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HFRI 500 GAINS IN APRIL AS MACRO EXTENDS SURGE, EQUITIES POST HISTORIC DECLINE

Quant, Trend Following, Fundamental Commodity, and Discretionary extend record performance surge as equities post steep losses; HFRI 500 tops Nasdaq by nearly 2200 bps YTD

CHICAGO, (May 6, 2022) – Hedge funds posted gains in April as global equities and bonds suffered historic declines, accelerating an unprecedented hedge fund outperformance trend driven by powerful, broad-based gains across Macro sub-strategies, according to data released today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry. Extending the trend from 1Q22, Macro hedge funds surged to lead industry-wide gains in April, again posting strong returns as financial market volatility was exacerbated by skyrocketing inflation, rising interest rates and expectations for continued increases, and escalation of the Russian military invasion of Ukraine.

The investable HFRI 500 Macro Index surged +5.05 percent in April, extending its YTD return to +15.5 percent, with strong contributions from Commodity, Fundamental Discretionary, and Quantitative, trend-following strategies. The investable HFRI 500 Fund Weighted Composite Index posted a negatively correlated gain of +0.2 percent for the month, extending its YTD return to +0.3 percent, as the S&P 500 posted the largest monthly decline since March 2020 and the Nasdaq posted the largest decline since October 2008. The HFRI 500 FWC Index outperformed the Nasdaq Composite by 1340 basis points in April, extending the YTD outperformance to a historic 2145 basis points. The HFRI Fund Weighted Composite Index® (FWC) posted a decline of -0.9 percent in April, also led by a gain in the HFRI Macro (Total) Index of +3.4 percent.

Larger funds outperformed smaller and mid-sized funds in April, as the HFRI Asset Weighted Composite Index gained +2.3 percent for the month, increasing its YTD return to +4.2 percent.

The top decile of the HFRI constituents gained an average of +8.9 percent in April, while the bottom decile declined by an average of -10.6 percent for the month, representing a top-bottom dispersion of 19.5 percent. Through the first four months of 2022, the top decile of the HFRI has surged an average of +34.8 percent, while the bottom decile has declined by an average of -22.2 percent.

Macro strategies surged to record outperformance in April, posting historic, negatively-correlated gains as equities posted steep declines. The investable HFRI 500 Macro Index surged +5.05 percent in April, the second highest monthly return since inception (trailing only March 2022), bringing YTD performance to +15.5 percent, also a record start to a calendar year; while the HFRI Macro (Total) Index jumped +3.4 percent for the month. Macro sub-strategy gains were led by the investable HFRI 500 Macro: Commodity Index, which surged +6.8 percent in April, extending the historic YTD 2022 gain to +39.8 percent, as the US Federal Reserve prepared to raise interest rates to curb rampant inflation. Quantitative, trend-following Macro sub-strategies also led as the HFRI 500 Macro: Systematic Diversified Index spiked +5.85 percent for the month, bringing YTD performance to +19.2 percent. The HFRI 500 Currency Index surged +4.9 percent, while the HFRI FOF (S) Risk Mitigation Index jumped +2.2 percent for the month and +6.2 percent YTD.

Fixed income-based, interest rate-sensitive strategies posted mixed performance for the month as bonds and equities declined in a correlated manner as the US Federal Reserve prepared to increase interest rates to curb historic inflation; the investable HFRI 500 Relative Value Index declined -0.1 percent while the HFRI Relative Value (Total) Index fell -0.4 percent in April. RVA sub-strategy performance led by credit multi-strategy and corporate bond exposures, the HFRI 500 RV: Multi-Strategy Index advanced +1.45 percent for the month, while the HFRI 500 RV: FI: Convertible Arbitrage Index added +0.3 percent.

Event-Driven strategies, which often focus on out-of-favor, deep value equity exposures and speculation on M&A situations, posted declines in April, with losses led by higher beta Distressed and Activist exposures. Both the investable HFRI 500 Event-Driven Index and the HFRI Event-Driven (Total) Index declined -2.2 percent for the month. ED sub-strategy declines were led by the HFRI 500 ED: Multi-Strategy Index, which fell -4.4 percent in April, and the HFRI 500 ED: Distressed Index, which declined -2.35 percent in April.

Equity Hedge funds, which invest long and short across specialized sub-strategies, also declined in April, with the investable HFRI 500 Equity Hedge Index falling -3.25 percent while the HFRI Equity Hedge (Total) Index fell -3.1 percent. EH sub-strategy declines were led by the HFRI 500 EH: Fundamental Growth Index, which fell -5.5 percent, and the HFRI 500 EH: Healthcare Index, which declined -4.8 percent. Despite the steep decline in technology equities, the HFRI 500 EH: Technology Index posted a narrow decline of -0.8 percent.

Risk premia strategies posted mixed performance for the month, as the HFR Bank Systematic Risk Premia Commodity Index surged +6.75 percent in April, while the HFR BSRP Rates Index declined -7.89 percent. Liquid Alternative strategies were also led by Macro for the month, with the HFRX Macro Index gaining +1.9 percent, while the HFRX Absolute Return Index added +0.8 percent and the HFRX Global Hedge Fund Index fell -0.9 percent.

The HFRI Diversity Index posted a decline of -1.0 percent in April, while the HFRI Women Index fell -1.1 percent.

"Hedge funds advanced in April as financial market volatility spiked while global equity and fixed income plunged in a record and correlated manner, with gains driven by further acceleration of a historic, negatively correlated surge in Macro strategies. Accelerating the recent trends of the past few months, the surge in Global Macro performance occurred against a backdrop of geopolitical uncertainty and macroeconomic turmoil driven by rampant inflation, increasing interest rates and acceleration of the military conflict following the Russian invasion of Ukraine," stated Kenneth J. Heinz, President of HFR. "Hedge fund managers and investors have effectively adapted to the current fluid market paradigm defined by extreme volatility, massive dislocations, and tremendous uncertainty, demonstrating tactical flexibility and operating as liquidity providers through the volatility. Institutional investors are prioritizing interest rate sensitivity and duration, inflation protection, capital preservation and volatility positive portfolio attributes, with minimal correlation to current equity market declines. Hedge funds which have demonstrated their ability to provide these characteristics are likely to lead industry growth and outperformance of equity markets through this unprecedented geopolitical and macroeconomic uncertainty."

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