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HFRI 500 RELATIVE VALUE GAINS IN FEBRUARY AS GLOBAL EQUITIES PLUNGE ON CONTAGION FEARS

HFRI Convertible Arbitrage gains +1.8 for month;
HFRI Fund Weighted Composite Index falls -1.7 percent, topping DJIA by 800 bps

CHICAGO, (March 6, 2020) – Hedge funds posted mixed performance in February, led by fixed income-based Relative Value Arbitrage strategies, as global equities and commodities suffered steep declines on spreading coronavirus contagion fears. The investable HFRI 500 Relative Value Index gained +0.8 percent for the month, led by arbitrage positions, primarily long fixed income and short equity exposures, as reported today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry.

The broad-based HFRI Fund Weighted Composite Index® declined -1.7 percent for the month, topping the steep decline of the DJIA by over 800 basis points. Approximately 40 percent of all hedge funds posted gains in February, with the top decile returning +6.5 percent, while the bottom decile fell -10.6 percent. The investable HFRI 500 Hedge Fund Index posted a slightly smaller decline of -1.45 percent for the month

Liquid Alternative hedge funds also fell in February, though still topped the DJIA decline by over 800 bps. The HFRX Global Hedge Fund Index declined -1.4 percent, while the HFRI-I Liquid Alternative UCITS lost -1.9 percent for the month.

Fixed income-based Relative Value Arbitrage (RVA) strategies led industry performance, with gains in Convertible Arbitrage and Volatility exposures offset by declines in Yield Alternative and Corporate fixed income strategies. The investable HFRI 500 Relative Value

Arbitrage Index advanced +0.8 percent, while HFRI Relative Value (Total) Index posted a narrow decline of -0.1 percent. RVA sub-strategy performance was led by the HFRI RV: Convertible Arbitrage Index, which gained +1.8 for the month, as well as the HFRI RV: Volatility Index and HFRI RV: FI-Sovereign Index, each of which advanced +0.3 percent in February. Offsetting these gains, the HFRI RV: Yield Alternatives Index fell -3.0 percent for the month.

Uncorrelated Macro strategies produced mixed performance across sub-strategies in February, with the investable HFRI 500 Macro Index posting a narrow decline of -0.3 percent, while the HFRI Macro (Total) Index fell -0.5 percent. Macro sub-strategy performance was led by fundamental discretionary managers, as the HFRI Macro: Discretionary Thematic Index surged +1.5 percent for the month, while the HFRI Macro Currency Index added +1.2 percent. Quantitative, trend-following CTA funds posted a wide dispersion of performance across strategies, as the HFRI Macro: Systematic Diversified Index declined -1.1 percent in February.

Equity-sensitive Equity Hedge (EH) and Event-Driven (ED) strategies also posted declines for the month, though performance still topped the plunge in the DJIA by over 700 basis points. The HFRI Event-Driven (Total) Index fell -2.3 percent, the worst monthly decline since December 2018, while the HFRI Equity Hedge (Total) Index dropped -2.8 percent. Sub-strategy declines across ED and EH were led by the HFRI ED: Activist Index, which fell -9.4 percent, and the HFRI EH: Fundamental Value Index, which lost -4.1 percent. Partially offsetting these, the HFRI ED: Multi-Strategy Index advanced +2.2 percent, while the HFRI EH: Healthcare Index posted a narrow gain of +0.3 percent.

“Volatility surged throughout February as uncertainty and coronavirus contagion fears drove steep declines across equity and energy commodities, while gold spiked and treasury bonds rallied, driving US yields to record lows. Through this historic volatility spike, fundamental/discretionary Macro hedge funds led by industry performance, while large Credit Multi-Strategies in the Relative Value Arbitrage space also posted gains,” stated Kenneth J. Heinz, President of HFR. “HFRI performance indicates many hedge funds were well-positioned for this volatility environment, driving gains across short equity, long fixed income, and mixed, opportunistic gold and energy commodity exposures. Given the continuation and acceleration of contagion risk into March, it is likely that hedge funds which generated impressive, inversely-correlated gains in February will lead industry performance and growth through mid-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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