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HFRI 500 SURGES IN JUNE LED BY GROWTH, AI EXPOSURES

*Event, Equity strategies drive broad-based gains;
Shareholder Activist, Growth & Quant lead sub-strategies*

CHICAGO, (July 10, 2023) – Hedge funds surged in June as Technology, AI and Growth led gains complemented by Shareholder Activist and Multi-Strategy sub-strategies as banking volatility subsided. The HFRI 500 Fund Weighted Composite Index surged +2.35 percent (estimated) in June, the strongest monthly gain since February 2021, as managers positioned for growth in Technology, Relative Value Arbitrage and Quantitative exposures, 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) also surged in June, gaining +2.2 percent, similarly driven by Equity Hedge and Event Driven strategies.

Performance dispersion ticked lower in June, as the top decile of the HFRI FWC constituents advanced by an average of +9.85 percent, while the bottom decile fell by an average of only -3.5 percent, representing a top/bottom dispersion of 13.35 percent for the month. By comparison, the top/bottom performance dispersion in May was 14.0 percent. For the first half of the year, the top decile of FWC constituents gained +23.8 percent, while the bottom decile declined -12.5 percent, representing a top/bottom decile of 36.3 percent. In June, approximately two-thirds of hedge funds posted positive performance.

Event-Driven strategies, which often focus on out-of-favor, deep value equity exposures and speculation on M&A situations, led strategy gains in June, driven by Shareholder Activist and Special Situations sub-strategies. The investable HFRI 500 Event-Driven Index jumped +3.05 percent (estimated)

for the month, while the HFRI Event-Driven (Total) Index added +2.8 percent. ED sub-strategy performance was led by the HFRI ED: Activist Index, which surged an estimated +5.9 percent in June, the HFRI 500 ED: Special Situations Index, which advanced +4.0 percent, and the HFRI 500 ED: Multi-Strategy Index, which added +3.0 percent for the month.

Equity Hedge funds, which invest long and short across specialized sub-strategies, also propelled industry-wide gains in June, driven by Growth & AI exposures. The HFRI Equity Hedge (Total) Index surged +2.94 percent, while the investable HFRI 500 Equity Hedge (Total) Index advanced +2.85 percent for the month. EH sub-strategy gains were led by the HFRI 500 EH: Quantitative Directional Index, which vaulted +4.1 percent for the month, and the HFRI 500 EH: Fundamental Growth Index, which gained +3.9 percent. Through the first half of 2023, the HFRI Equity Hedge (Total) Index led strategy performance, advancing +4.5 percent.

Uncorrelated Macro strategies posted strong performance in June, led by Multi-Strategy and quantitative, trend-following CTA strategies. The investible HFRI 500 Macro Index gained +2.0 percent for the month, while the HFRI Macro (Total) Index added +1.5 percent. The HFRI 500 Macro: Multi-Strategy Index jumped +2.9 percent in June, while the HFRI 500 Macro: Systematic Diversified Index advanced +2.4 percent.

Fixed income-based, interest rate-sensitive strategies also advanced in June, as the Federal Reserve paused rate increases but left open the possibility of additional increases in coming months, and as regional banking volatility subsided. The HFRI 500 Relative Value Index gained an estimated +1.2 percent for the month, while the HFRI Relative Value (Total) Index advanced +0.9 percent (estimated). All RV sub-strategies produced positive performance in June, led by the HFRI 500 RV: FI-Sovereign Index, which gained +2.7 percent, and the HFRI 500 RV: Multi-Strategy Index, which added +1.6 percent for the month.

Liquid Alternative UCITS strategies also posted gains in June, with the HFRX Global Index advancing +0.76 percent, led by the HFRX Equity Index, which gained +1.27 percent, and the HFRX Relative Value Index, which added +0.74 percent for the month. The HFRI Women Index gained +2.6 percent in June, and the HFRI Diversity Index added +2.3 percent.

"Hedge funds surged in June, led by growth equity exposures and, specifically, artificial intelligence. While gains were driven by these dynamic exposures, industry performance was strong across-the-board, including leadership from Activist and Quantitative funds, as all four main strategies advanced for the month," stated Kenneth J. Heinz, President of HFR. "While the transformative impact of AI has begun and accelerated in recent months, it has the potential to impact a wide range of industries with exponential growth while transforming competitive landscapes, albeit with expected high volatility and potential for extreme dislocations as these evolutionary transformations develop. Institutional

investors seeking access to these specialized, powerful trends are likely to allocate and expand commitments to managers which have demonstrated their capacity and capabilities through the early stages of this transformative market dynamic.”

NOTE: June 2023 index performance figures are estimated as of July 10, 2023

HFR Indices are ESMA registered

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