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# HEDGE FUND PERFORMANCE MIXED IN MARCH AS BANK RISK SOARS

## *Equity Hedge strategies advance in volatile month; Cryptocurrency, Risk Parity surge; Quantitative Macro CTAs decline*

CHICAGO, (April 10, 2023) – Hedge funds posted mixed performance in March as bank risk soared amidst instability and dislocations resulting from several bank failures and the acquisition of Credit Suisse by UBS. The HFRI Fund Weighted Composite Index® (FWC) declined an estimated -0.8 percent for the month, the investable HFRI 500 Fund Weighted Composite Index lost -1.2 percent (estimated), and the HFRI 400 (US) Fund Weighted Composite Index fell -1.5 percent (estimated), with performance gains led by Equity Hedge 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 HFR Cryptocurrency Index continued its strong start to the year, surging +5.2 percent in March to increase its YTD return to +31.4 percent. The HFR Risk Parity Vol 15 Index bounced back from a -6.8 decline in February to post a +5.9 gain in March, moving its YTD performance to +7.1 percent.

Performance dispersion widened for the month, as the top decile of the HFRI FWC constituents advanced by an average of +7.5 percent in March, while the bottom decile fell by an average of -10.1 percent, representing a top/bottom dispersion of 17.6 percent. By comparison, the dispersion of February performance was only 11.3 percent. Nearly half of hedge funds posted positive performance in March.

Equity Hedge funds, which invest long and short across specialized sub-strategies, led strategy gains for the month, driven by Fundamental Growth and Quantitative Directional sub-strategies, as well as short exposures to financials. Both the HFRI Equity Hedge (Total) Index and the investable HFRI 500

Equity Hedge Index advanced an estimated +0.9 percent in March. EH sub-strategy gains were led by the HFRI EH: Fundamental Growth Index, which gained +1.5 percent, while the HFRI EH: Quantitative Directional Index added +1.4 percent.

Fixed income-based, interest rate-sensitive strategies posted mixed performance in March, as the Federal Reserve raised interest rates, though bond yields declined on flight to quality resulting from increased risk in Financials; the HFRI Relative Value (Total) Index declined an estimated -0.5 percent for the month, while the investable HFRI 400 Relative Value Index fell -0.3 percent (estimated). Leading sub-strategy performance, the HFRI 500 RV: Fixed Income-Sovereign Index advanced +0.45 percent in March, while the HFRI RV: Volatility Index added +0.4 percent.

Event-Driven strategies, which often focus on out-of-favor, deep value equity exposures and speculation on M&A situations, declined in March as risk in Financials soared; the investable HFRI 500 Event-Driven Index fell -1.8 percent (estimated), while the HFRI Event-Driven (Total) Index declined an estimated -1.65 percent. The only ED sub-strategy that produced positive performance in March was the HFRI 500 ED: Multi-Strategy Index, which gained an estimated +1.5 percent.

Uncorrelated Macro led strategy declines for the month, as quantitative, trend-following CTA strategies posted sharp declines with contributions from short fixed-income exposures; the HFRI Macro (Total) Index fell -3.2 percent while the investable HFRI 400 (US) Macro Index fell -4.1 percent (estimated) for the month. Quantitative, trend-following CTA strategies led declines with the HFRI 500 Trend Following Index falling -5.2 percent; losses in the HFRI Macro (Total) Index were partially offset by the HFRI Macro: Discretionary Thematic Index, which gained +0.3 percent.

Liquid Alternative UCITS strategies mixed performance in March, with the HFRX Global Index posting a decline of -1.2 percent, while the HFRX Market Directional Index gained +0.4 percent. HFRX sub-strategy performance was led by the HFRX Equity Hedge Index, which declined only -0.14 percent, while the Macro/CTA Index fell -3.0 percent. The HFRI Diversity Index declined an estimated -1.15 percent in March, while the HFRI Women Index fell -1.3 percent.

"Hedge funds effectively navigated a historic surge in bank and financial risk, as well as an adjustment to interest rate outlook in March, including the failure of SVB bank, generalized weakness across regional banks, and the government and regulator assisted acquisition of Credit Suisse by UBS. The industry saw gains across equity and cryptocurrency focused strategies offset by declines in short interest rate and credit sensitive exposures," stated Kenneth J. Heinz, President of HFR. "The combination of these financial events is likely to have long-term implications for financial markets, in addition to hedge fund performance, with macroeconomic impacts ranging from policy regarding uninsured deposits, integrity of AT1 financing, and precedent for government involvement in destabilized financial situations, with these likely to contribute to increased uncertainty and likelihood of extreme dislocations. Institutions and investors are interested in allocating to hedge funds which have demonstrated the robustness of their strategies through this challenging macroeconomic paradigm shift, with these funds likely to lead industry performance through mid-year 2023."

*NOTE: March 2023 index performance figures are estimated as of April 10, 2023*

## HFR Indices are ESMA registered

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