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HFRI PERFORMANCE MIXED AS U.S. ECONOMY ACCELERATES, RATES RISE

*Fixed income-based Relative Value Arbitrage leads as bond yields climb;
HFR Risk Premia Credit Multi, Currency Value surge;
HFRI Currency advances as US Dollar extends gains; HFRI Activist falls*

CHICAGO, (October 5, 2018) – Hedge funds posted mixed performance for September as U.S. bonds yields increased, with strategy gains led by fixed income-based Relative Value Arbitrage, while Macro Currency led sub-strategy performance as the U.S. Dollar gained against the Japanese Yen. The HFRI Fund Weighted Composite Index[®] fell -0.2 percent in September, with declines in Equity Hedge exposures offsetting positive contributions from credit and interest rate-sensitive Relative Value Arbitrage strategies, as reported today by HFR[®], the established global leader in the indexation, analysis and research of the global hedge fund industry. Larger hedge funds topped the performance of smaller funds for the month, with the HFRI Asset Weighted Composite Index posting a narrow decline of -0.05 percent.

September strategy performance was led by the HFRI Relative Value (Total) Index, which advanced +0.5 percent, bringing the YTD return to +3.2 percent. RVA sub-strategy performance was led by Sovereign bond and Asset Backed exposures, as the HFRI RV: Sovereign Index gained +1.5 percent, while the HFRI RV: Asset Backed Index added +0.8 percent. Bank Risk Premia strategies with exposure to credit and currency surged for the month, with the HFR BSRP Credit Multi-Style Index jumping +9.43 percent, while the HFR BSRP Currency Value Index vaulted +10.53 percent.

Event-Driven (ED) fixed income exposure was mixed, however, as the HFRI ED: Distressed Index declined -0.17 percent in September, while the HFRI Credit Arbitrage Index posted a narrow gain of +0.10 percent. M&A-sensitive ED exposures were also mixed for the month, with the HFRI ED: Merger Arbitrage Index advancing +0.3 percent, while the HFRI ED: Activist Index fell -2.2 percent. The overall HFRI Event-Driven (Total) Index posted a narrow decline of -0.05 percent for the month.

The HFRI Macro (Total) Index also posted narrow declines in September, with the Index falling -0.3 percent, as gains in Currency and Discretionary Thematic strategies were offset by declines in systematic CTAs and Emerging Markets. Macro sub-strategy performance was led by the HFRI Macro: Currency Index, which jumped +3.0 percent, and the HFRI Macro: Discretionary Thematic Index, which advanced +1.1 percent. The HFRI Macro: Systematic Diversified Index declined -1.3 percent in September, while the HFRI Emerging Markets (Total) Index fell -0.75 percent, despite pressure on regional EM equities and currencies subsiding over the month.

The HFRI Equity Hedge (Total) Index declined -0.4 percent despite gains in Technology and Multi-Strategy exposures in September. The HFRI EH: Technology Index advanced +0.45 percent, while the HFRI Multi-Strategy Index gained +0.3 percent for the month. These gains were offset by weakness in Fundamental Growth and Energy-focused funds, as the HFRI EH: Fundamental Growth Index fell -1.2 percent, while the HFRI EH: Energy/Basic Materials Index lost -0.8 percent. The volatile HFR Cryptocurrency Index gained +1.7 percent for the month.

“Financial market risk increased across a wide continuum in September, including rising U.S. interest rates associated with accelerating economic growth, rising Italian bond yields and EU budget uncertainty, regulatory risk and record valuations in US technology equities and ongoing political uncertainty over both trade and social policies. Each of these risks, which have accelerated into October, has contributed to increased risk of contagion and increased prospect for near term volatility or major dislocations across asset markets,” stated Kenneth J. Heinz, President of HFR. “Mixed hedge fund performance in September reflects these increases in risks, including not only defensive, hedged positioning but also fluid expectations for opportunities created or to be created by such dynamic developments. These trends are likely to continue to drive industry performance through the fourth quarter and into 2019.”

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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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