

The background of the entire image is a close-up, slightly blurred view of the American flag, showing the stars and stripes in shades of blue, white, and red. The lighting is dramatic, with some areas in shadow and others highlighted.

HFR

Special Report:

Presidential Politics & Hedge
Fund Performance

HFR Special Report: Presidential Politics & Hedge Funds

HFR is pleased to present a special research report featuring in-depth quantitative analysis on the performance of hedge funds through the lens of which US political party administration held the office of the president during the time. This unique and insightful special report includes a complete historical comparison of presidential terms since 1990 across many financial, economic and political cycles. The report varies assumptions and conditions to provide valuable, actionable insight of hedge fund performance through varying and prevailing political cycles.

Some examples of analysis include:

- Total hedge fund performance by Presidential political party
- Total industry asset growth and inflows by Presidential political party
- Term Year 2 Performance Effect
- Hedge funds strategy performance by Presidential political party
- Hedge fund performance by Presidential term (years 1-4)
- Dispersion of performance results
- Variation to exclude 2008 Financial Crisis
- Hedge fund performance by Presidential term year (separating out 2nd terms)
- Total hedge fund performance by Congressional majority
- Hedge funds strategy performance by Congressional majority
- Total hedge fund performance by President & Congressional majority
- Hedge funds strategy performance by President & Congressional majority

DISCLAIMER

This report is provided for informational purposes only. The statistics contained in the report are quantitative in nature and indicate no preference toward, or endorsement of, any political party or economic agenda.

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Hedge Fund Assets Increase to Fourth Consecutive Quarterly Record as Election, Geopolitical Risks Surge

Directional, Fixed Income strategies see inflows through volatile 3Q24; Event-Driven assets lead gains as investor position for strong M&A cycle

CHICAGO, (October 24, 2024) – Hedge fund capital rose to a fourth consecutive quarterly record as the combination of election and geopolitical risks, which have dominated financial market performance throughout 2024, accelerated into 4Q with the US election only weeks away. Total global hedge fund capital increased to an estimated \$4.46 trillion, an increase of \$148 billion over the prior quarter on new investor inflows of \$15.86 billion, as investors positioned not only for the election and geopolitical risks, but for powerful trends in falling inflation/interest rates, technology, energy, cryptocurrencies and M&A as reported today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry, in the latest release of the *HFR Global Hedge Fund Industry Report*.

The growth in hedge fund capital was a combination of both new investor inflows and performance-based gains and was led by strategy asset inflows into Relative Value Arbitrage, Equity Hedge and Event-Driven strategies.

The HFRI Fund Weighted Composite Index® advanced +2.8 percent in the volatile 3Q24, led by directional Event-Driven and Equity Hedge strategies, bringing performance for the first three quarters to +8.1 percent. The volatile HFR Cryptocurrency Index returned +17.0 percent YTD through 3Q24, navigating a sharp increase in volatility in the second and third quarters.

As investors continued to position for both interest rates reductions and increased geopolitical uncertainty, credit- and interest rate-sensitive fixed income-based Relative Value Arbitrage (RVA) strategies saw assets increase by \$37 billion in 3Q, led by net asset inflows of \$6.7 billion, to increase total RV capital to an estimated \$1.196 trillion. Multi-Strategy funds again led RVA asset increases in 3Q24, adding an estimated \$23.9 billion of capital to end the quarter at \$736 billion. The HFRI Relative Value Index (Asset Weighted) gained +3.1 percent in 3Q24 bringing YTD gains to +7.2 percent, with sub-strategy performance again led by the HFRI RV: Convertible Arbitrage Index, which advanced +9.0 percent YTD through September.

Capital managed by Equity Hedge (EH) strategies also increased, recovering from the prior quarter decline, with capital increasing \$54.6 billion in 3Q on inflows of \$6.2 billion, bringing total EH capital to an estimated \$1.294 trillion. EH sub-strategy asset increases were led by Fundamental Value funds in 3Q, which increased by an estimated \$35.0 billion for the quarter, bringing total EH: Fundamental Value capital to an estimated \$732.6 billion. The HFRI Equity Hedge (Total) Index posted a strong gain of +3.8 in 3Q and leads all main strategies with a +10.2 percent return YTD 2024. The HFRI EH: Quantitative Directional Index leads all EH sub-strategy indices YTD, surging +16.8 percent through September.

Event-Driven (ED) strategies, which categorically focus on out of favor, deep value equity and credit positions, also experienced strong asset increased and inflows in 3Q24 with assets rising \$69.1 billion on inflows of \$3.56 billion, increasing total ED capital to \$1.27 trillion, second only to EH and narrowing the gap between the strategies areas as investors position for strong M&A cycle driven by lower rates and falling election risk in 2025. ED sub-strategy asset increases were concentrated in higher beta Shareholder Activist and Special Situations strategies, with these increasing by \$11.8 billion and \$35.8 billion, respectively, in 3Q24. The HFRI Event-Driven (Asset Weighted) Index gained +4.6 percent in 3Q24 bringing YTD performance to a gain of +9.2 percent; ED sub-strategy gains were led by the HFRI ED: Special Situations Index, which gained +9.3 percent YTD through September.

Uncorrelated Macro strategies reversed recent gains, experiencing an asset decline for 3Q as inflation and interest rates declined, with assets declining by \$12.7 billion, bringing total Macro capital to an estimated \$702.7 billion. Systematic Diversified funds led Macro sub-strategy asset declines for 3Q, with these falling an estimated \$16.8 billion bringing total sub-strategy capital to \$322.8 billion. The HFRI Macro (Total) Index posted a narrow decline of -0.7 percent in 3Q, though the index has gained +4.62 percent YTD.

Investors allocated new capital across funds of all sizes in 3Q24 led by inflows to the industry's largest firms. Firms managing greater than \$5 billion received inflows of \$10.4 billion while mid-sized firms managing between \$1 and \$5 billion experienced estimated small net inflows of \$7.5 million for the quarter. Firms managing less than \$1 billion to start the quarter received strong inflows of \$5.3 billion. Combining these with 1H flows, the largest firms experienced inflows of \$19.1 billion, while mid-sized firms managing between \$1 and \$5 billion experienced an outflow of \$4.9 billion, and firms managing less than \$1 billion experienced an estimated inflow of \$8.8 billion.

“Hedge fund capital rose to a new record for the fourth consecutive quarter in the volatile third quarter, with managers navigating the largest dislocation and volatility spike in several years in early August, while the combination of election and geopolitical risks elevated to historic levels. At the same time, interest rate and inflation risks shifted from the generational peak levels to align with expectations for slowing global growth and moderating inflation, with managers and investors positioning for lower interest rates to drive M&A activity in 2025,” stated Kenneth J. Heinz, President of HFR. “With less than two weeks until the US presidential election, successful managers remain tactically positioned for a wide range of market reactions, scenarios and cycles, which can range from increased volatility, dislocation and disruption, increase or partial resolution of global military conflicts and new policies relating to trade, immigration, taxation and general business outlook. Investors are likely to continue positioning for this uncertainty by allocating to funds which have demonstrated their strategies’ versatility and robustness through recent volatility spikes and dynamic financial market cycles.”

About HFR, Global Leader in Hedge Fund Indices

HFR is a 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 500 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, **HFR is The Institutional Standard.**

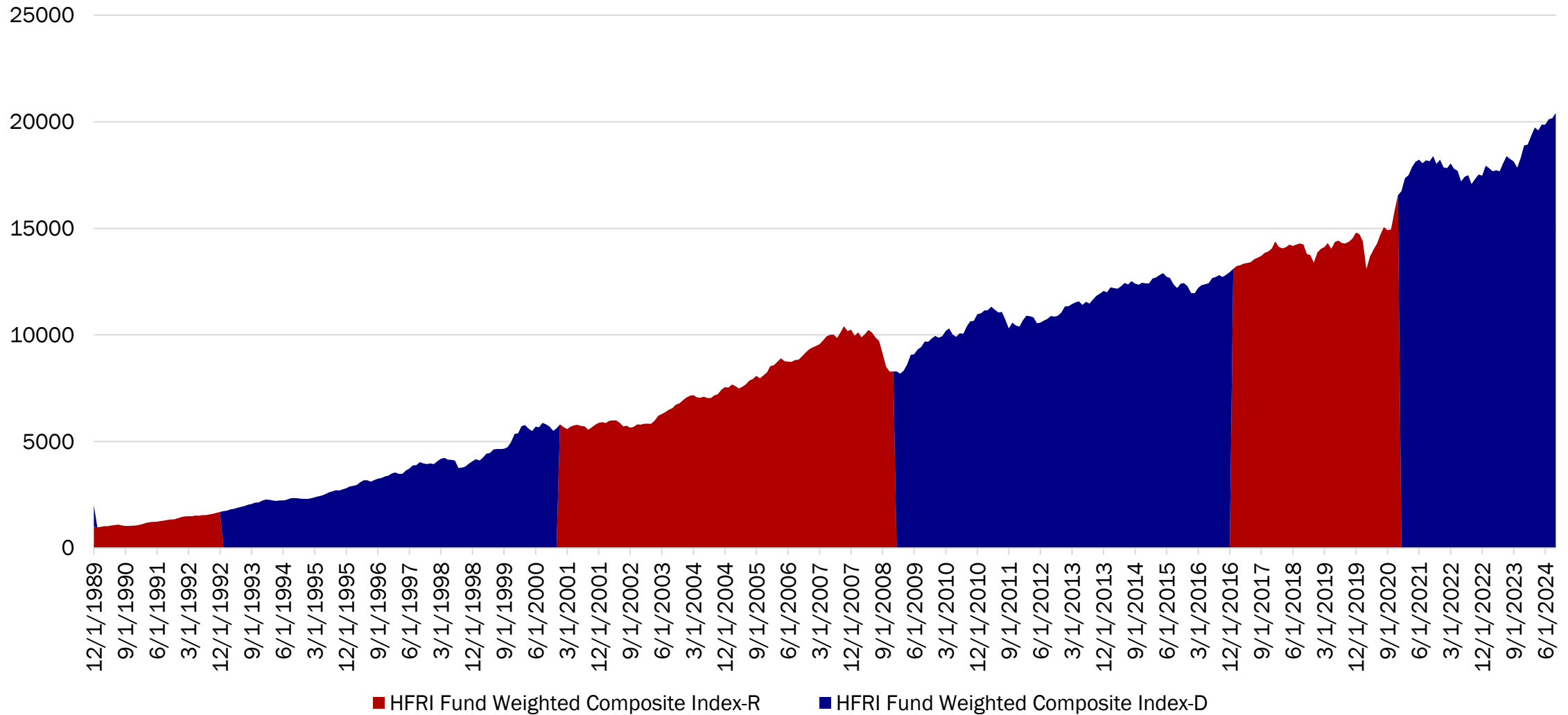
- HFR is an ESMA-registered Benchmark Administrator and HFR Indices are calculated in compliance with IOSCO best practices.
- HFR produces over 500 Indices of global hedge fund & alternative investment performance. HFR Indices offer investability and span a broad array of strategy types, regions, and niche sectors, including many FX-hedged and custom index variations.
- The fund managers and firms contributing to and included in HFR Indices and Research manage total global capital in excess of \$36 Trillion.
- HFR Indices are globally recognized as the leading benchmarks of hedge fund performance by the world's top hedge fund investors, managers, sovereign wealth funds, pension funds and financial institutions, with a combined total global asset base in excess of \$48 Trillion.

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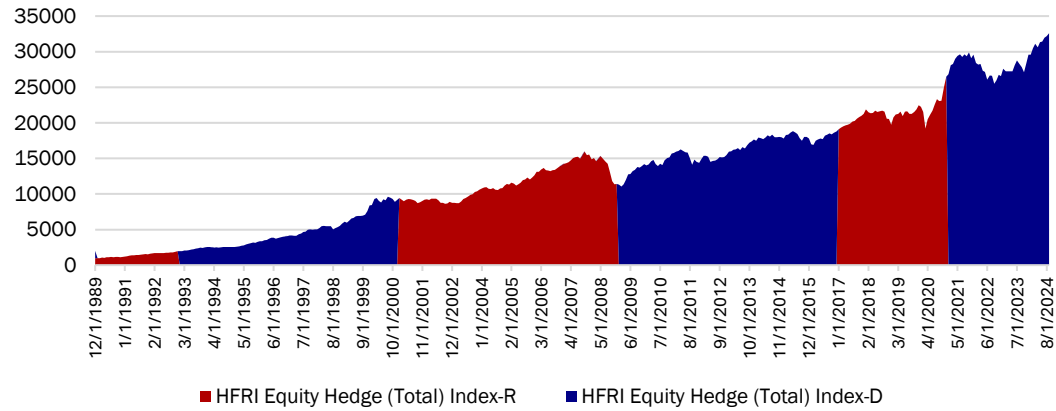
Presidential Party & Hedge Fund Performance (Years 1-4)

Hedge Funds and Presidents: HFRI by Presidential Party

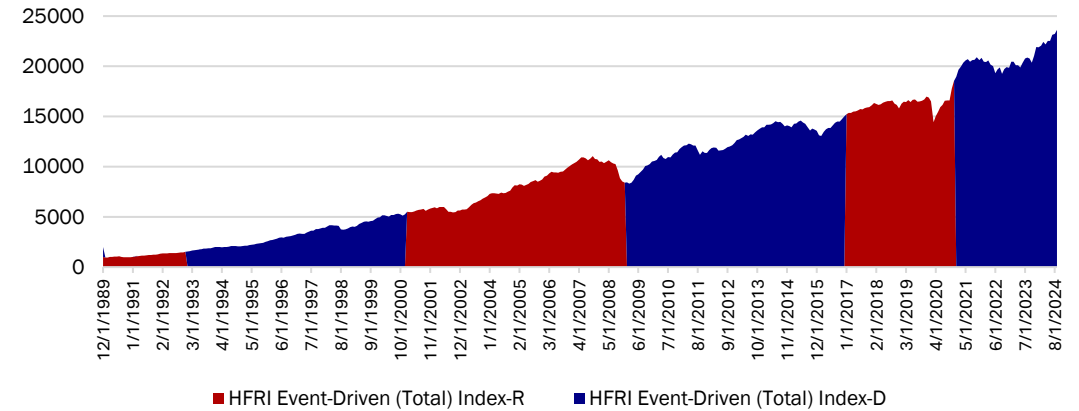
HFRI FWC NAV, Republican vs. Democrat as President



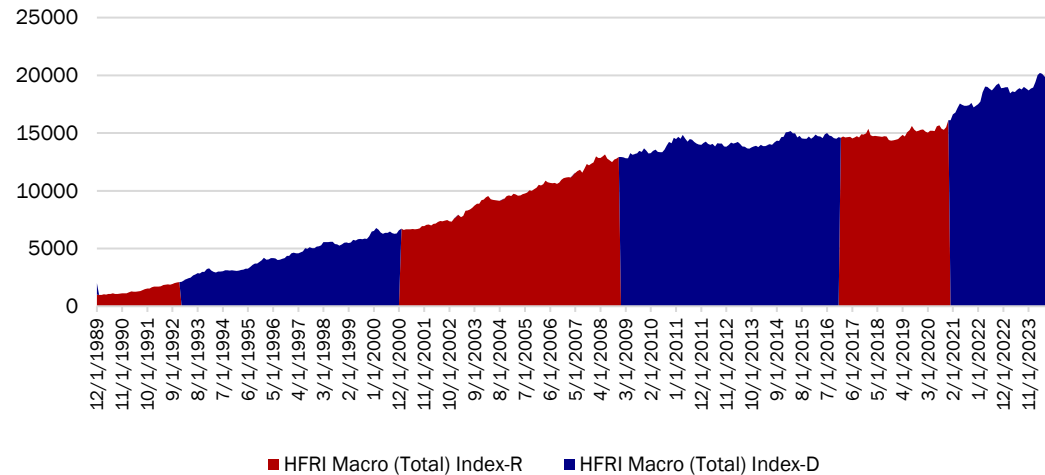
HFRIEH NAV, Republican vs. Democrat as President



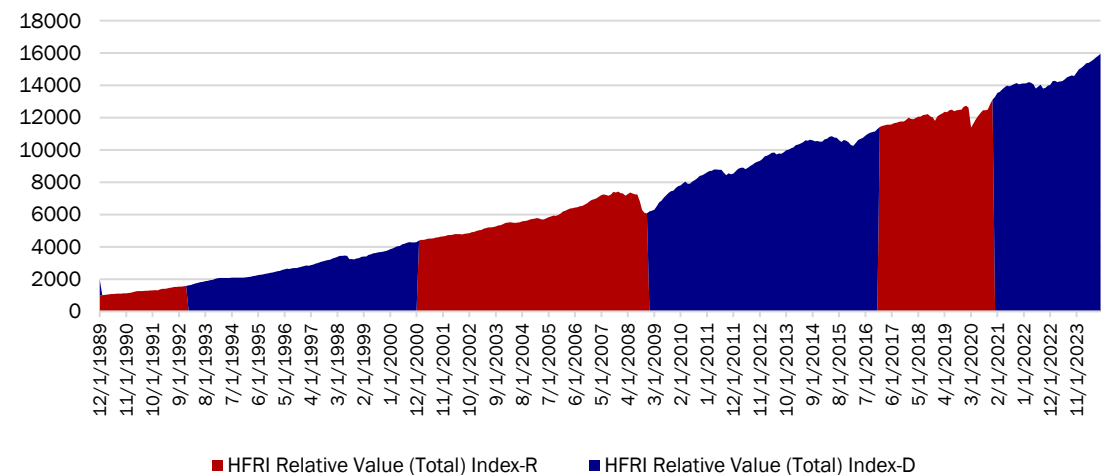
HFRIED NAV, Republican vs. Democrat as President



HFRI Macro NAV, Republican vs. Democrat as President

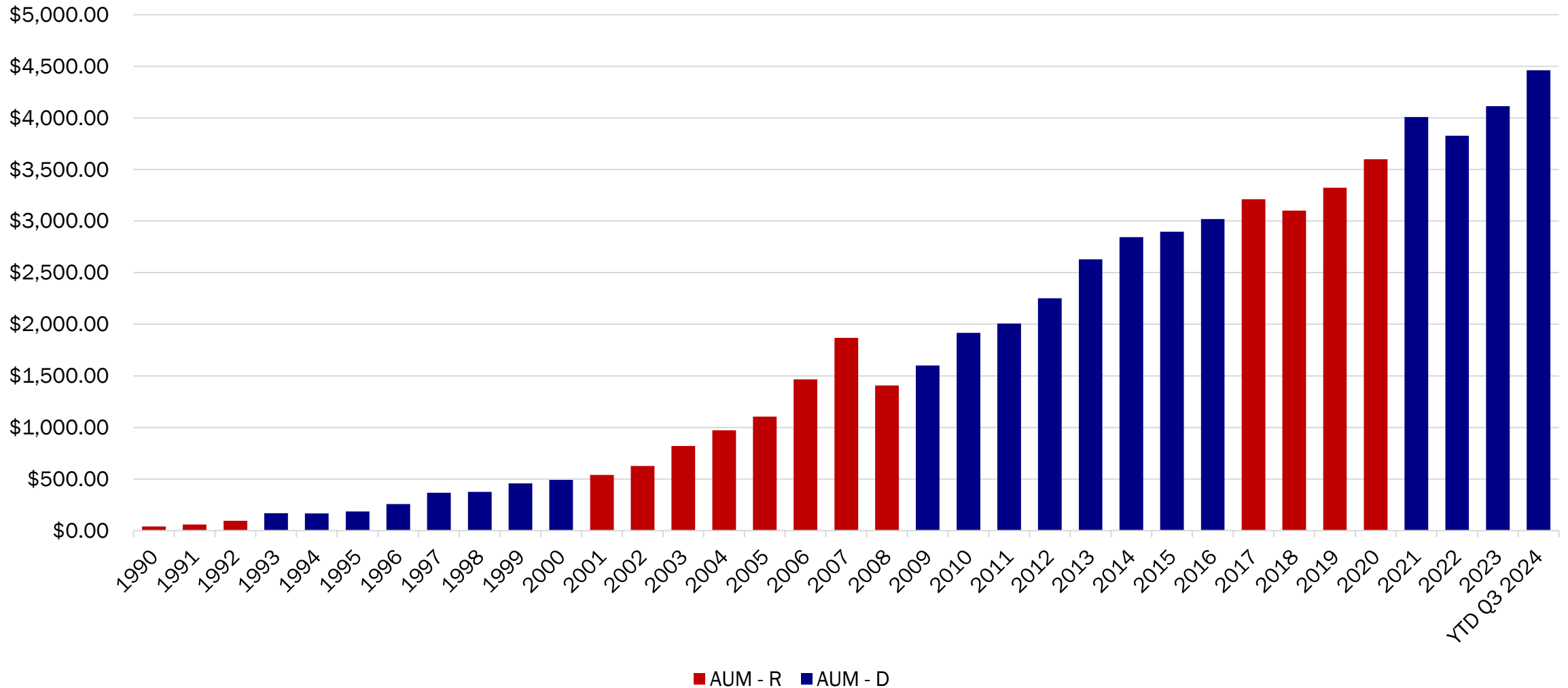


HFRI RVA NAV, Republican vs. Democrat as President



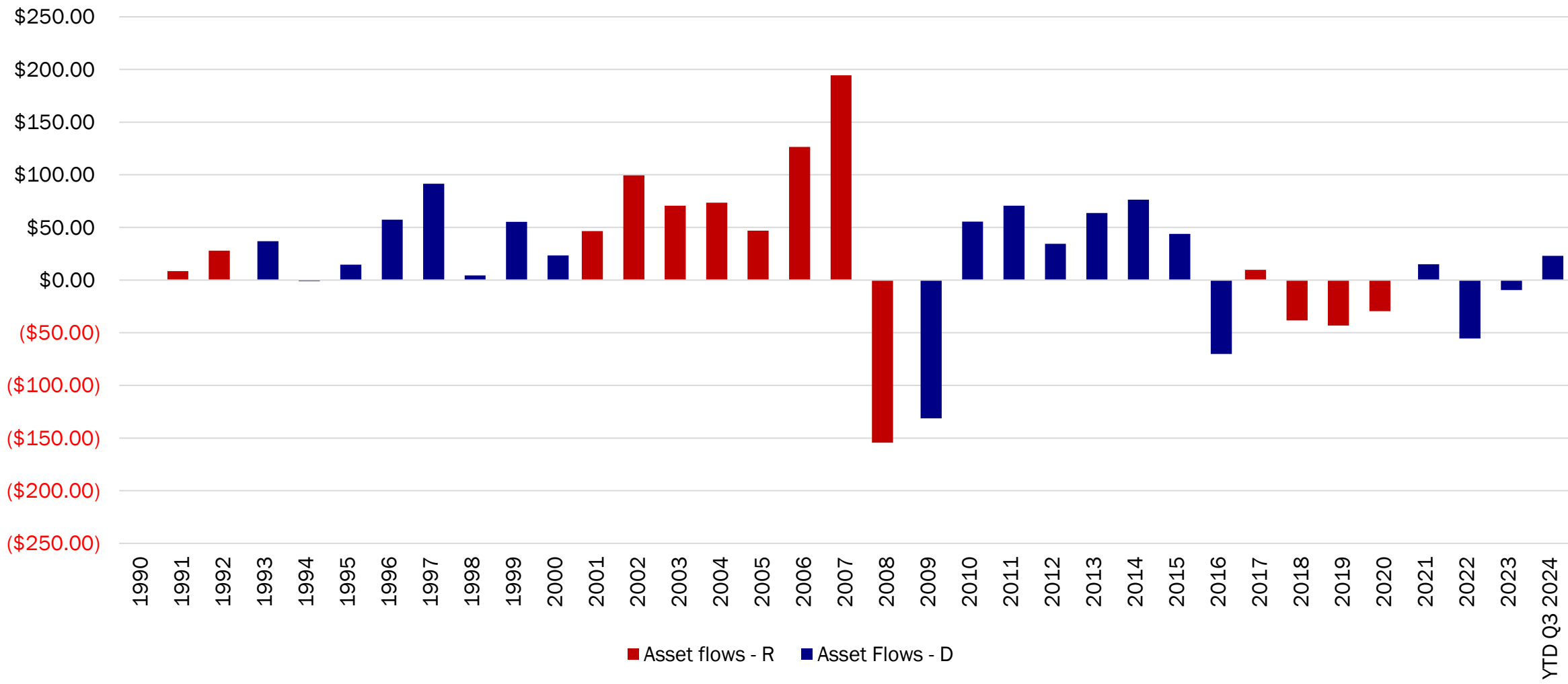
Estimated Annual Growth of Hedge Fund Industry Assets (\$BN)

