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HFR Newsletter

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A Barometer of Hedge Fund Performance: the HFRI Fund Weighted Composite Index

By Cecelia Youso

For decades, the HFRI Fund Weighted Composite Index (HFRIFWC) has stood as the hedge fund industry's leading benchmark, serving as a definitive measure of performance within the alternative investment industry. Whether you are a hedge fund manager benchmarking your own performance or an institutional investor seeking diversification, the HFRIFWC offers the clarity required to navigate complex markets.

The HFRI FWC is an Industry Benchmark
The HFRIFWC is comprised of more than 1,000 funds within HFR's single-manager strategy classification system: Equity Hedge, Event-Driven, Macro, and Relative Value. Monthly reporting requirements and annual rebalancing maintain the index's caliber.

Tracking performance since 1990, the HFRIFWC offers unmatched historical depth, making it indispensable for modeling risk, return expectations, and long-term portfolio behavior across market cycles.

Constituent Access and Live Updates
For users seeking deeper insights, all HFRIFWC constituents are accessible through the HFR Database. Specific metrics are available for each constituent, including monthly performance figures, assets under management (AUM), strategy descriptions, and fee information.

The HFRIFWC's analytical power expands with **HFR IndexScope**, a proprietary platform within the HFR Database that covers time-series and cross-sectional data from 2008 to 2025. IndexScope enables performance estimation ahead of official index releases and provides advanced analytics by geography, AUM tier, and performance dispersion.

What Moves the HFRI Fund Weighted Composite Index?
HFR prioritizes data transparency for users. Beyond providing top-line monthly performance value and underlying constituent data, the HFR breaks down the HFRIFWC's monthly returns by strategy, sub-strategy, region, and liquidity via the HFRI Index Performance Contribution Report. This report allows managers and investors to pinpoint the drivers of index performance. For instance, if the HFRIFWC gains 1.8% with Equity Hedge strategies contributing 1.3%, a Macro manager's 1.5% return could signal relative outperformance against sector headwinds.

The Foundation for Informed Decisions
In an investment landscape defined by opacity, the HFRIFWC stands as a consistent point of reference. For managers, it contextualizes performance, and for allocators, it distinguishes luck from skill. Regardless of an individual's or entity's chosen use case, the value added by the HFRIFWC makes it an essential prerequisite for charting the hedge fund industry.

Read last month's newsletter

The Winner-Take-All Dynamics of Advanced Nuclear Stocks

ENERGY MARKET
by Jeff Krimmel

Nuclear enthusiasm is driving capital toward advanced reactor stocks. But the very dynamics that could make nuclear power succeed may drive most of these investments to zero. If you're scouring the landscape for opportunities in companies like Oklo or NuScale, understand what you're buying: an all-or-nothing bet on design selection, not a broad play on nuclear's resurgence.

While these stocks may benefit in the short-term from enthusiasm around nuclear power, their long-term prospects are all about whether their design wins. And perhaps perversely, the fewer nuclear reactor designs that get approved, the more likely nuclear power is to grow meaningfully in the future.

The largest challenge facing nuclear power expansion is economics. Projects like Georgia's Plant Vogtle Units 3 and 4 tell the story clearly: 7 years planned for construction that actually took 14 years, and $14 billion budgeted with $35 billion ultimately spent.

This isn't anomalous. The root cause is that the West effectively paused nuclear construction for decades after the 1970s and 1980s building boom. The institutional knowledge for planning and executing these projects left the workforce. We're rebuilding from a diminished base.

What does this have to do with Oklo and Nuscale? The success of nuclear power expansion will be about momentum. It will be predicated on choosing a design, orienting the supply chain and workforce around that design, and aggressively moving along the learning curve through repeated execution.

The current landscape works against this. Multiple designs are competing for regulatory approvals, each with distinct supply chain requirements, construction programs, and operational nuances. This fragmentation limits learning and efficiency gains, which hampers the economics that nuclear must achieve to scale.

Even in the most aggressive deployment scenarios, advanced nuclear will resemble aircraft manufacturing more than automobile manufacturing: an oligopoly of few producers, with supply chains and workforces heavily calibrated to those specific players.

