FOR IMMEDIATE RELEASE

Contacts:

Hedge Fund Research, Inc.	MacMillan Communications	Hydra Strategy
Kenneth Heinz	Chris Sullivan	Henrietta Hirst
Chicago/312.658.0955	New York/212.473.4442	London/+44 (0) 7880 742 375
info@hfr.com @HFRInc @KennethJHeinz	chris@macmillancom.com	Henrietta.hirst@hydrastrategy.co.uk

HFRI GAINS DRIVE HEDGE FUND INFLOWS

3Q 2020 marks the first quarter of net asset inflows since 1Q 2018; RVA Multi-Strat, CTAs lead inflows as investors position for macro uncertainty

CHICAGO, (October 21, 2020) – Investors allocated new capital to the hedge fund industry in the third quarter, the first quarterly net inflow since 1Q18, driven by strong performance through the coronavirus pandemic volatility and positioning for continued uncertainty around both the virus and the upcoming US elections.

Led by Macro and Relative Value Arbitrage strategies, hedge funds received an estimated net inflow of $13.0 billion in 3Q 2020, increasing total industry capital to $3.31 trillion, as reported today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry.

The investable HFRI 500 Fund Weighted Composite Index advanced +3.6 percent in 3Q, extending 2Q gains and recovering from the early 2020 decline to bring YTD performance to +0.8 percent. The YTD return tops the decline of the DJIA by nearly 350 basis points (bps) and exceeds the performance of the FTSE 100 by over 2300 bps.

Uncorrelated Macro strategies led hedge fund inflows in 3Q, as investors positioned for continued macroeconomic uncertainty and powerful trends across global financial markets. Investors allocated an estimated $7.2 billion of net capital to Macro strategies, increasing total Macro assets to $579.1 billion, with the inflows split nearly equally between CTA strategies and uncorrelated currency strategies. Quantitative, trend-following Systematic Diversified CTA strategies experienced inflows of $3.2 billion, while Currency-focused strategies received inflows of $3.1 billion. The HFRI

500 Macro Index gained +1.6 percent in 3Q, while the HFRI 500 Macro: Currency Index has advanced +1.7 percent YTD 2020.

Fixed income-based Relative Value Arbitrage (RVA) strategies were allocated an estimated $5.5 billion of new investor capital in 3Q, increasing total RVA capital to $903.1 billion, the industry's second largest strategy area of capital. RVA inflows were led by Credit RVA Multi-strategy funds, which received $14.3 billion of net asset inflows, bringing total RVA Multi-strategy capital to $531.9 billion. The HFRI 500 Relative Value Index gained +2.8 percent in 3Q, while the HFRI 500 RV: Multi-Strategy Index advanced +2.3 percent.

Equity Hedge (EH) strategies experienced a small net inflow of capital, with trends showing rotation between EH sub-strategies. Investors allocated an estimated $397 million of net new capital to EH in 3Q, bringing total EH capital to $972.7 billion, with $2.46 billion of net redemptions from EH Multi-Strategy funds nearly offsetting $2.5 billion in net allocations to Fundamental EH sub-strategies, including both Growth and Value. The HFRI 500 Equity Hedge Index gained +4.9 percent in 3Q, extending the 2020 YTD return to +2.9 percent, leading the 4 main strategies. After surging +8.6 percent in 3Q, the HFRI 500 EH: Technology Index leads all sub-strategies YTD with a +17.2 return through September.

Capital invested to Event-Driven (ED) strategies increased by $40 billion despite a de minimis net outflow of capital in 3Q. Total ED capital increased to $854.6 billion, as performance-based asset gains were only minorly offset by a modest net outflow of $198 million. ED sub-strategy flows were led by Special Situations, which received $1.5 billion of net new capital, though these were offset by outflows of $1.0 billion from ED: Multi-Strategy. The HFRI 500 Event Driven Index gained +3.3 percent in 3Q, with sub-strategy performance led by the HFRI ED: Credit Arbitrage Index, which gained +6.4 percent.

Inflows were led by the industry's largest firms, with firms managing greater than $5 billion receiving an estimated $11.2 billion in net asset inflows. Mid-sized firms managing between $1 billion and $5 billion experienced a small outflow of $810 million, while firms managing less than $1 billion received inflows of $2.6 billion.

"Investors allocated new capital to hedge funds in 3Q as a result of both defensive outperformance through the coronavirus-driven volatility in early 2020, as well as opportunistic gains through the uneven financial market recovery in the second and third quarters," stated Kenneth J. Heinz, President of HFR. "Institutions globally are making forward-looking allocations to hedge funds, anticipating and positioning for the near-term uncertainties of both the virus and the US election, as well as intermediate-term macroeconomic uncertainties of the US, European and Asian economies into 2021. Hedge fund strategies which have demonstrated powerful, opportunistic and uncorrelated performance throughout 2020 are likely to lead continued industry growth into 2021."

Follow HFR on Twitter: @**HFRInc** *Follow Ken Heinz on Twitter:* **@KennethJHeinz**

Follow HFR on Weibo: @**HFRAsia**