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MACRO STRATEGIES SURGE IN SEPTEMBER; TOP FUNDS LEAD INDUSTRY PERFORMANCE AS EQUITIES, BONDS POST STEEP DECLINES

HFRI Institutional, Asset Weighted Indices gain as volatility accelerates; Fixed income based Relative Value also advances; Commodity, trend following CTAs lead sub-strategies

CHICAGO, (October 6, 2023) – Macro hedge funds posted uncorrelated gains and strong outperformance as volatility accelerated through September, with equities and bonds posting steep, correlated declines showing a similar cycle of breakdown in historical correlation as was seen in early 2022. Through this intense volatility, the HFRI Institutional Macro Index surged +3.1 percent, led by Commodity, trend-following CTA and Multi-Strategy exposures. Larger funds extended their outperformance of smaller funds with the HFRI Institutional Fund Weighted Composite Index® posting a strong gain of +0.9 percent, while the HFRI Asset Weighted Index jumped +0.77 percent. The HFRI Fund Weighted Composite Index® (FWC) posted a decline of -0.20 percent, topping the decline of US equities by over 450 basis points, 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 rose slightly in September, as the top decile of the HFRI FWC constituents advanced by an average of +6.5 percent, while the bottom decile fell by an average of -7.1 percent, representing a top/bottom dispersion of 13.6 percent for the month. By comparison, the top/bottom performance dispersion in August was 13.0 percent. Through the first nine months of the year, the top decile of FWC constituents gained +24.3 percent, while the bottom decile declined -13.2 percent, representing a top/bottom dispersion of 37.5 percent. Approximately half of hedge funds posted positive performance in September.

Uncorrelated Macro strategies led strategy performance in September as equities posted sharp, correlated declines on rising rates and expectations for weakening economic growth. Gains were led by fundamental Commodity, quantitative, trend following CTA and Multi-Strategy sub-strategies. The HFRI Institutional Macro Index surged +3.1 percent for the month, while the investable HFRI 500 Macro Index also jumped +2.9 percent, and the HFRI Macro (Total) Index added +2.3 percent. Leading sub-strategy performance, the HFRI 500 Macro: Multi-Strategy Index jumped +4.45 percent (estimated) in September, while the HFRI Macro: Commodity Index also added +2.75 percent. Quantitative, trend-following CTA strategies also surged in September, with the HFRI 500 Macro Systematic Diversified Index advancing +3.2 percent for the month.

Fixed income-based, interest rate-sensitive strategies also advanced in September as interest rates rose to cyclical highs, with the HFRI Institutional Relative Value Index gaining +0.6 percent, while the HFRI Relative Value (Total) Index added an estimated +0.3 percent for the month. RVA sub-strategies were led by the investable HFRI 500 RV: Volatility Index, which advanced +1.5 percent (estimated) in September while the HFRI RV: FI-Corporate Index also gained +0.45 percent. The credit-sensitive HFRI RV: Multi-Strategy Index added +0.36 percent.

Event-Driven strategies, which often focus on out-of-favor, deep value equity exposures and speculation on M&A situations, reversed recent monthly gains with a decline in September, as gains in Merger Arbitrage were offset by declines in Shareholder Activist funds. The HFRI Institutional Event-Driven (Total) Index declined -0.5 percent for the month, while the HFRI 500 Event-Driven Asset Weighted Index fell -0.47 percent (estimated). ED sub-strategy performance was led by the HFRI ED: Merger Arbitrage Index, which advanced +0.67 percent for the month, while the HFRI 500 ED: Activist Index posted a sharp decline of -2.8 percent.

Equity Hedge funds, which invest long and short across specialized sub-strategies, also posted declines in September with negative contributions from Technology, Fundamental Growth, and Fundamental Value exposures. The HFRI Equity Hedge Index Asset Weighted declined -0.8 percent in September, topping the decline of US equites by over 400 basis points, while the HFRI Institutional Equity Hedge Index fell -1.3 percent for the month. EH sub-strategy declines were led by the HFRI 500 EH: Technology Index, which fell an estimated -4.2 percent in September while the HFRI 500 EH: Fundamental Growth Index lost -2.35 percent, and the HFRI 500 EH: Fundamental Value Index declined -2.2 percent. Partially offsetting these losses, the HFRI EH: Energy/Basic Materials Index advanced +0.5 percent for the month.

Liquid Alternative UCITS strategies also posted mixed performance in September with the HFRX Absolute Return Index advancing +0.79 percent, while the HFRX Equal Weighted Index posted a narrow gain of +0.01 percent, and the HFRX Global Index fell -0.1 percent. Performance was led by Macro and Event Driven strategies, with the HFRX Macro Index gaining +0.62 percent, while the HFRX Event Driven Index advanced +0.14 percent.

The HFRI Diversity Index posted a narrow loss of -0.24 percent in September, while the HFRI Women Index fell -0.70 percent.

"Macro hedge funds and the industry's largest firms led performance in September as both bonds and equities posted steep declines in a correlated manner, interest rates hit recent highs and inflationary pressures remained strong, while near term prospects for economic growth weakened. Macro hedge posted strong gains across both quantitative, fundamental and commodity focused strategies, with the industry's largest funds leading gains as asset weighted composites posted positive performance for the month," stated Kenneth J. Heinz, President of HFR. "In addition to Macro, interest rate sensitive, fixed income based Relative Value Arbitrage strategies also gained in September, demonstrating strong defensive positioning and opportunistic trading in a month where not only did interest rates rise sharply, but volatility increased while equities posted concurrent, sharp declines. Led by the industry's largest funds, managers remain aggressive and opportunistically positioned for acceleration of this financial market volatility, with an increased likelihood of destabilizing dislocations. Institutions interested in a combination of opportunistic exposure to these powerful trends, as well as defensive capital preservation through the volatility, are likely to increase allocations to managers which have generated strong performance through these recent market headwinds."

NOTE: September 2023 index performance figures are estimated as of October 6, 2023

HFR Indices are ESMA registered

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