AURUM

Hedge fund industry deep dive

H1 2024 Review

Inside this report:

In summary

- Hedge funds ended H1 2024 up 6.1%, outperforming bonds, -3.2%, but behind equities, +9.2%
- Quant was the strongest performing master strategy in H1, +8.7%, after being the weakest master strategy in 2023
- Arbitrage is the worst performing strategy, delivering +2.1% in H1, after being the second-worst strategy in 2023
- Industry AUM grew, albeit marginally, in the first half. This growth was largely driven by P&L; all strategies had negative net flows except multi-strategy and quant
- Alt UCITS underperformed hedge funds in all strategies, with the exception of long biased alt UCITS which delivered 6.2% v 5.5% for long biased hedge funds

About Aurum

Aurum is an investment management firm focused on selecting hedge funds and managing fund of hedge fund portfolios for some of the world's most sophisticated investors.

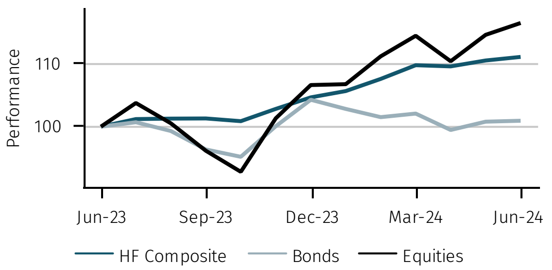
Aurum conducts extensive research and analysis on hedge funds and hedge fund industry trends. This research paper is designed to provide data and insights with the objective of helping investors to better understand hedge funds and their benefits.

**HF Composite = Aurum Hedge Fund Data Engine Asset Weighted Composite Index. **Bonds = Bloomberg Global Aggregate Bond Index. ***Equities = S&P Global BMI. Risk Free Rate = period average of 3-month LIBOR-SOFR.*

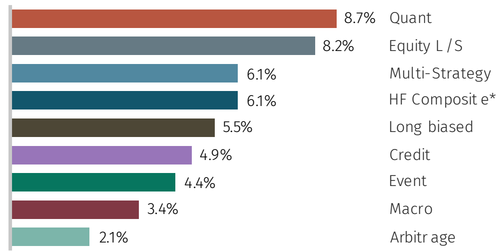
All figures and charts use asset weighted returns unless otherwise stated. All Hedge Fund data is sourced from Aurum Hedge Fund Data Engine. Data included in this report is dated as at 15 July 2024.

For definitions on how the Strategies and Sub-Strategies are defined please refer to https://www.aurum.com/hedge-fund-strategy-definitions/, and for information on index methodology, weighting and composition please refer to https://www.aurum.com/aurum-strategy-engine/

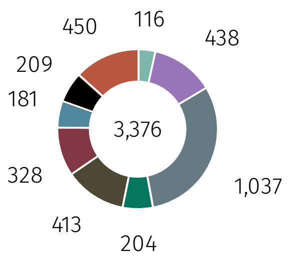
HF COMPOSITE VS INDICES (1 YR)



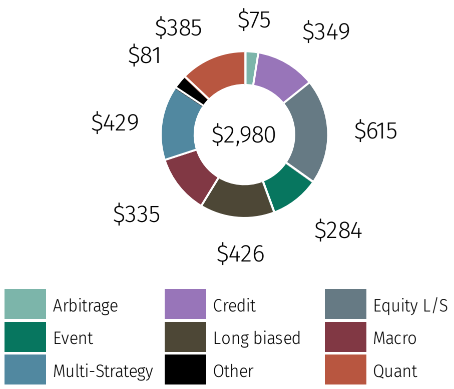
NET RETURN (H1)



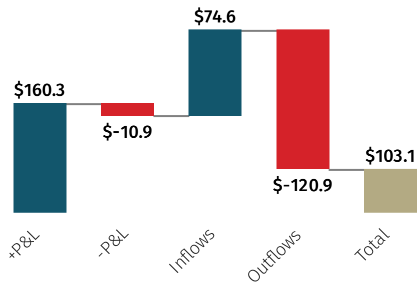
FUND COUNT – JUN 24



AUM ($BN) – JUN 24



AUM CHANGE $BN (H1)



H1 2024 overview

Higher-for-longer interest rates and AI leading the charge

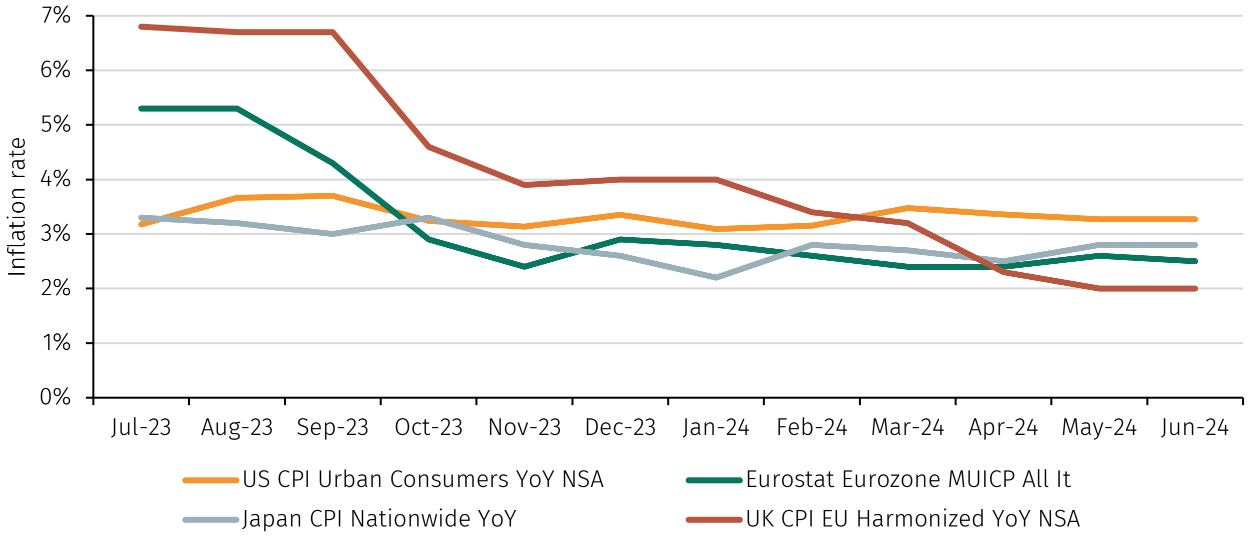
After the geopolitical instability, economic weakness, and market volatility of 2023, market sentiment was cautiously optimistic coming into 2024. Investors' expectations, or at least hopes, were for an uptick in global growth and corporate earnings, for inflation to fall and consequently, for central banks to cut interest rates.

Inflation and monetary policy

> **The expected path of interest rates has been a huge determinant of the performance of risk assets in the first half of the year.**

Looking back at the path of inflation over the past 12 months in the major economies of the US, Eurozone, Japan and the UK, we can see that inflation has fallen significantly in the Eurozone and the UK, but not in the US and Japan where it has been more persistent.