The Boeing-Airbus duopoly offers a useful parallel. Once established, barriers to entry became essentially insurmountable.

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The Winner-Take-All Dynamics of Advanced Nuclear Stocks

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As a potential winner emerges in the small modular reactor space, economic and political incentives will compound to accelerate that winner. The urgency of bringing new capacity online will overwhelm patience for lingering competition that impairs momentum.

Regulatory resources, supply chain investment, and workforce development all exhibit economies of scale that favor consolidation.
In the near term, stocks like Oklo and NuScale will rise and fall with broader nuclear sentiment. But when deployment decisions arrive at scale, market and political forces will encourage a winner-take-all outcome.

The signals to watch: which design secures the first meaningful utility commitments beyond pilot projects, and which attracts the supply chain partnerships that create switching costs. Those early indicators may determine whether your investment multiplies…or goes to zero.

Jeff Krimmel is the founder-owner of the Krimmel Strategy Group, which provides training and consulting services for energy industry executives. Krimmel holds a PhD in Mechanical Engineering from Caltech and over a decade in market intelligence that centers a data-first approach. He appears on the ***HFR Podcast*** *in January 2026.*

Scandinavia's Opportunity: Navigating the New Macro Era of Volatility, Inflation and Mounting Fiscal Spending

POINT OF VIEW
By Erik Eidolf

Across the globe the financial world has definitively shifted, bringing macro considerations to the forefront once again. Increased volatility, fiscal burdens combined with massive public financing needs offer enormous trading opportunities for absolute-focused market participants. In this new environment, Nordic markets are now especially compelling. Characterized by their depth, high liquidity, and efficiency, Nordic markets attract an ever-growing number of market players, many operating with restricted mandates. These markets offer the entire suite of financial products for trading, providing the flexibility required to capitalize on global macro shifts. However, fully exploiting these opportunities necessitates proficiency in local languages and an on-the-ground presence that enables one to truly understand and react to the unique nuances of each market.

> *"Scandinavia's stability is further nuanced by its dual industrial identity.*

This new market cycle also challenges the perceived stability of regions like Scandinavia, which is now contending with persistent inflation, global trade friction, and critical energy transitions. These structural factors are amplified in a higher-volatility environment , with economic data, inflation, and fiscal policies directly driving markets. In particular, inflation, which was dormant for forty years, has returned and is a defining feature of the landscape, requiring agile responses from policymakers and portfolio managers alike.

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Scandinavia's Opportunity: Navigating the New Macro Era of Volatility, Inflation and Mounting Fiscal Spending

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POINT OF VIEW
By Erik Eidolf

This fundamentally different landscape, further strained by large-scale government spending, indicates that a return to pre-pandemic market conditions is not on the horizon anytime soon. In fact, the QE era in Scandinavia was a very costly experiment for the local central banks, not least evidenced by the Swedish government having to recapitalize the Riksbank with SEK 25 billion (USD 2,6 billion) coming out of Swedish taxpayers' pockets.

Adding to this complex picture, geopolitical shifts are driving a significant surge in defense outlays. Sweden, for instance, has committed to a target of 5% of its GDP on defense spending, a substantial increase that will likely necessitate a surge in bond issuance. While crucial for national security, such large-scale borrowing and spending will exert inflationary pressure and contribute to greater volatility.

Scandinavia's stability is further nuanced by its dual industrial identity. Norway, a significant oil and gas producer, benefits from energy price surges but also grapples with the global push for decarbonization. This oil wealth provides a fiscal buffer, yet exposes the economy to volatile commodity markets, exposing linkages to U.S. policy moves. Conversely, Sweden is highly industrialized, leading in green technology and positioning itself for a future built on renewables. It exhibits a "beta" to Europe and its transition isn't immune to inflation, the tariff-driven costs of critical materials, or the fiscal demands of its defense commitments. These core country identities meet global currents and eddies, shaping regional stability.

Globally, tariff wars not only add direct costs, they disrupt intricate supply chains, encourage trade diversion, and directly fuel consumer price increases. For highly interconnected, open economies such as Norway and Sweden, as opposed to the Eurozone, we anticipate differentiated impacts on production costs and imported inflation.

