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HFRI 500 GAINS TO CONCLUDE VOLATILE 1H20

Equity Hedge, Event-Driven lead June performance despite ongoing virus risks;
1H20 led by Technology, Currency, Healthcare exposures through pandemic;
Nearly half of all hedge funds positive for 1H20

CHICAGO, (July 8, 2020) – Hedge funds advanced in June for the third consecutive month, concluding a volatile 1H20 defined by a steep 1Q global equity market decline driven by the global coronavirus pandemic followed by a mixed 2Q recovery despite ongoing virus concerns and challenges. The investable HFRI 500 Fund Weighted Composite Index gained +1.5 percent in June, driven by advances in Equity Hedge and Event-Driven strategies, narrowing the 1H decline to -2.4 percent, and topping the decline of the DJIA by nearly 700 basis points (bps) through the first six months of the year.

The HFRI Fund Weighted Composite Index® gained +1.9 percent in June, reducing the 1H20 decline to -3.5 percent, as 1H20 performance was led by Technology, Currency, and Healthcare strategies, as reported today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry.

Equity Hedge (EH) led industry performance in June as global equities advanced despite ongoing coronavirus risks as well as social unrest and protests. The HFRI Equity Hedge (Total) Index gained +3.0 percent for the month, concluding 2Q20 with a strong +13.6 percent return, while the investable HFRI 500 Equity Hedge Index advanced +2.9 percent in June. Equity Hedge sub-strategy performance was led by Technology exposure, with the HFRI EH: Technology Index surging +7.3 percent for the month, bringing the 1H20 return to +12.7 percent, leading all sub-strategies. The volatile HFRI EH: Energy/Basic Materials Index continued its sharp 2Q recovery in June, advancing +1.8 percent for the month to finish the quarter up +15.0 percent after falling -14.9 percent in 1Q20.

Event-Driven (ED) strategies also advanced in June, with the investable HFRI 500 Event-Driven Index gaining +2.0 percent, while the HFRI Event-Driven (Total) Index posted a similar +1.9 percent return. ED sub-strategy performance was led by Activist and Merger Arbitrage exposures, with the HFRI ED: Activist Index advancing +4.7 percent for the month, while the HFRI ED: Merger Arbitrage Index added +2.3 percent.

Fixed income-based Relative Value Arbitrage performance was led by corporate credit and traditional Convertible Arbitrage exposures in June, as the investable HFRI 500 Relative Value Arbitrage Index advanced +1.6 percent for the month, while the HFRI Relative Value Index returned +1.8 percent. The HFRI RV: Fixed Income-Corporate Index gained +3.2 percent in June, while the HFRI RV: FI-Convertible Arbitrage Index and the HFRI RV: FI-Sovereign Index advanced +2.9 and +2.8 percent, respectively, for the month.

Risk Premia and liquid alternatives strategies also gained for June, led by the HFR Bank Systematic Risk Premia Commodity Index, which advanced +3.9 percent, bringing the 1H20 performance to a gain of +15.4 percent. The HFRI-I Liquid Alternative UCITS Index advanced +0.7 percent for the month, led by a gain of +1.3 percent in the HFRI-I Relative Value Index. Risk Parity strategies also advanced for a third consecutive month, as the HFR Risk Parity Vol 15 Index gained +2.8 percent in June.

Macro strategies posted mixed performance in June, with declines in CTA and Commodity strategies only partially offset by gains in Currency and Fundamental Discretionary strategies. The HFRI Macro (Total) Index fell -0.5 percent for the month, bringing the 1H20 return to -1.1 percent. The HFRI Macro: Commodity Index and HFRI Macro: Systematic Diversified Index declined -1.5 and -0.9 percent, respectively, in June. The HFRI Macro: Currency Index led Macro sub-strategy performance for the month, gaining +1.8 percent to end 1H20 with a +6.3 percent return, while the HFRI Macro: Discretionary Thematic Index added +1.1 percent in June to increase its 1H20 performance +2.6 percent.

Nearly half of all hedge funds posted positive performance in 1H20, with the top quartile of funds advancing +14.8 percent, while the bottom quartile declined -19.7 percent. The top decile of all HFRI constituents surged +25.0 percent through the first six months of the year, while the bottom decile declined -27.9 percent; approximately three-quarters of all hedge funds topped the performance of the DJIA in 1H20.

“Hedge funds gained in June to conclude a strong 2Q, which nearly offset declines from the coronavirus pandemic-driven equity market panic from 1Q20, with a number of exposure areas, including Technology, Currency, Healthcare, and Fundamental Discretionary Macro posting gains for 1H20,” stated Kenneth J. Heinz, President of HFR. “Despite the strong 2Q recovery, risks and realized volatility associated with additional virus contagion, social unrest, and the upcoming US election remain elevated.

Funds which have demonstrated their strategy's success and resiliency through 1H volatility are likely to lead industry performance and growth in 2H20."

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