MAJOR ECONOMY MONTHLY INFLATION RATES - JUL 23 – JUN 24



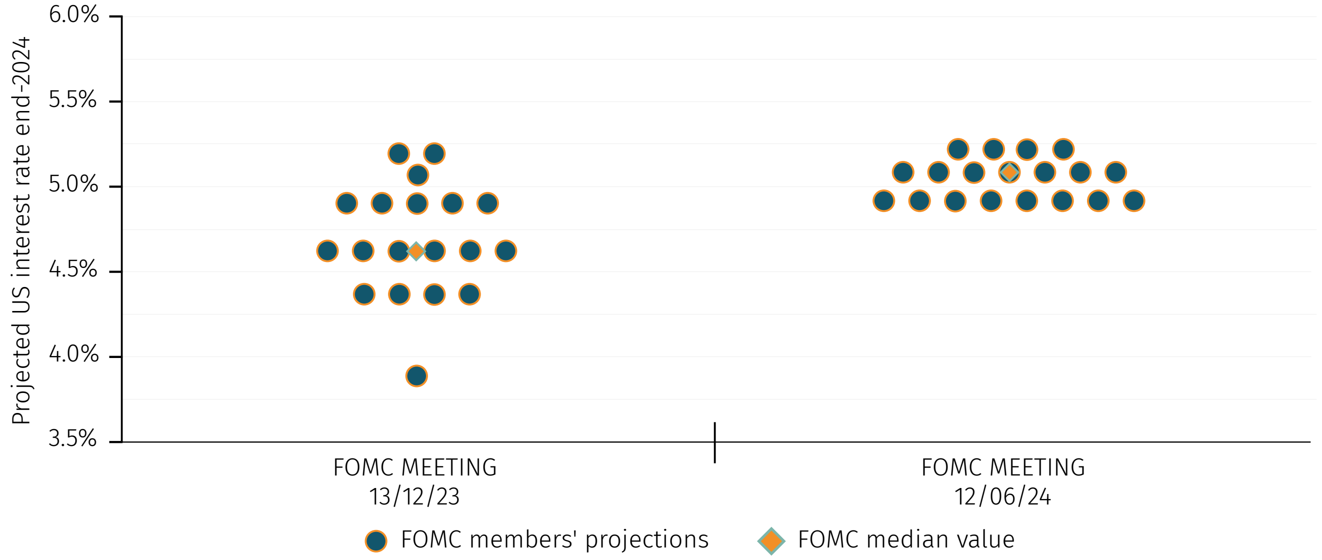
Source: Bloomberg.

Back at the start of the second half of 2023, the UK had the highest inflation rates, and by the end of H1 2024, this had fallen to the lowest. Eurozone inflation was second highest, and has fallen to be second lowest. Japanese inflation fell moderately over the 12-month period. Inflation in the US has been pernicious and harder to bring down. At the end of June 2024, it was slightly higher than it was a year earlier. This persistent US inflation has necessitated a higher-for-longer inflation rate response from the Federal Open Markets Committee ("FOMC").

> **Persistent US inflation has necessitated a higher-for-longer inflation rate response from the Federal Open Markets Committee**

Monetary policy

FOMC PROJECTION OF US INTEREST RATES AT END-2024



Source: US Federal Reserve meeting minutes

The chart above shows how much the FOMC's projections for the Fed funds target rate have changed between the December 2023 and June 2024 meetings. At the end of 2023 the FOMC median "dot" indicated the FOMC believed the US interest rates would be 4.625% at the end of 2024. But by the June 2024 meeting this had shifted to 5.125%. This higher inflation and higher interest rate environment have factored into equity market performance in H1 2024. But considering that markets went into 2024 expecting around six US interest rate cuts starting from March and now markets are only pricing in one or two cuts – markets have across H1 been surprisingly resilient in repricing in response to this big change.

> **Considering that markets went into 2024 expecting around six US interest rate cuts starting from March and now markets are only pricing in one or two cuts – markets have across H1 been surprisingly resilient in repricing in response to this big change.**

AI

Increasing demand for advanced computing power and data processing capabilities continued to drive substantial growth in the AI sector, and with it, the share prices of some AI and semiconductor companies soared. The first half of the year saw new all-time highs for a number of US stock markets, including the S&P 500, Dow Jones Industrial Average, Nasdaq Composite and Nasdaq 100 – the markets on which many of these companies are listed. One of the most outstanding success stories of the year was Nvidia Corporation, which designs and manufactures chips for AI data centres. Nvidia's share price gained over 150% in the H1 2024, driven by robust demand for its AI chips and a significant increase in its revenue.

Market concentration

The rise of Nvidia has been nothing short of incredible as it has quickly become one of the fastest growing companies of all time. To illustrate the point, it took Warren Buffet's Berkshire Hathaway, a century to go from a market cap of zero to a $1tn, whereas Nvidia took 30 days go from $2tn to $3tn in April 2024‡. In 2010 Apple, Microsoft and Nvidia were worth collectively approximately $500bn, but as at the end of H1 2024 they are closing in on a $10tn valuation. Nvidia alone is now worth more than the market cap of the domestic public equity markets of either Germany, France or the UK (as of 30 June 2024). The firm's share price increase was responsible for ~35% of the S&P 500's total gain in the first half of the year. The 'magnificent seven' (a moniker for seven tech stocks) made up over 50% of the index's gains over H1 2024. As a result of this dominance, the US stock market is described as close to being the most concentrated in its history. Big questions remain such as 'How much of these gains are pure speculation? How much is driven by fundamentals?'

Markets review

Equity markets

The first half of 2024 saw volatility in global equity markets, but generally positive performance. US equity markets, saw significant gains in particular, driven by a few large technology and AI-related companies. The gains have not been broad-based but highly concentrated in a handful of mega-cap stocks, such as Nvidia, Microsoft, Meta, and others. This pattern is similar to previous years where a small number of companies have disproportionately influenced the overall market performance.

The strongest month of performance in global equities came in February, boosted by an AI and tech rally. The weakest month was in April, when escalating tensions in the Middle East and revised expectations of Fed rate cuts caused a market downturn. Emerging markets equities generally underperformed developed markets across the period.

Government bonds

Government bond yields rose across all major economies in the first half of the year. Persistent US inflation, the FOMC’s higher-for-longer approach to interest rates and geopolitical tensions weighed heavily on the performance of bonds. The Bank of Japan moved away from its eight-year-long policy of negative interest rates and ended its yield curve control policy in an attempt to normalise Japan’s economic environment. Japanese government bond yields rose significantly in response.

Credit

Credit markets mirrored trends in equities and government bonds, influenced by economic data and geopolitical events. High yield credit generally outperformed investment-grade credit. Local currency emerging markets credit was a notable weak spot, impacted, among other things, by the strength in the US dollar.

Currencies

Currency markets were dominated by a strong US dollar – off the back of the ongoing higher rates environment in the US. The Japanese yen was consistently weak throughout the period, reflecting Japan's economic challenges.

Hedge fund industry performance review

Asset growth

Hedge fund assets – as measured by those funds reporting to Aurum's Hedge Fund Data Engine – have grown by $103.1bn since the end of 2023 to stand at just under $3.0tn. This was driven by net positive performance (+$149.4bn) and partially offset by outflows (-$46.3bn). All eight hedge fund master strategies saw net growth in AUM, led by equity l/s, followed by quant. Equity l/s growth was driven by positive P&L, which was partially offset by sizeable investor outflows. Quant growth in AUM was exclusively driven by significant net positive P&L, which was offset by moderate net investor outflows. Long biased was the strategy which experienced the largest net investor outflows, but this was offset by net positive P&L.

Headline performance

The hedge fund industry was up 6.1% for the first half of 2024 (on an asset weighted basis). This compares to the mean figure of 5.9%, suggesting that, on average, larger hedge funds have outperformed. The median performing hedge fund returned 4.5% for the year. The median performing hedge fund sub-strategy was event – activist (ranked 19th out of 37 sub-strategies returning +4.9%). The largest constituent of the hedge fund universe was equity long/short ("equity l/s") (~21% of assets), followed by multi-strategy and long biased - each constituting ~14%. Quant was the strongest performing strategy returning 8.7% on an asset weighted basis. Quant, equity l/s (+8.2%) and multi-strategy (+6.1%) outperformed the industry average. The industry headline figure was dragged down by underperformance from arbitrage (+2.1%), macro (+3.5%), event (+4.4%) and credit (+4.9%). Long biased (+5.5%) funds were marginal underperformers relative to the HF Composite figure.

> **Strong equity markets supported the performance of strategies highly correlated to those markets. The industry headline figure was dragged down by underperformance from arbitrage, macro, event and credit.**

Strong equity markets supported the performance of strategies highly correlated to those markets such as equity l/s – APAC (11.6%), equity l/s – US (+8.2%), equity l/s – sector (+8.0%), equity l/s – global (8.0%) and equity l/s – EUR (+7.6%). With the exception of equity l/s – APAC, these were all sub-strategies which were among the top performers in 2023. This strong performance from equity markets was not without volatility, which created a supportive environment for strategies like quant – multi (+10.3%), quant – EMN (+9.2%) and quant - stat arb (+8.6%).

