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# HFRI SURGES TO BEST ANNUAL GAIN IN A DECADE

***Equity Hedge, Healthcare, Activist climb to lead December performance; Risk Parity soars to top global equities***

CHICAGO, (January 8, 2020) – Hedge funds advanced in December to conclude 2019 as the strongest performance year since 2009, when the markets were recovering from the Global Financial Crisis. The HFRI Fund Weighted Composite Index® (FWC) gained +1.8 percent for the month, increasing 2019 performance to +10.4 percent, the strongest calendar year since the HFRI FWC surged +20.0 percent in 2009, as reported today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry. The December gain increased the Index Value of the HFRI FWC to a new record value of 14,780; the HFRI FWC began 2009 with an Index Value of 8,291.

The HFRI 500 Fund Weighted Composite Index, an investible index of 500 leading hedge funds, advanced +1.4 percent in December, while the HFRI-I Liquid Alternative UCITS Index advanced +0.93 percent, led by a +1.5 percent return in the HFRI-I Liquid Alternative UCITS Equity Hedge Index for the month.

Reflecting the broad-based surge across multiple asset classes in 2019, Risk Parity exposures posted record performance for the year. The HFR Risk Parity Vol 15 Index gained +30.6 percent for 2019, topping strong gains for the DJIA and other global equity indices. Bank Systematic Risk Premia strategies, which benefit from strong risk-on sentiment, also posted strong gains for year, led by the HFR Bank Systematic Risk Premia Multi-Asset Index, which surged +43.6 percent in 2019.

Hedge fund performance in December and throughout 2019 was led by Equity Hedge (EH) strategies, as optimism over trade and the US economy drove US equities to lead broad-based global gains. The HFRI Equity Hedge (Total) Index gained +2.7 percent for the month, bringing 2019 performance to +13.9 percent, the strongest year for the category since 2013. Healthcare and Technology exposures led EH sub-strategies, as the HFRI EH: Healthcare Index soared +7.0 percent in December to bring FY 2019 performance to +23.4 percent, while the HFRI EH: Technology Index added +1.9 percent for month and +16.1 percent for the year.

Event-Driven (ED) and Relative Value Arbitrage (RVA) strategies also delivered gains in December, as the M&A/IPO environment remained robust, interest rates remained low and credit spreads remained tight. The HFRI Event-Driven (Total) Index advanced +1.7 percent for the month to bring FY 2019 performance to +7.4 percent. ED sub-strategy performance was led by the HFRI ED: Activist Index which soared +4.6 percent in December and +18.3 percent for the year. Similarly, the HFRI Relative Value (Total) Index gained +1.5 percent for the month and +7.6 percent for 2019, as rates remained low and a large supply of government bonds continued to provide negative yields throughout the year. RVA sub-strategy performance was led by classic Convertible Arbitrage in 2019, with the HFRI RV: Convertible Arbitrage Index advancing +1.7 percent in December and +10.7 percent for the year.

Uncorrelated Macro strategies posted a narrow gain for December, with the HFRI Macro (Total) Index gaining +0.34 percent for the month and +6.2 percent for the year. Macro sub-strategy performance in December was led by HFRI Macro: Discretionary Thematic Index, which advanced +2.0 percent. For the year, the HFRI Macro: Active Trading Index led all Macro sub-strategies with a gain of +8.1 percent, while the HFRI Macro: Systematic Diversified Index added +7.1 percent. The volatile HFR Blockchain Index posted a narrow decline of -0.9 percent in December, though the Index gained +29.5 percent for 2019.

“Hedge funds posted the highest annual performance since the Financial Crisis recovery, as powerful risk-on sentiment dominated not only December, but most of 2019, with risk parity and the highest beta strategies leading industry gains,” stated Kenneth J. Heinz, President of HFR. “Global financial markets experienced a correlated melt up in 2019, with strong gains across equities (led by US Technology), fixed income, commodities, and currencies. While the core US economy and employment remains strong, the 2020 outlook reflects positive but tempered expectations as a result of rising geopolitical risks and increasing conflict in the Middle East, continuation of trade tariff negotiations, and the uncertainty of the US election. Funds positioned for this dynamic, global, opportunity-rich environment are likely to lead industry performance and growth in 2020."

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