Republican vs. Democrat as President



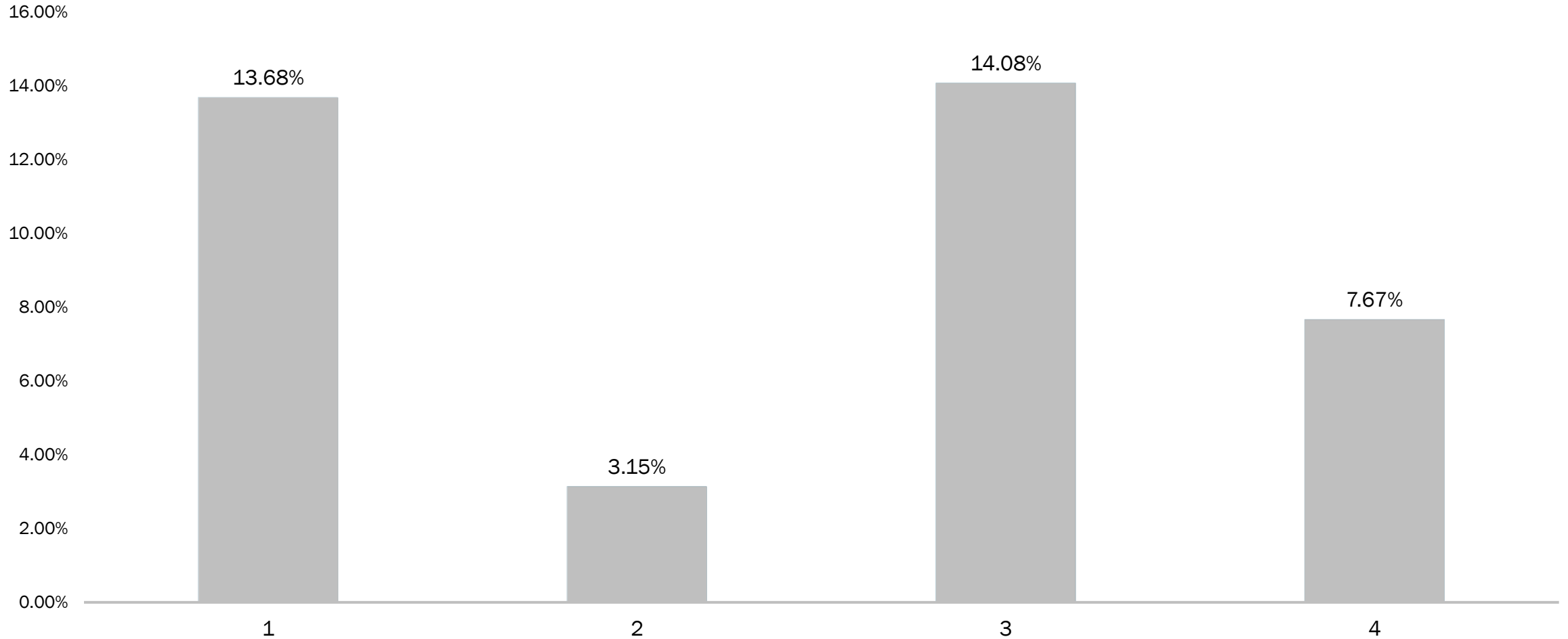
Estimated Hedge Fund Industry Asset Flow (\$BN)

Republican vs. Democrat as President

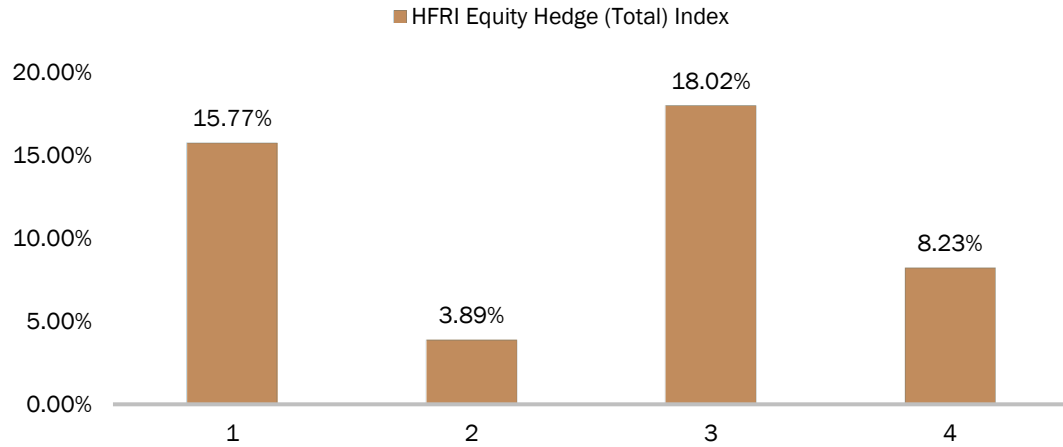


HFRI Fund Weighted Composite Index Annualized Performance Throughout Presidential Term (By Year)

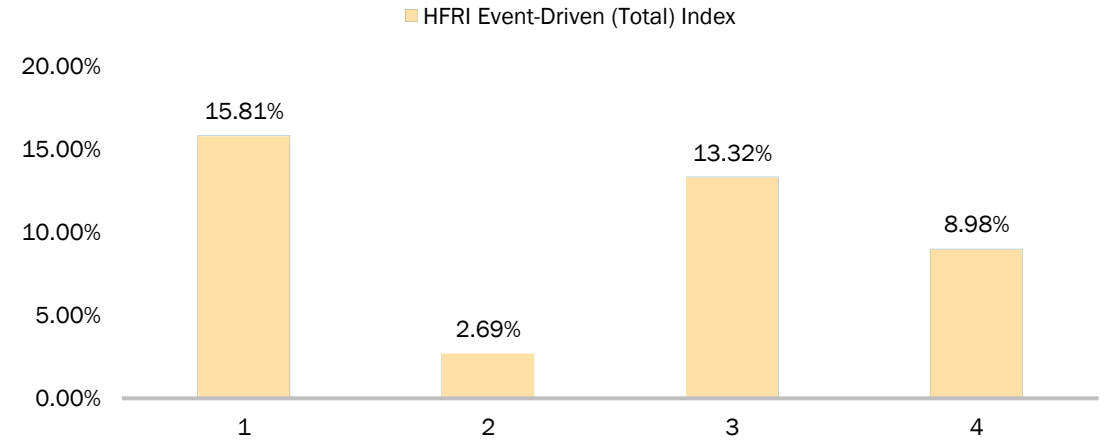
■ HFRI Fund Weighted Composite Index



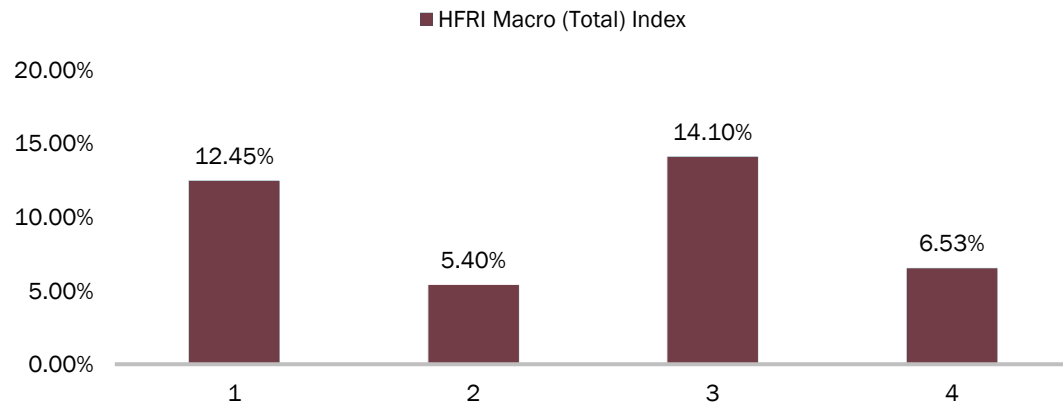
HFRIEH Annualized Performance Throughout Presidential Term (By Year)



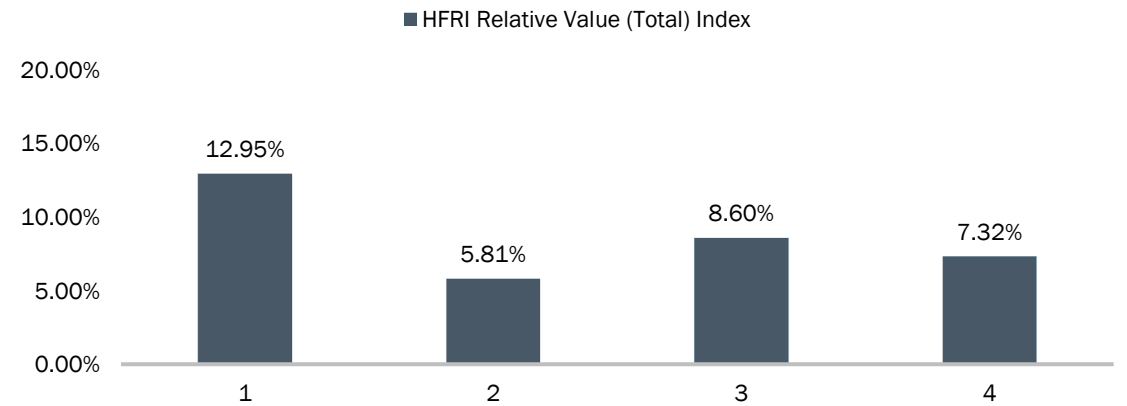
HFRIED Annualized Performance Throughout Presidential Term (By Year)



HFRIMacro Annualized Performance Throughout Presidential Term (By Year)

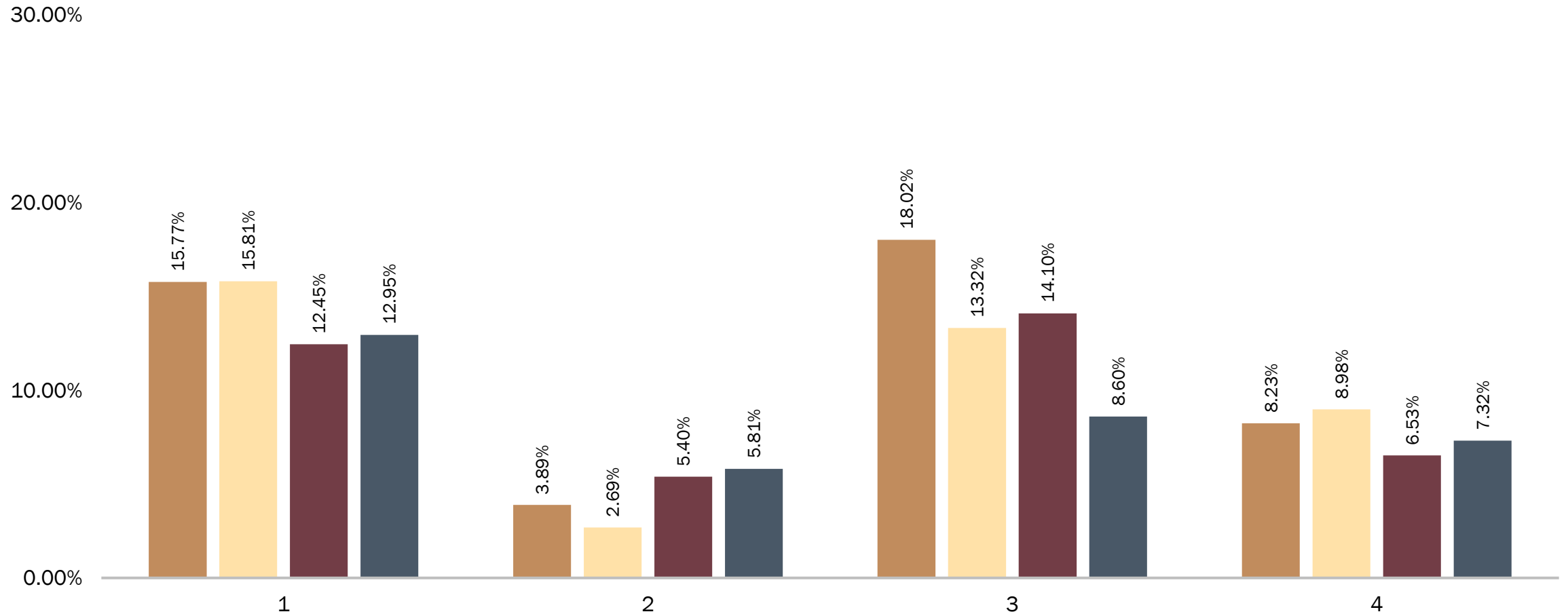


HFRI RVA Annualized Performance Throughout Presidential Term (By Year)

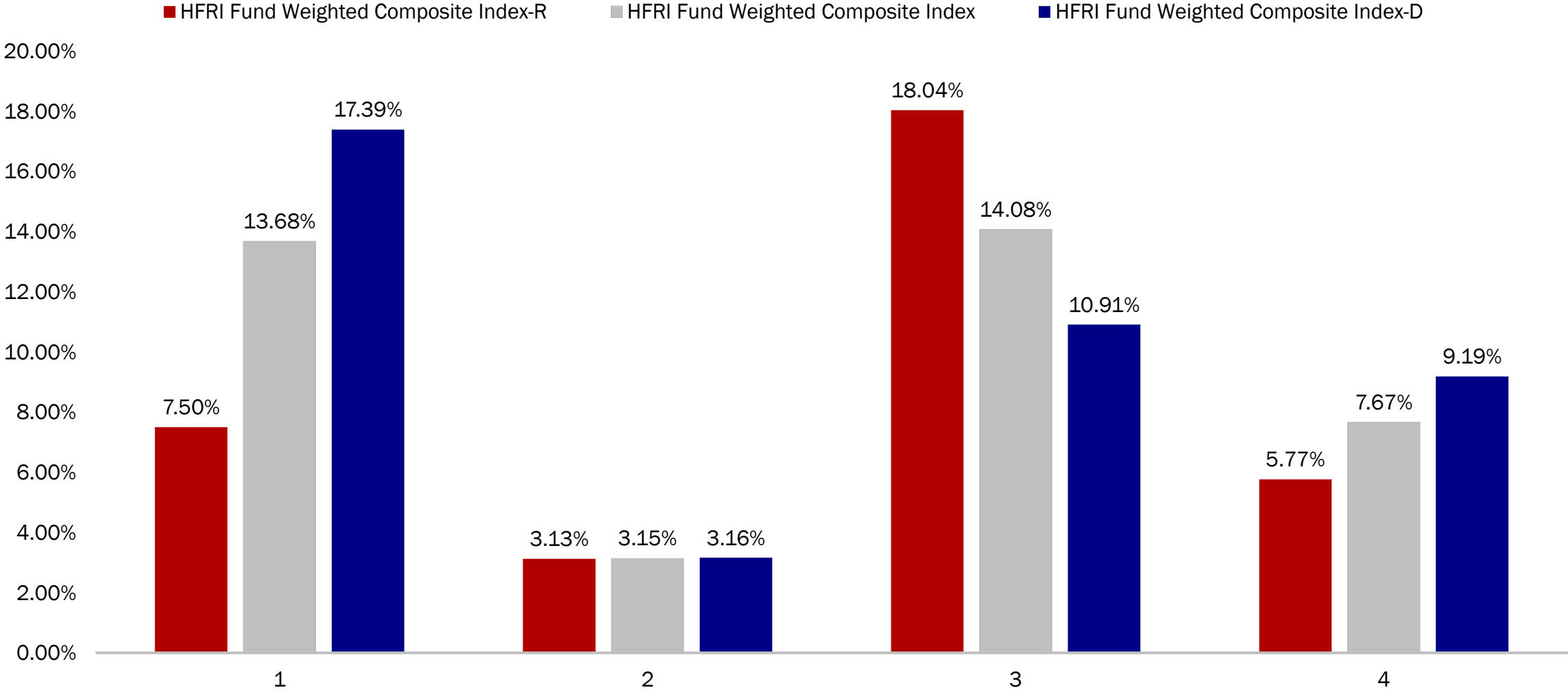


Strategy Indices Annualized Performance by Term Year

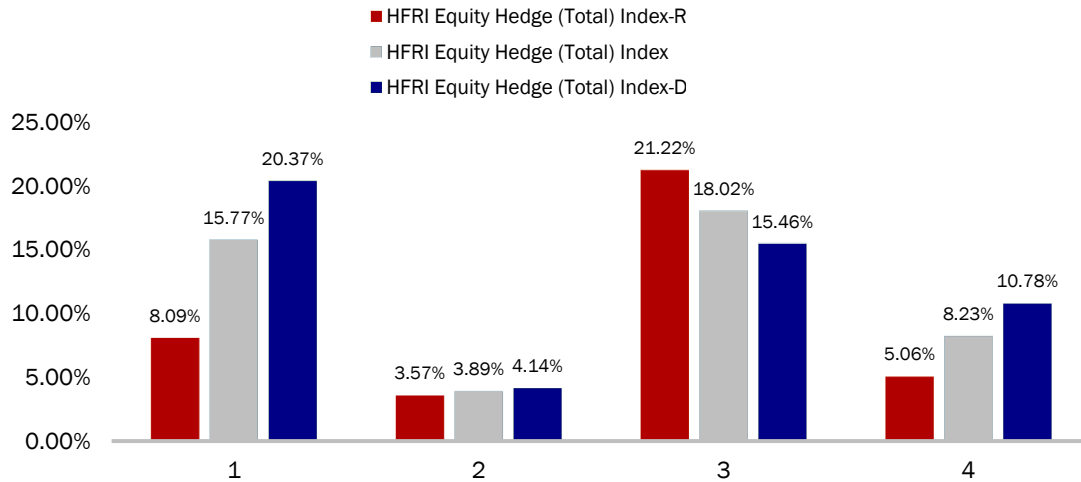
■ HFRI Equity Hedge (Total) Index ■ HFRI Event-Driven (Total) Index ■ HFRI Macro (Total) Index ■ HFRI Relative Value (Total) Index



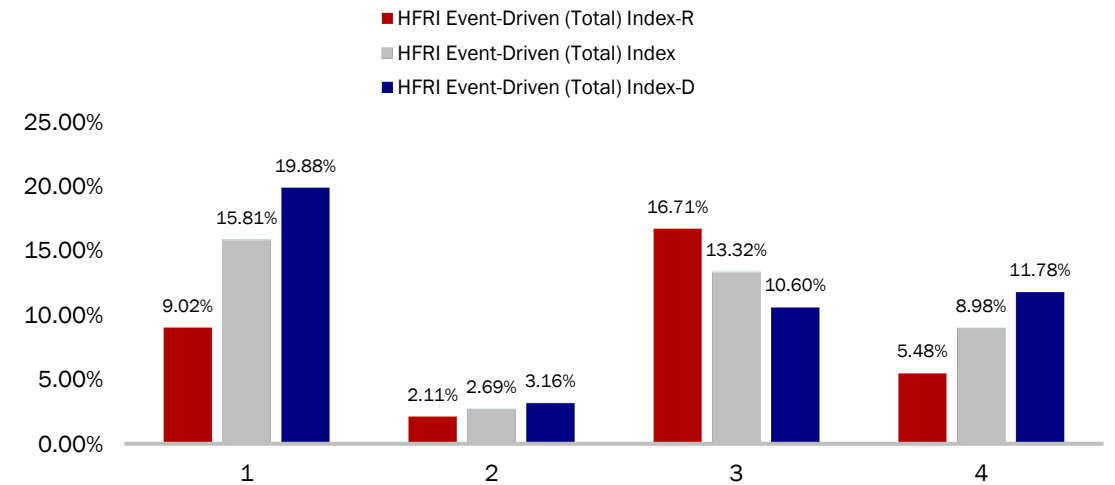
HFRI Fund Weighted Composite Performance Throughout Presidential Term (By Year)