At the other end of the performance table, arbitrage – tail (-1.6%) is the only sub-strategy to have negative performance in the first half of 2024. The strongest performing sub-strategy in 2023, event – activist, which made over 20% in 2023, is now underperforming the industry average in H1 2024, +4.9%.

The majority of positive performance in the first half of 2024 was concentrated in Q1. The hedge fund composite performance in Q1 was 4.8%, whereas in Q2 it was just 1.2%. April (-0.2%) was the weakest month year-to-date in both bond and equity markets (down 2.5% and 3.5% respectively) and was the only down month year-to-date for the hedge fund composite. The negative industry performance that month was driven by those strategies more correlated to risk assets (long biased, equity l/s and event).

Five-year performance (CAR) for hedge funds now stands at 6.4%, comfortably outperforming bonds (-2.0%) but underperforming equities (+8.3%) from a total return perspective, however, outperforming equities from a risk-adjusted perspective (Sharpe of 0.7 vs 0.4).

**HF Composite = Aurum Hedge Fund Data Engine Asset Weighted Composite Index.*
*** Bonds = Bloomberg Global Aggregate Bond Index. *** Equities = S&P Global BMI.*
1 = Returns net of all fees and expenses. 2 = Presented on an equally weighted basis. Source: Aurum Hedge Fund Data Engine.
3 - See performance dispersion candlestick chart.

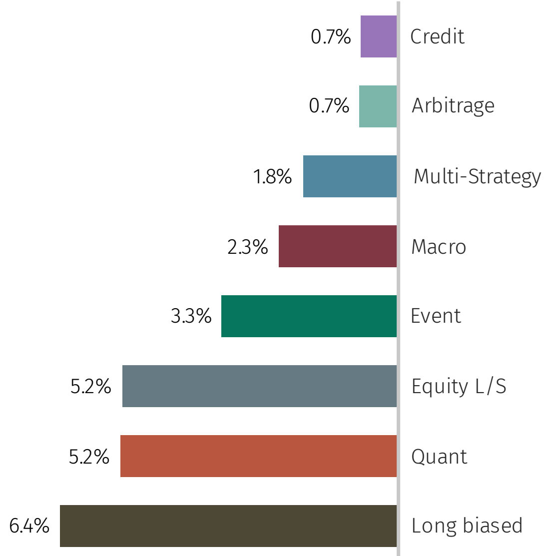
Dispersion

As can be seen in the following chart, dispersion between top and bottom decile performing hedge funds has fallen from the dramatic levels seen during the peak markets' disruption caused by COVID. Since early 2023 it has been more in line with dispersion levels observed pre-COVID. Since the prior report, dispersion in performance across the hedge fund industry has fallen. As can be seen on page 21, the fall in performance dispersion has occurred across the majority of hedge fund master strategies and all sit below their ten-year average levels. However, it's important to note that these ten-year averages are influenced by the heavy distortions caused by the COVID-19 pandemic.

10th – 90th PERCENTILE 12M ROLLING PERF. SPREAD[2]

Performance spread presented on an equally weighted basis

STANDARD DEVIATION (H1)



STRATEGY NET PERFORMANCE

	YTD			12M			3YR			5YR		
	AUM Weighted	Mean	Median	AUM Weighted	Mean	Median	AUM Weighted	Mean	Median	AUM Weighted	Mean	Median
Quant	8.74%	6.23%	5.79%	10.01%	7.27%	7.05%	7.77%	5.96%	6.72%	4.82%	5.65%	6.42%
Equity L/S	8.17%	6.76%	5.94%	13.66%	11.62%	11.40%	2.90%	2.97%	4.34%	7.27%	7.98%	8.06%
Multi-Strategy	6.09%	4.75%	4.06%	10.79%	7.98%	8.73%	9.38%	5.10%	5.70%	10.52%	8.19%	8.80%
Long biased	5.48%	7.26%	5.61%	11.32%	12.91%	11.63%	0.50%	1.42%	1.95%	5.71%	8.25%	7.71%
Credit	4.87%	4.81%	3.92%	10.10%	9.86%	9.29%	4.39%	4.48%	4.15%	4.83%	5.43%	5.61%
Event	4.42%	3.79%	2.31%	10.93%	10.16%	8.44%	4.02%	2.75%	2.62%	7.37%	7.28%	6.66%
Macro	3.45%	3.36%	2.76%	8.71%	7.67%	7.72%	4.46%	4.51%	4.99%	5.24%	6.19%	6.13%
Arbitrage	2.12%	1.57%	2.23%	3.67%	2.99%	4.48%	2.84%	2.15%	3.77%	4.68%	5.43%	7.07%
HF Composite*	6.08%	5.85%	4.52%	10.96%	10.69%	9.30%	4.51%	3.97%	4.42%	6.40%	7.55%	7.04%

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Strategy performance

As indicated above, some of the top performing strategies in H1 2024 have been those that have sub-strategies that exhibited a higher correlation and a material beta to equities, or are able to capitalise on elevated levels of volatility in markets. Quant is the top performing headline strategy (+8.7%) with a number of its sub-strategies among the top performers, including quant – multi (+10.3%), quant – RP (+9.9%), quant -macro (+9.4%), quant – EMN (+9.2%), and quant – stat arb (+8.6%). Equity l/s (+8.2%) has been driven by some of the top performing sub-strategies, including equity l/s – APAC (+11.6%), equity l/s – US (+8.2%), equity l/s – sector (+8.0%), equity l/s – global (+8.0%) and equity l/s – EUR (+7.6%). Multi-strategy funds have also outperformed the broader hedge fund universe and have been long-term consistent performers (5y CAR of +10.5% with a Sharpe of 2.1).

The worst performing strategy was arbitrage (+2.1%), driven by underperformance from the arb – tail sub-strategy (-1.6%) and from arb – vol (+0.8%). It is no surprise that tail hedging strategies would once again underperform in 2024 given the negative beta associated with the strategy and declining realised and implied volatility levels when compared with 2020, which was an outstanding year for the strategy. Arb – vol strategies have historically performed better in negative, volatile, market environments. Macro (+3.5%) was the second worst performing master strategy - it struggled due to relative underperformance from macro – global (+3.0%) and macro - FIRV (+3.1%).

NET RETURN (1 YR)

Net Performance¹	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	YTD	12M
Quant	0.05%	0.85%	2.56%	0.51%	-1.69%	-1.07%	2.07%	2.92%	2.87%	1.37%	-0.76%	0.03%	8.74%	10.01%
Equity L/S	1.33%	-0.53%	-1.52%	-1.27%	4.13%	2.96%	1.36%	3.21%	2.10%	-1.34%	1.43%	1.19%	8.17%	13.66%
Multi-Strategy	0.44%	1.32%	1.10%	0.41%	0.66%	0.41%	1.40%	0.71%	1.81%	0.73%	0.41%	0.89%	6.09%	10.79%
Long biased	3.09%	-2.15%	-2.62%	-2.52%	5.60%	4.38%	-0.66%	2.74%	2.57%	-1.78%	1.95%	0.62%	5.48%	11.32%
Credit	1.14%	0.55%	0.57%	-0.33%	1.45%	1.51%	0.97%	0.68%	0.92%	0.54%	1.03%	0.64%	4.87%	10.10%
Event	1.48%	0.16%	-0.30%	-1.36%	3.28%	2.91%	0.33%	1.08%	2.04%	-0.43%	1.48%	-0.13%	4.42%	10.93%
Macro	1.27%	0.25%	0.46%	0.88%	0.57%	1.56%	0.64%	0.22%	1.75%	0.34%	0.64%	-0.18%	3.45%	8.71%
Arbitrage	0.30%	0.62%	0.66%	-0.04%	-0.46%	0.43%	0.50%	0.30%	0.54%	0.45%	-0.04%	0.34%	2.12%	3.67%
HF Composite*	**1.19%**	**0.07%**	**0.02%**	**-0.42%**	**1.91%**	**1.76%**	**0.95%**	**1.81%**	**2.00%**	**-0.17%**	**0.85%**	**0.51%**	**6.08%**	**10.96%**
Bonds**	**0.69%**	**-1.37%**	**-2.92%**	**-1.20%**	**5.04%**	**4.16%**	**-1.38%**	**-1.26%**	**0.55%**	**-2.52%**	**1.31%**	**0.14%**	**-3.16%**	**0.93%**
Equities***	**3.72%**	**-3.08%**	**-4.29%**	**-3.44%**	**9.05%**	**5.16%**	**0.13%**	**4.10%**	**2.91%**	**-3.50%**	**3.76%**	**1.63%**	**9.15%**	**16.29%**

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Performance

Quant

(see full quant analytics pack here)

Quant was the strongest performing (1st out of 8) of the master strategies over the period, returning 8.7%. Quant outperformed all other master strategies in January, March and April. The strongest month for the strategy was in February, where it was up 2.9% (this was the best performance from any master strategy in the H1 2024 period). Significant drivers of this performance in February were the performance of quant – macro (+4.3%) and quant – CTA (+4.1%) sub-strategies.

