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HEDGE FUND PERFORMANCE MIXED IN JUNE AS TRADE TENSIONS RISE

HFRI Event-Driven, Macro Asset-Weighted gain offset by Equity Hedge decline; HFR Bank Risk Premia Rates, Currency Indices rise in 1st month

CHICAGO, (July 9, 2018) – Hedge funds posted mixed performance in June as trade tensions increased around fluid tariff negotiations and proposals, while the U.S. Federal Reserve increased interest rates and M&A activity remained strong. The HFRI Fund Weighted Composite Index® (FWC) declined -0.46 percent for the month, as gains in Event-Driven strategies were offset by declines in Equity Hedge, Relative Value and Macro strategies, according to data released today by HFR®, the established global industry leader in the indexation, analysis and research of the global hedge fund industry. The June decline for the HFRI FWC pares its 1H18 gain to +0.8 percent, topping the DJIA and most regional global indices, including the DAX, CAC 40, FTSE 100, Nikkei 225, Shanghai Composite and MSCI World Indices.

Bank Risk Premia strategies also posted mixed performance for June in the first month of performance since HFR launched the HFR Bank Systematic Risk Premia Indices, with gains concentrated in Currency and Interest Rate strategies.

HFRI FWC gains were led by the HFRI Event-Driven (Total) Index, which advanced +0.9 percent for the month as speculative activity in Media and Telecom sectors accelerated. The June gain increased 1H18 performance for HFRI ED to +2.4 percent, leading all main strategy indices. For the month, ED sub-strategy gains were led by the HFRI ED: Activist Index, which gained +2.8 percent, while the HFRI ED: Merger Arbitrage Index and HFRI ED: Distressed Index added +1.2 and +1.0 percent, respectively. For 1H18, ED sub-strategy gains were led by HFRI ED: Activist Index, which gained +2.8 percent.

ED June gains were offset by a decline of -0.9 percent in the HFRI Equity Hedge (Total) Index, which pared its YTD return to +1.2 percent. EH sub-strategy gains were led by the HFRI EH: Healthcare Index and HFRI EH: Technology Index, with these advancing +1.3 and +0.4 percent, respectively, in June. For 1H18, the HFRI EH: Healthcare led all EH sub-strategies with a +9.9 percent return.

In their first month since launch, the HFR Bank Systematic Risk Premia Index family was led by Currency and Interest Rate strategies, as the U.S. Federal Reserve increased interest rates. The HFR Bank Systematic Risk Premia Rates Index gained +1.5 percent in June, while the HFR Bank Systematic Risk Premia Currency Index gained +1.3 percent. Within these strategies, the sub-strategies of Momentum, Multi-Strategy and Volatility posted the strongest advances.

The fixed income-based HFRI Relative Value (Total) Index posted a narrow declines of -0.1 percent for June, paring its 1H18 gain to +1.6 percent, as the U.S. Federal Reserve increased interest rates and Rates Risk Premia strategies advanced. RVA sub-strategy gains were led by the HFRI RV: Yield Alternatives Index, which advanced +0.5 percent for the month. Risk Parity strategies declined in June, with the HFR Risk Parity Vol 10 Index falling -1.2 percent and the HFR Risk Parity Vol 15 Index falling -1.5 percent.

Macro strategies posted mixed June performance across both fund size and sub-strategy, as declines in CTA, Currency and Commodity strategies were only partially offset by gains in Discretionary Thematic strategies. The HFRI Macro (Total) Index declined -0.3 percent in the month, though larger Macro funds gained for the month, with the HFRI Macro Index (Asset Weighted) gaining +0.4 percent for the month.

"Hedge fund performance was mixed for June as trade-tariff volatility spiked, with Event-Driven and Technology strategies extending gains to conclude a strong 1H18, while the overall HFRI topped declines on most European, Asian and global equities, as well as the DJIA, for 1H18," stated Kenneth J. Heinz, HFR President. "Trade-tariff equity volatility has increased concurrent with strong U.S. earnings at the same time that the U.S. yield curve flattened and the Fed increased rates, creating additional pressure on non-U.S. equities. These trade-centric macroeconomic drivers are likely to accelerate through 2H18, inclusive of upcoming meetings between U.S. and Russia, contributing to a fluid environment and increased opportunity set for long/short investing across multiple asset classes globally. Funds which have demonstrated ability to navigate this environment are likely to drive performance & growth in 2H18."

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