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# HFRI 500 GAINS IN APRIL AS MANAGERS NAVIGATE BANKING TURMOIL

## *Macro strategies lead HFRI 500 as volatility surges across asset classes; HFRI Equity Hedge Index extends strong, opportunistic YTD gains*

CHICAGO, (May 5, 2023) – Hedge funds posted gains in April as banking turmoil and volatility accelerated throughout the month and extended into May with the closure and distressed acquisition of First Republic Bank. The HFRI 500 Fund Weighted Composite Index advanced +0.4 percent (estimated) in April, as managers effectively navigated the recent surge in banking volatility with performance gains led by Macro strategies. The HFRI Fund Weighted Composite Index® (FWC) also gained an estimated +0.4 percent for the month, led by Macro and Equity strategies, according to data released today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry.

Performance dispersion narrowed in April, as the top decile of the HFRI FWC constituents advanced by an average of +5.5 percent, while the bottom decile fell by an average of -4.4 percent, representing a top/bottom dispersion of only 9.9 percent for the month. By comparison, the dispersion in March performance was 18.3 percent. Nearly half of hedge funds posted positive performance in April.

Uncorrelated Macro was the top-performing strategy for the month, led by fundamental, discretionary Macro strategies and complemented by quantitative, trend-following CTA strategies. The investible HFRI 500 Macro Index gained +1.2 percent for the month, while the investable HFRI 400 (US) Macro Index advanced +0.7 percent (estimated). The HFRI 500 Trend Following Index jumped +1.6 percent in April, while the HFRI 500 Macro: Discretionary Thematic Index added +0.3 percent.

Equity Hedge funds, which invest long and short across specialized sub-strategies, also gained in April, driven by Healthcare and Energy sub-strategies, as volatility surged across the financial sector. The HFRI Equity Hedge (Total) Index advanced an estimated +0.4 percent, while the investable HFRI 400 (US) Equity Hedge Index added +0.1 percent in April. EH sub-strategy gains were led by the HFRI EH: Healthcare Index, which surged +3.9 percent for the month, while the HFRI EH: Energy/Basic Materials Index added +1.5 percent. In the first four (4) months of the year, the HFRI 500 Equity Hedge Index has gained +2.3 percent to lead all primary strategy areas.

Event-Driven strategies, which often focus on out-of-favor, deep value equity exposures and speculation on M&A situations, also advanced in April as risk in Financials accelerated; the investable HFRI 400 Event-Driven Index gained +0.2 percent (estimated), while the HFRI Event-Driven (Total) Index also added an estimated +0.2 percent. ED sub-strategy performance was led by the HFRI ED: Special Situations Index, which gained an estimated +1.2 percent, while the HFRI ED: Credit Arbitrage Index added +0.5 percent.

Fixed income-based, interest rate-sensitive strategies posted gains in April, as the Federal Reserve prepared to raise interest rates and regional bank risk accelerated; the HFRI 500 Relative Value Index gained an estimated +0.1 percent for the month, while the HFRI Relative Value (Total) Index advanced +0.25 percent (estimated). Leading sub-strategy performance, the HFRI RV: Yield Alternatives Index advanced +1.4 percent in April, while the HFRI RV: Fixed Income-Asset Backed Index added +0.8 percent.

Liquid Alternative UCITS strategies also gained in April, with the HFRX Global Index returning +0.34 percent, while the HFRX Market Directional Index added +0.71 percent. HFRX sub-strategy performance was led by the HFRX Macro Index, which gained +1.36 percent, and the HFRX Equity Hedge Index, which added +0.61 percent for the month. The HFRI Diversity Index advanced an estimated +0.3 percent in April, while the HFRI Women Index declined -1.3 percent.

"Hedge fund managers have continued to navigate the surge in bank and financial risk volatility, with historic dislocations, chaotic, frenzied trading and structural uncertainty conditions unlike anything since 2008, or possibly even prior to that. Given this surge in volatility, comparable in magnitude to 2008, the worst year in the history of HFRI performance, managers posted gains in May across a range of equity, credit and trading oriented strategies as weakness and risk concentrated in regional banks dominated financial market conditions, culminating with the closure and sale of First Republic Bank," stated Kenneth J. Heinz, President of HFR. "Financial risk has accelerated into May with managers positioning opportunistically for additional structural dislocations and fluid developments within the regional bank trading environment or more broadly, positioning through the record rate of interest rate increases, possibly peaking inflation, and uncertainty with regard to US and global economic growth in

2023. Once again, institutions are likely to allocate or increase allocations to managers demonstrating both the defensive capital preservation and specialized, opportunistic exposure to these historic financial market developments."

*NOTE: April 2023 index performance figures are estimated as of May 5, 2023*

## HFR Indices are ESMA registered

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