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HEDGE FUNDS EXTEND GAINS TO BEGIN 2019

Broad-based HFRI February advance leads best start to year since 2012; Risk Premia, Risk Parity also gain across assets, styles

CHICAGO, (March 7, 2019) – Hedge funds extended strong January gains into February, leading the HFRI to the strongest start to a calendar year since 2012. The HFRI Fund Weighted Composite Index® (FWC) advanced +1.4 percent in February, with gains across all main strategies, as well as in Risk Premia and Risk Parity strategies, as reported today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry. The February gain for the HFRI FWC brings YTD performance to +4.9 percent. The top decile of HFRI constituents gained +6.6 percent for the month, while the bottom decile declined -3.0 percent.

Equity Hedge (EH) strategies led HFRI performance for the month, with the HFRI Equity Hedge (Total) Index gaining +1.8 percent, bringing YTD performance to +7.0 percent, the leading area of main strategy performance. Specialized growth and high beta exposures led EH sub-strategy performance, with the HFRI EH: Healthcare Index surging +4.1 percent for the month, while the HFRI EH: Technology Index advanced +2.8 percent. Complementing these, the HFRI EH: Fundamental Growth Index gained +2.5 percent and the HFRI EH: Quantitative Directional Index advanced +1.9 percent in February. The HFRI Emerging Markets (Total) Index added +1.5 percent for the month, led by the HFRI EM: Asia ex-Japan Index which surged +3.1 percent, bringing the 2-month gain to +7.0 percent.

Credit and fixed income-based Event-Driven (ED) and Relative Value Arbitrage (RVA) strategies also advanced in February, with the HFRI Event-Driven (Total) Index gaining +1.5 percent, while the HFRI Relative Value (Total) Index advanced +1.0 percent. ED sub-strategy performance was led by Credit Arbitrage and Activist sub-strategies, with the HFRI ED: Credit Arbitrage Index advancing +3.4 percent and the HFRI ED: Activist Index gaining +2.7 percent. RVA sub-strategy performance was led by the HFRI RV: FI-Convertible Arbitrage Index which advanced +2.2 percent, while the HFRI RV: FI-Corporate Index gained +1.7 percent.

Credit exposure also led gains in Risk Parity and Risk Premia strategies, with the HFR Risk Parity Vol 15 Index surging +1.7 percent, bringing the two-month gain to +10.3 percent. Similarly, the HFR Bank Systematic Risk Premia Credit Index led performance across risk premia strategies with a February gain of +4.7 percent; Risk Premia sub-strategy performance was led by the HFR BSRP Credit Multi-Style Index which gained +8.2 percent for the month. Volatile Blockchain and Cryptocurrency exposures posted the first gain in seven months as the HFR Blockchain Index surged +14.0 percent.

Defensive Macro strategies also gained for the month, with the HFRI Macro (Total) Index advancing +0.7 percent. Macro sub-strategy performance was led by Commodity exposure, with the HFRI Macro: Commodity Index gaining +2.6 percent. Quantitative, trend-following CTA strategies and other fundamental, discretionary Macro managers also advanced in February, with the HFRI Macro: Systematic Diversified/CTA Index gaining +0.6 percent while the HFRI Macro: Discretionary Thematic Index added +0.6 percent while.

"Hedge funds extended early 2019 gains to the strongest start to a calendar year since 2012 as risk-on sentiment accelerated. In contrast to January, February gains were even more broad-based across strategies including not only equity beta-sensitive areas, but with strong contributions from credit, commodity, quantitative, emerging markets and volatile cryptocurrency exposures," stated Kenneth J. Heinz, President of HFR. "As the end of the first quarter approaches, investor risk-on sentiment has moderated marginally, with uncertainty regarding trade negotiations and geopolitical tensions reemerging as potential sources of volatility. It is likely that flexible strategies which are able to adjust to capturing beta-driven gains while also providing defensive portfolio protection will lead industry performance in 1H19."

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