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## HEDGE FUNDS TOP US, GLOBAL EQUITIES FOR DECEMBER AND FULL YEAR 2018

***HFRI Macro, CTA Indices post strong gains in December;  
Macro Asset Weighted, RVA Indices gain for 2018 as top firms lead;  
93 percent of hedge funds top US equities in December***

CHICAGO, (January 8, 2019) – Defensive Macro hedge funds and quantitative, trend-following CTA strategies posted gains in the volatile month of December as global equities and many commodities suffered steep losses. The HFRI Macro Index (Asset Weighted) gained +2.1 percent for December with positive contributions from both quantitative, trend-following strategies, complemented by other Macro strategies to lead HFRI strategy performance, as reported today by HFR<sup>®</sup>, the established global leader in the indexation, analysis and research of the global hedge fund industry.

The HFRI Fund Weighted Composite Index<sup>®</sup> (FWC) declined -1.97 percent for December, topping U.S. equities and most global/regional equity indices by over 700 basis points. This represents the largest relative outperformance since February 2009, as 93 percent of HFRI constituents beat the S&P 500 for the month. Led by larger Macro hedge funds and credit multi-strategy funds, the HFRI Asset Weighted Composite Index (AWC) declined only -0.68 percent in December, also topping the decline in U.S. equities, which ranged between -8.5 and -12.0 percent for the month; the HFRI AWC Index also posted a narrow decline of -0.8 percent for the full year of 2018. Driven by strong December performance, both the HFRI FWC and

AWC indices outperformed US and global equities for the FY 2018, the strongest outperformance of equity markets for a calendar year since 2008.

The HFRI Macro (Total) Index gained +1.0 percent for the month with positive contributions from both quantitative, trend-following strategies, complemented by other Macro strategies while, led by larger Macro strategies, the HFRI Macro Index (Asset Weighted) Index gained +2.1 percent for December. The HFRI Macro: Systematic Diversified Index led all sub-strategy performance with a +2.6 percent return for the month, with short equity and energy commodity positions contributing to gains. Currency strategies also had positive monthly contributions to performance, with the HFRI Macro: Currency Index adding +1.3 percent, while the HFRI Macro: Commodity Index fell -1.2 percent. The December gain for HFRI Macro (Total) Index brings the FY 2018 return to a decline of -3.2 percent; the HFRI Macro Index (Asset Weighted) Index advanced +1.9 percent for 2018, leading all main strategy indices for the year.

Fixed income-based Relative Value Arbitrage (RVA) strategies posted mixed performance in December, exhibiting strong outperformance and defensive capital preservation, with the HFRI Relative Value (Total) Index falling -0.87 percent for the month. The December decline pares the 2018 return for HFRI RVA Index to +0.7 percent, while the HFRI Relative Value Index (Asset Weighted) returned +1.2 percent for 2018. Credit multi-strategy funds posted narrow declines for December with the HFRI RVA: Multi-Strategy Index falling -0.26 percent for the month, while the HFRI RVA: Corporate Index lost -0.7 percent. RVA sub-strategy performance for 2018 was led by the HFRI RV: Fixed Income-Asset Backed Index, which gained +3.1 percent.

Higher beta Event-Driven and Equity Hedge strategies posted declines for December, though these also topped the much steeper declines of global equity markets. The HFRI Event-Driven (Total) Index declined -1.9 percent for the month, as the HFRI ED: Activist Index lost -5.9 percent; the HFRI ED: Merger Arbitrage Index led ED sub-strategies for 2018 with a gain of +3.25 percent. Similarly, the HFRI Equity Hedge (Total) Index dropped -3.7 percent for the month, with losses driven by a -5.2 percent decline in the HFRI EH: Healthcare Index. The HFRI EH: Equity Market Neutral Index led EH sub-strategies with a narrow gain of +0.02 for December; the HFRI EH: Technology Index led EH performance for 2018 with a gain of +3.4 percent.

Bank Systematic Risk Premia Indices also posted mixed performance for the month, with the HFR BSRP Commodity Index gaining +4.74 percent as commodity term structure curves flattened on sharp price declines. These gains were offset by the HFR BSRP Equity Index declining -4.22 percent.

“Hedge fund outperformance trends in December represent an industry milestone, with the HFRI exhibiting not only the highest level of outperformance of steep equity market losses in nearly a decade, but with certain strategies posting positive performance through the worst equity market decline since February 2009,” stated Kenneth J. Heinz, President of HFR. “Macro funds, highlighted by trend-following CTA strategies, demonstrated their integral contribution to institutional portfolio composition, as well as drove strategy and asset weighted performance industry-wide. December gains and defensive outperformance are likely to not only fundamentally change the context of hedge fund performance in 2018, but attract investor capital under the expectation of these volatile, powerful trends continuing through 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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