The worst performing month for the strategy was in May, where it was down 0.8%. This was largely driven by the underperformance of the quant – macro (-2.0%) and quant – CTA (-1.3%) sub-strategies which were impacted by the weaker US dollar and shifting expectations on interest rate cuts in the US.

> **The strong headline performance of +8.7% for the quant master strategy masked some stronger, and weaker, sub-strategy performance.**

The strong headline performance of +8.7% for the quant master strategy masked some stronger, and weaker, sub-strategy performance. The strongest performing sub-strategy was quant – multi (+10.3%), which had positive performance in four out of six months to June 2024 and was the second best performing sub-strategy across all 37 industry sub-strategies.

All quant sub strategies, with the exception of quant – CTA and quant -stat arb, outperformed the quant master strategy average, including quant – multi (+10.3% , which is a sub-strategy classification that has been recently added to the quant sub-strategies group[1]. Quantitative multi-strategy funds have, much like their broader multi-strategy cousins been among the most consistent strong risk-adjusted returns performers in recent years (quant – multi has a five-year Sharpe of 1.3 and five-year CAR of 9.2%).

As perhaps one would expect, risk-premia strategies (quant – RP) performed well (+9.9%) in a positive market environment for global equities and other risk-assets, posting particularly strong returns in January, March and June. It was 3rd /37 industry sub-strategies. Quant – macro (+9.4%) was the 4th/37 industry sub-strategies, encouraging performance after a challenging year for the strategy in 2023 (where it returned -1.4%). Much like in 2023, this strategy has performed well in the most stressful periods for risk assets in H1 2024. One of the strongest months of performance for the sub-strategy was in April, when it was up +3.2%, and global equities and bonds were down 3.5% and 2.5% respectively, illustrating the possible diversification and hedging benefits of this strategy.

Quant – EMN (+9.2%) was the 5th/37 industry sub-strategies. Along with quant – stat arb, it had positive performance in every month year-to-date.

Quant – stat arb continues to deliver strong performance – up 8.6%, 6th/37 industry sub-strategies. Since the quant – multi sub-strategy classification was introduced into Aurum Hedge Fund Data Engine, it has reduced the longer-term performance metrics and the Sharpe ratio of the quant – stat arb sub-strategy as a number of the constituent funds were reclassified. Its long-term (five-year) Sharpe is now 0.8.

Quant – CTA was the weakest of the quant sub-strategies, 13th/37 industry sub-strategies, up 6.7% in H1 2024, after it was the weakest performing quant sub-strategy in 2023 (-3.7%). Like quant – macro, it delivered resilient performance in the worst month for markets - April 2024 (+1.3%).

When looking at the long-term alpha/beta attribution analysis, quant – stat arb indicates a very high (among the highest across all the industry sub-strategies) alpha component, with close to zero beta. Given the strategy is typically constructed to have minimal exposure to generic risk factors, this indicates the strategy may have been successful in reducing such exposure in H1 2024. The alpha in quant – EMN represents a high proportion of returns – again, given they are typically run market neutral with low beta as part of its construction, the results are seemingly consistent with expectations. CTAs have exhibited a negative beta attribution and quant macro a low beta, consistent with their historical performance and their potential as diversifying strategies. Risk premia (quant – RP) unsurprisingly exhibited by far the strongest 'beta attribution' component to overall returns, as well as substantial negative alpha.

[1] There are relatively small number of large, typically well-resourced quantitative funds, which typically deploy the majority of their risk in equity statistical arbitrage strategies – as such these funds were previously classified in the quant – stat arb sub-strategy – however, these funds also allocate a material proportion of their overall risk to one or more of the other quant strategy areas, in particular quant-macro/CTA, while some also have exposure to areas such as volatility trading. Given the significant level of AUM associated with these strategies relative to AUM in 'pure' equity-stat arb, it made sense to separate these funds to gain a cleaner picture of the peer-group. This has lessened the disparity in the weighted average performance and the median (quant – stat arb AUM weighted average performance in H1 2024 is +8.6% vs median +7.0%).

Equity l/s

(see full equity l/s analytics pack here)

Equity l/s was the second-strongest performing (2nd out of 8) of the master strategies over the period, returning 8.2%. Unsurprisingly, the majority of performance came from the big positive months in equities. February (3.2% vs. 4.1% in equity markets), May (1.4% vs. 3.8%) and March (2.1% vs. 2.9%). Conversely, during the only negative month for equities April, where equities were down 3.5% it was the weakest month for the strategy, as it returned -1.3%.

Strong performance in the equity l/s space has been driven by multiple sub-strategies, with all the following outperforming the broader hedge fund universe: ELS – APAC (+11.6%), ELS – US (+8.2%), ELS – Sector (+8.0%), ELS – Global (+8.0%), ELS – EUR (+7.6%), ELS – FEMN (+6.7%) and ELS – other (+6.5%). From a regional perspective ELS – APAC (+11.6%) was a significant outperformer – which was encouraging considering the underperformance from China and Hong Kong equity markets which it usually has significant exposure to.

Over the last five years, ELS – global has been the top performing equity l/s sub-strategy (CAR: +8.6%, Sharpe: 0.7), with relative outperformance also in ELS – US (CAR: 7.6%, Sharpe: 0.6. These sub-strategies are the only two sub-strategies within equity l/s which have outperformed broader equity markets over this period (CAR: 8.3%). All equity l/s sub-strategies, other than ELS – Sector, have managed to deliver a higher five-year Sharpe ratio than global equities (0.4. Relative to other hedge fund strategies, equity l/s (CAR: +7.3%) is only outperformed by multi-strategy (CAR: +10.5%) over the five-year period.

As can be seen in the alpha/beta decomposition charts on page 18, a significant portion of equity l/s returns since 2013 appear to be attributable to beta, with this proportion looking to have increased significantly over the last year. The highest risk-adjusted returns over five years comes from ELS – EUR (Sharpe ratio of +0.8). If one looks at the alpha/beta decomposition in the associated pack, ELS – EUR has a sizeable proportion of 'alpha' attribution, comprising 42% of cumulative returns since 2013).

Equity l/s dispersion between top and bottom decile performers is the second highest among the master strategies, currently sitting at a 29.3% spread, however this is well within the strategy's historical bounds and currently sits just under the strategy's 10-year average.

Multi-strategy

(see full multi-strategy analytics pack here)

Multi-strategy funds were up 6.1%, marginally outperforming the broader hedge fund universe (+6.1%). It was the third best performing out of the eight master fund strategy classifications. However, once again the strategy has remained a consistent performer, up every month year-to-date. The weakest month of performance was in May, where multi-strategy funds were up 0.4%, quant and arbitrage, which are typically significant constituent strategies within multi-strategy funds, experienced weakness.