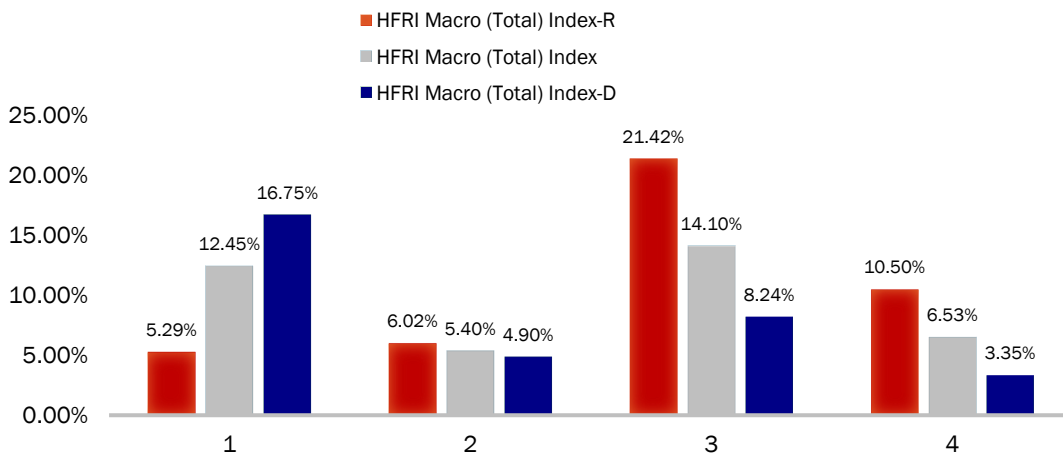
HFRIEH Annualized Performance Throughout Presidential Term (By Year)



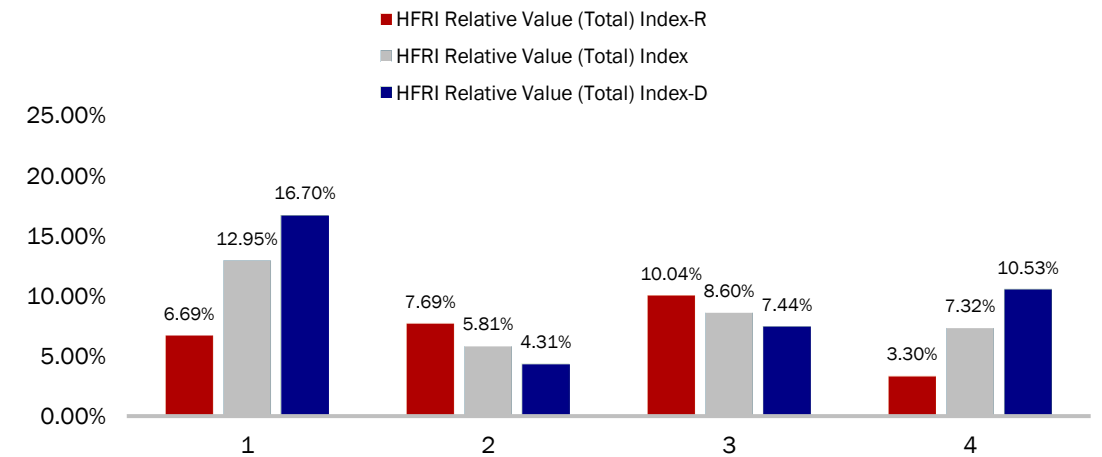
HFRIED Annualized Performance Throughout Presidential Term (By Year)



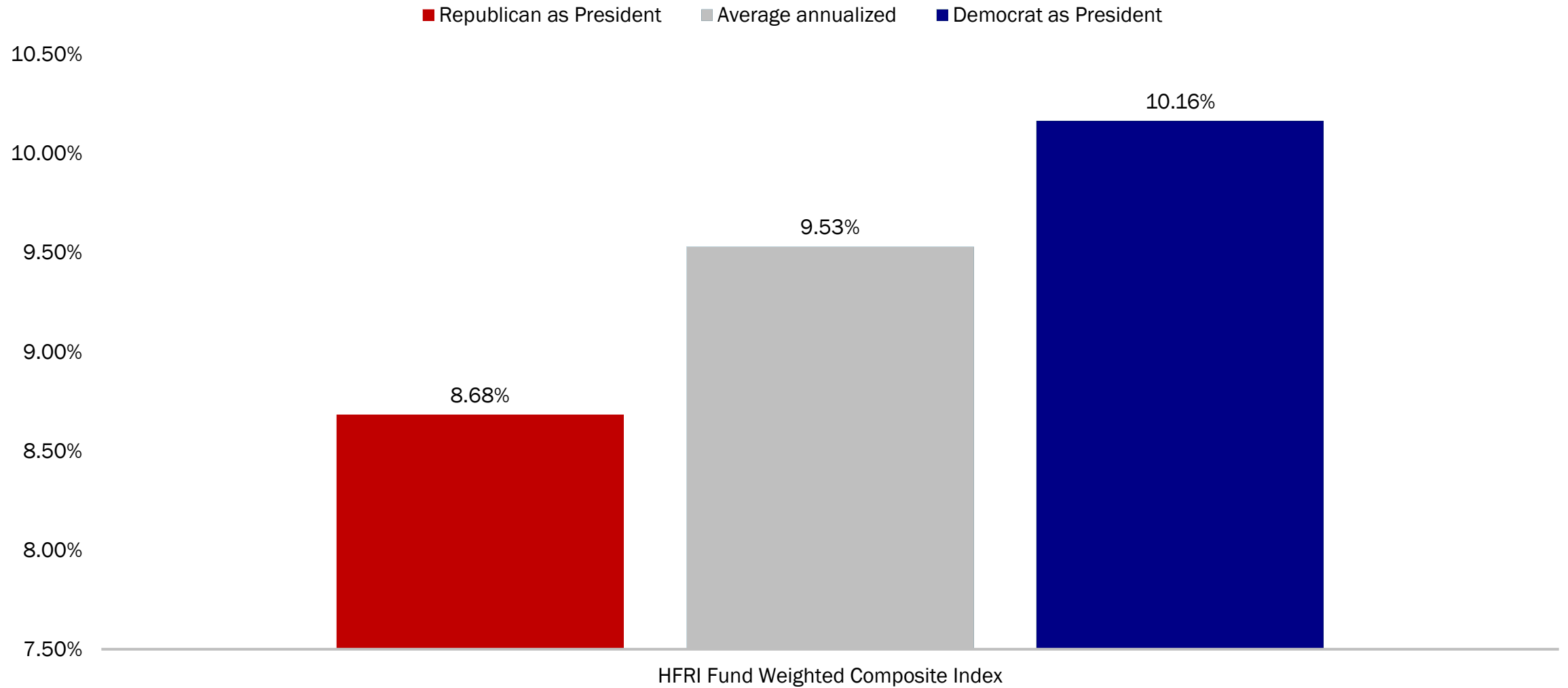
HFRI Macro Annualized Performance Throughout Presidential Term (By Year)



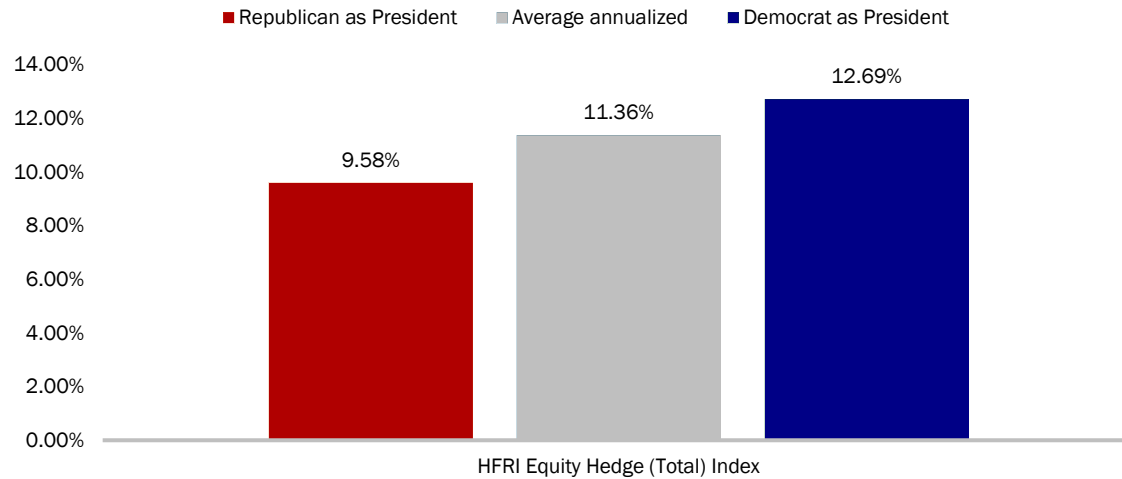
HFRI RVA Annualized Performance Throughout Presidential Term (By Year)



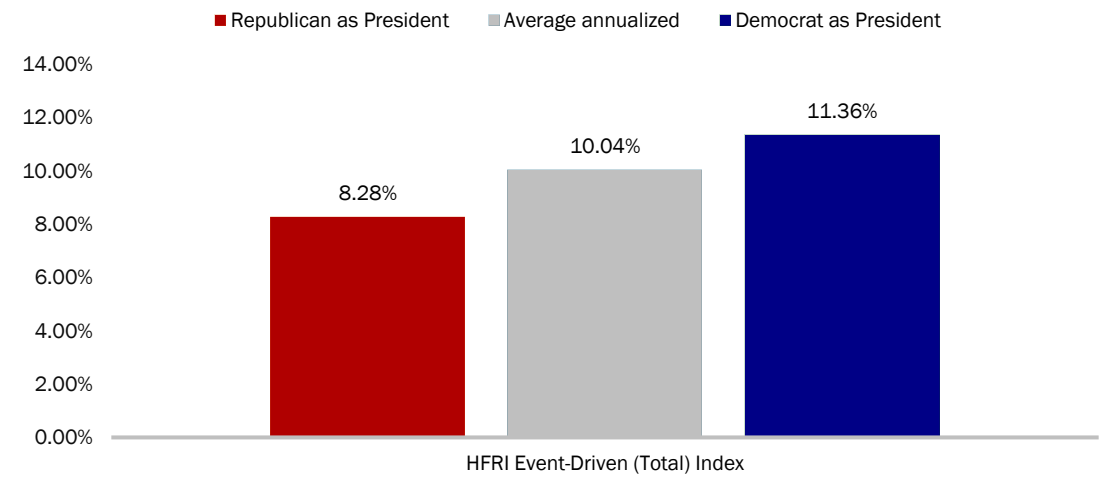
HFRIFWC Annualized Performance, Republican vs. Democrat as President



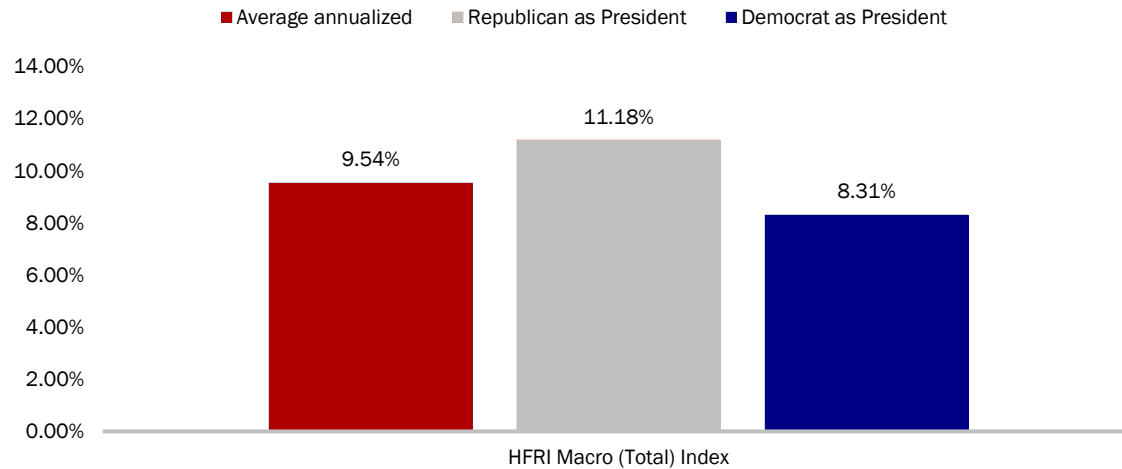
HFRIEH Annualized Performance, Republican vs. Democrat as President



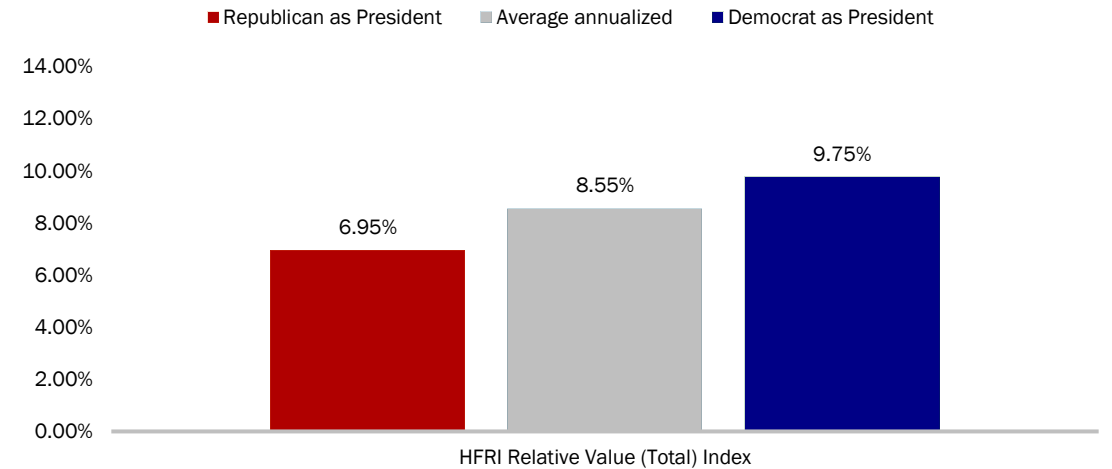
HFRIED Annualized Performance, Republican vs. Democrat as President



HFRI Macro Annualized Performance, Republican vs. Democrat as President



HFRI RVA Annualized Performance, Republican vs. Democrat as President

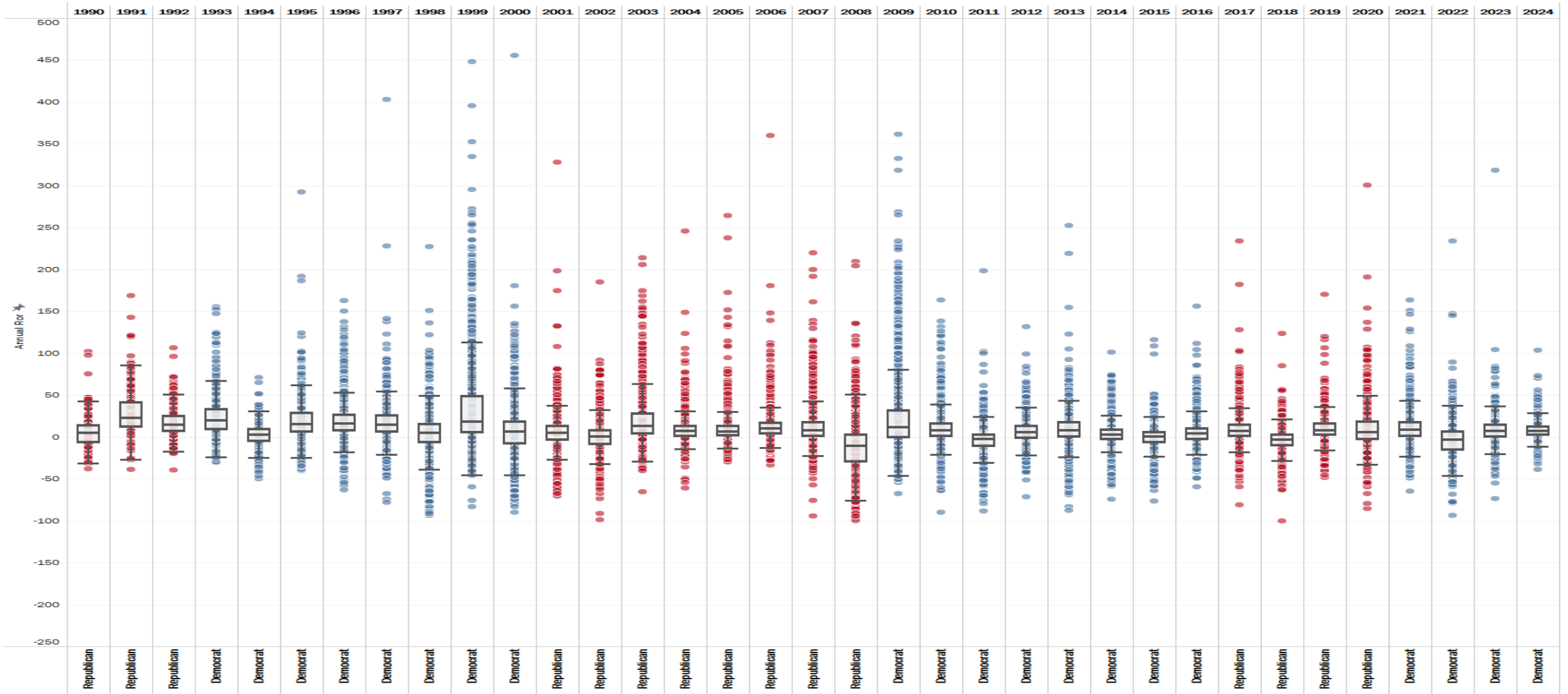


The background of the slide is a close-up, slightly blurred image of the American flag, showing the stars and stripes in shades of blue, white, and red. The lighting is dramatic, with some areas being brighter than others, creating a sense of depth and texture.

Presidential Party & Hedge Fund Performance Dispersion

Year / Presidential Party

■ Republican as President ■ Democrat as President

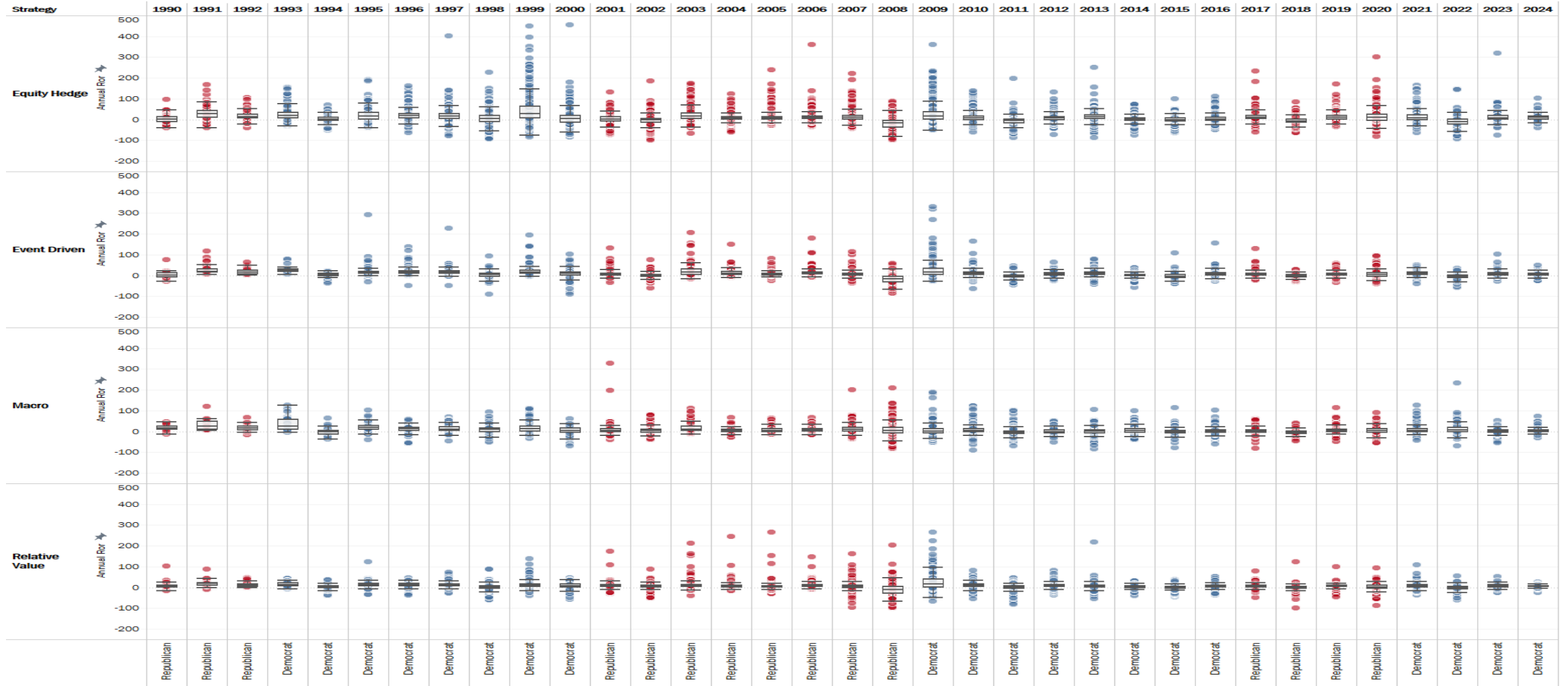


Sum of Annual Ror for each President Party broken down by Year. Color shows details about President Party. Details are shown for Year and Fund Name. The view is filtered on Year, which excludes NULL.

