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DECEMBER LOSSES MOVE HEDGE FUNDS TO DECLINE FOR 2015

Energy, Quant strategies lead HFRI to 4th calendar year decline since 1990;
HFR launches HFRI Asset Weighted Indices;
Asset Weighted Equity Hedge, Relative Value Arbitrage post 2015 gains

CHICAGO, (January 8, 2016) – Hedge funds posted declines in December, led by Energy and Quantitative CTA strategies, to conclude a volatile, turbulent year in financial markets, according to data released today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry. The year began with major dislocations in currency markets, included steep declines for oil and energy commodities, as well as Emerging Markets, and concluded with rising geopolitical and terrorism threats as well as the first US interest rate increase in nearly a decade. Oscillating between positive and negative performance throughout the year, the HFRI Fund Weighted Composite Index® posted a decline of -0.85 percent in December, ending the year down -0.85 percent, only the fourth calendar year decline in hedge fund performance since 1990. Despite the decline, an estimated 55 percent of all hedge funds posted gains for 2015.

HFR is pleased to announce the launch of the HFRI Asset Weighted Index family, comprised of a broad-based composite of all strategies, as well as the 4 main hedge fund strategies. The HFRI Asset Weighted Index, which is the asset-weighted version of the HFRI Fund Weighted Composite Index, fell -1.3 percent in December, and posted a decline of -0.4 percent for 2015. Since 2008, the HFRI Asset Weighted Index has averaged an annualized gain of +4.6 percent, outperforming the HFRI Fund Weighted Composite Index by +1.5 percent on an annualized basis.

Hedge funds outperformed US equities in December, as the S&P 500 and Dow Jones Industrial Averages declined -1.6 and -1.5 percent, respectively, on a total return basis, while the Russell 2000 declined over -6.0 percent. For FY 2015, US equities were mixed, as the S&P (SPX) and Dow Jones

(DJI) indices fell -0.73 and -2.23 percent, respectively, though on a total return basis, these posted narrow gains of +1.38 and +0.21 percent, respectively.

Equity Hedge strategies outperformed US equities in December, with steep losses in Energy-focused strategies partially offset by gains in Market Neutral strategies. The HFRI Equity Hedge Index fell -0.6 percent in December, bringing FY 2015 performance to a decline of -0.4 percent. The HFRI Equity Hedge Index-Asset Weighted posted a narrow decline of -0.1 percent in December, although the Index advanced +1.8 percent for 2015. The HFRI Equity Market Neutral Index led EH sub-strategies in December with a gain of +0.7 percent, while HFRI Technology/Healthcare Index led EH sub-strategies for 2015 with a gain of +6.0 percent. The volatile HFRI Energy/Basic Materials Index led declines in both December and FY 2015, falling -2.4 and -13.0 percent, respectively.

The fixed income-based HFRI Relative Value Arbitrage Index posted a narrow -0.2 percent decline in 2015 after falling -0.85 in December. However, larger RVA exhibited outperformance, with the HFRI Relative Value Arbitrage Index-Asset Weighted gaining +0.9 percent for 2015. RVA sub-strategies were led by the HFRI Volatility Index in both December and FY 2015, advancing +0.5 and +7.0 percent, respectively. Yield Alternative strategies were the laggard of RVA sub-strategies, as the HFRI Yield Alternatives Index posted declines of -4.6 and -16.5 percent in December and FY 2015, respectively. The HFRI Credit Index, comprised of all alternative credit strategies, fell -1.0 percent in December and -1.1 percent for the year.

Event Driven strategies also declined in December and for FY 2015, though ED sub-strategy performance was clearly bifurcated between credit- and equity-sensitive strategies and non-sensitive strategies. The HFRI Event Driven Index posted declines of -0.4 and -2.9 percent, respectively, in December and FY 2015, with declines led by the HFRI Distressed Index, which fell by -2.4 percent and -8.4 percent, the worst calendar year performance since 2008. Alternatively, the HFRI Merger Arbitrage Index gained +1.2 percent in December and +3.4 percent for the year, the strongest annual performance since 2013. The HFRI Activist Index lost -0.6 percent in December, though the Index gained +1.5 percent for 2015, recovering from a 4-month, intra-year drawdown of over -9.0 percent.

Macro strategies declined in December, resulting in a narrow performance loss for the year. The HFRI Macro Index fell -1.4 percent in December, bringing FY 2015 performance to a decline of -1.3 percent; the HFRI Macro Index-Asset Weighted was flat in 2015, returning 0.00 percent. The HFRI Currency Index led Macro sub-strategy performance for the year, gaining +0.3 percent in December and +1.4 percent for 2015. The HFRI Macro: Systematic Diversified Index led Macro sub-strategy declines in December and FY 2015, falling -2.4 and -2.3 percent, respectively.

"Low interest rates, steep commodity losses and intense equity market volatility contributed to a challenging environment in 2015, resulting in a wide dispersion between the best and worst performing funds, and a narrow performance decline for the overall hedge fund industry," stated Kenneth J. Heinz. "Through this environment and with some variability, the capital-weighted, aggregate industry performance has shown a premium to the equally-weighted performance, resulting in capital-weighted gains across equity- and fixed income-based hedge funds for the year. With volatility accelerating into 2016, strategies which have demonstrated opportunistic performance throughout 2015 are likely to lead industry performance and attract investor capital in the new year."

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About HFR®

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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