Over the longer timeframe, multi-strategy funds remain among the most consistent highest risk adjusted strategy across the hedge fund space. Over five years, asset weighted returns are 10.5%, the strongest of any of the hedge fund master strategy classifications. With a Sharpe of 2.1, multi-strategy funds also are amongst the highest ranked (2nd/37) when benchmarked to all hedge fund sub-strategy classifications. It is also interesting to note that multi-strategy funds have returned a compound annual return of 7.9% over the last ten years, with only quant – multi-strategy sub-strategy (8.7%) and event – activist (+8.2%) outperforming when benchmarked to all 37 sub-strategies over the same period.

The multi-strategy space is dominated by a small number of very large firms, so when one looks at the mean and median figures for the last five years (8.2% and 8.8% respectively), while the figures are still strong and outperform the mean and median across the whole hedge fund universe (7.6% and 7.0% respectively), it suggests that there is a clear and sustained 'size bias' to multi-strategy returns over the long-term.

Where the multi-strategy return profile has also stood out, has been in the alpha/beta P&L decomposition analysis, which indicates that over the last ten years, the vast majority (67%) of returns has been attributable to alpha, which is more than any other master-strategy. Even when benchmarked to sub-strategies, only quant – multi-strategy (alpha of 73%) has a greater alpha attribution out of 37 sub-strategies.

Long biased

(see full long biased analytics pack here)

Long biased (+5.5%) ranks fourth out of the eight broad master strategy classifications. Two sub-strategies outperformed the hedge fund composite - long – equity (+7.3%), which was the 11th/37 industry sub-strategies and long – other (+6.9%). The sub-strategies which underperformed the broader hedge fund universe were long – commods (+4.8%, 20th/37), and long – div growth (+2.5%, 34th/37).

The long biased strategy has exhibited high correlation with broader moves in risk assets; all sub-strategies (with the exception of long – commods), had negative returns in April when equity markets made losses. Similarly, when equity markets had their strongest month year-to-date in February, all sub-strategies had positive returns, with the exception of long – commods.

One other thing worth highlighting is that the five-year performance of the long – equity sub-strategy has now almost caught up with the performance of broader equity markets, delivering 8.0% vs 8.3% respectively. Both the mean (+8.8%) and the median (+9.1%) outperform the asset weighted returns, suggesting that larger long – equity funds have underperformed vs their peers. Diversified growth remains a particular area of disappointment, having had significant exposure to bond markets over this time period, which have struggled and not provided the expected diversification benefits anticipated.

The charts that look at the relative alpha/beta split of returns over the last ten years (page 18) indicate that the beta factor is the largest component driving returns, much higher than the broader hedge fund industry and the equity l/s strategy.

Dispersion is the highest relative to all other master hedge fund strategies, with the top-bottom decile range currently at a 31.2% spread, which sits below its ten-year average. This figure is a reflection of the significant dispersion in the sub-strategy classifications themselves, covering areas including long commodities, multi-asset and equities across a variety of regions.

Credit

(see full credit analytics pack here)

Credit was up 4.9% for the year to June 2024, ranking fifth out of the eight master strategy classifications. There was fairly broad dispersion of performance among the underlying sub-strategies, ranging from +6.4% for credit – struct, through to +2.9% for credit – muni.

Relative to all 37 hedge fund sub-strategies, credit sub-strategies are ranked as follows: credit – struct (16/37), credit – structLO (18/37), credit – multi (22/37), credit – distress (25/37), credit – dir len (26/37), credit – RV (27/37), and credit – muni (33/37). All credit sub-strategies underperformed the broader HF composite apart from credit – struct (+6.4%).

The first half of 2024 has been a somewhat muted period following positive performance in 2023 for credit strategies, but despite this underperformance, credit had positive performance every month year-to-date. All sub-strategies had positive returns every month with the exception of credit – muni, which was down 0.9% in April.

Over the last five years, credit has underperformed the broader hedge fund universe, returning 4.8% versus 6.4%. This has also been delivered at a lower Sharpe of 0.4, versus 0.7. From a sub-strategy perspective, the highest returning was credit – multi (CAR: +6.4%), with a Sharpe of 0.7. The highest risk adjusted returns were in credit – dir len (Sharpe 1.1 with a CAR of 5.9%).

Reviewing the alpha/beta decomposition chart on page 18 suggests that there is a reasonable proportion of overall returns attributable to alpha over the last ten years, although the risk-free rate and beta also are material drivers of overall returns. The underlying sub-strategy with the highest alpha attribution since 2013 is direct lending (credit – dir len) at 50%, the lowest credit – RV at 11%.

Event

(see full event analytics pack here)

Event returned 4.4% over the first half of 2024 and ranked sixth out of the eight master fund strategy classifications. All underlying sub-strategies had positive returns – but all underperformed equities and the hedge fund composite. The strongest performing sub-strategy was event – activist (+4.9%, 19th/37), event – multi (+4.6%, 23rd/37 industry sub-strategies), event – opp (+4.4%, 32nd/37), and the weakest, event – M&A (+1.0%, 35th/37). In aggregate, the event strategy's returns correlated highly with prevailing equity markets.

Over five-years event has delivered a CAR of 7.4% and a Sharpe of 0.7. Absolute performance is less than equities, but considerably greater than bonds (which was negative over the period: CAR: -2.0%) and a markedly higher Sharpe ratio (five-year Sharpe ratio bonds: -0.6). At the sub-strategy level event – multi has the highest Sharpe of 1.2, which in the context of the market environment may be seen as positive. Relative to all other sub-strategies in the hedge fund universe only three rank higher in terms of risk adjusted returns (multi-strategy, macro – FIRV and quant - multi).

The event – M&A strategy (as well as any other event strategies or multi-strategy funds that heavily incorporated M&A) has struggled in H1 2024. There were a number of large, widely-held merger deals that collapsed, or were mired in regulatory or political difficulties, which hurt many funds across the event space (and some multi-strategy funds). April was a particularly difficult month.

Reviewing the alpha/beta decomposition suggests that event – M&A has had a majority of returns attributable to the risk-free rate, with a sizeable portion from 'alpha' and only a small 'beta' element. Event – multi funds exhibit an even higher proportion attributable to alpha, in line with the relatively high long-term Sharpe ratio the strategy exhibits as indicated above.

Macro

(see full macro analytics pack here)

Macro strategies were up 3.5% in the first half of 2024, ranking seventh out of the eight master strategy classifications. The strategy was up in five out of six months and underperformed the broader hedge fund composite. All sub-strategies underperformed the hedge fund composite.

The primary drivers of the master strategy performance were macro – global (+3.0%) macro – FIRV (+3.1%), and macro – commods (+3.8%). Better performance by macro – EM (+4.7%, ranking 21st out of the 37) pushed the aggregated master strategy figure slightly higher. Macro – global, macro – FIRV and macro – commods were also three of the poorest performing hedge fund sub-strategies across the broader universe, ranking 32nd, 31st, and 30th out of 37 sub-strategies respectively.

Perhaps unsurprisingly, macro – EM which showed a higher correlation to moves in broad risk-assets, as it typically delivered stronger performance during the 'risk-on' months, most notably in March and negative performance during the sell-off in markets in April.

Over the last five years, macro ranks fifth out of the eight master hedge fund classifications (CAR: +5.3% and Sharpe of 0.6). This compares with broader industry figures of 6.4% and 0.7.

Over the past five years, macro – commods has been the strongest performing macro sub-strategy (CAR: +9.6%, Sharpe: 1.04), which is the 3rd best performing sub-strategy across the industry). The strongest risk adjusted returns have come from macro – FIRV (Sharpe: 1.9), which are the second-strongest risk-adjusted returns for any sub-strategy across the industry and one of only seven strategies with a five-year Sharpe ratio >1. Global macro has a five-year CAR of 5.5% and Sharpe of 0.7 and importantly has delivered this with a consistently low to negative beta to risk assets. Emerging market macro (macro – EM) has a five-year CAR of 2.9% and Sharpe 0.1.

