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# MACRO HEDGE FUND GAINS ACCELERATE AS GEOPOLITICAL RISK SURGES

## *HFRI advances as Russia invades Ukraine, commodities surge; Commodity, Discretionary, and Quant Macro extend 2022 gains; HFRI 500 tops Nasdaq by over 450 bps*

CHICAGO, (March 7, 2022) – Macro hedge funds led industry-wide gains in February, extending the strong start to 2022 by again posting negatively-correlated gains as financial market volatility surged across equity, fixed income, commodity, and currency markets as Russia invaded Ukraine. The HFRI 500 Macro Index surged +2.9 percent in February, extending the 2022 gain to +4.75 percent, with strong contributions from Commodity, Fundamental Discretionary and Quantitative, trend-following strategies. The investable HFRI 500 Fund Weighted Composite Index advanced +1.2 percent for the month, topping the decline of the Nasdaq by 470 basis points. The HFRI Fund Weighted Composite Index® (FWC) also gained +0.6 percent in February, according to data released today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry.

The performance dispersion of the underlying HFRI index constituents narrowed in February, with the top decile of the HFRI gaining an average of +9.0 percent, while the bottom decile declined by an average of -5.8 percent for the month, representing a top-bottom dispersion of 14.8 percent. Through the first two months of the year, the top decile of the HFRI has surged an average of +14.1 percent, while the bottom decile has declined by an average of -14.4 percent.

Macro strategies again posted strong, negatively-correlated gains for the month across Commodity, Discretionary, and Quantitative strategies, as financial market volatility surged; the investable HFRI 500 Macro Index advanced +2.9 percent, while the HFRI Macro (Total) Index gained

+2.1 percent for the month. Macro sub-strategy gains were led by the investable HFRI 500 Macro: Commodity Index, which surged +6.3 percent in February as commodities spiked on supply disruptions tied to Russian invasion of Ukraine; while the HFRI 500 Macro: Discretionary Thematic Index advanced +3.3 percent for the month. Quantitative, trend-following Macro sub-strategies also gained in February, with the HFRI 500 Macro: Systematic Diversified Index adding +2.85 percent. Emerging Markets hedge fund performance partially offset industry-wide gains, with the HFRI Emerging Markets Index falling by -1.6 percent; the volatile HFRI EM: Russia/Eastern Europe Index declined -31.2 percent.

Event-Driven strategies, which often focus on out-of-favor, deep value equity exposures and speculation on M&A situations, also advanced in February led by higher beta Distressed and Merger Arbitrage strategies. The investable HFRI 500 Event-Driven Index gained +0.5 percent, while the HFRI Event-Driven (Total) Index posted a narrow decline of -0.02 percent for the month. ED sub-strategy gains were led by the HFRI 500 ED: Distressed Index, which advanced +1.8 percent in February, while the HFRI 500 ED: Merger Arbitrage Index added +1.1 percent.

Equity Hedge funds, which invest long and short across specialized sub-strategies, also posted a gain for the month, with the investable HFRI 500 Equity Hedge Index advancing +0.5 percent, topping the decline of the Nasdaq Composite Index by 400 bps; the HFRI Equity Hedge (Total) Index added +0.1 percent. EH Sub-strategy performance was led by the HFRI EH: Energy/Basic Materials Index, which surged +3.9 percent, while the HFRI EH: Multi-Strategy Index added +0.9 percent. These gains were partially offset by losses in the HFRI EH: Quantitative Directional Index, which fell -1.6 percent in February.

Fixed income-based, interest rate-sensitive strategies posted mixed performance for the month, with gains in yield alternative funds offsetting narrow declines across other sub-strategies. Both the investable HFRI 500 Relative Value Index and the HFRI Relative Value (Total) Index advanced +0.4 percent in February. Sub-strategy performance was led by the HFRI RV: Yield Alternative Index, which gained +1.5 percent, while the HFRI RV: Volatility Index returned +1.2 percent. These gains were partially offset by declines in the HFRI RV: FI-Sovereign Index, which fell -1.1 percent.

Risk Premia strategies posted mixed performance in February as strong momentum drove gains across Multi-Asset and Commodity exposures. The HFR BSRP Multi-Asset Index surged +5.6 percent for the month, while the HFRI BSRP Commodity Index gained +2.43 percent. These gains were partially offset by losses in the HFR BSRP Rates Index, which fell -1.65 percent. The HFRX Absolute Return Index posted a narrow decline of -0.03 percent in February as the HFRX Equity Hedge Index gained +0.36 percent.

The HFRI Diversity Index posted a narrow loss of -0.2 percent in February, while the HFRI Women Index gained +0.8 percent.

“Led by uncorrelated Macro strategies, hedge funds posted broad-based gains in February as geopolitical tensions spiked to a historic high on the Russian invasion of Ukraine. Macro funds gained in both January and February, though the drivers of the gains shifted between the months; February was driven by the spike in commodity prices and declining equities in response the invasion of Ukraine, while January performance was driven by rising commodity prices, falling equities, and rising interest rates as a result of generational inflationary pressures,” stated Kenneth J. Heinz, President of HFR. “The combination of these two powerful market dynamics has contributed to massive dislocations and unprecedented macro and geopolitical uncertainty across commodity, equity, and fixed income markets, with managers navigating tremendous and fluid volatility. Many managers, especially Macro managers, have clearly demonstrated their tactical flexibility to respond to these rapidly shifting market cycles and conditions, and these strategies are likely to continue to lead industry performance through this unprecedented geopolitical and macroeconomic uncertainty.”

**HFR Indices are ESMA registered.**

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