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QUANT CTA STRATEGIES SURGE IN OCTOBER

HFRI CTA Index posts best return since January 2015;
HFRI FWC notches 12th consecutive monthly gain

CHICAGO, (November 7, 2017) – Hedge funds posted strong gains in October, led by quantitative CTA strategies and complemented by equity and fixed income strategies, as the HFRI posted its twelfth consecutive positive month and the strongest return since July 2016.

The HFRI Fund Weighted Composite Index® (FWC) climbed +1.3 percent in October, increasing the YTD gain to +7.2 percent and extending the record Index Value to 13,885 as reported today by HFR®, the established global industry leader in the indexation, analysis and research of the global hedge fund industry. Risk Parity strategies also saw strong performance across all volatility target levels in the month.

Industry-wide hedge fund gains were led by quantitative, trend-following Macro CTA strategies, as the HFRI Macro: Systematic Diversified Index surged +4.0 percent for the period, the strongest monthly return since January 2015. Prior to October, CTA strategies had experienced mixed performance over an intermediate timeframe, with the Index having lost -2.3 percent YTD entering October and having posted narrow declines in each of the prior two calendar years; the October gain brings YTD performance to +1.6 percent. Returns in CTA strategies were driven by exposures across asset classes, including equities, commodities, and fixed income. The HFRI Macro (Total) Index advanced +2.5 percent in October, the strongest month since December 2010, reversing a narrow YTD decline and bringing the YTD return to

+2.4 percent. Sub-strategy CTA gains were complemented by the HFRI Macro: Multi-Strategy Index, which added +1.6 percent for the month.

Risk Parity strategies reversed their narrow declines from the prior month and extended strong 2017 performance. The HFR Risk Parity Vol 10 Index gained +2.7 percent in October, bringing the YTD return to +11.4 percent, while the HFR Risk Parity Vol 15 Index surged +4.1 percent, advancing YTD performance to +16.9 percent.

Equity Hedge strategies also posted solid gains in October, driven by strong earnings in technology. The HFRI Equity Hedge (Total) Index advanced +1.0 percent for the month, bringing YTD performance to +10.7 percent. EH was led by the HFRI EH: Technology Index, which jumped +2.9 percent in October, bringing YTD performance to +16.3 percent, leading all HFRI sub-strategies. Quantitative equity strategies also experienced strong returns for the month, as the HFRI EH: Quantitative Directional Index climbed +2.0 percent. Complementing these October gains, the HFRI EH: Multi-Strategy and HFRI EH: Fundamental Growth Indices advanced +1.4 and +1.0 percent, respectively, while the HFRI Equity Hedge (Asset Weighted) Index jumped +2.0 percent.

The fixed income-based HFRI Relative Value (Total) Index advanced +0.4 percent in October, bringing YTD performance to +4.3 percent. RVA sub-strategies were led by the HFRI Volatility Index, which gained +0.9 percent and the HFRI Convertible Arbitrage Index, which added +0.7 percent. For the year, the HFRI Asset-Backed Index leads all RVA sub-strategies with a +7.1 percent YTD return.

Event-Driven strategies produced mixed performance in October, with gains in equity and M&A strategies nearly offset by declines in credit-sensitive distressed funds. The HFRI Event-Driven (Total) Index posted a narrow gain of +0.1 percent for the month, though the HFRI Event-Driven (Asset Weighted) Index produced a slightly higher return of +0.5 percent. ED sub-strategy performance was led by the HFRI ED: Special Situations Index, which returned +0.7 percent, and the HFRI ED: Merger Arbitrage Index, which added +0.5 percent; meanwhile, the HFRI ED: Distressed Index declined -0.7 percent in the period.

"Quantitative, trend-following strategies surged in October, driven by contributions across all major asset classes including equities, commodities, fixed income and currencies, as these reversed what had been a challenging environment not only in 2017, but also in the prior two years," stated Kenneth J. Heinz, President of HFR. "Risk Parity strategies also extended gains in October, though in contrast to trend-following strategies, Risk Parity strategies have posted strong performance in both 2017 and the prior year. Shifting patterns in geopolitical and financial market risks have created opportunities for hedge fund managers, and it is likely that these dynamic strategies will lead industry growth and performance into 2018."

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