRI 500 Index for offshore investors and institutions."

NOTE: February 2023 index performance figures are estimated as of March 7, 2023

HFR Indices are ESMA registered

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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.**

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