The boxes indicate the middle 50 percent of the data (the middle two quartiles of the data's distribution), with the dividing line representing the median of the distribution. The whiskers display all points within 1.5 times the interquartile range (i.e., all points within 1.5 times the width of the adjoining box)

Year / Presidential Party by Strategy

■ Republican as President ■ Democrat as President

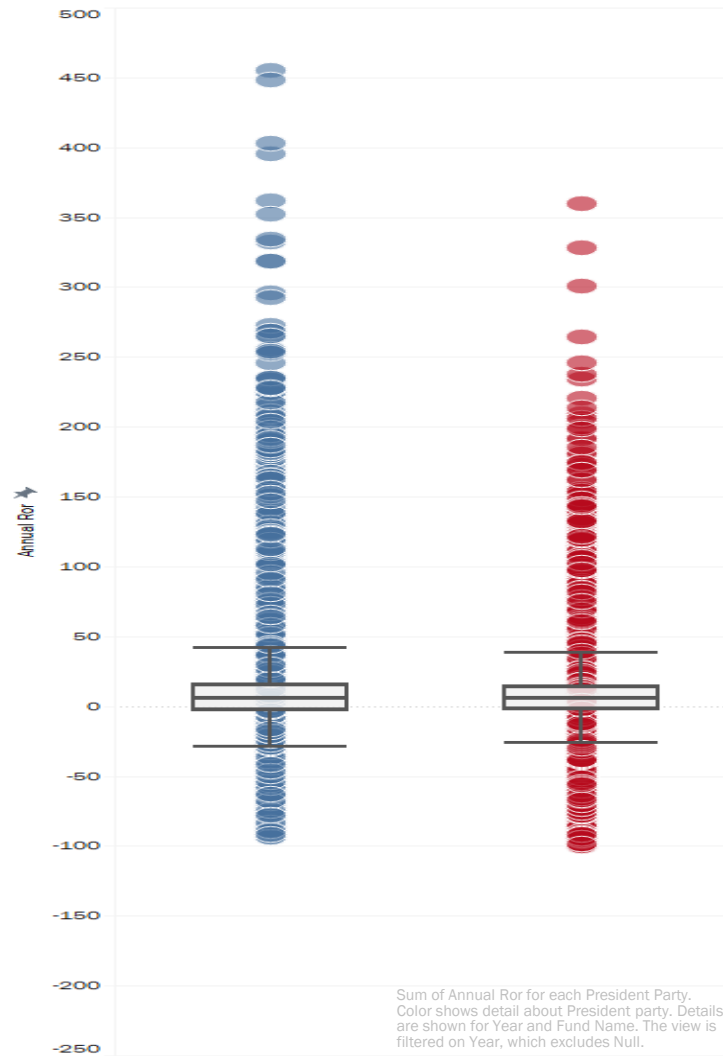


Sum of Annual Ror for each President Party broken down by Year vs. Strategy. Color shows details about President Party. Details are shown for Year and Fund Name. The view is filtered on Year, which excludes Null.

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Year / Presidential Party

■ Republican as President ■ Democrat as President

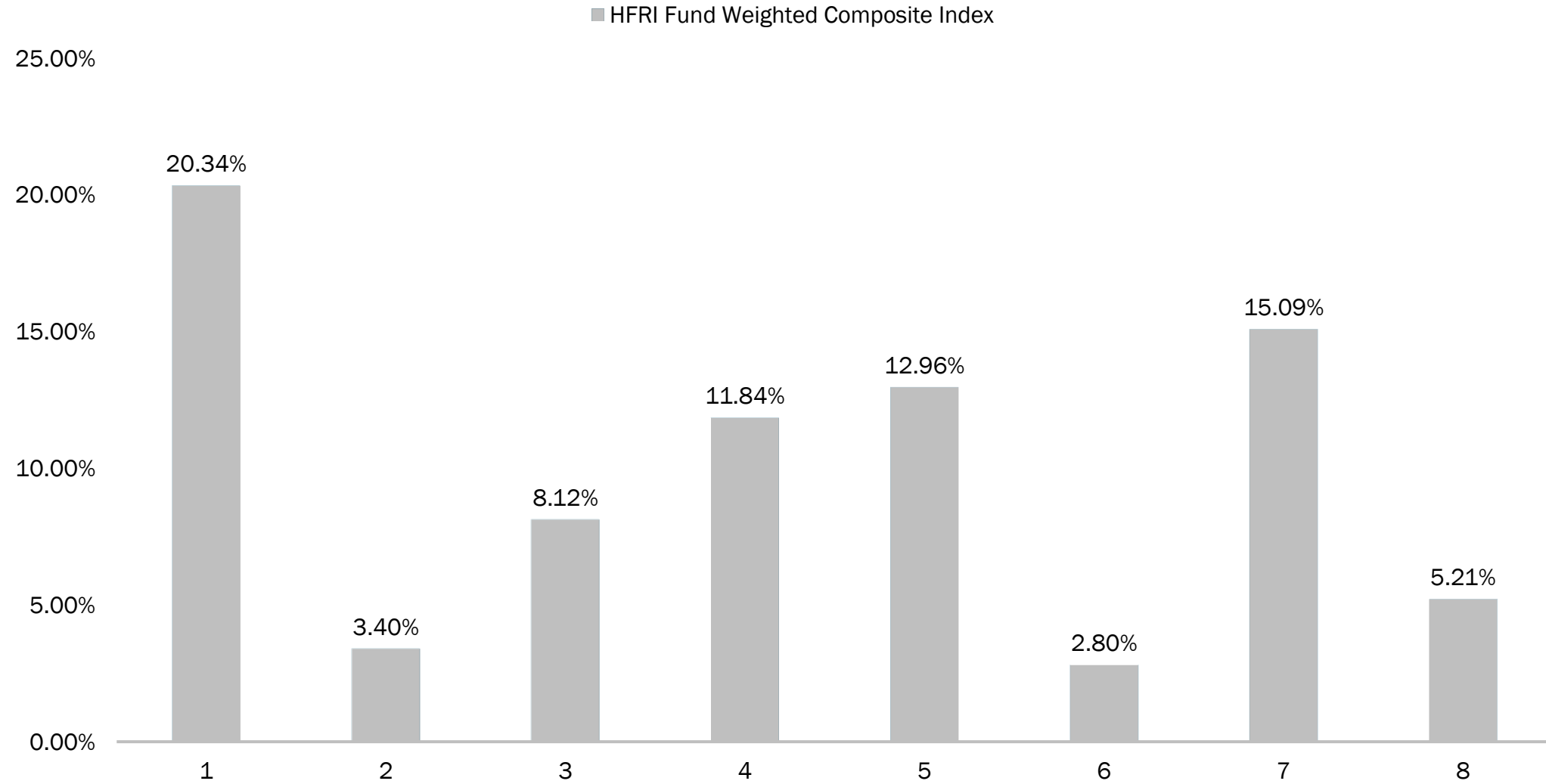


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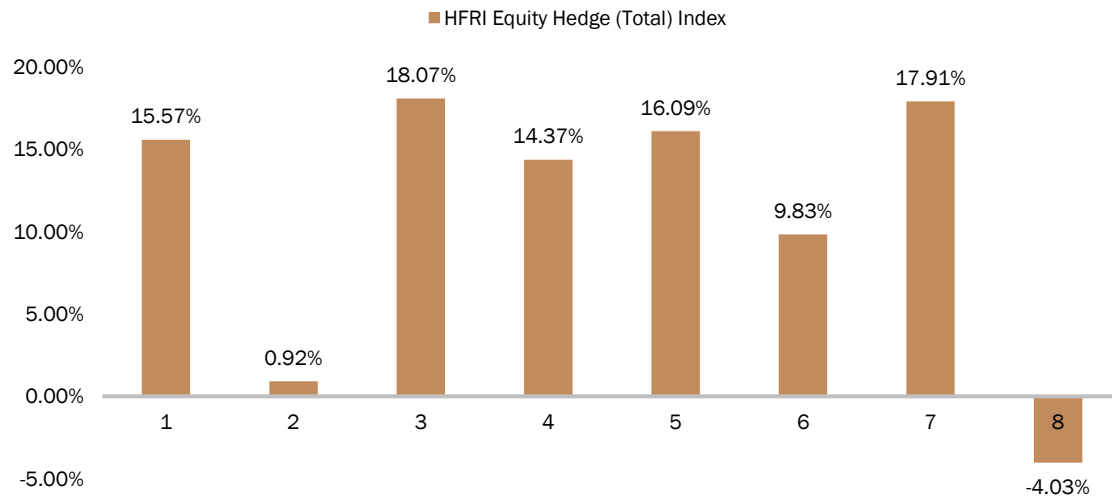
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Presidential Party & Hedge Fund Performance (Years 1-8)

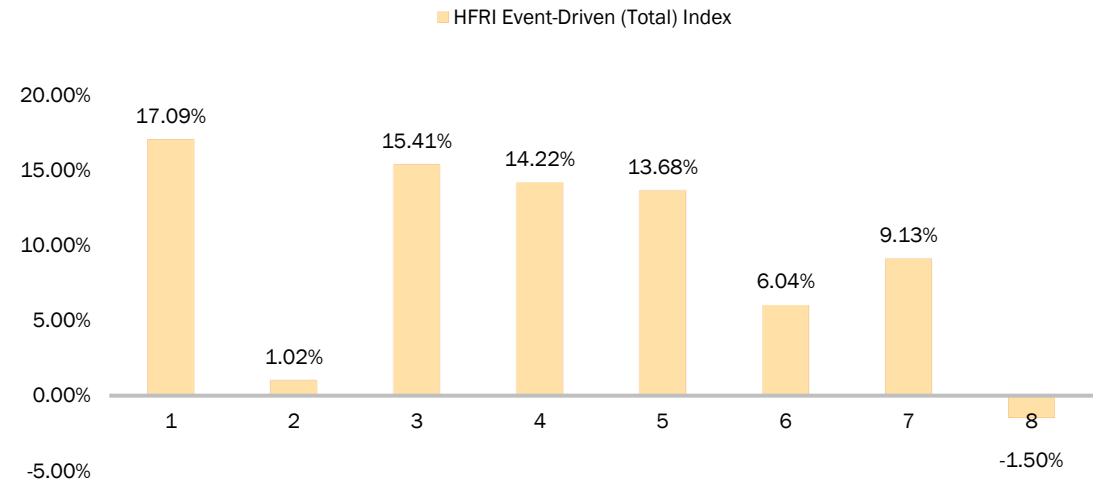
HFRIFWC Annualized Performance Throughout Presidential Term (By Year)



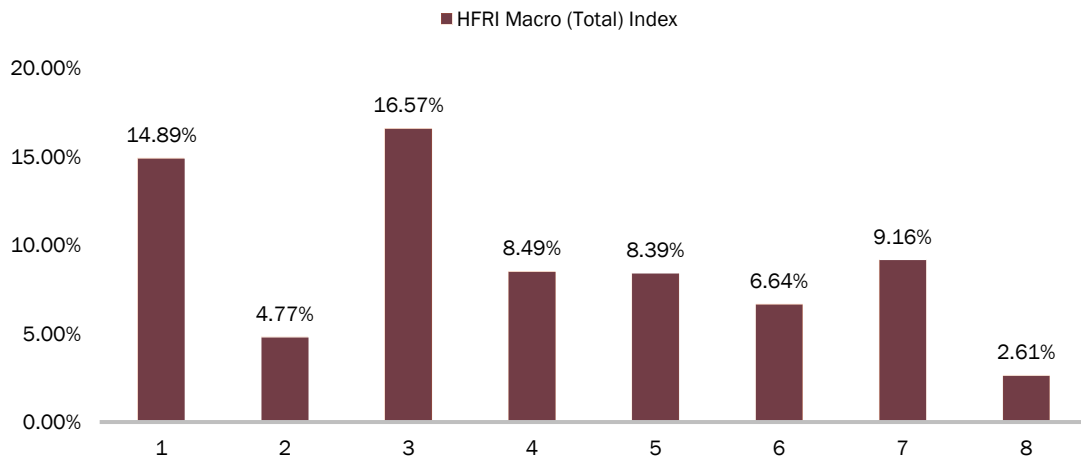
HFRIEH Annualized Performance Throughout Presidential Term (By Year)



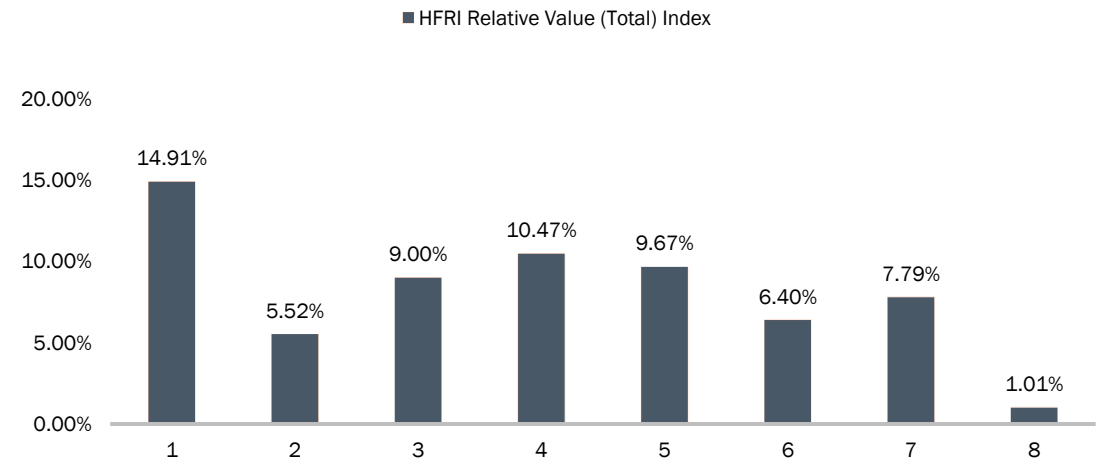
HFRIED Annualized Performance Throughout Presidential Term (By Year)



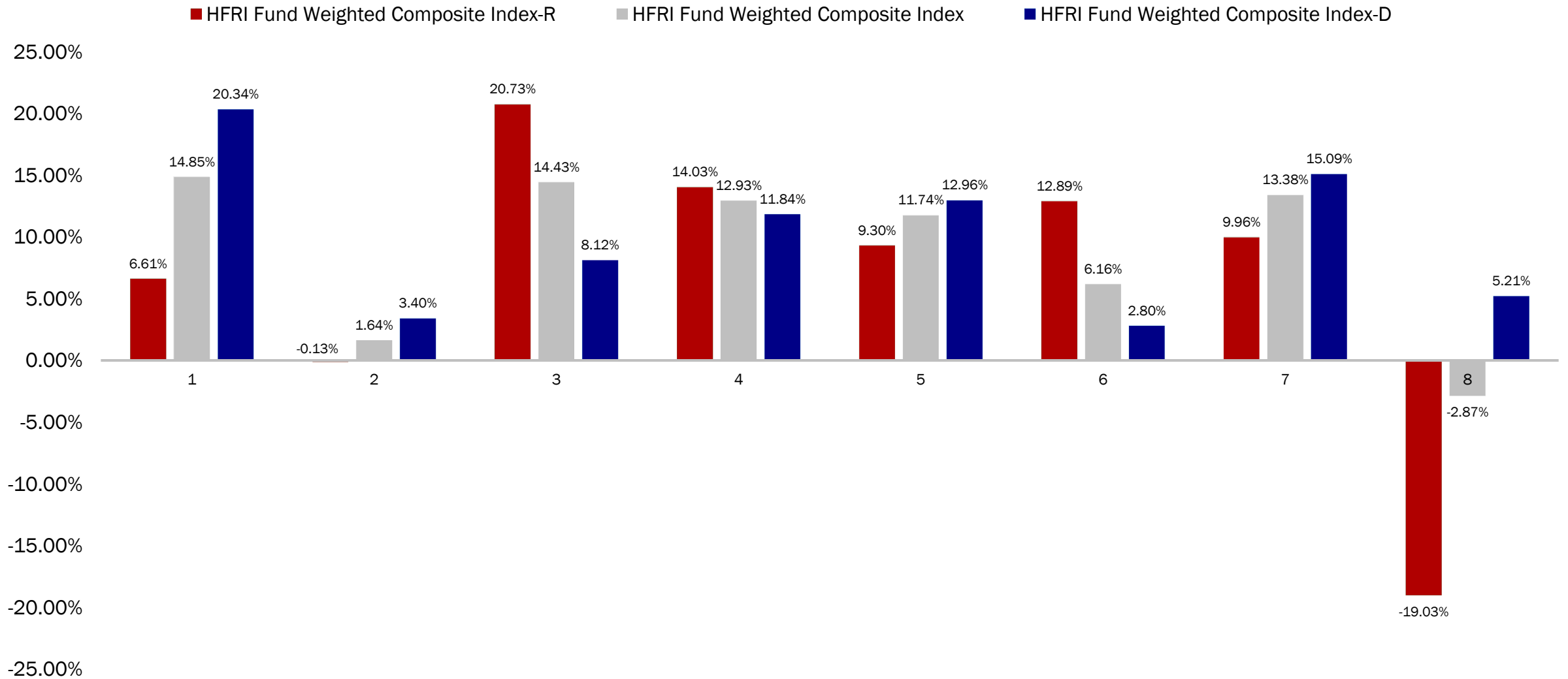
HFRI Macro Annualized Performance Throughout Presidential Term (By Year)



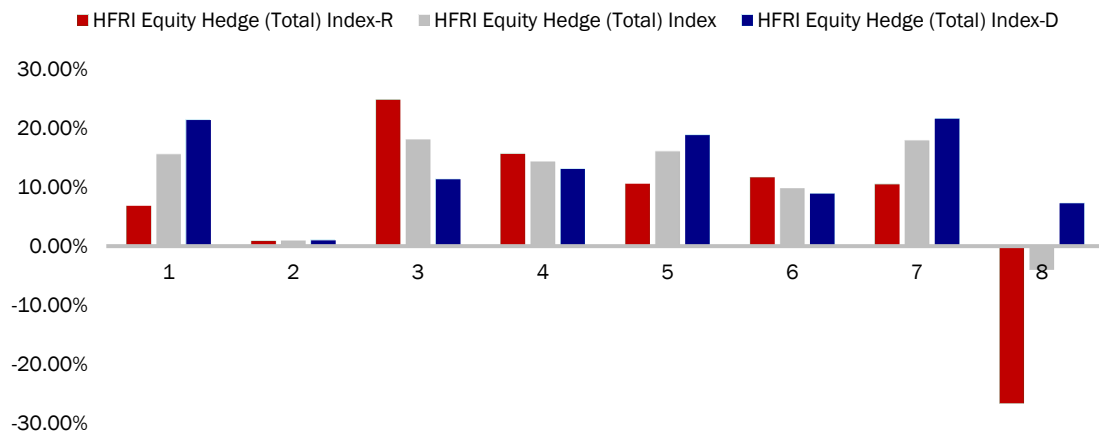
HFRI RVA Annualized Performance Throughout Presidential Term (By Year)



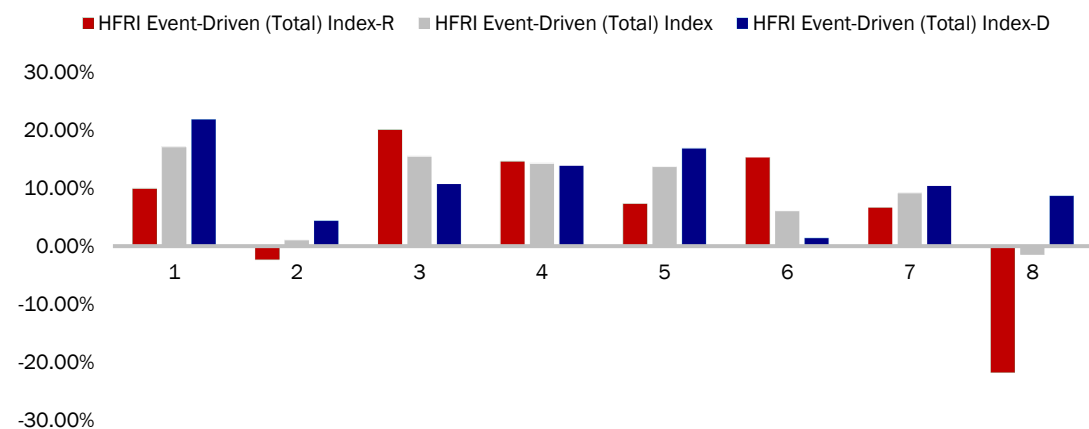
HFRIFWC Annualized Performance Throughout Presidential Term (By Year)



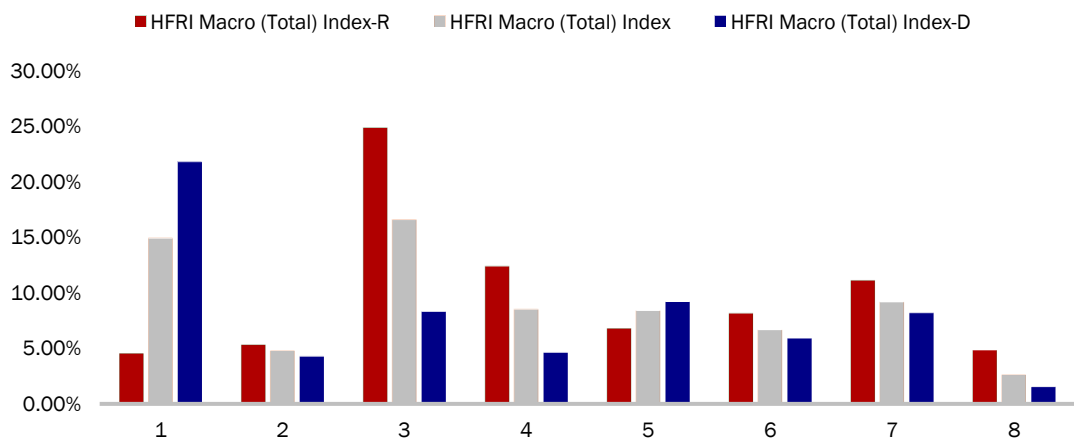
HFRIEH Annualized Performance Throughout Presidential Term (By Year)



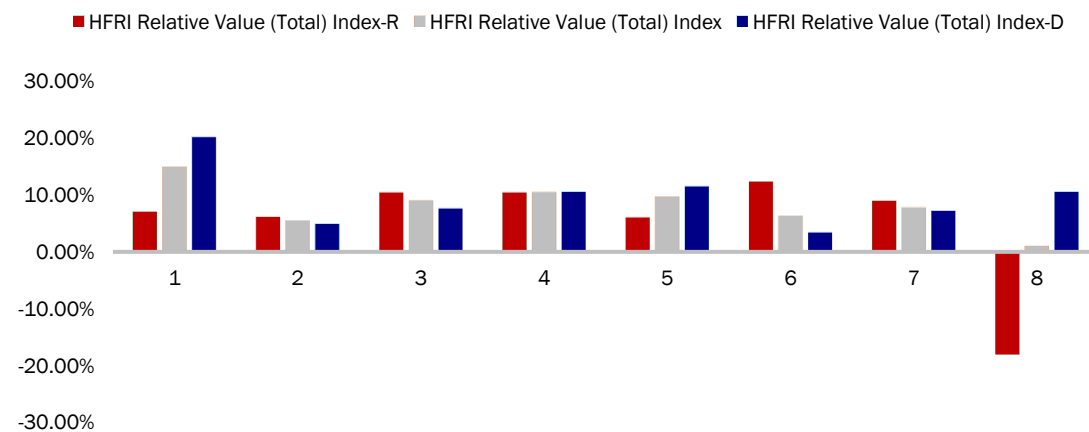
HFRIED Annualized Performance Throughout Presidential Term (By Year)