When looking at alpha/beta P&L decomposition chart on page 19 over the last ten years, the master macro strategy indicates a material proportion of returns attributable to alpha (36%, but also has significant attribution from the risk free rate – 49% - and only 15% attributable to beta). However, when one looks at the underlying sub-strategies there are very different stories. Macro – FIRV has 56% of returns attributable to alpha, 9% beta and 35% to the risk-free rate. Macro – global indicates attribution of 50% to alpha, 48% to risk-free rates and 1% to beta. These figures also give some idea as to the potential role played by an allocation to strategies such as global macro as part of a diversified hedge fund portfolio allocation, as the potential diversification benefits can be significant. By stark contrast, the attribution analysis suggests that the primary drivers of returns over the last ten years for Macro – EM to be primarily risk-free rates and beta, with negative alpha.

Arbitrage

(see full arbitrage strategies analytics pack here)

Arbitrage strategies were up 2.1% over the six months to June 2024, ranking last out of the eight master fund strategies. The strategy was up in five of the six months. There was little volatility, the only down month was in May (-0.04%) and the biggest up month occurred in March (+0.5%). Under the surface however, there was a broader performance dispersion among the sub-strategies: the best performing was arb – opp (Opportunistic arbitrage strategies), which was up 4.6% during the period, followed by arb – CB (convertible bond arbitrage) up 4.0%. All sub-strategies underperformed the broader HF Composite (+6.1%), albeit exhibiting a lower level of volatility. On the flip side, performance from tail protection strategies (arb – tail) was much weaker, returning -1.6%. It was the only sub-strategy with negative returns (ranking 37th/37), as risk assets rallied, and downside volatility declined – creating a challenging environment for the strategy. Arb – vol was the second weakest sub-strategy, ranking 36th/37 industry sub-strategies with returns of 0.8% for H1 2024.

Over the last five years, arbitrage is ranked eighth out of the eight master strategy classifications (CAR: 4.7%).

From a sub-strategy perspective, consistent with the point above, there is quite a large dispersion in sub-strategy performance. Arb – opp has performed relatively well over the last five years, with a CAR of 9.6% and a Sharpe of 1.0. This also ranks it as one of the better performing hedge fund sub-strategies across the universe (4th/37), with only the event – activist, multi-strategy and –macro - commods categories outperforming. Multi-strategy funds have delivered a higher Sharpe, but arb – opp outperforms event – activist from a risk adjusted perspective and with a considerably greater proportion of returns attributable to alpha vs beta.

As with some other strategies that typically position to be market neutral, the realised betas to bonds and equities is targeted to be low/close to zero, so these results are seemingly consistent with this objective. Arb – CB performs in the top half of hedge fund sub-strategies over five years, returning a similar CAR of 6.6% relative to 6.4% for the HF Composite, and a similar Sharpe of 0.8 vs 0.7. Interestingly the alpha attribution appears to be considerably less than arb – opp, with the majority of returns attributable to a combination of risk-free interest rate and beta. Five year returns for arb – vol are muted at just 2.3% and a Sharpe of -0.04. Arb – tail is the only sub-strategy with five-year negative CAR (-0.4%), although as a hedging strategy it has historically delivered positive performance during the months that are typically more challenging for other asset manager portfolios, i.e. in periods of spiking volatility and risk-asset sell-off (recent examples being in certain months in 2022 and 2020).

SUB-STRATEGY – NET PERFORMANCE[1]

	YTD			12M			3YR			5YR		
	AUM Weighted	Mean	Median	AUM Weighted	Mean	Median	AUM Weighted	Mean	Median	AUM Weighted	Mean	Median
ELS - APAC	11.60%	8.82%	6.60%	13.94%	10.84%	10.28%	0.14%	1.56%	4.19%	6.86%	7.75%	7.75%
Quant - Multi	10.28%	6.69%	3.70%	16.74%	13.17%	16.00%	13.72%	11.85%	11.57%	9.18%	10.89%	9.94%
Quant - RP	9.91%	7.00%	7.02%	14.95%	12.13%	15.30%	6.95%	8.04%	8.15%	4.34%	4.18%	4.13%
Quant - Macro	9.36%	4.04%	4.06%	8.14%	4.95%	6.64%	5.78%	2.02%	2.79%	3.48%	3.17%	3.19%
Quant - EMN	9.19%	8.69%	7.56%	17.09%	14.60%	15.69%	11.37%	8.35%	9.22%	4.29%	5.96%	6.42%
Quant - Stat Arb	8.57%	8.68%	7.02%	13.31%	11.70%	17.59%	9.06%	5.27%	11.79%	5.65%	5.30%	8.97%
ELS - US	8.20%	7.13%	5.88%	13.08%	12.89%	12.52%	3.60%	4.21%	4.79%	7.57%	9.06%	8.67%
ELS - Sector	8.01%	5.89%	5.27%	14.97%	11.65%	12.48%	0.88%	1.87%	3.68%	6.73%	8.70%	8.10%
ELS - Global	7.96%	8.44%	7.80%	14.53%	13.93%	13.51%	4.41%	3.92%	4.90%	8.55%	9.33%	9.44%
ELS - EUR	7.57%	5.10%	5.24%	11.58%	9.05%	9.22%	5.19%	3.41%	4.39%	6.76%	5.48%	6.79%
Long - Equity	7.31%	6.70%	6.18%	14.30%	12.18%	12.52%	0.60%	0.63%	1.98%	7.95%	8.76%	9.09%
Long - Other	6.86%	17.36%	6.36%	14.58%	26.83%	11.91%	1.53%	6.86%	1.80%	5.57%	9.61%	4.96%
Quant - CTA	6.69%	5.91%	5.77%	4.06%	4.47%	4.46%	6.04%	5.79%	5.96%	5.56%	6.31%	6.91%
ELS - FEMN	6.67%	5.24%	4.46%	9.54%	8.49%	10.26%	6.24%	4.01%	3.13%	6.45%	5.01%	5.53%
ELS - Other	6.49%	5.07%	5.79%	11.86%	11.34%	8.77%	1.99%	3.58%	2.23%	6.83%	5.82%	6.15%
Credit - Struct	6.38%	6.86%	5.55%	12.59%	13.51%	11.05%	4.97%	5.65%	6.38%	4.09%	4.27%	5.86%
Multi-strategy	6.09%	4.75%	4.06%	10.79%	7.98%	8.73%	9.38%	5.10%	5.70%	10.52%	8.19%	8.80%
Credit - StrucLO	5.04%	5.05%	3.76%	13.89%	11.47%	9.97%	3.09%	3.84%	3.06%	2.85%	4.42%	3.38%
Event - Activist	4.89%	5.36%	3.36%	15.37%	12.44%	14.18%	6.55%	4.37%	4.96%	12.44%	11.40%	13.80%
Long - Commods	4.84%	3.84%	5.01%	5.70%	6.50%	6.52%	6.03%	5.70%	4.92%	6.83%	6.46%	8.52%
Macro - EM	4.66%	4.06%	3.05%	10.86%	9.74%	11.17%	2.42%	2.45%	2.33%	2.91%	4.15%	2.84%
Credit - Multi	4.63%	5.02%	3.79%	9.92%	10.08%	9.68%	5.02%	5.35%	5.27%	6.42%	7.13%	8.51%
Event - Multi	4.59%	4.59%	3.43%	8.96%	9.46%	10.21%	5.24%	2.15%	3.97%	6.99%	6.22%	5.71%
Arb - Opp	4.57%	3.26%	3.24%	8.68%	7.13%	8.50%	6.24%	4.24%	6.45%	9.55%	8.93%	8.92%
Credit - Distress	4.53%	5.12%	4.16%	9.37%	10.41%	9.50%	3.92%	4.16%	3.92%	5.42%	6.63%	5.59%
Credit - Dir Len	4.43%	3.76%	3.18%	8.07%	6.23%	9.29%	6.45%	5.95%	7.09%	5.87%	6.03%	5.85%
Credit - RV	4.41%	3.72%	3.38%	8.71%	8.15%	8.70%	3.07%	3.12%	3.66%	4.19%	4.98%	5.88%
Event - Opp	4.41%	3.94%	2.54%	10.64%	10.34%	7.16%	0.08%	1.69%	1.71%	4.98%	6.05%	5.77%
Arb - CB	4.02%	3.82%	3.79%	6.65%	6.79%	7.76%	2.98%	3.51%	3.40%	6.57%	7.32%	6.26%
Macro - Commods	3.79%	2.34%	2.26%	7.35%	4.42%	6.25%	7.84%	7.52%	6.26%	9.58%	10.42%	9.92%
Macro - FIRV	3.05%	4.88%	3.63%	8.52%	11.05%	9.22%	7.46%	5.73%	5.65%	7.40%	6.09%	6.86%
Macro - Global	2.96%	2.67%	2.10%	7.75%	6.45%	5.34%	4.10%	4.06%	5.26%	5.51%	5.83%	6.30%
Credit - Muni	2.91%	2.48%	3.46%	6.68%	7.98%	6.27%	0.48%	4.12%	5.42%	3.19%	5.21%	7.07%
Long - Div Growth	2.51%	3.34%	3.46%	7.07%	8.40%	9.45%	-0.69%	0.46%	0.02%	2.86%	3.37%	3.50%
Event - M&A	1.03%	0.50%	0.02%	8.94%	7.35%	6.88%	3.53%	2.39%	2.34%	5.41%	5.16%	5.80%
Arb - Vol	0.79%	1.76%	1.54%	1.83%	5.10%	3.29%	2.65%	3.88%	4.84%	2.30%	5.48%	6.61%
Arb - Tail	-1.62%	-2.38%	-1.37%	-3.97%	-6.94%	-3.35%	-2.76%	-3.66%	0.32%	-0.38%	0.09%	7.60%
HF Composite*	6.08%	5.85%	4.52%	10.96%	10.69%	9.30%	4.51%	3.97%	4.42%	6.40%	7.55%	7.04%

