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MACRO SURGES IN MARCH, POSTS STRONGEST QUARTER IN OVER 20 YEARS

HFRI Macro leads hedge fund strategy performance in March, 1Q; Quant Trend-Following CTAs, Energy, Multi-Strat funds drive sub-strat gains

CHICAGO, (April 5, 2024) – Hedge funds extended the 1Q surge through March, led by Macro strategies, which posted its best month since March 2022 and its strongest quarter in over 20 years. Industry-wide gains were driven by trend-following CTAs, Energy, Multi-Strategy, Healthcare, and Cryptocurrency exposures, expanding the powerful 5-month return for the HFRI Fund Weighted Composite Index® (FWC) to +11.1 percent, the strongest such return since the 5-month period ending April 2021. The HFRI FWC surged an estimated +2.5 percent for the month, and the HFRI 500 FWC Index jumped +2.8 percent. Specialized cryptocurrency funds, which are separate from the HFRI Index, also surged in March as the HFR Cryptocurrency Index vaulted +19.1 percent.

Uncorrelated Macro strategies surged to lead industry-wide gains in both March and for 1Q24, as investors positioned for moderating inflation, falling interest rates, and an improving economic outlook, despite significant ongoing geopolitical uncertainty. The HFRI Macro (Total) Index jumped +3.9 percent (estimated) for the month, bringing 1Q24 performance to +6.9 percent, the strongest calendar quarter since 2Q 2003. Macro sub-strategy gains were led by the HFRI Macro: Systematic Diversified Index, which jumped +4.5 percent in March and +10.1 percent for 1Q24, its strongest calendar quarter since 4Q 1999. The HFRI Macro: Trend Following Index also produced strong March performance, posting a +4.3 percent return to increase its 1Q24 return to +8.7 percent, while the HFRI Macro: Multi Strategy Index added +3.9 percent for the month. Risk Parity strategies also generated strong performance in March, with the HFR Risk Parity Vol 15 Index surging +5.4 percent for the month.

Performance dispersion declined in March, as the top decile of the HFRI FWC constituents advanced by an average of +9.5 percent, while the bottom decile fell by an average of -2.1 percent, representing a top/bottom dispersion of 11.6 percent for the month. By comparison, the top/bottom performance dispersion in February was 15.8 percent. In the trailing 12 months ending March 2024, the top decile of FWC constituents gained +45.2 percent, while the bottom decile declined -10.0 percent, representing a top/bottom dispersion of 55.2 percent. Approximately eighty-five percent (85%) of hedge funds produced positive performance in March.

Equity Hedge (EH) funds, which invest long and short across specialized sub-strategies, also posted strong performance in March, with gains led by Energy, Quantitative Directional, and Healthcare exposures. The HFRI Equity Hedge (Total) Index jumped +2.4 percent (estimated) for the month, bringing the 1Q gain to +5.5 percent. EH sub-strategy performance was led by the HFRI EH: Energy/Basic Materials Index, which surged +3.8 percent in March, the HFRI EH: Quantitative Directional Index, which jumped +3.2 percent, and the HFRI EH: Healthcare Index, which added +2.8 percent for the month.

Event-Driven (ED) strategies, which often focus on out-of-favor, deep value equity exposures and speculation on M&A situations, also advanced in March with gains led by Special Situations, Distressed, and Activist exposures. The HFRI Event-Driven (Total) Index advanced +2.2 percent for the month, increasing its 1Q return to +2.9 percent. ED sub-strategy performance was led by the HFRI ED: Special Situations Index which surged +4.1 percent in March, the HFRI ED: Distressed/Restructuring Index, which advanced +2.7 percent, and the HFRI ED: Activist Index, which added +2.2 percent for the month.

Fixed income-based, interest rate-sensitive strategies also gained in March as investors positioned for moderating inflation, falling interest rates, and improving economic outlook, with the HFRI Relative Value (Total) Index advancing an estimated +1.0 percent for the month to bring its 1Q24 return to +2.5 percent. RVA performance was led by the HFRI RV: Yield Alternatives Index in March, jumping +3.8 percent, while the HFRI RV: FI-Convertible Arbitrage Index added an estimated +1.5 percent for the month.

Liquid Alternative UCITS strategies also advanced in March, led by the HFRX Macro Index, which gained +2.5 percent; the HFRX Global Index returned +1.3 percent, while the HFRX Market Directional Index added +1.5 percent.

The HFRI Diversity Index surged an estimated +3.4 percent in March, while the HFRI Women Index jumped +2.9 percent.

“Hedge funds generated robust performance in March to conclude its strongest 1Q since 2021, with positive contributions from CTAs, Energy, Multi-Strategy, Healthcare, and Cryptocurrency exposures, and as uncorrelated Macro posted its highest quarter in over 20 years. In contrast to most of

2023, the macroeconomic environment in 1Q was dominated by expectations for falling inflation and interest rates, and improving expectations for economic growth, despite ongoing, fluid, uncertain and potentially volatile elevated geopolitical risk," stated Kenneth J. Heinz, President of HFR. "Managers remain keenly focused on this tension between falling macroeconomic risk and rising geopolitical risk in 2024, with potential for sharp reversals, volatility and dislocation driven by either of these powerful trends. Institutional investors interested in opportunistic exposure to these trends while also insulating portfolios from potential volatility are likely to allocate or increase exposure to funds which have demonstrated their strategy's robustness and veracity over the recent market cycles."

NOTE: March 2024 index performance figures are estimated as of April 5, 2024

HFR Indices are ESMA registered

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