HFRI Macro Annualized Performance Throughout Presidential Term (By Year)



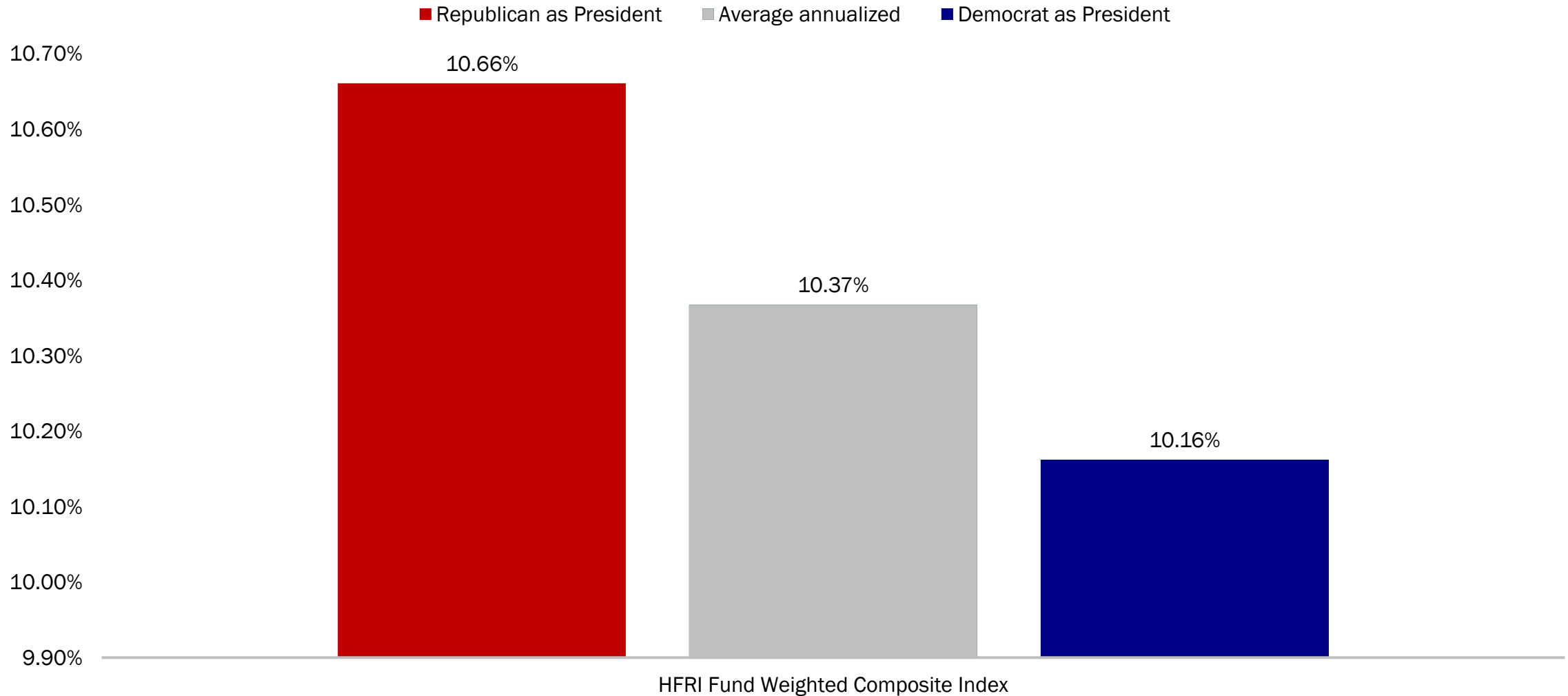
HFRI RVA Annualized Performance Throughout Presidential Term (By Year)



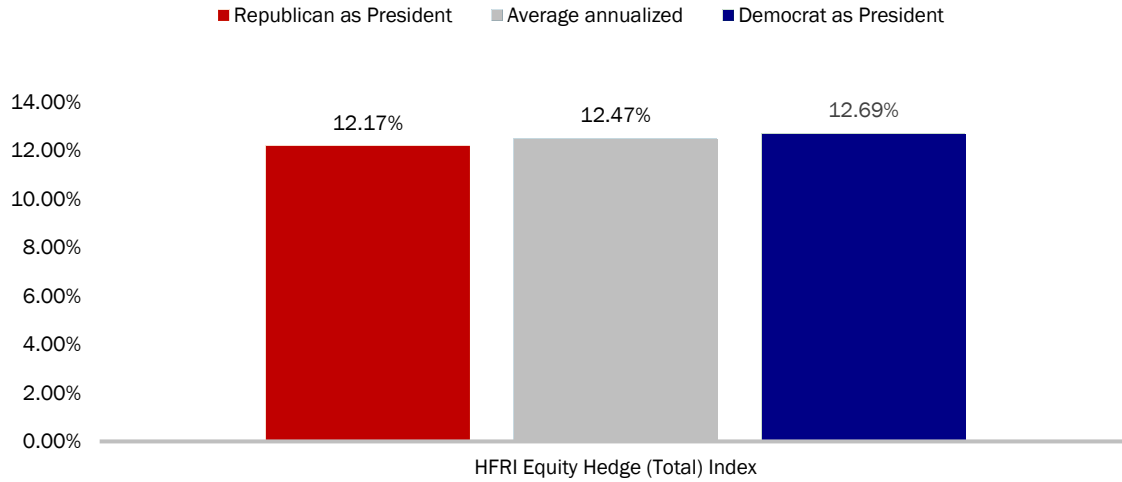
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Presidential Party & Hedge Fund
Performance (Excluding Financial Crisis)

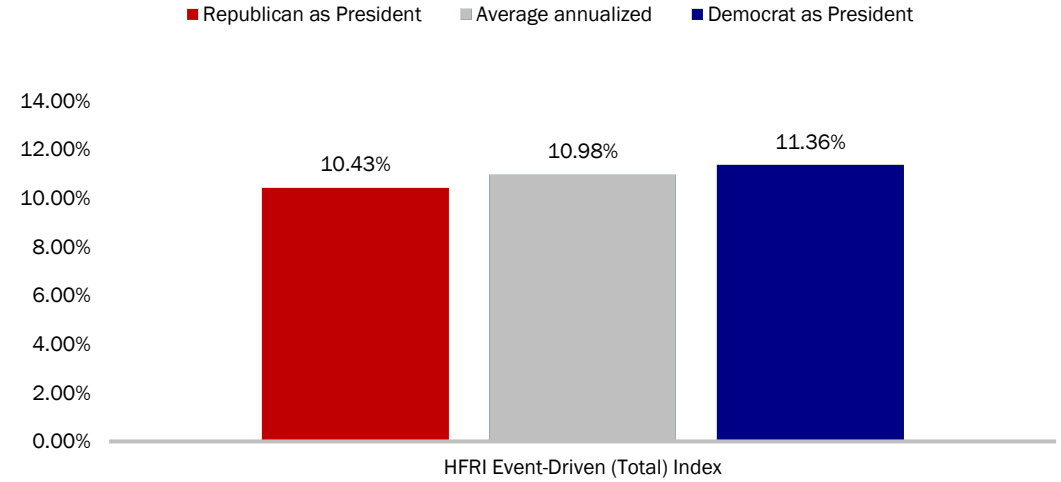
HFRI Fund Weighted Composite Index Annualized Performance, Republican vs. Democrat as President, 2008 Removed



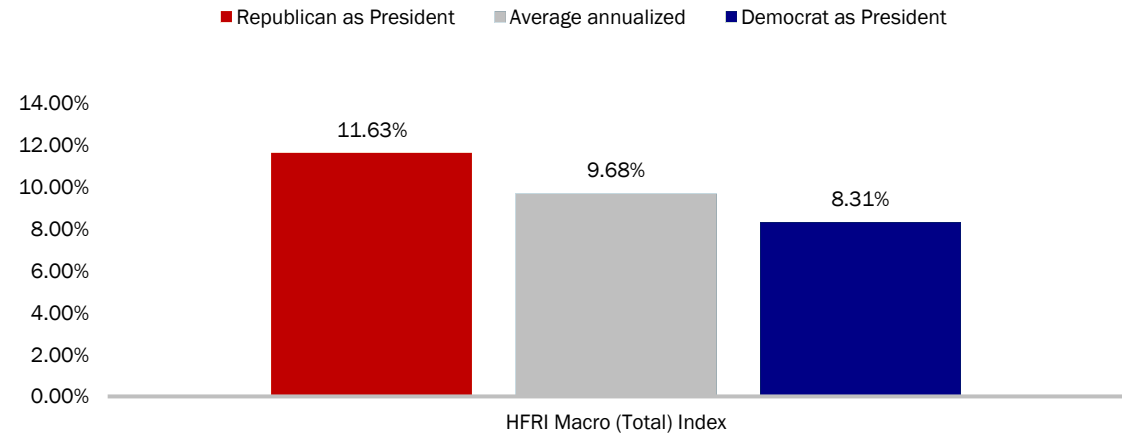
HFRIEH Annualized Performance, Republican vs. Democrat as President, 2008 Removed



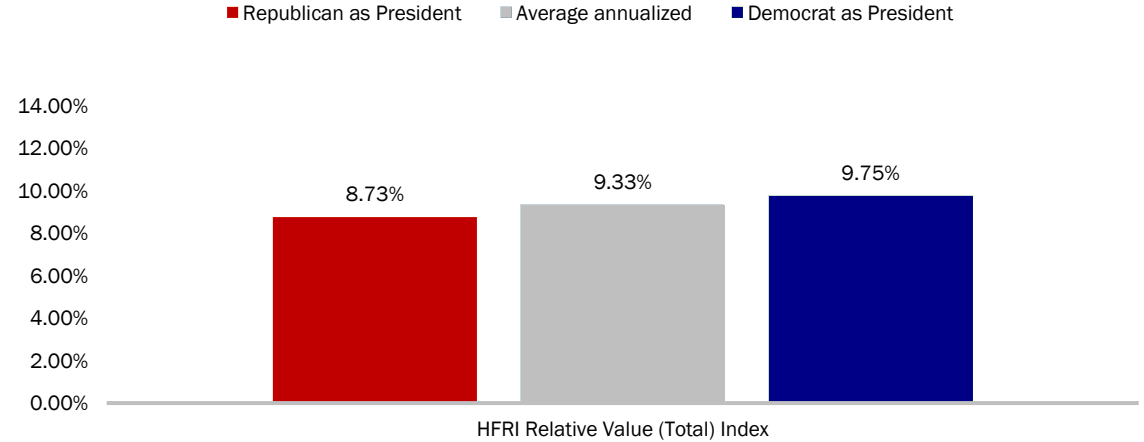
HFRIED Annualized Performance, Republican vs. Democrat as President, 2008 Removed



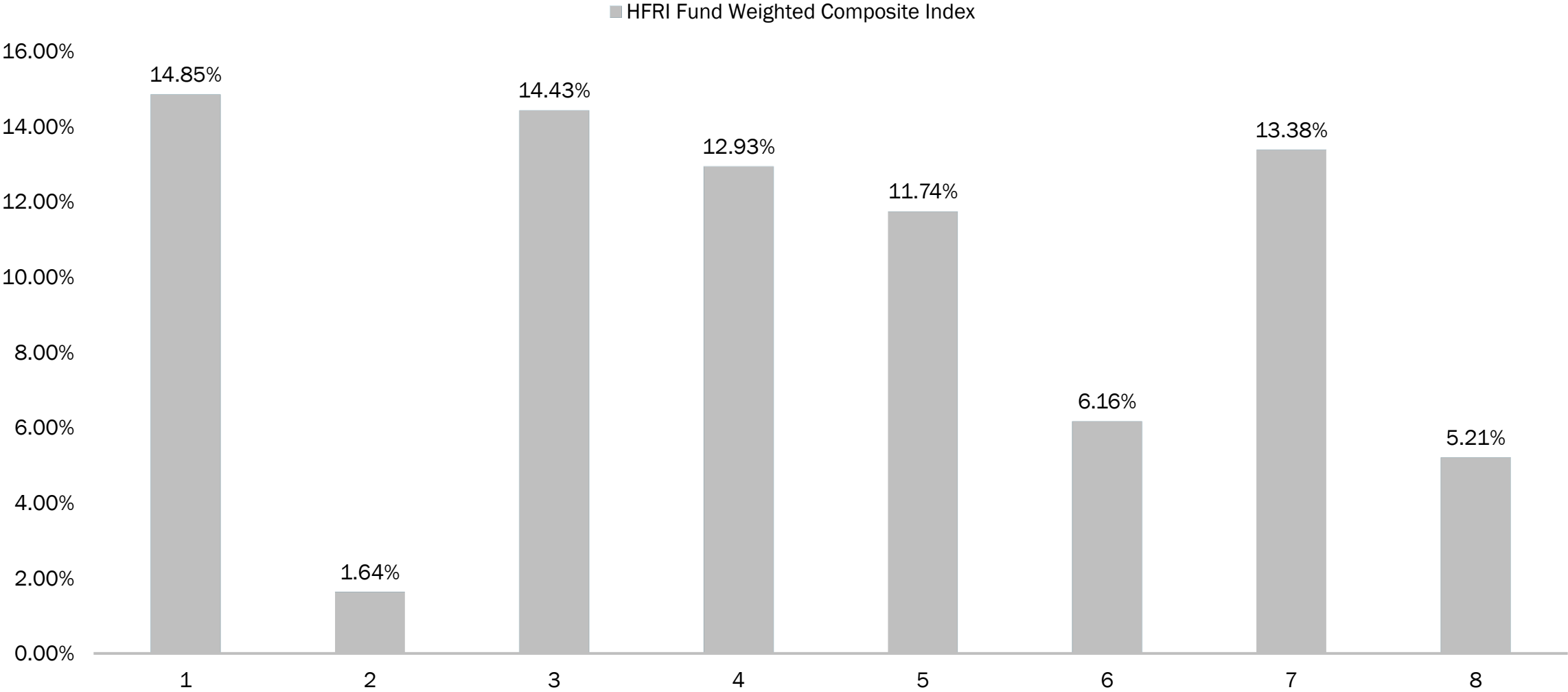
HFRI Macro Annualized Performance, Republican vs. Democrat as President, 2008 Removed



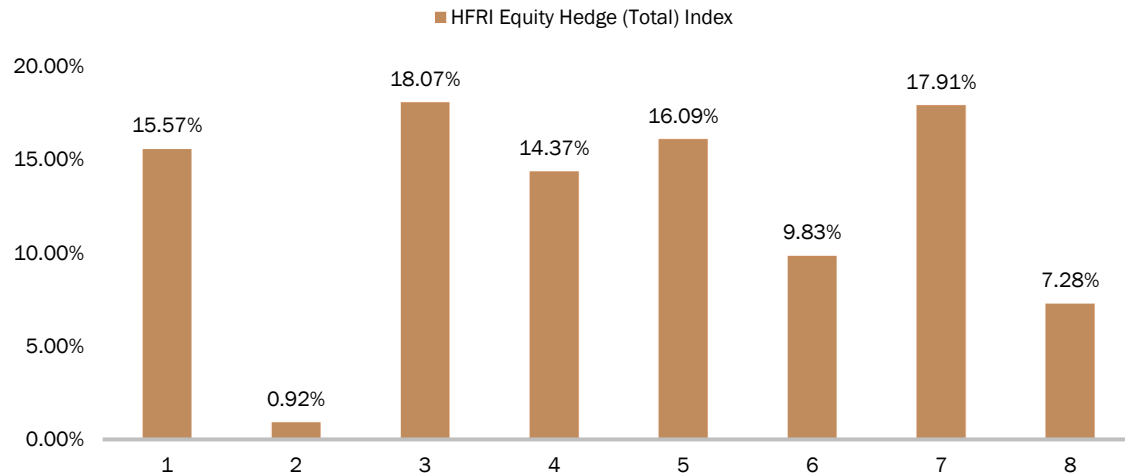
HFRI RVA Annualized Performance, Republican vs. Democrat as President, 2008 Removed



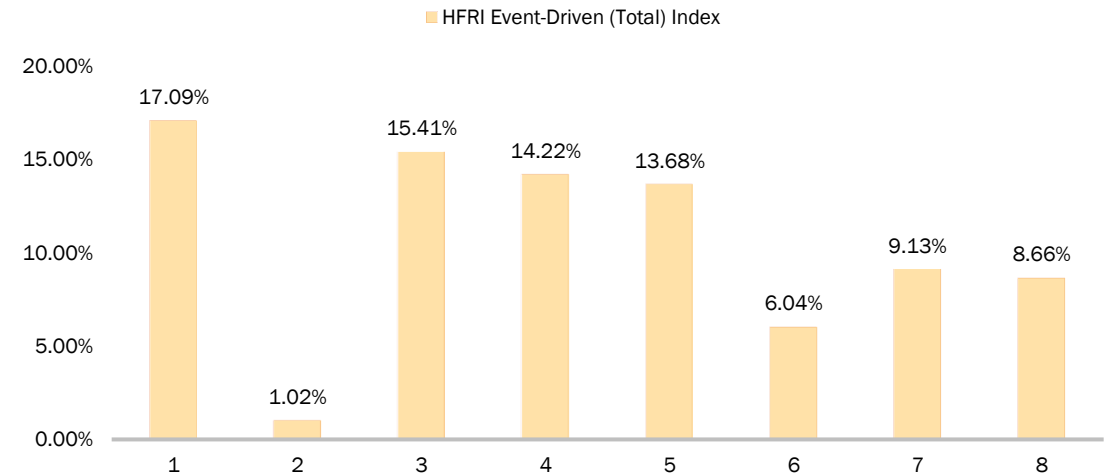
HFRI Fund Weighted Composite Index Annualized Performance Throughout Presidential Term (By Year), 2008 Removed



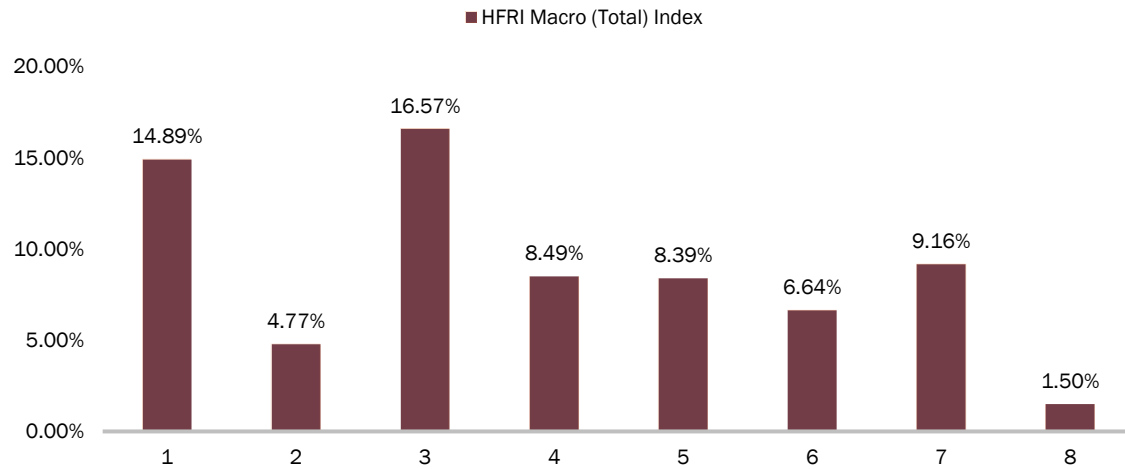
HFRIEH Annualized Performance Throughout Presidential Term (By Year), 2008 Removed



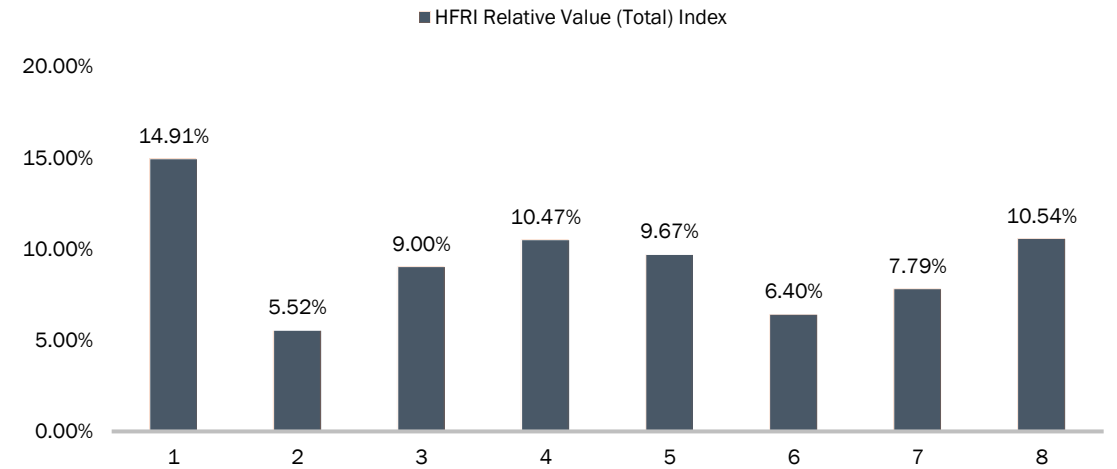
HFRIED Annualized Performance Throughout Presidential Term (By Year), 2008 Removed



