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MACRO HEDGE FUNDS GAIN AS GLOBAL PANDEMIC DRIVES STEEP EQUITY LOSSES

HFRI 500 Relative Value also advance on long Volatility exposure;
Quantitative, Trend-following CTA strategies lead through volatility;
Event-Driven strategies post record monthly declines on spread widening

CHICAGO, (April 7, 2020) – Macro hedge funds gained in March as the widening coronavirus pandemic drove steep equity market declines, sharp arbitrage spread widening, and an expected slowing of global economy and employment, 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 Macro (Total) Index gained +2.1 percent for the month, with significant contributions from quantitative, trend-following Macro CTA strategies, as the HFRI Macro: Systematic Diversified Index advanced +2.9 percent in March. CTA gains were attributed to trading long and short positions across fixed income, equity, currencies, metals, and energy commodities. Discretionary Commodity and Currency Macro strategies also gained for the month, with the HFRI Macro: Commodity Index returning +3.1 percent, while the HFRI Macro: Currency Index added +2.9 percent.

Fixed income-based Relative Value Arbitrage (RVA) strategies posted mixed gains in March on with long volatility exposures offsetting arbitrage spread widening. The investable HFRI 500 Relative Value Index gained +0.7 percent driven by the HFRI 500 RVA: Volatility Index, which surged +8.9 percent. The HFRI Relative Value (Total) Index declined by -3.6 percent, with credit multi-strategy funds posting a wide disparity in performance, resulting in the RVA: Multi-Strategy falling -3.3 percent.

Macro gains were offset by declines across other strategies, the HFRI Fund Weighted Composite Index® (FWC) declining -5.9 percent in March, while the HFRI 500 Hedge Fund Composite Index lost -

6.2 percent. The March decline of the HFRI FWC falls below the -6.8 percent drop in October 2008 and well below the record -8.7 percent decline in August 1998.

Hedge funds experienced a historical dispersion of performance for the month as captured by data visualization tool HFR IndexScope®, with the top decile of HFRI constituents posting an average gain of +18.5 percent, while the bottom decile fell an average of -30.0 percent.

Through the first quarter, the HFRI FWC has lost -8.3 percent YTD, while the HFRI Macro (Total) Index has gained +1.2 percent. The FWC decline in 1Q represents less than one-quarter of the decline of the DJIA and less than one-third of the decline of the Russell 2000.

Liquid Alternative hedge funds also posted declines for the month, with the HFRX Absolute Return Hedge Fund Index falling -5.5 percent, while the HFRI-I Liquid Alternative UCITS Hedge Fund Index lost -5.6 percent. Risk Parity strategies also fell in March, with the HFR Risk Parity Vol 10 Index losing -9.2 percent, while the HFR Risk Parity Vol 15 Index declined -18.4 percent. The HFRI Fund of Funds Composite Index declined by -4.9 percent for the month.

Equity Hedge and Event-Driven strategies suffered steep monthly declines on equity market losses and arbitrage spread widening, with the HFRI Equity Hedge (Total) Index falling -9.5 percent while the HFRI Event-Driven (Total) Index fell -12.4 percent, the largest single-month decline since inception. Equity Hedge sub-strategy losses were led by the HFRI EH: Fundamental Value Index, which fell -12.4 percent, while the HFRI ED: Special Situations Index dropped by -14.6 percent.

"Financial markets experienced a historic spike in volatility in March as the spreading coronavirus pandemic drove steep losses across global equities and energy commodities, as well as an indiscriminate flight to quality across fixed income and currencies. Uncorrelated, defensively and long volatility-positioned hedge fund strategies posted impressive, negatively-corelated gains for the month, while directional equity-sensitive, long-biased, and arbitrage strategies posted sharp declines," stated Kenneth J. Heinz, President of HFR. "In many respects, March and 1Q20 reflect a sharp and volatile reversal of the risk-on environment which dominated 2019, underscoring the importance of maintaining a diversified alternatives portfolio. Macro and trend-following strategies are likely to continue to lead industry performance with models evolving to effectively capture dynamic, fluid and shifting trends as the pandemic progresses."

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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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