In this revitalized macro environment, successful navigation hinges on a flexible, research-driven approach, as exemplified by Nordkinn's methodology. The interwoven challenges of inflation, trade friction, and the ongoing energy transition, now critically layered with exploding defense-related bond issuance, demand that investors look beyond traditional exposures. For Scandinavia, its complex and inherent strengths will define its path forward in a market where agility and deep understanding are paramount.

Erik Eidolf is CEO and founding partner of Nordkinn with operating offices in Oslo and Stockholm. Mr. Eidolf has been engaged in the hedge fund industry since 1998. During 2011-2012, Mr. Eidolf was Chairman for the United Nations PRI's work steam on hedge funds, promoting increased governance, transparency and responsibility within the hedge fund industry. Since 2020, he has served as a member of the regional committee (EMEA) of the Standards Board of Alternative Investments (SBAI). Mr. Eidolf holds a Master's Degree in Finance from Umeå University.

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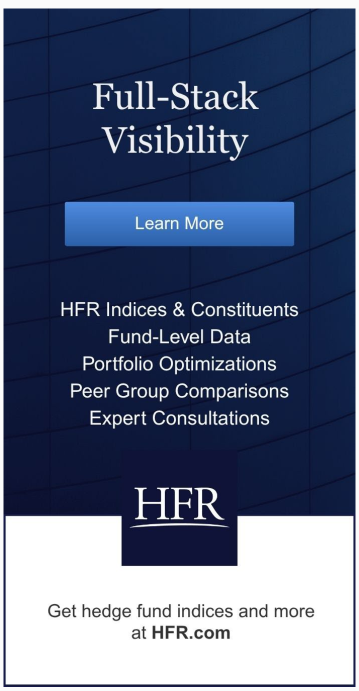
The Healthy Hedge Fund Forest

Joel M. Schwab

> *"A healthy hedge fund industry has a myriad of different and often uncorrelated strategies to tackle risk and crisis events."*



By Joel M. Schwab, CFA

The hedge fund industry has many parallels to forests. Just like healthy forests, the industry's ability to weather fire depends on its maturity, effective (bio)diversity, and upkeep.

Young forests are dense and carry a high fuel load, while a mature forest presents a mix of trees both young and old. A mature forest is strengthened by periodic wildfires that clear old brush and catalyze new growth. Similarly, the lifespan of many hedge fund firms today is over five years, with an extensive group that have experience back to the 2008 financial crisis and even the Internet Bubble. These mature firms have been battle-tested in severe situations. They have individuals and processes in place with critical experience in weathering the most serious crises of the equity and bond markets of the last few decades.

Just as biodiversity helps with a forest having more protective elements from fire, a healthy hedge fund industry has a myriad of different and often uncorrelated strategies to tackle risk and crisis events. Alongside traditional assets, the addition of blockchain and cryptocurrency investment funds has augmented the strategy mix in the hedge fund industry. Moreover, this asset class is largely not present in either the private equity or private credit dimensions. It is a new diversifying strength for the hedge fund industry alone.

Lastly there is the need for upkeep. Just as the human impact on forests can strengthen or deplete them irredeemably, upkeep in the hedge fund industry requires strong risk management by prime brokers, large investors, and others. The events of Silicon Valley Bank and FTX are examples of failed risk management in the broad financial sphere. Apart from poor risk management ex ante, the subsequent bailout of Silicon Valley Bank has likely increased moral hazard risk, while potentially only being a bandage on a deeper problem.

The hedge fund industry has its own history of risk management debacles: Amaranth Advisors and Long-Term Capital, to name two. Here as well, identifying the risks was not difficult, but the lack of expertise created blind spots and improper incentives.

It is crucial that risk managers are respected and heeded to make the hedge fund forest as robust as it can practically be. Just as forces of nature inevitably test the natural forest, boom and bust cycles will challenge financial markets. But where stock index funds, private credit, and private equity lack the shielding features of hedged strategies, a healthy hedge fund forest will afford protection from the fires of volatility and severe market downturns.

Joel M. Schwab is the Senior Managing Director of HFR Research, LLC. Mr. Schwab has devoted over two decades of his business career to improving the quality and breadth of information, research and benchmarks for the hedge fund industry. For enquiries, email database@hfr.com

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