



## FOR IMMEDIATE RELEASE

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## EVENT DRIVEN STRATEGIES GAIN, LEAD HFRI IN AUGUST AS EQUITIES FALL

*Credit-sensitive Event Driven, Relative Value Arbitrage advance as rates rise; Merger Arb, Multi-Strategy funds lead sub-strategies*

CHICAGO, (September 8, 2023) – Hedge funds posted mixed strategy performance in the volatile month of August as inflationary pressures remained persistent, interest rates increased, and equities declined. The HFRI Fund Weighted Composite Index<sup>®</sup> (FWC) fell -0.5 percent for the month, as gains in Event Driven and Relative Value Arbitrage strategies were offset by declines in Equity Hedge and Macro.

The investable HFRI 500 Fund Weighted Composite Index declined an estimated -1.1 percent in August, according to data released today by HFR<sup>®</sup>, the established global leader in the indexation, analysis and research of the global hedge fund industry.

Larger funds outperformed smaller funds for the month, with the HFRI Asset Weighted Index posting a narrow decline of -0.14 percent, while the HFRI Institutional Fund Weighted Composite Index produced a similar decline of -0.19 percent.

Performance dispersion once again ticked slightly lower in August, as the top decile of the HFRI FWC constituents advanced by an average of +4.8 percent, while the bottom decile declined by an average of -7.7 percent, representing a top/bottom dispersion of 12.5 percent for the month. By comparison, the top/bottom performance dispersion in July was 13.1 percent. Through the first eight months of the year, the top decile of FWC constituents gained +26.9 percent, while the bottom decile declined -14.0 percent, representing a top/bottom dispersion of 40.9 percent. Approximately half of hedge funds posted positive performance in August.

Event-Driven strategies, which often focus on out-of-favor, deep value equity exposures and speculation on M&A situations, led strategy gains in August, driven by Merger Arbitrage and Credit Arbitrage sub-strategies. The HFRI Event-Driven (Total) Index advanced +0.4 percent for the month, while the HFRI Institutional Event-Driven Index added +0.8 percent (estimated). ED sub-strategy performance was led by the HFRI ED: Merger Arbitrage Index, which surged +2.0 percent, while the HFRI ED: Credit Arbitrage Index advanced +1.25 percent for the month. The HFRI ED: Activist Index fell -2.2 percent in August but continues to lead ED sub-strategy performance on the year with a +12.1 percent YTD return.

Fixed income-based, interest rate-sensitive strategies also advanced in August as interest rates increased and inflationary pressures remained persistent. The HFRI Relative Value (Total) Index gained an estimated +0.3 percent for the month, while the HFRI Institutional Relative Value Index jumped +0.7 percent in August. RV sub-strategies were led by the investable HFRI 500 RV: Volatility Index, which gained +1.35 percent (estimated) in August, while the credit-sensitive HFRI RV: Multi-Strategy Index added +0.5 percent.

Uncorrelated Macro strategies posted mixed performance in August, led by Multi-Strategy and fundamental Discretionary Thematic sub-strategies. The HFRI Macro Asset Weighted Index declined -0.2 percent for the month, while the investable HFRI 500 Macro Index posted an estimated decline of -0.6 percent. The HFRI 500 Macro: Multi-Strategy Index jumped +1.6 percent (estimated) in August, while the HFRI Macro: Discretionary Thematic Index added +0.3 percent.

Equity Hedge funds, which invest long and short across specialized sub-strategies, posted declines in August, with negative contributions from Technology, Fundamental Growth, and Fundamental Value exposures only partially offsetting gains in Multi-Strategy and Energy/Basic Materials. The HFRI Equity Hedge Asset Weighted Index declined -0.5 percent in August, while the HFRI Institutional Equity Hedge Index fell -1.0 percent for the month. EH sub-strategy declines were led by the HFRI 500 EH: Technology Index, which fell an estimated -5.6 percent in August, while the HFRI 500 EH: Fundamental Growth Index lost -3.0 percent, and the HFRI 500 EH: Fundamental Value Index declined by -2.7 percent. The HFRI EH: Multi-Strategy Index advanced +1.1 percent for the month, and the HFRI EH: Energy/Basic Materials Index added +0.4 percent. Through the first eight months of 2023, the HFRI Equity Hedge (Total) Index led strategy performance, advancing +7.0 percent YTD.

Liquid Alternative UCITS strategies posted gains in August, with the HFRX Global Index advancing +0.33 percent, led by the HFRX Event Driven Index, which gained +1.1 percent, and the HFRX Equity Hedge Index, which added +0.27 percent for the month. The HFRI Diversity Index declined -0.9 percent in August, while the HFRI Women Index fell -0.5 percent.

“Hedge fund performance in August showed a key inflection point and partial reversal of some of the powerful, technology-driven trends which had dominated the prior two months of gains. Credit, transactional and M&A sensitive Event Driven strategies led performance for the month with negatively correlated gains as interest rates increased and equities posted declines. Interest rate sensitive Relative Value Arbitrage also advanced in August, as broader equity and fixed income markets declined on weakening inflation and interest rate outlook into 2H23,” stated Kenneth J. Heinz, President of HFR. “The strong, concentrated tailwind of AI Technology gains which has driven equity market performance and contributed to HFRI performance since late May remains a powerful, dominant market trend but also a source of volatility and potential dislocation, accentuated by the uncertainty and fluidity of fluctuation in interest rates and inflation expectations. Expecting this market paradigm to continue through year-end, institutional investors will benefit from the positive optionality and combination of positive beta to upside trends while also maintaining the portfolio protection which leading hedge fund strategies offer. As a result, investors are likely to increase allocations to managers which have demonstrated their strategy’s robustness through the volatility of the past 12-24 months.”

*NOTE: August 2023 index performance figures are estimated as of September 8, 2023*

## **HFR Indices are ESMA registered**

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