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HFRI MIXED IN JANUARY AS VIRUS CONTAGION FEARS DRIVE VOLATILITY

Macro, Technology lead strategy gains as equities decline into month-end; HFR Blockchain surges again

CHICAGO, (February 7, 2020) – Hedge funds posted mixed performance in January, as fears of contagion related to the coronavirus drove global equity market volatility into month-end. The HFRI Fund Weighted Composite Index® posted a narrow decline of -0.19 percent for January, with declines in Equity Hedge and Event-Driven only partially offset by gains in Macro and Relative Value Arbitrage strategies, according to data released today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry.

The HFRI 500 Fund Weighted Composite Index, an investable index of 500 leading hedge funds, fell -0.03 percent in January. Liquid Alternative UCITS strategies also posted mixed performance for the month, as the HFRI-I Liquid Alternative UCITS Index declined narrowly by -0.11 percent, while the HFRX Global Hedge Fund Index, another investable index from HFR, gained +0.41 percent. Gains across volatile cryptocurrencies drove the HFR Blockchain Index to a surge of +54.4 percent, the strongest monthly gain since December 2017.

Shifting risk sentiment drove mixed performance across Bank Risk Premia strategies, with the HFR Bank Systematic Risk Premia Multi-Asset Index surging +5.9 percent in January, while the HFR Bank Systematic Risk Premia Credit Index fell -4.7 percent. Following the industry leading gain of +29.7 percent in 2019, the HFR Risk Parity Vol 15 Institutional Index added +0.1 percent in January.

Macro hedge funds led strategy gains for the month, as investor risk tolerance fell sharply into month-end on uncertainty associated with the contagion of the coronavirus. The HFRI Macro (Total) Index gained +0.6 percent in January, led by the HFRI Commodity Index, which gained +1.6 percent, and the HFRI Macro: Systematic Diversified Index, which added +0.9 percent. The HFRI 500 Macro Index gained +0.8 percent for the month.

Fixed income- based Relative Value Arbitrage (RVA) strategies also advanced in January, with the HFRI Relative Value (Total) Index gaining +0.4 percent. RVA sub-strategy performance was led by the HFRI RV: Convertible Arbitrage Index and the HFRI RV: Fixed Income Sovereign Index, which respectively gained +1.4 and +1.2 percent for the month. The HFRI 500 Relative Value Index gained +0.7 percent for the month.

The credit-sensitive HFRI Event-Driven (Total) Index posted a narrow decline of -0.17 percent in January, as gains in the HFRI ED: Distressed and HFRI ED: Credit Arbitrage indices were offset by declines in ED: Multi-Strategy and ED: Activist funds.

The HFRI Equity Hedge (Total) Index fell -0.9 percent in January, as gains in Technology exposures were offset by declines in Value, Energy and specific Emerging Markets exposures. While the HFRI EH: Technology Index surged +3.1 percent for the month on strong earnings from large cap US-technology exposures, these gains were more than offset by losses in the HFRI EH: Fundamental Value Index and HFRI EH: Energy Index, which fell -2.4 and -0.8 percent, respectively. The HFRI EM: China Index declined -1.4 percent for the month on uncertainty associated with the contagion of the coronavirus.

“Macro strategy gains in January reflect a sharp, near-term reversal of the powerful risk-on, beta-driven sentiment which drove industry-wide performance in 2019, while in contrast to this, technology gains reflect a more narrowly-focused continuation of this sentiment, especially specific to large cap US technology exposures”, stated Kenneth J. Heinz, President of HFR. “The combination of these two divergent trends in conjunction with the conclusion of the Presidential impeachment proceedings and the potential for broader supply chain disruption impact of the coronavirus contagion represents critical strategic shifts in the continuum of economic and geopolitical risks. Managers dynamically positioned to benefit from additional upside driven by the US-led global economic expansion, while positioning for dislocations and reversals which are also likely to occur, are likely to define industry performance gains in 2020”.

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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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