*HF Composite = Aurum Hedge Fund Data Engine Asset Weighted Composite Index.
** Bonds = Bloomberg Global Aggregate Bond Index *** Equities = S&P Global BMI.
1 = Returns net of all fees and expenses. Source: Aurum Hedge Fund Data Engine.

NET RETURN (1 YR) - SUB-STRATEGY

Net Performance[1]	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	YTD	12M
ELS - APAC	2.51%	-1.59%	-0.74%	-0.28%	2.26%	-0.01%	0.16%	2.89%	2.99%	1.19%	2.37%	1.50%	11.60%	13.94%
Quant - Multi	-0.06%	1.38%	2.42%	1.48%	1.69%	-1.14%	3.06%	1.65%	2.63%	-0.13%	-0.38%	3.10%	10.28%	16.74%
Quant - RP	0.97%	0.72%	0.37%	-0.82%	2.25%	1.02%	2.45%	1.95%	3.40%	-0.93%	1.65%	1.06%	9.91%	14.95%
Quant - Macro	-0.01%	2.00%	3.11%	1.45%	-4.48%	-2.97%	2.13%	4.27%	3.15%	3.16%	-2.01%	-1.52%	9.36%	8.14%
Quant - EMN	0.56%	1.45%	1.91%	1.50%	1.85%	-0.23%	3.32%	0.05%	1.37%	1.32%	0.64%	2.19%	9.19%	17.09%
Quant - Stat Arb	0.59%	0.28%	1.63%	1.42%	1.56%	-1.17%	1.71%	0.74%	1.94%	0.03%	1.02%	2.86%	8.57%	13.31%
ELS - US	1.14%	-0.16%	-2.20%	-1.45%	4.35%	2.92%	1.64%	3.04%	2.11%	-2.17%	2.47%	0.93%	8.20%	13.08%
ELS - Sector	1.40%	-1.35%	-2.17%	-2.43%	5.89%	5.28%	1.21%	4.47%	2.12%	-2.68%	1.23%	1.55%	8.01%	14.97%
ELS - Global	1.61%	0.15%	-1.66%	-0.70%	3.98%	2.66%	1.95%	2.77%	1.93%	-1.01%	0.89%	1.22%	7.96%	14.53%
ELS - EUR	0.01%	0.28%	-0.28%	-0.29%	2.71%	1.26%	1.78%	2.27%	2.20%	-0.52%	1.13%	0.51%	7.57%	11.58%
Long - Equity	3.66%	-2.61%	-3.04%	-3.21%	7.20%	4.88%	-0.77%	4.50%	2.61%	-2.18%	2.13%	0.94%	7.31%	14.30%
Long - Other	3.38%	-2.02%	-2.52%	-2.61%	6.59%	4.61%	0.62%	2.77%	1.88%	-2.24%	2.75%	0.98%	6.86%	14.58%
Quant - CTA	-0.36%	-0.53%	3.06%	-0.82%	-3.34%	-0.39%	0.96%	4.13%	3.34%	1.31%	-1.26%	-1.83%	6.69%	4.06%
ELS - FEMN	0.28%	0.50%	-0.43%	-0.12%	1.84%	0.62%	1.26%	1.97%	1.31%	0.45%	0.79%	0.71%	6.67%	9.54%
ELS - Other	2.48%	-0.63%	0.19%	-1.32%	2.41%	1.87%	0.01%	1.73%	1.34%	0.46%	0.94%	1.86%	6.49%	11.86%
Credit - Struct	1.48%	0.94%	0.71%	0.02%	1.24%	1.31%	1.63%	0.81%	1.10%	0.90%	0.98%	0.80%	6.38%	12.59%
Multi-strategy	0.44%	1.32%	1.10%	0.41%	0.66%	0.41%	1.40%	0.71%	1.81%	0.73%	0.41%	0.89%	6.09%	10.79%
Credit - StrucLO	2.53%	0.95%	0.29%	-0.23%	2.21%	2.43%	1.19%	0.61%	0.81%	0.67%	1.24%	0.42%	5.04%	13.89%
Event - Activist	3.04%	-1.42%	-1.71%	-3.81%	7.23%	6.81%	0.65%	2.07%	3.02%	-1.76%	3.17%	-2.21%	4.89%	15.37%
Long - Commods	5.71%	-0.46%	-0.52%	-0.44%	-1.24%	-2.05%	0.27%	-0.85%	3.84%	1.94%	1.07%	-1.44%	4.84%	5.70%
Macro - EM	1.94%	-0.84%	-1.17%	0.09%	2.53%	3.31%	-0.13%	1.28%	2.74%	-0.59%	1.06%	0.25%	4.66%	10.86%
Credit - Multi	0.66%	0.64%	1.84%	-0.53%	0.94%	1.42%	0.68%	0.70%	0.84%	0.65%	1.21%	0.47%	4.63%	9.92%
Event - Multi	0.87%	0.36%	0.40%	-0.16%	1.34%	1.31%	0.48%	0.52%	1.71%	0.36%	0.75%	0.67%	4.59%	8.96%
Arb - Opp	0.66%	0.77%	0.44%	-0.37%	0.93%	1.44%	1.15%	0.92%	1.12%	0.51%	0.32%	0.46%	4.57%	8.68%
Credit - Distress	1.00%	0.56%	0.19%	-1.03%	1.71%	2.15%	0.44%	0.92%	1.00%	0.49%	1.19%	0.40%	4.53%	9.37%
Credit - Dir Len	0.78%	0.35%	0.76%	0.31%	0.64%	0.60%	0.82%	0.64%	0.82%	0.77%	0.75%	0.55%	4.43%	8.07%
Credit - RV	0.98%	0.39%	0.31%	-0.35%	1.34%	1.39%	1.08%	0.48%	1.04%	0.14%	0.98%	0.62%	4.41%	8.71%
Event - Opp	1.33%	0.58%	-0.78%	-1.69%	4.01%	2.49%	-0.11%	1.44%	1.88%	-0.47%	1.37%	0.25%	4.41%	10.64%
Arb - CB	0.59%	0.12%	0.24%	-1.39%	1.17%	1.81%	0.51%	1.07%	1.24%	-0.15%	0.68%	0.61%	4.02%	6.65%
Macro - Commods	2.89%	0.31%	0.27%	-1.19%	0.63%	0.52%	0.21%	0.36%	2.30%	2.30%	0.48%	-1.87%	3.79%	7.35%
Macro - FIRV	0.88%	0.71%	0.46%	0.80%	1.19%	1.16%	1.11%	-0.10%	0.67%	0.25%	0.72%	0.36%	3.05%	8.52%
Macro - Global	0.92%	0.54%	1.20%	1.50%	-0.59%	1.02%	0.87%	-0.20%	1.67%	0.62%	0.39%	-0.41%	2.96%	7.75%
Credit - Muni	0.42%	-1.26%	-2.79%	-1.37%	6.31%	2.57%	0.61%	0.38%	0.22%	-0.89%	0.23%	2.36%	2.91%	6.68%
Long - Div Growth	2.14%	-1.73%	-2.28%	-1.80%	4.01%	4.26%	-0.98%	0.74%	2.62%	-1.47%	1.54%	0.08%	2.51%	7.07%
Event - M&A	0.96%	2.40%	1.16%	-0.50%	1.74%	1.84%	-0.52%	0.20%	1.04%	-0.71%	0.53%	0.50%	1.03%	8.94%
Arb - Vol	0.25%	0.56%	0.40%	0.30%	-0.42%	-0.05%	0.38%	-0.06%	0.12%	0.48%	-0.23%	0.09%	0.79%	1.83%
Arb - Tail	-0.46%	1.15%	2.05%	1.38%	-4.62%	-1.76%	-0.40%	-1.07%	-0.50%	1.18%	-1.30%	0.48%	-1.62%	-3.97%
HF Composite*	**1.19%**	**0.07%**	**0.02%**	**-0.42%**	**1.91%**	**1.76%**	**0.95%**	**1.81%**	**2.00%**	**-0.17%**	**0.85%**	**0.51%**	**6.08%**	**10.96%**
Bonds**	**0.69%**	**-1.37%**	**-2.92%**	**-1.20%**	**5.04%**	**4.16%**	**-1.38%**	**-1.26%**	**0.55%**	**-2.52%**	**1.31%**	**0.14%**	**-3.16%**	**0.93%**
Equities***	**3.72%**	**-3.08%**	**-4.29%**	**-3.44%**	**9.05%**	**5.16%**	**0.13%**	**4.10%**	**2.91%**	**-3.50%**	**3.76%**	**1.63%**	**9.15%**	**16.29%**

