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MACRO FUNDS LEAD HFRI AS US DOLLAR, TECH GAINS, EMERGING MARKETS FALL

*HFRI Macro, CTA Indices post best returns since January;
Wide dispersion for Risk Premia as Momentum, Trend gain, FX Carry falls*

CHICAGO, (September 10, 2018) – Hedge funds posted gains in August as U.S. equities and the dollar expanded their respective divergence with non-U.S. assets, Emerging Markets currencies extended losses, and the U.S. technology sector extended record gains. The HFRI Fund Weighted Composite Index[®] (FWC) gained +0.7 percent for the month as all main strategies advanced, bringing the YTD 2018 return of the FWC to +2.0 percent, as reported today by HFR[®], the established global leader in the indexation, analysis and research of the global hedge fund industry. The HFRI Fund of Funds (Total) Index returned +1.1 percent for the month, topping the FWC.

August performance was led by Macro hedge funds, with the HFRI Macro (Total) Index advancing +0.9 percent, the strongest monthly return since surging +2.75 percent in January and snapping a 3-month decline. Driven by currency exposure, Macro sub-strategy performance was led by quantitative, trend-following CTA strategies, with the HFRI Macro: Systematic Diversified Index jumping +2.3 percent, also the strongest month since January. Macro Active Trading strategies also advanced in August, with the HFRI Macro: Active Trading Index gaining +1.2 percent, increasing its YTD performance to +4.9 percent, which leads all Macro sub-strategies.

Equity Hedge (EH) strategies also gained for the month, with exposure to Healthcare, Technology and Quant strategies offsetting losses in Emerging Markets equities. The HFRI Equity Hedge (Total) Index added +0.9 percent in August with contributions from Apple, Amazon, Google, Microsoft, AMD and Tesla; the HFRI Equity Hedge Index (Asset Weighted) advanced +1.1 percent. The HFRI EH: Healthcare Index surged +4.6 percent, topping both the S&P 500 and DJIA, and extending its YTD return to +15.0 percent, which leads all HFRI indices for 2018. Similarly, the HFRI EH: Technology Index vaulted +2.1 percent for the month, while the quantitative HFRI EH: Quantitative Directional Index jumped +2.6 percent. Partially offsetting these, the HFRI Emerging Markets (Total) Index fell -2.5 percent in August, driven down by declines in regional exposure to Latin America and Russia/Eastern Europe, as these HFRI regional indices fell -4.7 and -4.3 percent, respectively.

Event-Driven and Relative Value Arbitrage strategies also advanced in August, as the HFRI Event-Driven Index gained +0.2 percent, while the HFRI Relative Value Index posted a modest gain +0.04 percent. ED sub-strategy performance was led by the HFRI ED: Multi-Strategy Index, which returned +1.2 percent for the month, while RVA sub-strategy performance was led by the HFRI RV: Yield Alternatives Index, which added +1.1 percent.

Driven by currency divergence and volatility, Risk Premia strategies experienced a wide disparity of performance in August, with the HFR BSRP Multi-Asset Index gaining +3.3 percent, while the HFR BSRP Currency Index fell -9.0 percent. Risk Parity Indices also returned mixed performance for the month as the HFR Risk Parity Vol 15 Index added +0.2 percent, while the HFR Risk Parity Vol 10 Index declined -0.2 percent.

“Macro hedge funds led industry gains in August as the macroeconomic environment shifted with EM asset volatility spiking while the US Dollar extended gains and technology equities reached record highs,” stated Kenneth J. Heinz, President of HFR. “Recent EM weakness has expanded the opportunities for long/short, relative value positioning in EM equities and currencies, while the divergent impact of fluid trade tariff volatility proposals has widened the valuation gap between manufacturing and technology equities, also creating convergence opportunities. It is likely that tactical positioning in the both of these areas will drive performance in coming months.”

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