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HEDGE FUNDS GAIN AS ECONOMY, M&A ACCELERATE

HFRI Equity Hedge, Special Situations lead November performance;
Surge in M&A creating opportunities, speculation across Media, Tech, Telecom

CHICAGO, (December 7, 2017) – Hedge funds extended 2017 gains through November, driven by ongoing U.S. economic growth and significant merger and acquisition (M&A) activity, according to data released today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry.

The HFRI Fund Weighted Composite Index® gained +0.5 percent in November, led by Equity Hedge and Special Situations funds, marking the 13th consecutive monthly advance and bringing YTD performance to +7.5 percent. The gain extends the record Index Value for the HFRI to 13,926.

Equity Hedge (EH) funds led all main strategies in November as the HFRI Equity Hedge (Total) Index advanced +1.1 percent, bringing YTD performance to +12.1 percent. EH sub-strategy performance was led by the HFRI EH: Healthcare Index, which climbed +2.1 percent for the month and leads all EH sub-strategies YTD with a +17.9 percent return. The HFRI EH: Quantitative Directional Index and HFRI EH: Fundamental Value Indices also produced strong November returns, adding +1.5 and +1.2 percent, respectively. In addition to M&A, EH strategies have also recently increased exposures to ESG factors, which is expected to continue into 2018.
Event-Driven (ED) hedge funds advanced as corporate M&A activity accelerated through November and into December with large transactions at various stages of completion. These include AT&T/Time Warner, Qualcomm/Broadcom, and CVS/Aetna, with additional speculative activity involving 20th Century Fox, Google, Amazon, Facebook, Apple, Nvidia, Disney, Comcast and General Electric. The HFRI Event-Driven (Total) Index advanced +0.1 percent for November, bringing YTD performance to +6.1 percent. ED sub-strategy performance was led by the HFRI ED: Special Situations Index, which jumped +1.5 percent for the month, extending YTD performance to +10.8 percent, leading ED sub-strategies for 2017. The HFRI ED: Credit Arbitrage Index added +0.3 percent in November, bringing the YTD return to +6.0 percent.

Fixed income-based Relative Value Arbitrage (RVA) and Macro strategies posted mixed performance for the month, with the HFRI Relative Value (Total) Index up +0.05 percent, while the HFRI Macro (Total) Index declined -0.2 percent. The HFRI RV: Volatility Index led RVA sub-strategy performance in November, gaining +0.8 percent, while the HFRI RV: Sovereign Index advanced +0.5 percent. Currency and Commodity exposures both detracted from Macro performance for the month, as the HFRI Currency Index fell -1.5 percent and the HFRI Commodity Index declined -0.3 percent. Risk Parity funds also gained in November, with the HFR Risk Parity Vol 10 Index gaining +0.6 percent for the month, bringing YTD performance to +11.9 percent.

“Hedge funds gained in November as M&A activity accelerated with investors and managers positioning for transformative impacts across retail, media, manufacturing, distribution and financial industries,” stated Kenneth J. Heinz, President of HFR. “Performance was also driven by positive developments regarding US tax reform, as well as improving expectations for near-term economic growth and optimism for additional strength into 2018. It is likely that these favorable trends will continue to drive industry growth through year end.”

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HFR (Hedge Fund Research, Inc.) is the global leader in the alternative investment industry, specializing in the indexation and analysis of hedge funds. Established in 1992, HFR produces the HFRI, HFRX and HFRU Indices, the industry’s most widely used benchmarks of global hedge fund performance. HFR calculates over 100 indices of hedge fund performance ranging from industry-aggregate levels down to specific, niche areas of sub-strategy and regional investment focus. HFR Database, a comprehensive resource available for hedge fund investors, includes fund-level detail on historical performance and assets, as well as firm characteristics on both the broadest and most influential hedge fund managers. HFR has developed a detailed fund
classification system, enabling granular and specific queries for relative performance measurement, peer group analysis and benchmarking. The HFR suite of analysis products leverages HFR Database to provide detailed, current, comprehensive and relevant aggregate reference points on all facets of the hedge fund industry. HFR also offers consulting services for clients seeking customized top-level or more sophisticated analysis. For the hedge fund industry’s leading investors and hedge fund managers, **Hedge Fund Research is The Institutional Standard.**

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