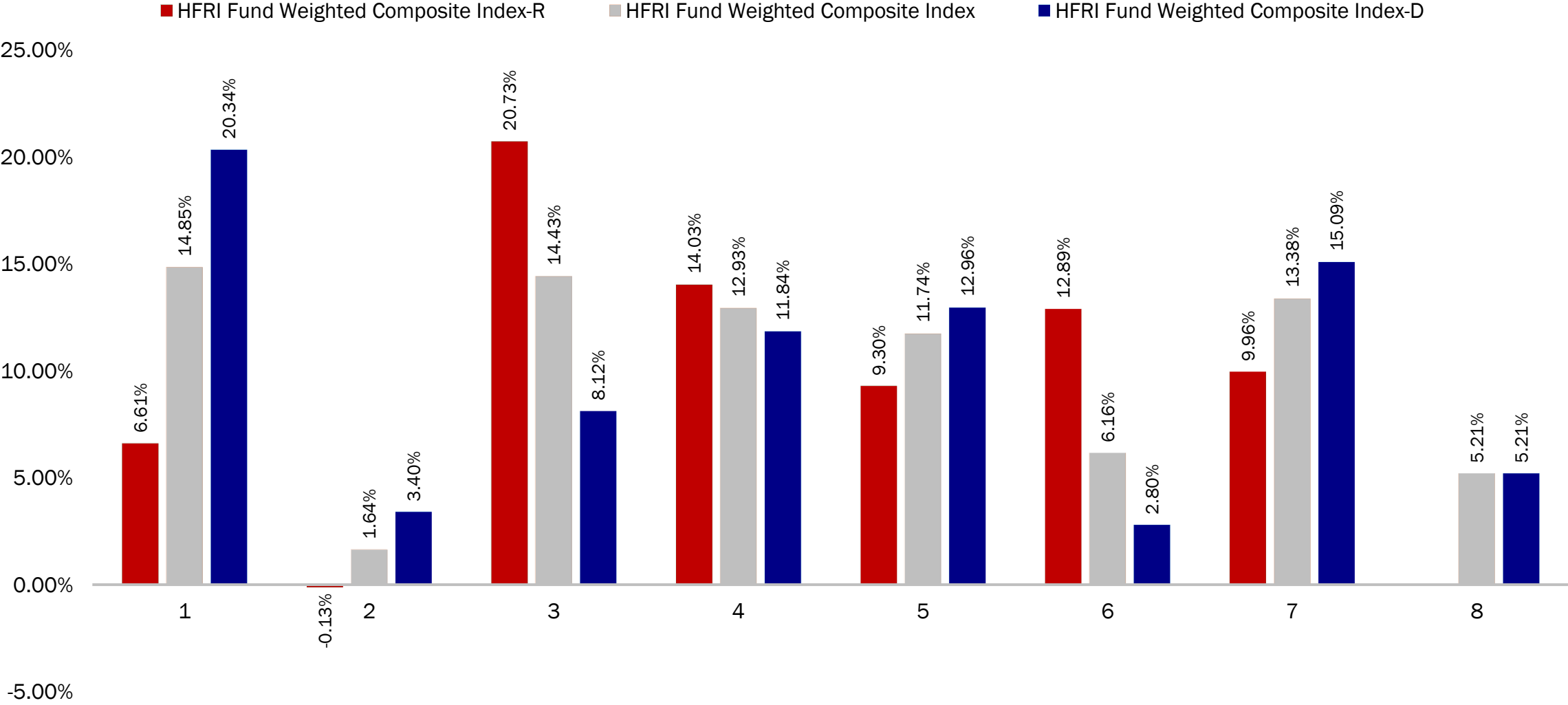
HFRI Macro Annualized Performance Throughout Presidential Term (By Year), 2008 Removed



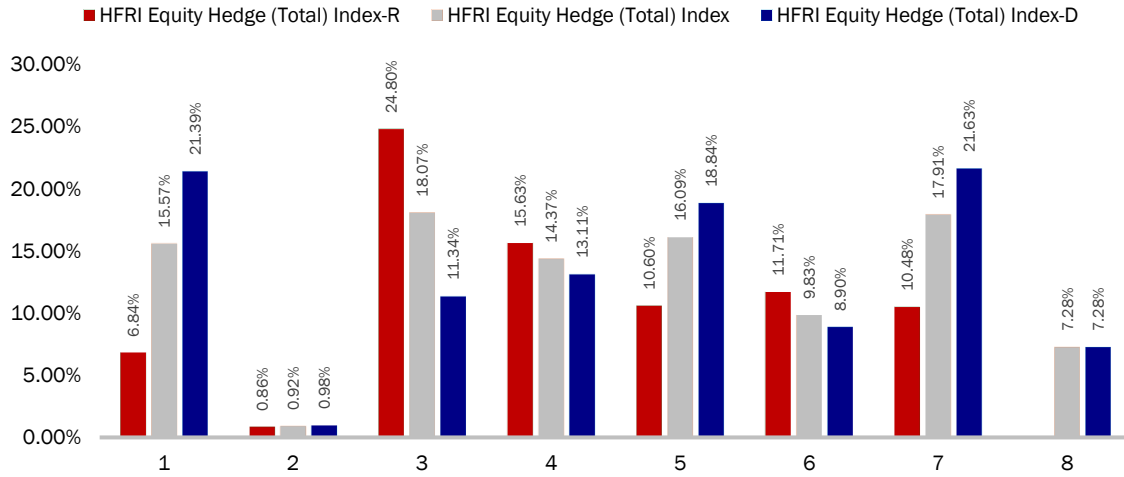
HFRI RVA Annualized Performance Throughout Presidential Term (By Year), 2008 Removed



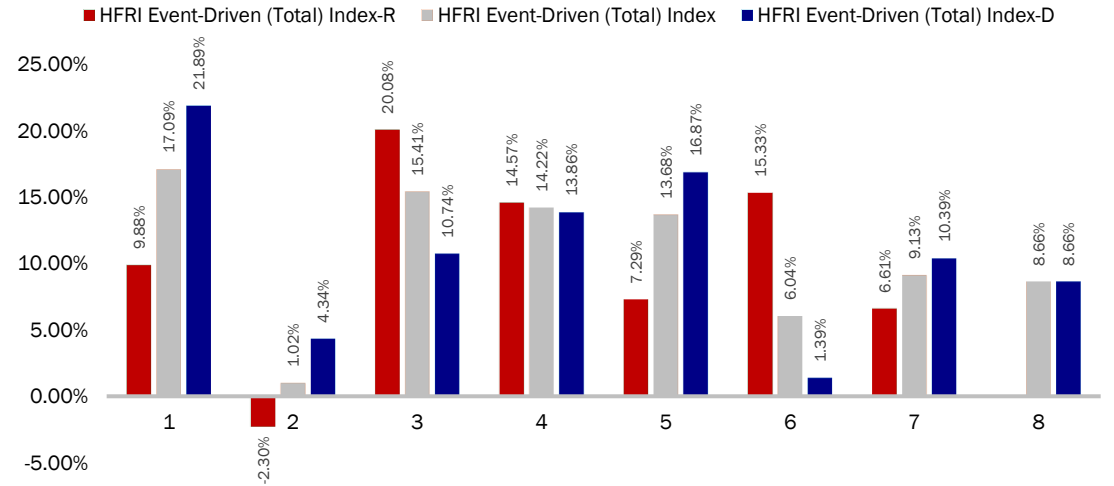
HFRIFWC Annualized Performance Throughout Presidential Term (By Year), 2008 Removed



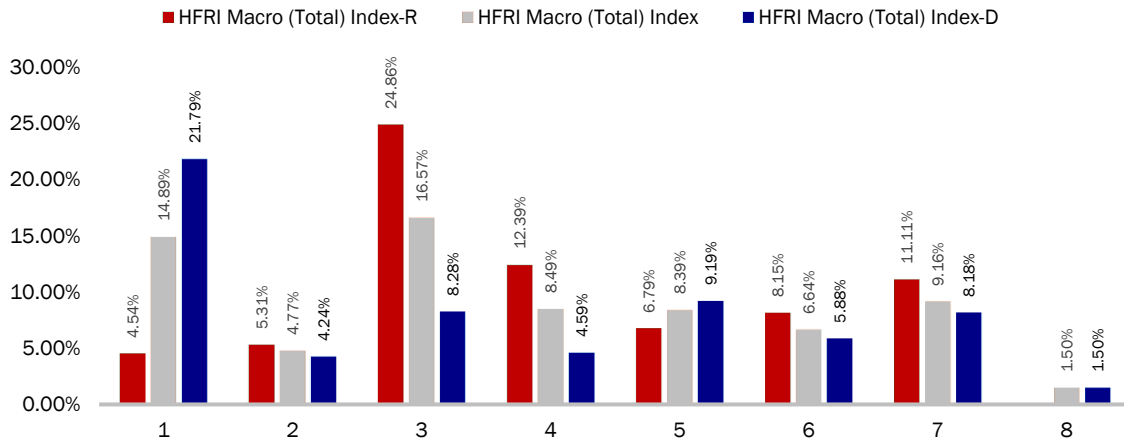
HFRIEH Annualized Performance Throughout Presidential Term (By Year), 2008 Removed



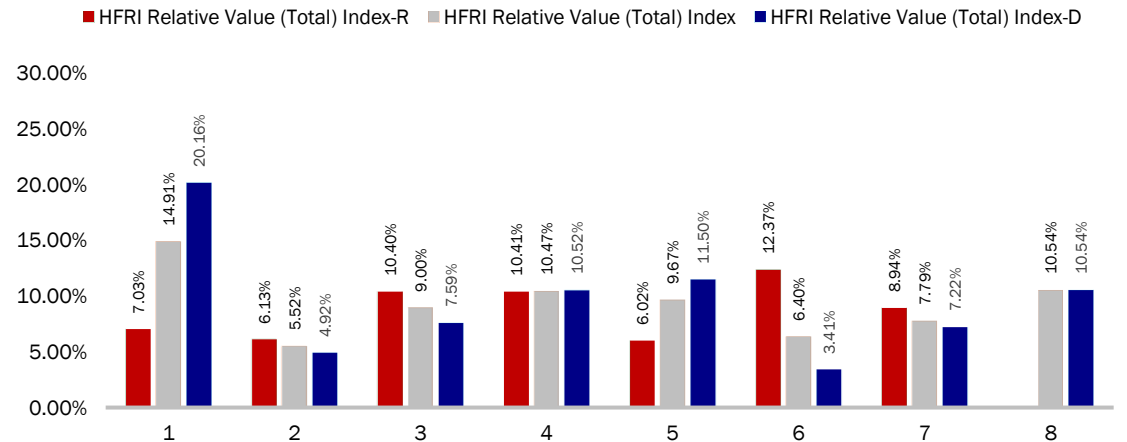
HFRIED Annualized Performance Throughout Presidential Term (By Year), 2008 Removed



HFRI Macro Annualized Performance Throughout Presidential Term (By Year), 2008 Removed



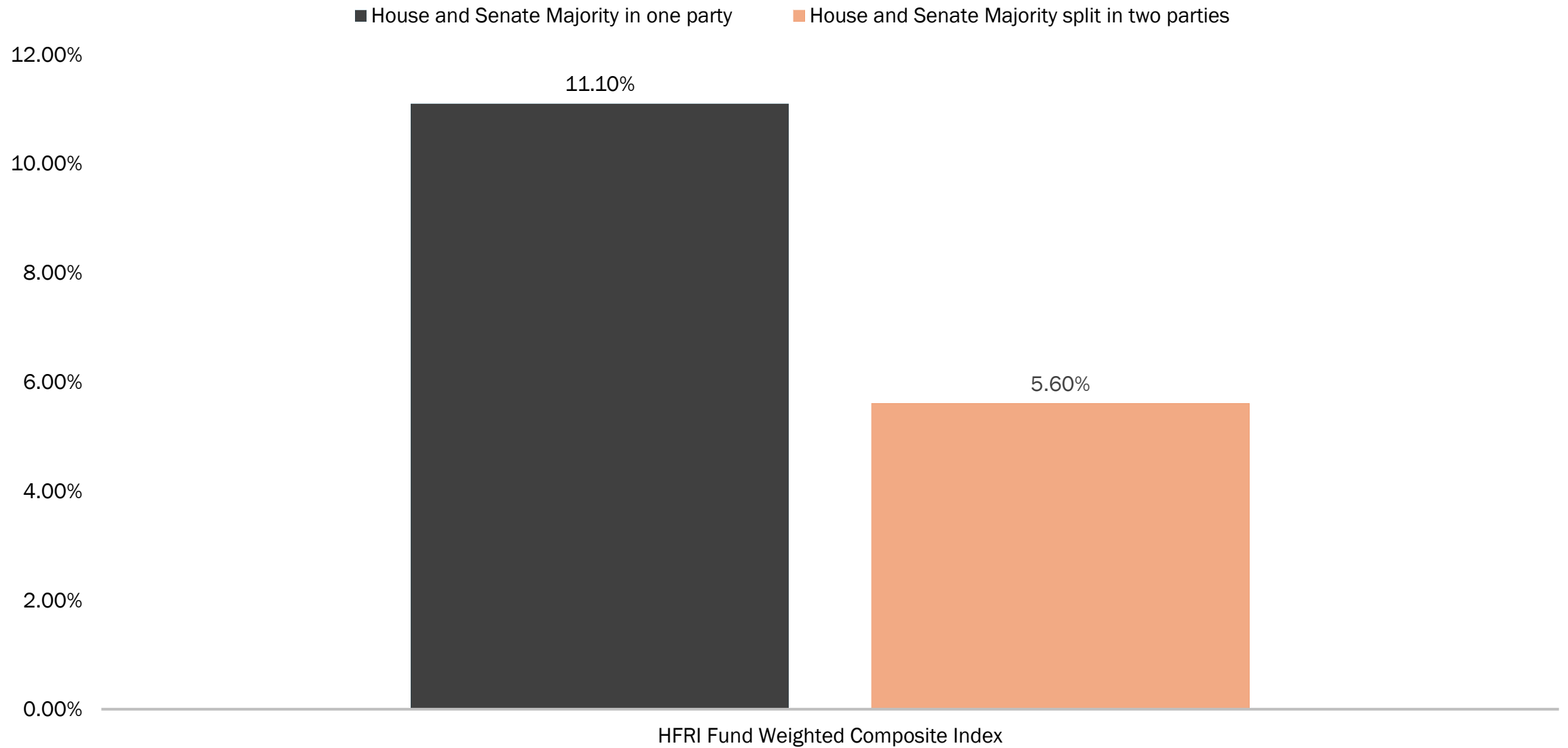
HFRI RVA Annualized Performance Throughout Presidential Term (By Year), 2008 Removed



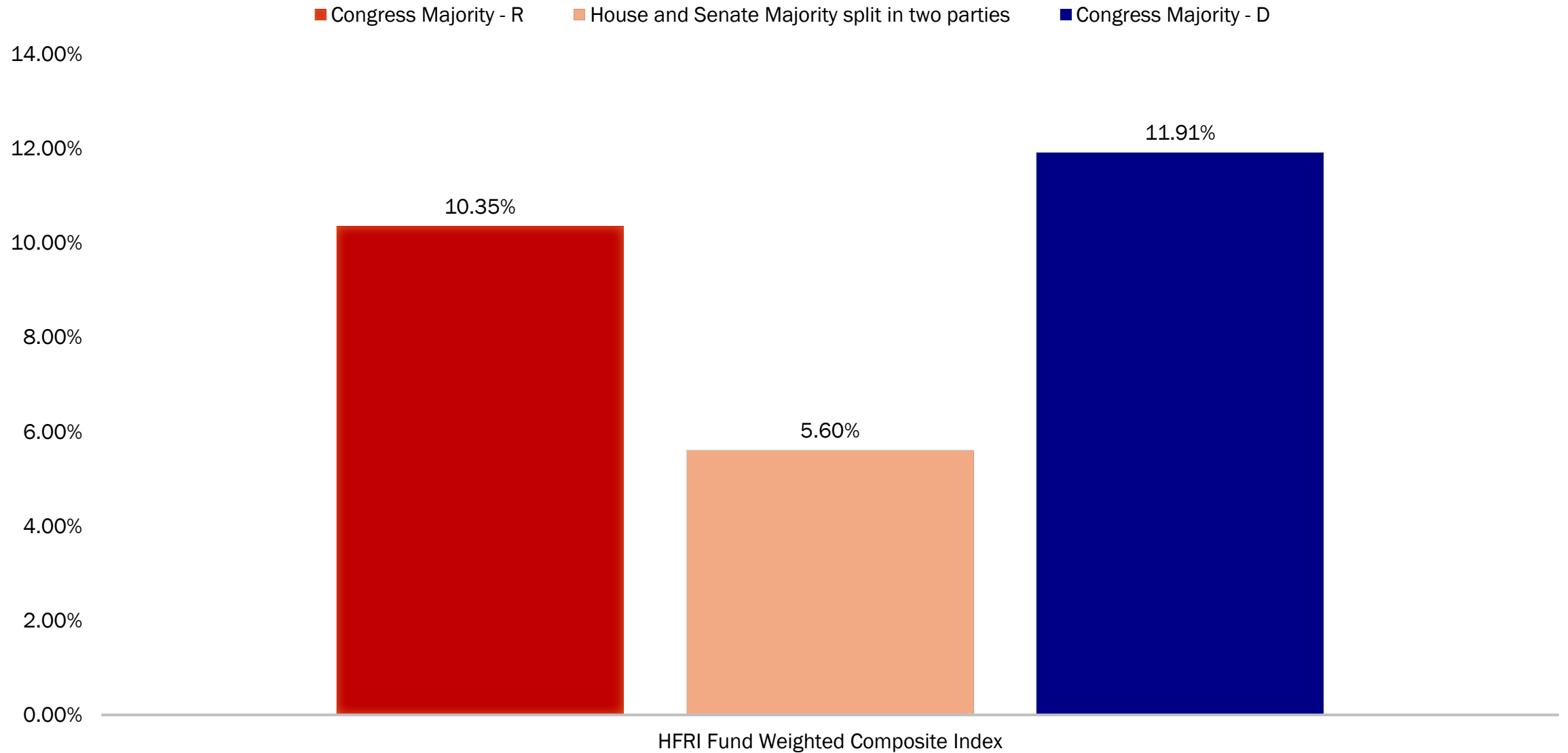
The background of the slide is a close-up, slightly blurred image of the American flag, showing the stars and stripes in shades of blue, white, and red. The lighting is dramatic, with some areas being darker than others, creating a sense of depth and texture.

Congressional Majority & Hedge Fund Performance

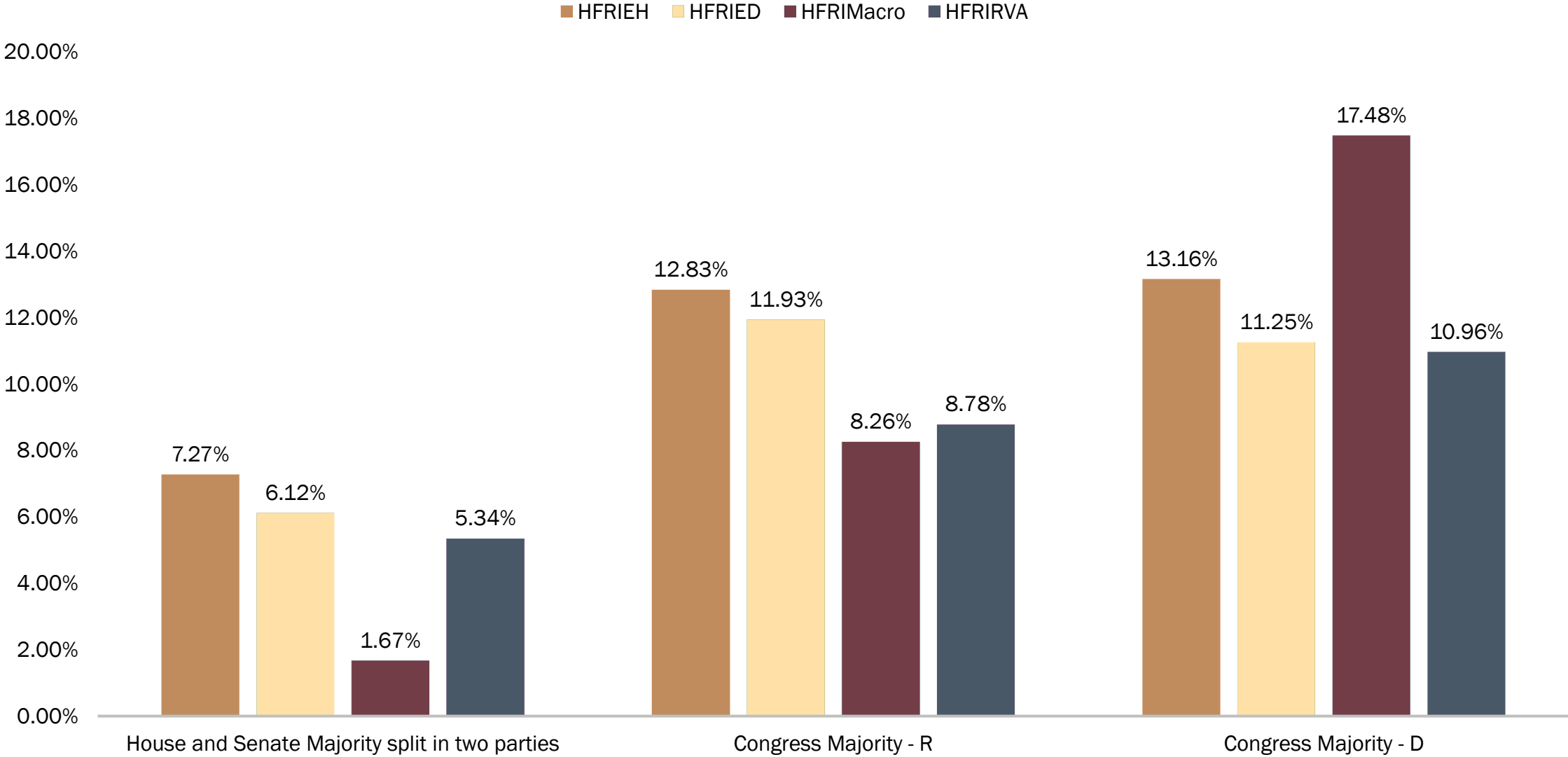
HFRIFWC Annualized Performance, Congress Majority



