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TECHNOLOGY, ENERGY LEAD HFRI IN SEPTEMBER

*Sector exposures drive 7th consecutive monthly gain;
HFRI Equity Hedge tops US equities for the month, quarter*

CHICAGO, (October 7, 2016) – Hedge funds advanced in September to conclude a strong third quarter, driven by gains in specialized Technology, Healthcare and Energy 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) gained +0.6 percent for the month, increasing the Index Value to 12795.52, posting its 7th consecutive month of positive performance, and bringing the 3Q gain to +3.0 percent. Through the first nine months of 2016, the HFRI FWC has gained +4.2 percent, leading the MSCI World Index.

Resurgent Equity Hedge strategies led hedge fund industry performance for the month, as global equity markets posted mixed or flat performance. The HFRI Equity Hedge Index gained +1.1 percent in September, completing the quarter at +4.7 percent and recovering early year declines to bring YTD performance to +4.2 percent. September performance was led by the HFRI EH: Technology/Healthcare Index, which gained +4.0 percent, the strongest month since September 2010, leading 3Q performance across all sub-strategies with a gain of +7.6 percent. The volatile HFRI EH: Energy/Basic Materials Index added +1.5 percent in September, bringing 3Q performance to +7.3 percent and leading all strategies YTD with a +19.0 percent return. The HFRI Equity Hedge: Asset Weighted Index posted a gain of +0.8 percent for September.

The fixed income-based HFRI Relative Value Index advanced +0.9 percent for the month, as the U.S. Federal Reserve maintained interest rate policy while investors positioned for near-term rate increases. The monthly gain brings 3Q performance to +3.1 percent and the YTD return to +5.9 percent. RVA sub-strategy September performance was led by the HFRI RV: Volatility Index, which gained +1.6 percent for the month, and the HFRI RV: Sovereign Index, which added +1.2 percent. For the first nine months of 2016, RVA sub-strategy performance was led by the HFRI RV: Yield Alternative Index, which has gained +13.0 percent.

The HFRI Event-Driven Index also advanced for September, gaining +0.7 percent in the month, closing 3Q at +4.4 percent, and leading all main strategies YTD with a +6.7 percent return. Event-Driven sub-strategy performance was again led by the HFRI ED: Distressed/Restructuring Index, which advanced +1.3 percent in September, bringing YTD performance to +9.5 percent, leading all ED sub-strategies indices. The HFRI ED: Activist Index declined -0.5 percent for September, though has gained +4.5 percent YTD.

Macro hedge funds posted mixed performance across currencies and commodities for the month, as the HFRI Macro Index declined -0.3 percent, paring the YTD gain to +1.8 percent. Macro sub-strategy declines were led by the HFRI Currency Index, which lost -1.0 percent in the month. Partially offsetting these losses, the HFRI Commodity Index advanced +1.1 percent in September, bringing YTD performance to +5.8 percent. Both CTA and Discretionary Macro strategies experienced mixed performance for the month, as the HFRI Systematic Diversified Index fell -0.7 percent, while HFRI Macro: Discretionary Thematic Index posted a narrow gain of +0.1 percent.

“Hedge funds concluded the quarter with strong equity market outperformance in September, expanding the positive performance differential over global equities and narrowing the YTD differential with US equities,” stated Kenneth J. Heinz, President of HFR. “With equity markets near record highs, expectations for near-term US rate increases and US election uncertainty dominating the coming months, HFRI performance, especially in Event Driven and Equity Hedge sub-strategies, is likely to top equity markets for FY 2016.”

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HFR (Hedge Fund Research, Inc.) is the global leader in the alternative investment industry, specializing in the indexation and analysis of hedge funds. Established in 1992, HFR produces the HFRI, HFRX and HFRU Indices, the industry's most widely used benchmarks of global hedge fund performance. HFR calculates over 100 indices of hedge fund performance ranging from industry-aggregate levels down to specific, niche areas of sub-strategy and regional investment focus. HFR Database, a comprehensive resource available for hedge fund investors, includes fund-level detail on historical performance and assets, as well as firm characteristics on both the broadest and most influential hedge fund managers. HFR has developed a detailed fund classification system, enabling granular and specific queries for relative performance measurement, peer group analysis and benchmarking. The HFR suite of analysis products leverages HFR Database to provide detailed, current, comprehensive and relevant aggregate reference points on all facets of the hedge fund industry. HFR also offers consulting services for clients seeking customized top-level or more sophisticated analysis. For the hedge fund industry's leading investors and hedge fund managers, **Hedge Fund Research is The Institutional Standard.**

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