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HEDGE FUNDS EXTEND GAINS IN MAY AS BUSINESS REOPENINGS ACCELERATE

Equity Hedge, Event-Driven lead on surge in Growth, Activist, Special Sits; HFRI Diversity Index rises, leading global composite

CHICAGO, (June 5, 2020) – Hedge funds advanced in May, extending strong April gains as the reopening of businesses accelerated throughout the month, and despite historically high unemployment figures and increased uncertainty surrounding civil rights protests across major U.S. cities. The HFRI Fund Weighted Composite Index® gained +2.5 percent in May, led by Equity Hedge and Event-Driven strategies, as reported today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry. The investable HFRI 500 Fund Weighted Composite Index gained +2.1 percent for the month, bringing the two-month gain to +6.4 percent.

Equity Hedge strategies led industry performance in May as the overall economy accelerated, with the HFRI Equity Hedge (Total) Index advancing +3.9 percent, bringing the two-month gain to +11.1 percent. Equity Hedge performance was led by Multi-Strategy, Technology, and Fundamental Growth exposures, with the HFRI EH: Multi-Strategy Index surging +5.8 percent, extending the two-month gain to +14.9 percent, while the HFRI EH: Technology Index advanced +4.3 percent in May and the HFRI EH: Fundamental Growth Index added +4.8 percent for the month, extending its two-month return to +12.8 percent. The volatile Energy sector also extended April gains as oil posted a record monthly surge, with the HFRI EH: Energy/Basic Materials Index advancing +4.1 percent, bringing the two-month return to +12.2 percent. The investable HFRI 500 Equity Hedge Index jumped +3.4 percent in May, bringing the two-month gain to +10.0 percent.

Event-Driven strategies also posted strong gains for the month, with the HFRI Event-Driven (Total) Index advancing +2.9 percent, led by Special Situations and Activist sub-strategies. The HFRI ED: Special Situations Index surged +5.4 percent, adding to a similar gain from April and bringing the two-month gain to +11.5 percent. The HFRI ED: Activist Index jumped +4.9 percent in May, adding to the prior month gain of +8.9 percent, and bringing the two-month return to +14.2 percent. The investable HFRI 500 Event-Driven Index advanced +3.3 percent in May, extending the two-month gain to +8.5 percent.

Alternative UCITS strategies also advanced in May, with the HFRI-I Liquid Alternative UCITS Index gaining +0.9 percent, led by the HFRI-I Relative Value Index, which advanced +2.0 percent. Risk Premia strategies also gained for the month, led by the HFR Bank Systematic Risk Premia Credit Index, which gained +15.4 percent for the month. Risk Parity strategies advanced on broad-based strength across asset classes, with the HFR Risk Parity Vol 15 Index gaining +3.0 percent, extending the two-month gain to +6.6 percent.

Fixed income-based Relative Value Arbitrage strategies advanced for the month, with the HFRI Relative Value (Total) Index gaining +2.5 percent. RVA performance was led by Sovereign bond and Volatility exposures, with the HFRI RV: FI-Sovereign Index gaining +4.3 percent, while the HFRI RV: Volatility Index added +2.7 percent. The investable HFRI 500 Relative Value Index returned +2.5 percent in May.

Uncorrelated Macro strategies posted mixed performance in May, as the HFRI Macro (Total) Index fell -0.3 percent. Declines in quantitative, trend-following strategies were partially offset by gains in fundamental Macro, with the HFRI Macro: Systematic Diversified Index falling -1.0 percent, while the HFRI Macro: Discretionary Thematic Index gained +1.4 percent.

The HFRI Diversity Index, an index of funds managed by women and minorities, advanced +3.4 percent for the month, while the HFRI Women Index, an index of funds run by women, gained +1.6 percent.

"Hedge funds extended recent gains through May as an acceleration of risk-on sentiment from the March lows drove a surge in the highest beta strategies including Activist, Special Situations, and Growth exposures as businesses globally progressed towards reopening and despite social unrest and civil protests across both the US and Hong Kong/China," stated Kenneth J. Heinz, President of HFR. "While recent gains have been compelling, the financial markets environment remains both fluid and opportunity-rich across asset classes, with the tailwinds of policymakers committed to accommodative interest rates and a resurgent retail consumer contrasting against the risk of additional virus impact or destabilizing social unrest. Institutions are likely to make or increase allocations to funds which have demonstrated their ability to navigate this volatile and dynamic geopolitical environment."

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