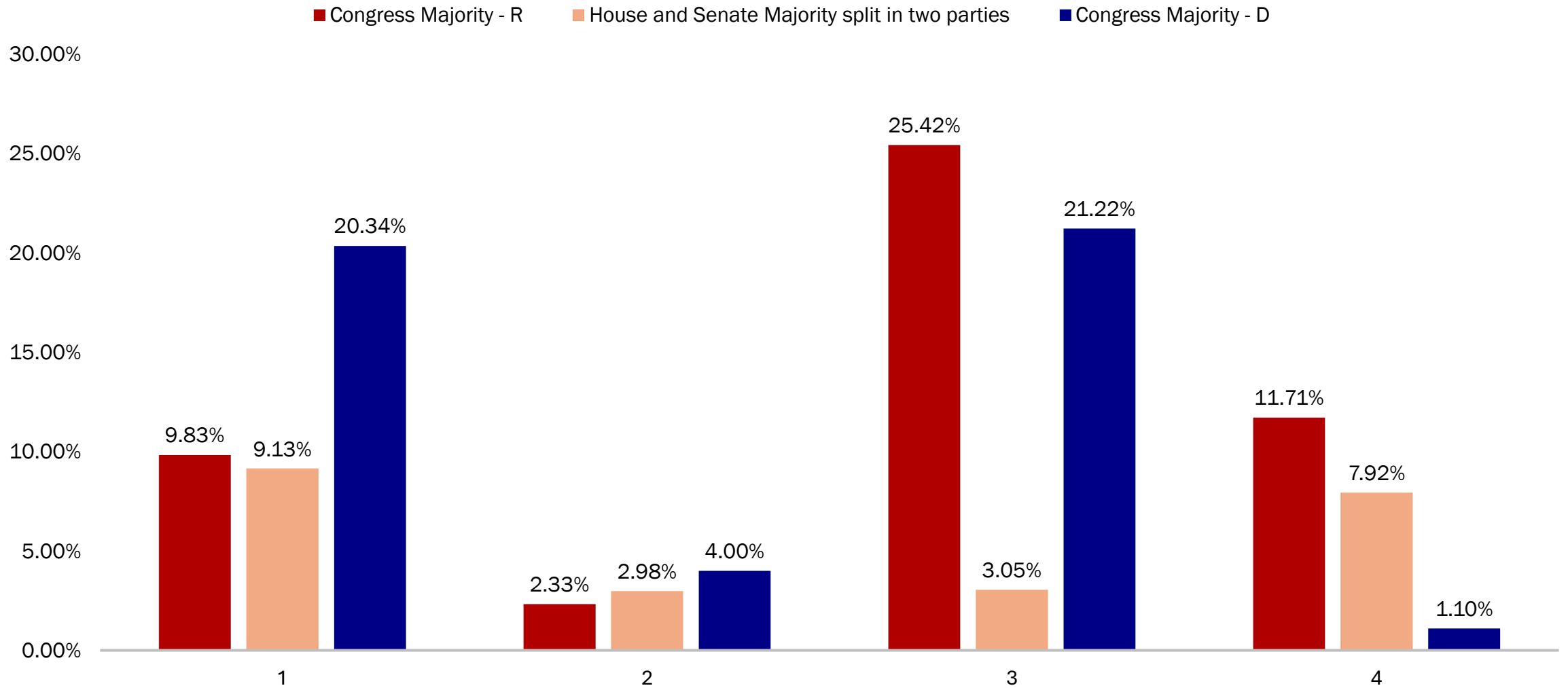
HFRIFWC Annualized Performance, Congress Majority



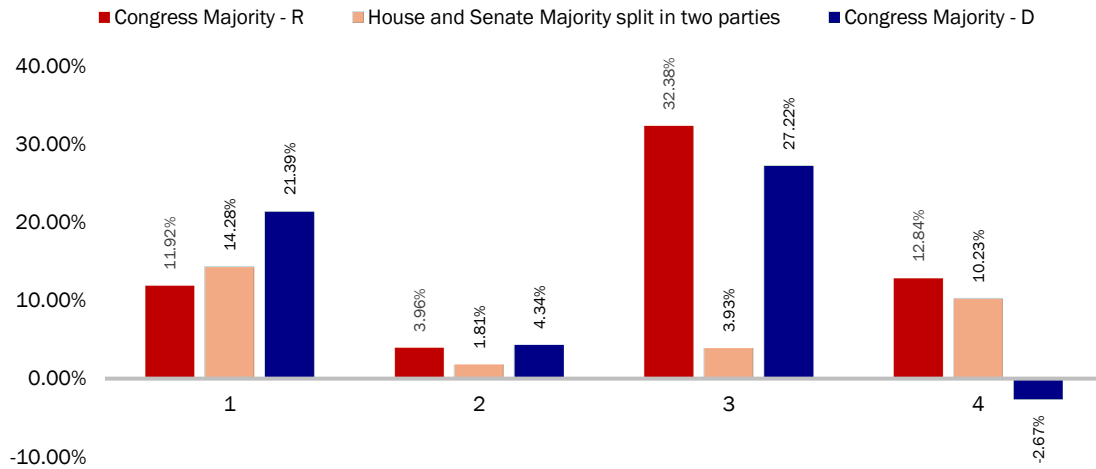
HFRI Strategy Indices Annualized Performance, Congress Majority



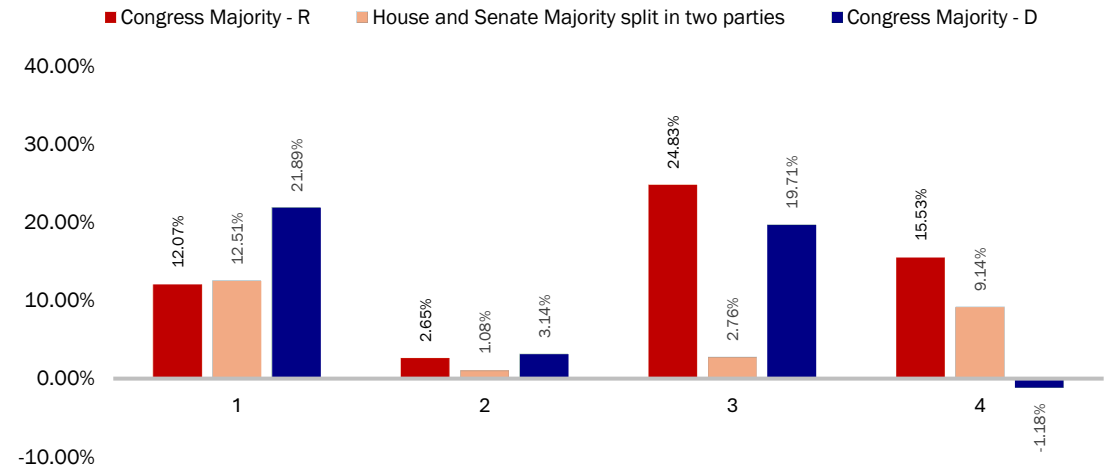
HFRIFWC Annualized Performance, Different Congress Majority Status by President Term Year



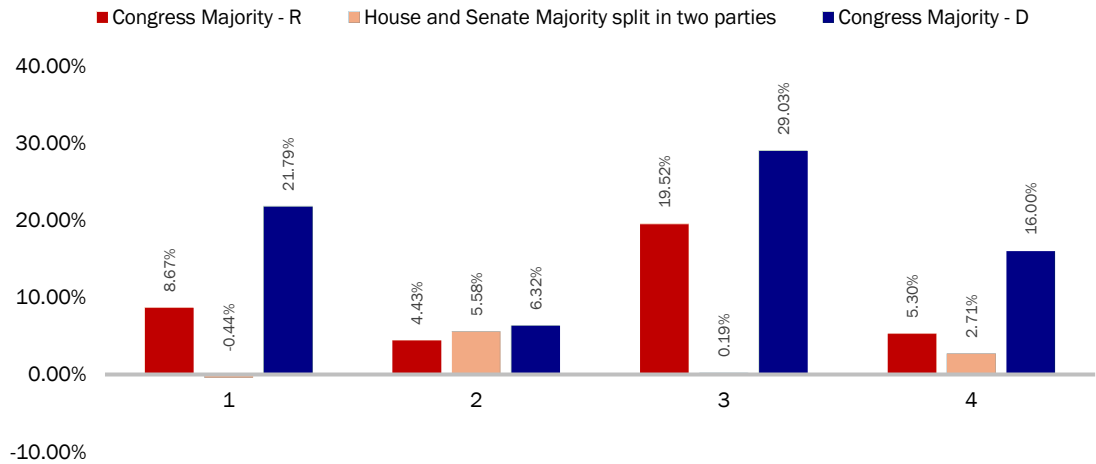
HFRIEH Annualized Performance, Different Congress Majority Status by President Term Year



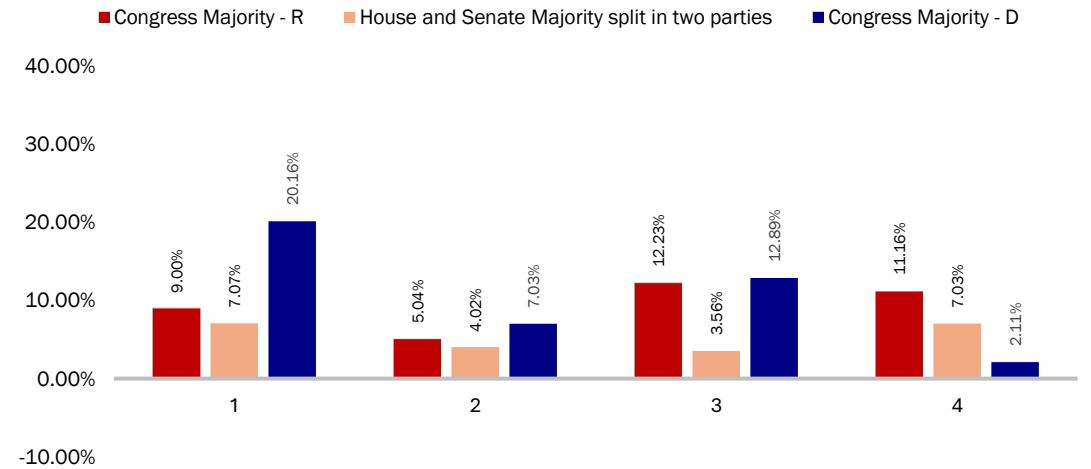
HFRIED Annualized Performance, Different Congress Majority Status by President Term Year



HFRIMacro Annualized Performance, Different Congress Majority Status by President Term Year

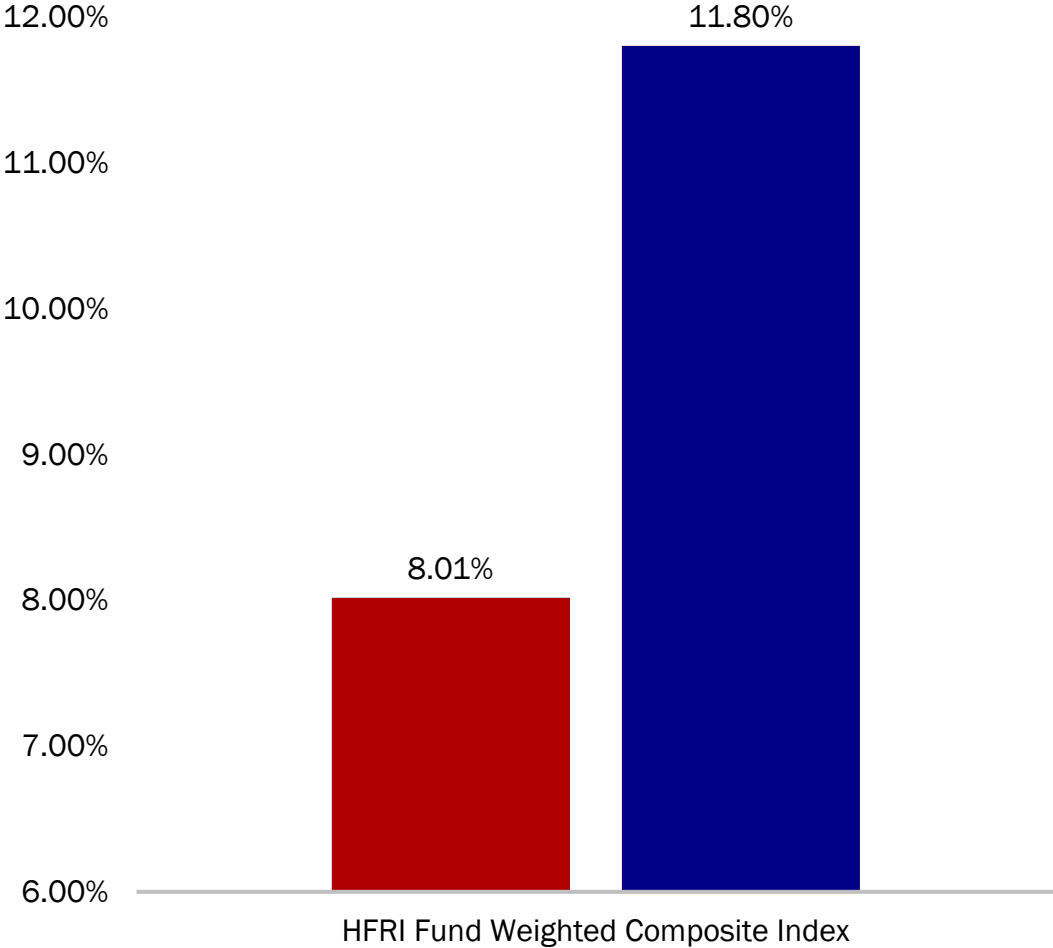


HFRIRVA Annualized Performance, Different Congress Majority Status by President Term Year



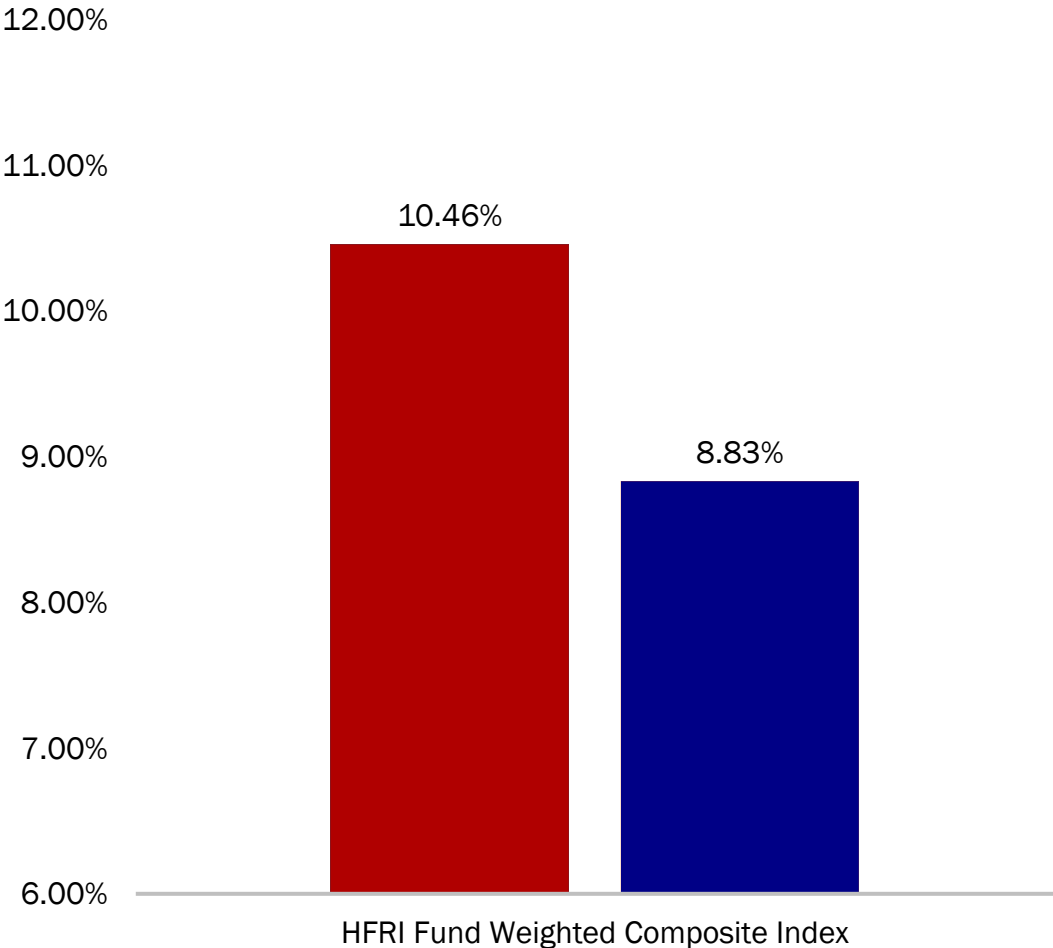
HFRIFWC Annualized Performance, Senate

■ Majority - R ■ Majority - D



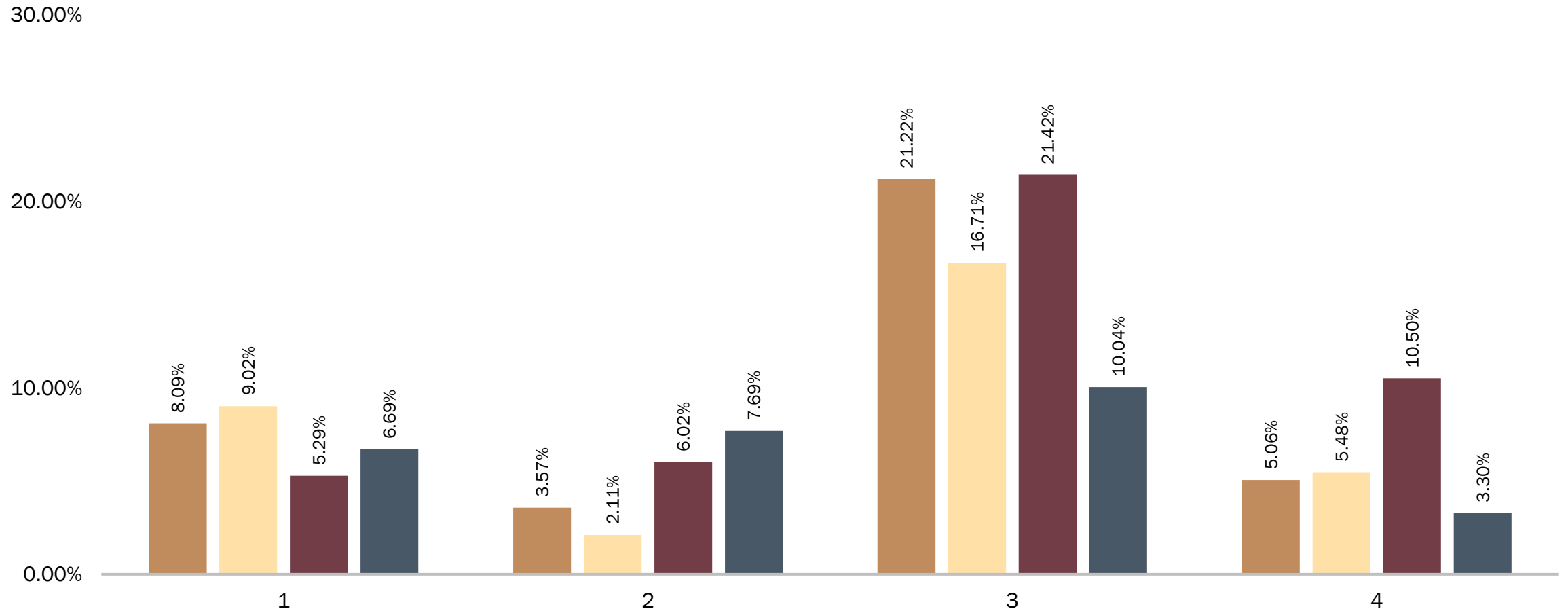
HFRIFWC Annualized Performance, House of Representatives

■ Majority - R ■ Majority - D



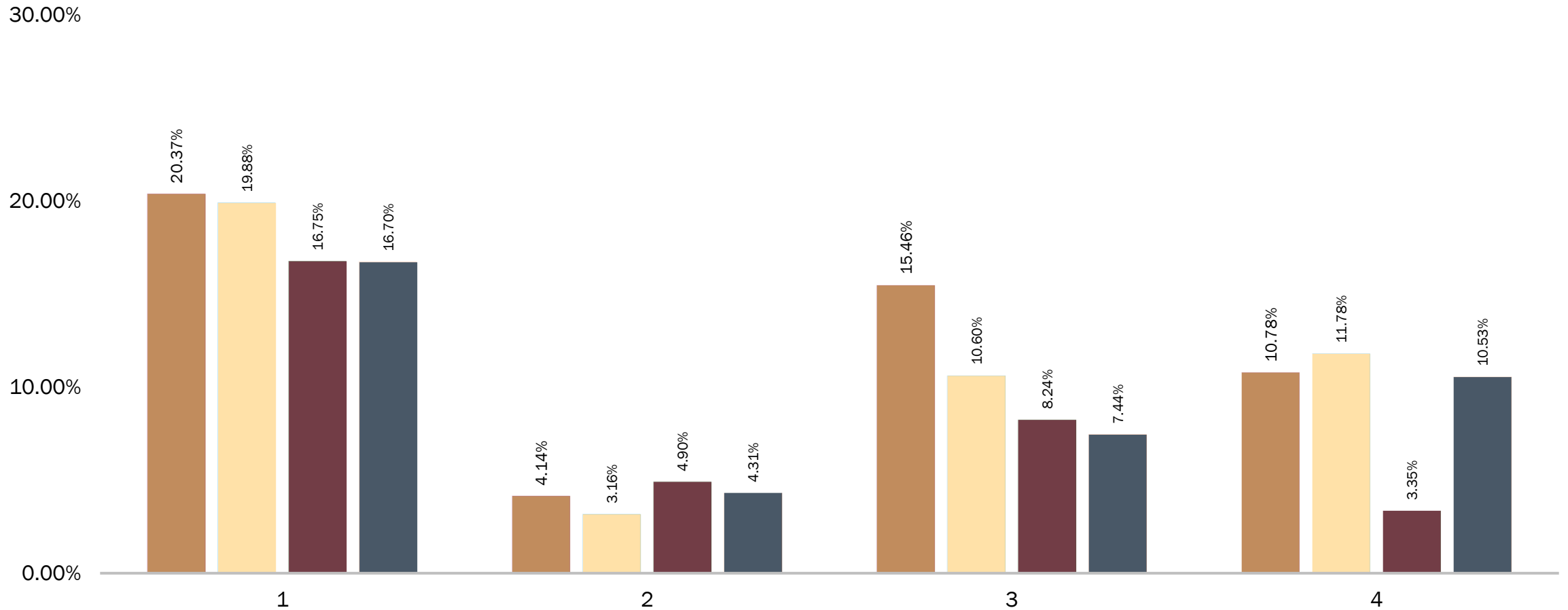
Strategy Indices Annualized Performance by Term Year With Republican as President

