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HFRI EXTENDS GAINS TO BEGIN 2H25, DRIVEN BY M&A, GLOBAL TRADE NEGOTIATIONS

Event-Driven, Equity Hedge lead as 2H economic outlook improves; Cryptocurrency, AI exposures lead Technology gains

CHICAGO, (August 7, 2025) – Hedge funds extended strong 1H gains to begin the second half of the year, with leadership accelerating from directional Event Driven and Equity Hedge, which was driven by an improving outlook for M&A, trade negotiations, and overall economic outlook into 2H25.

The HFRI Fund Weighted Composite Index® (FWC) advanced an estimated +0.8 percent in July, while the HFRI Asset Weighted Composite Index added +0.6 percent for the month, as reported today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry.

Driven by strong earnings and a continued decline in implied volatility, the HFRI Event-Driven (Total) Index led strategy gains, jumping an estimated +1.5 percent for the month, while the HFRI Equity Hedge (Total) Index advanced +1.2 percent.

The HFR Cryptocurrency Index surged +14.5 percent in July, while the HFRI Multi-Manager/Pod Shop Index added +0.1 percent, with positive contributions from equity, event-driven, and fixed income exposures.

Hedge fund performance dispersion contracted in July, as the top decile of the HFRI FWC constituents advanced by an average of +6.7 percent, while the bottom decile fell by an average of -4.6 percent, representing a top/bottom dispersion of 11.3 percent for the month. By comparison, the top/bottom performance dispersion in June was 12.3 percent. In the trailing 12 months ending July 2025, the top decile of FWC constituents gained +38.1 percent, while the bottom decile declined -20.4 percent, representing a top/bottom dispersion of 58.5 percent. Approximately seventy percent (70%) of hedge funds produced positive performance in July.

Event-Driven (ED) strategies, which often focus on out-of-favor, deep value equity exposures and speculation on M&A situations, led strategy performance in July, as the HFRI Event-Driven (Total) Index jumped an estimated +1.5 percent for the month, resulting in a three-month surge of +6.6 percent since mid-2Q. ED sub-strategy performance was led by the HFRI ED: Activist Index, which jumped +4.0 percent, and the HFRI ED: Multi-Strategy Index, which returned +1.8 percent for the month.

Equity Hedge (EH) funds, which invest long and short across specialized sub-strategies, advanced on gains in Healthcare, Fundamental Growth, Market Neutral, and Technology strategies. The HFRI Equity Hedge (Total) Index returned an estimated +1.2 percent for the month, led by the HFRI EH: Healthcare Index, which surged +4.8 percent, the HFRI EH: Fundamental Growth, which jumped +1.3 percent, the HFRI EH: Equity Market Neutral Index, which advanced +1.0 percent, and the HFRI EH: Sector-Technology Index, which added +0.50 percent. Through the first seven months of the year, the HFRI EH (Total) Index leads all strategy performance with a gain of +7.25 percent.

Fixed income-based, interest rate-sensitive strategies also advanced for the month despite bond yields rising and the US Federal Reserve holding interest rates steady, with the HFRI Relative Value (Total) Index advancing an estimated +0.8 percent in July. Relative Value performance was driven by the HFRI RV: Convertible Arbitrage Index, which gained +1.85 percent for the month, and the HFRI RV: Corporate Index, which added +1.2 percent.

Uncorrelated Macro strategies generated mixed performance in July, with the HFRI Macro (Total) Index posting an estimated narrow decline of -0.1 percent for the month. The HFRI Macro: Systematic Diversified Index advanced +0.3 percent for the month, while the HFRI Macro: Multi-Strategy Index fell -1.2 percent.

Liquid Alternative UCITS strategies advanced in July, as the HFRX Market Directional Index gained +1.3 percent, while the HFRX Global Hedge Fund Index added +0.6 percent for the month. HFRX strategy performance was led by the HFRX Equity Hedge Index, which gained +0.8 percent in July.

“Hedge funds posted a strong start to the second half of the year, accelerating the powerful performance trend to conclude the second quarter, and building on strong institutional demand and asset growth in the first half. July gains were extended across nearly all strategies – crypto, event driven, equities, activist, fixed income, multi-strategy/pod shops – with these benefitting from increased and near-term clarity on trade/tariff negotiations, expectations for interest rate reductions, and an improved global economic outlook into the second half," stated Kenneth J. Heinz, President of HFR. "With equity markets at record highs, while risk-on sentiment has dominated the past 2.5 months supporting gains across both hedge funds and long biased benchmarks, significant risks remain in an evolved capacity, with the potential for reversals and volatility as geopolitical policy changes are discounted into global financial markets. Forward looking institutional investors are likely to accelerate the capital growth trend from the first half of the year by allocating to strategies opportunistically positioned to participate in additional market gains but also maintaining the tactical flexibility to quickly react to dynamic and unpredictable changes which are likely to occur in the current financial market paradigm."

NOTE: July 2025 index performance figures are estimated as of August 7, 2025

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