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INVESTOR ALLOCATIONS TO HEDGE FUNDS RISE TO HIGHEST LEVEL SINCE 2015

Macro strategies lead performance gains in record 1Q; Inflation, interest rates, Russia invasion of Ukraine drive volatility; Top firms lead industry inflows

CHICAGO, (April 22, 2022) – Institutional investors allocated the largest amount of new capital to hedge funds since 2015 in 1Q 2022, as Macro funds lead industry performance through extreme volatility driven by generational inflation, interest rate increases and expectations for multiple increases in 2022, and the impact of the Russian invasion of Ukraine, including surging commodity prices driving geopolitical uncertainty and tensions to the highest level in decades.

Total global hedge fund industry capital remained above the $4 trillion milestone, as managers navigated extreme volatility with leadership from uncorrelated Macro strategies, including Fundamental Commodity and Discretionary funds, as well as Quantitative, Trend-Following CTA strategies which posted record gains. Total capital inflows reached $19.8 billion in 1Q 2022, the highest quarterly inflow since 2Q 2015, as reported today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry, in the latest release of the *HFR Global Hedge Fund Industry Report*. Total hedge fund industry capital has expanded by over $1 trillion in the trailing eight quarters since falling below $3 trillion in 1Q 2020 as the global pandemic began.

The investable HFRI 500 Fund Weighted Composite Index posted a narrow gain of +0.3 percent for 1Q22, topping the steep decline of the Nasdaq Composite by over 900 basis points, and also topping the decline of the S&P 500 by over 500 bps. The HFRI Fund Weighted Composite Index (FWC) declined

-0.78 percent for 1Q22, inclusive of a +1.4 percent return in March and following a gain of +10.16 percent in 2021.

Strategy asset increases were led by uncorrelated Macro strategies, which grew by $40 billion in 1Q22 on strong performance-based gains to end the quarter at $677.8 billion AUM. Macro sub-strategy inflows and asset increases were led by quantitative, trend-following CTA strategies, as investors allocated $3.3 billion of net new capital to CTA's, which produced performance-based gains of $27.8 billion to end 1Q22 with $336.9 billion AUM. The investable HFRI 500 Macro Index vaulted +9.1 percent in 1Q, driven by the HFRI 500 Macro: Systematic Diversified Index, which soared +11.7 percent, and the HFRI 500 Macro: Commodity Index, which surged a record +24.0 percent in 1Q22, leading all strategies and sub-strategies for the quarter.

With interest rate volatility reaching extreme levels in 1Q22, capital managed by credit- and interest rate-sensitive fixed income-based Relative Value Arbitrage (RVA) strategies increased by $14.9 billion in 1Q22, ending the quarter with $1.035 trillion AUM. RVA managers navigated not only a sharp increase in interest rates, but also a yield curve inversion, the highest inflation in 40 years, a sharp increase in sovereign default risk, an intra-quarter flight to quality reversal of interest rate increases, and expectations for additional rate increases in 2022. Multi-Strategy funds led RVA sub-strategies with performance-based gains of $11.9 billion, as well as in net asset inflows, receiving $6.4 billion of new investor capital. The investable HFRI 500 Relative Value Index gained +1.73 percent in 1Q22, led by the HFRI 500 RV: Multi-Strategy Index, which surged +7.1 percent.

Event-Driven (ED) strategies, which categorically focus on out of favor, often heavily-shorted, deep value equity and credit positions, led strategy capital inflows for 1Q, though gains were offset by performance-based declines. Investors allocated $12.8 billion in new capital to ED strategies in 1Q, as total ED capital held steady at $1.1 trillion, trailing only Equity Hedge as the largest strategy area of industry capital. ED sub-strategy inflows were led by Special Situations and Distressed sub-strategies, with these receiving $6.2 and $5.6 billion, respectively, of net new capital in 1Q22. The investable HFRI 500 Event-Driven Index declined -2.1 percent in 1Q, while the HFRI Event-Driven (Total) Index fell -1.4 percent, though sub-strategy losses were partially offset by a +1.1 percent gain in the HFRI ED: Merger Arbitrage Index.

Total capital invested in Equity Hedge (EH) strategies declined in 1Q22, as minor inflows were offset by large performance-based declines. Total EH capital fell by $46.8 billion despite an investor inflow of $1.9 billion, driving total EH capital down to $1.18 trillion, as managers navigated intense volatility and rapidly evolving market cycles, including the Russian invasion of Ukraine, generational inflation, and rising interest rates. EH sub-strategy net asset inflows were led by Fundamental Value and Multi-Strategy in 1Q22, with these receiving estimated net allocations of $1.9 and $1.6 billion, respectively, though these were partially offset by an outflow of $2.4 billion in Quantitative Directional strategies for the quarter. Both the investable HFRI 500 Equity Hedge Index the HFRI Equity Hedge (Total) Index declined by -4.1 percent return in 1Q22. Concurrent with surging energy and commodity prices, as well as accelerating inflation, EH sub-strategy performance was led by the HFRI 500 EH: Energy/Basic Materials Index, which surged +9.4 percent in 1Q22, though these gains were offset by losses in the HFRI 500 EH: Healthcare Index (-8.5 percent), the HFRI 500 EH: Fundamental Growth Index (-7.0 percent), and the HFRI 500 EH: Technology Index (-6.4 percent).

Once again, the industry's largest firms, those managing greater than $5 billion, led investor inflows, with these receiving an estimated $16.8 billion of net new capital in 1Q22. Firms managing between $1 billion and $5 billion experienced net inflows of $2.3 billion, while firms managing less than $1 billion received estimated net inflows of $723 million over the quarter.

"Macro hedge funds experienced a historic quarter, not only leading capital increases and posting record, negatively-correlated performance gains, but doing so through intense, extreme volatility across multiple asset classes driven by surging geopolitical risks and macroeconomic uncertainty, with total global hedge fund capital remaining above the historic $4 trillion milestone. Not only as a direct result of strong equity market outperformance but reflective of expectations of powerful trends in inflation, interest rates and corporate transactions, asset increases and investor inflows were opportunistically spread across a range of strategies and sub-strategies, combining the continuation of powerful uncorrelated recent trends with expectations for reversals of other higher beta exposures," stated Kenneth J. Heinz, President of HFR. "Institutional investors are likely to continue increasing their commitment to funds combining effective, volatility-positive, capital preservation with managers offering opportunistic exposure to interest rate and inflation trends, with these effectively complementing existing portfolio holdings and duration. Funds tactically positioned to navigate these multi-asset trends are likely to lead industry performance and growth through mid 2022."

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