■ Average of HFRI Equity Hedge (Total) Index
 ■ Average of HFRI Event-Driven (Total) Index
 ■ Average of HFRI Macro (Total) Index
 ■ Average of HFRI Relative Value (Total) Index

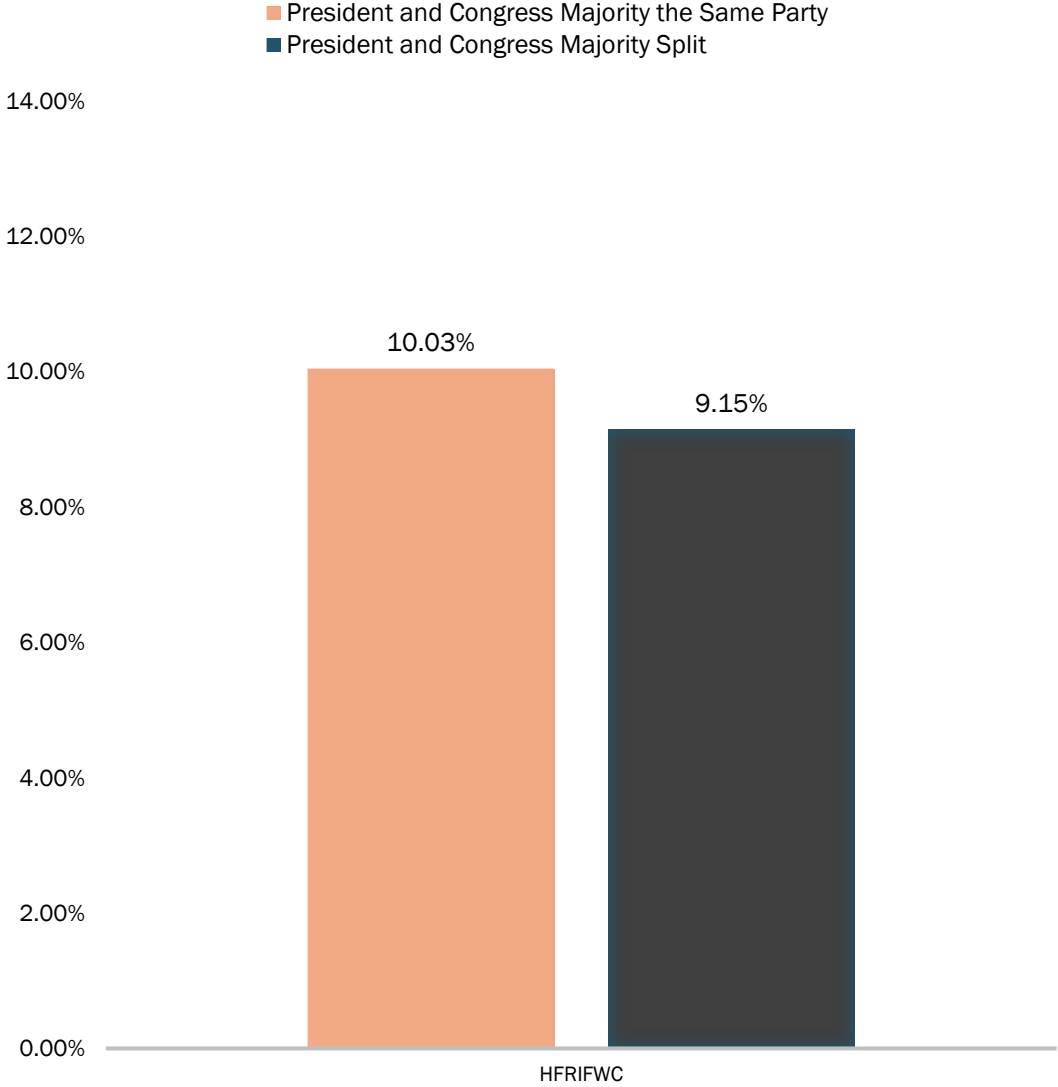


Strategy Indices Annualized Performance by Term Year With Democrat as President

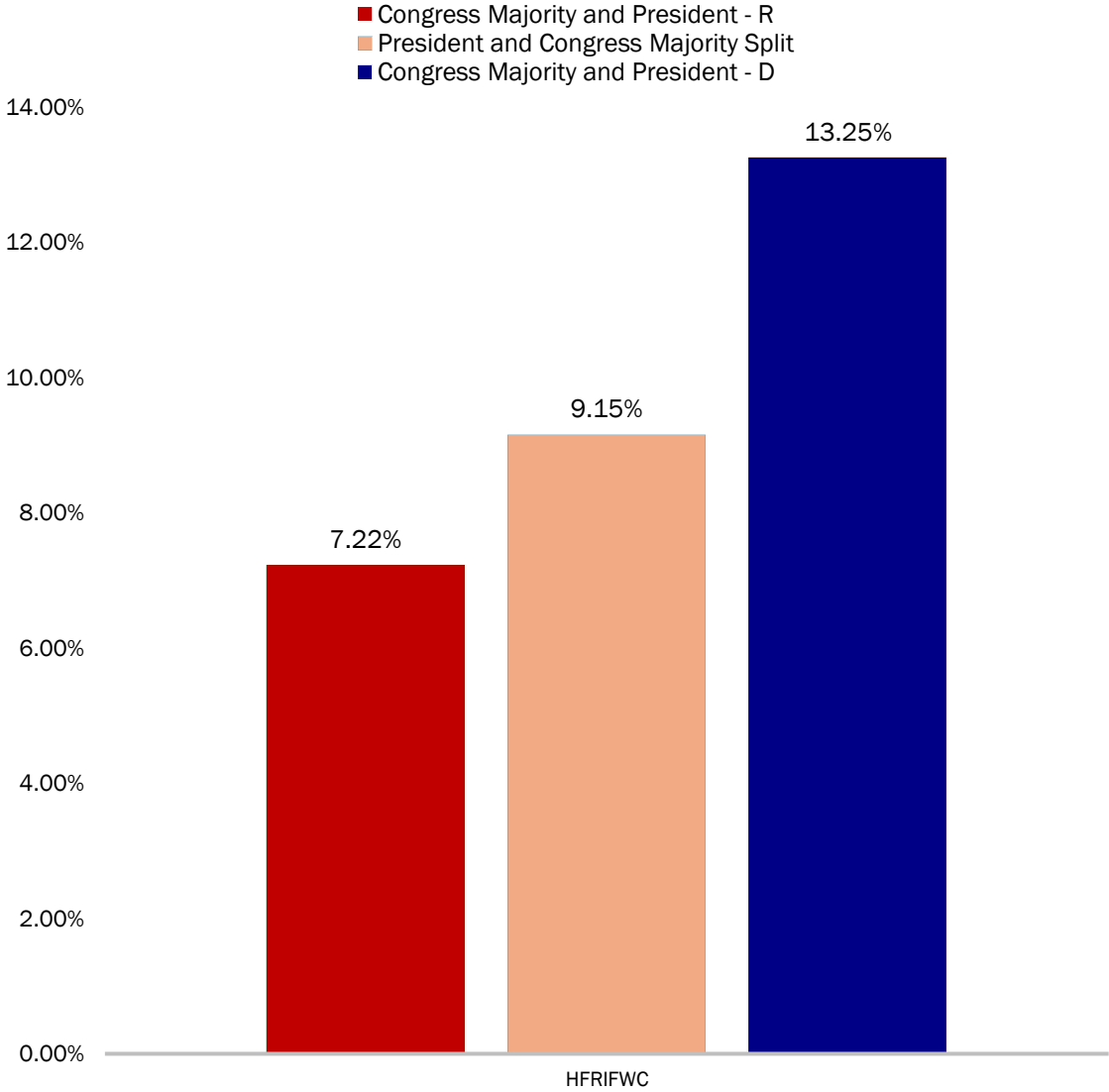
■ Average of HFRI Equity Hedge (Total) Index
 ■ Average of HFRI Event-Driven (Total) Index
 ■ Average of HFRI Macro (Total) Index
 ■ Average of HFRI Relative Value (Total) Index



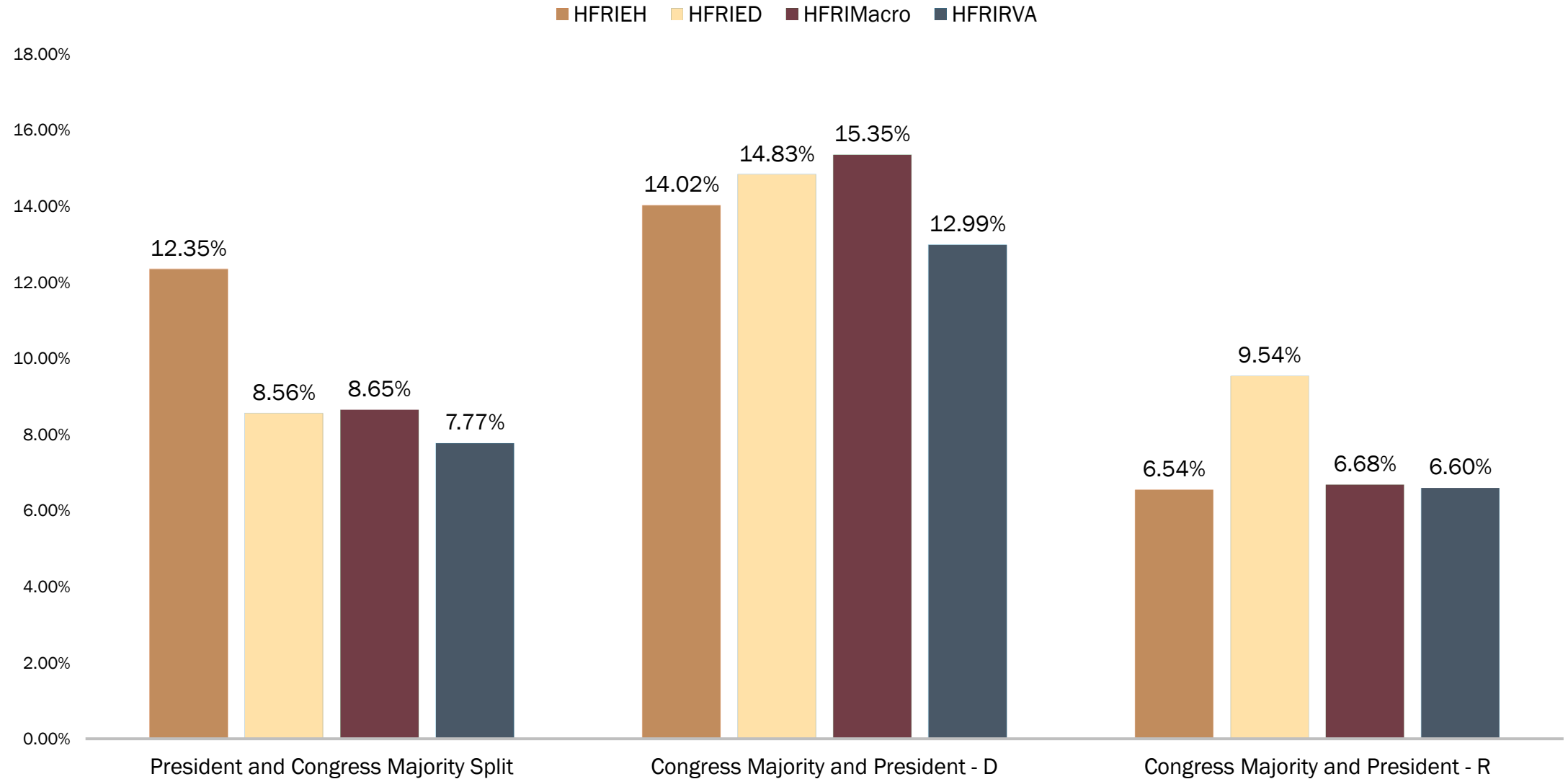
HFRIFWC Annualized Performance, Congress Majority and President



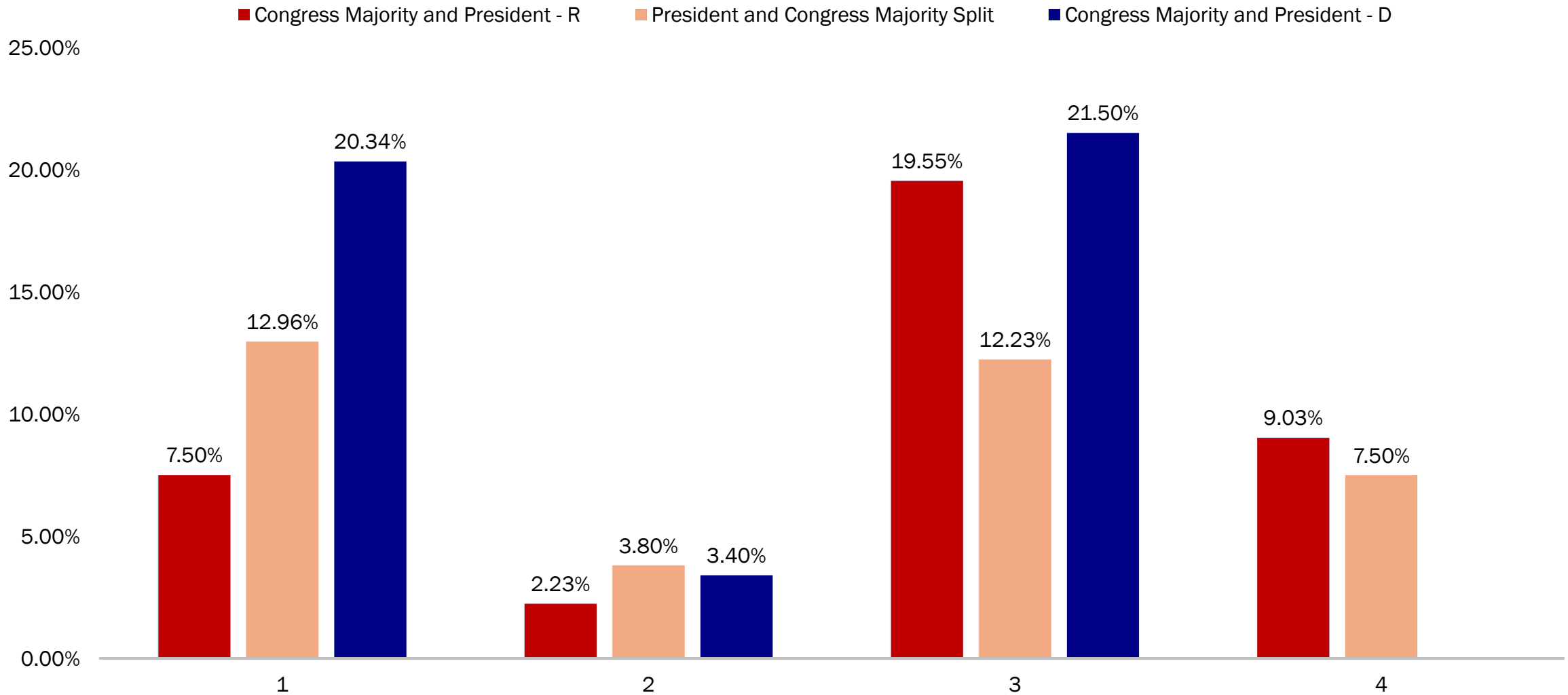
HFRIFWC Annualized Performance, Congress Majority and President



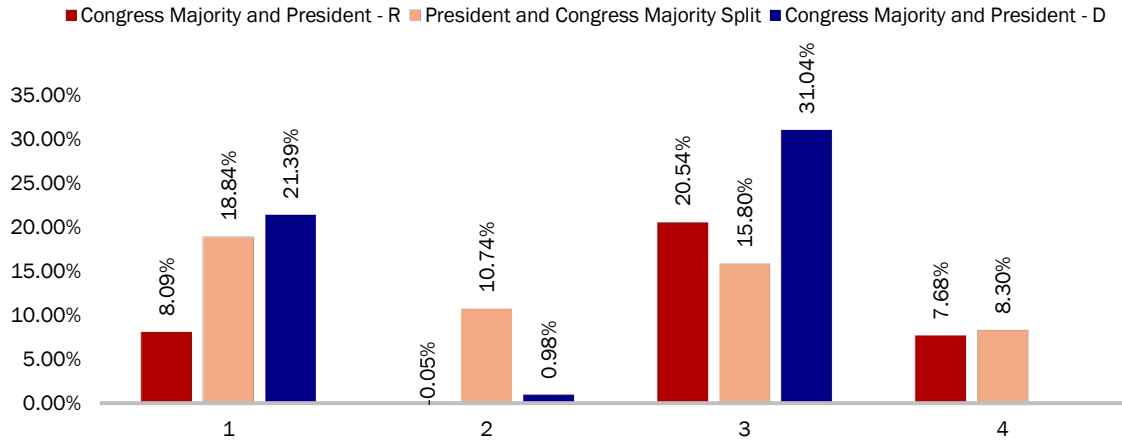
HFRI Strategy Indices Annualized Performance, Congress Majority And President Party



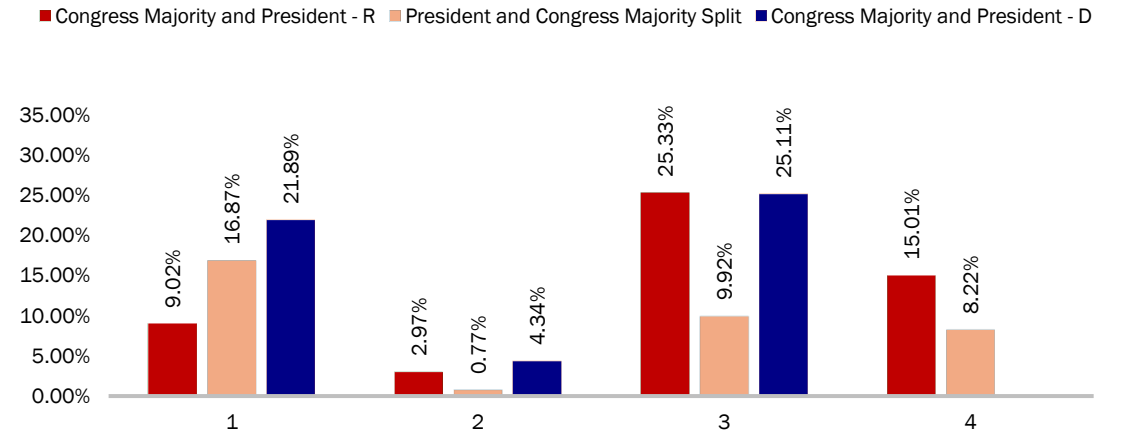
HFRIFWC Annualized Performance in Different Congress Majority vs. President Party Status by President Term Year



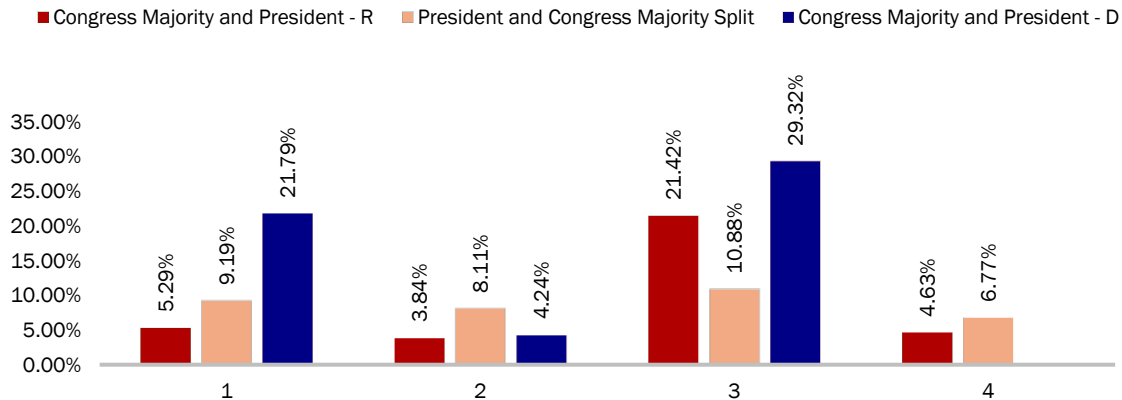
HFRIEH Annualized Performance, Different Congress Majority vs. President Party Status by President Term Year



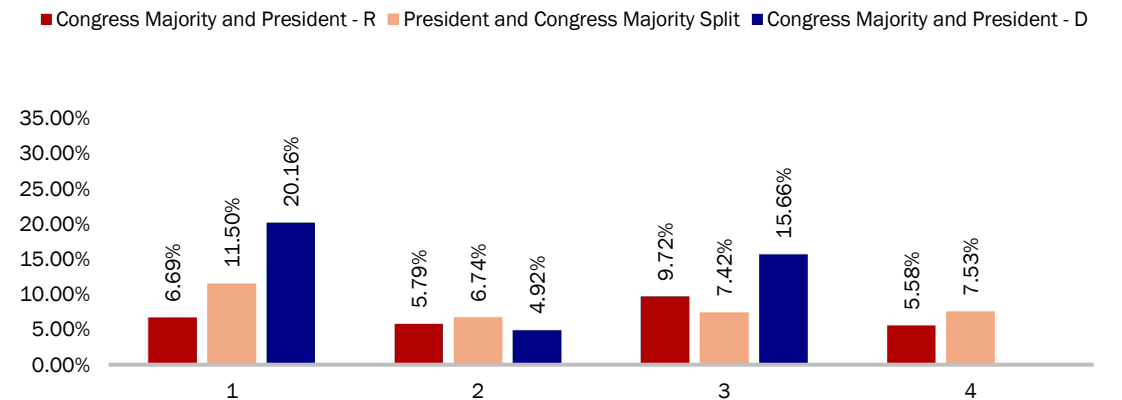
HFRIED Annualized Performance, Different Congress Majority vs. President Party Status by President Term Year



HFRIMacro Annualized Performance, Different Congress Majority vs. President Party Status by President Term Year



HFRI RVA Annualized Performance, Different Congress Majority vs. President Party Status by President Term Year



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