AURUM

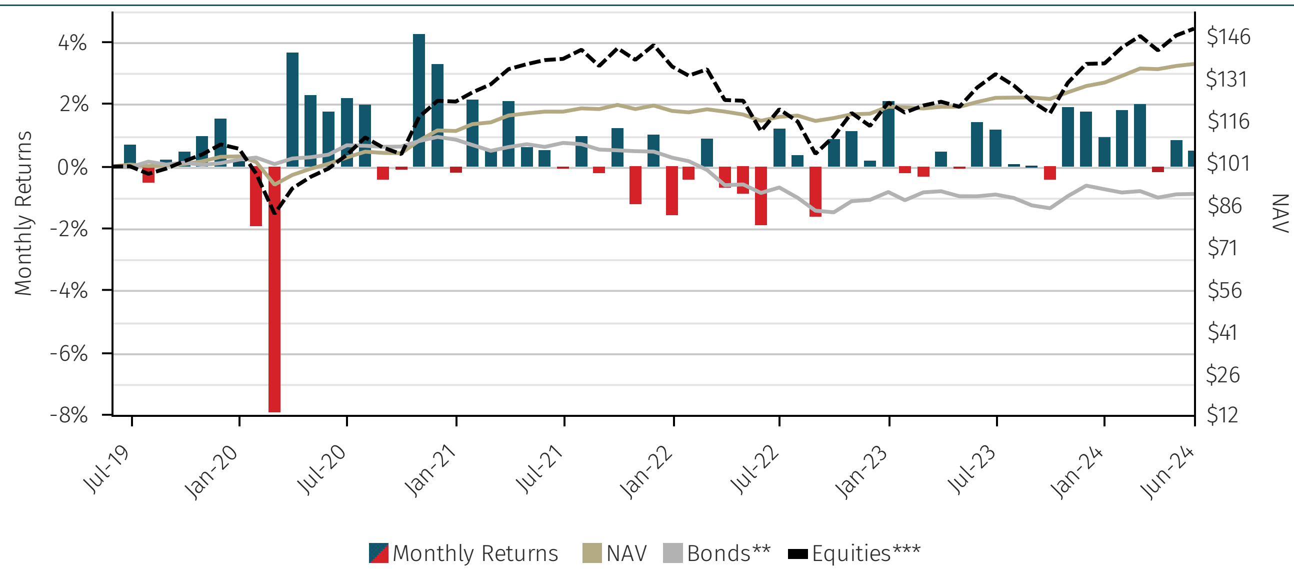
*HF Composite = Aurum Hedge Fund Data Engine Asset Weighted Composite Index.
** Bonds = Bloomberg Global Aggregate Bond Index *** Equities = S&P Global BMI.
1 = Returns net of all fees and expenses. Source: Aurum Hedge Fund Data Engine.

NET RETURN (5 YR) PERIOD TO JUNE 2024 - SUB-STRATEGY

Performance	2024	2023	2022	2021	2020	5Yr CAR	5Yr Vol	5Yr Sharpe
Event - Activist	4.89%	20.49%	-9.92%	19.50%	23.20%	12.44%	14.99%	0.70
Multi-strategy	6.09%	7.49%	8.88%	11.40%	15.25%	10.52%	3.63%	2.12
Macro - Commods	3.79%	2.51%	11.79%	16.79%	9.42%	9.58%	6.69%	1.04
Arb - Opp	4.57%	8.07%	2.79%	10.51%	19.18%	9.55%	6.85%	1.02
Quant - Multi	10.28%	10.22%	12.19%	11.06%	-0.32%	9.18%	4.97%	1.31
ELS - Global	7.96%	14.69%	-9.05%	9.11%	16.57%	8.55%	9.14%	0.68
Long - Equity	7.31%	15.48%	-17.32%	10.84%	19.15%	7.95%	15.58%	0.41
ELS - US	8.20%	14.04%	-10.31%	7.66%	15.27%	7.57%	9.81%	0.55
Macro - FIRV	3.05%	10.59%	7.84%	3.69%	8.58%	7.40%	2.49%	1.91
Event - Multi	4.59%	6.67%	0.83%	10.47%	9.33%	6.99%	3.81%	1.16
ELS - APAC	11.60%	3.21%	-9.98%	3.30%	23.99%	6.86%	8.10%	0.56
ELS - Other	6.49%	7.58%	-3.63%	4.56%	12.22%	6.83%	10.42%	0.45
Long - Commods	4.84%	-5.79%	15.10%	25.09%	-4.25%	6.83%	14.73%	0.36
ELS - EUR	7.57%	9.09%	-3.91%	8.49%	9.14%	6.76%	5.39%	0.79
ELS - Sector	8.01%	13.12%	-14.18%	1.68%	25.59%	6.73%	12.04%	0.40
Arb - CB	4.02%	7.31%	-4.68%	7.41%	16.75%	6.57%	5.23%	0.78
ELS - FEMN	6.67%	7.70%	1.55%	3.79%	7.15%	6.45%	4.92%	0.80
Credit - Multi	4.63%	9.58%	-1.70%	12.40%	8.55%	6.42%	5.85%	0.68
Credit - Dir Len	4.43%	7.58%	3.70%	7.38%	3.34%	5.87%	3.17%	1.05
Quant - Stat Arb	8.57%	9.67%	5.25%	6.60%	-0.46%	5.65%	4.11%	0.77
Long - Other	6.86%	17.06%	-15.78%	5.11%	13.02%	5.57%	11.85%	0.31
Quant - CTA	6.69%	-3.68%	14.93%	7.90%	0.80%	5.56%	8.12%	0.41
Macro - Global	2.96%	2.42%	11.23%	-2.56%	10.04%	5.51%	4.50%	0.68
Credit - Distress	4.53%	9.09%	-3.39%	15.08%	3.75%	5.42%	8.58%	0.38
Event - M&A	1.03%	6.50%	2.31%	5.76%	8.11%	5.41%	4.94%	0.60
Event - Opp	4.41%	6.41%	-10.78%	10.59%	12.57%	4.98%	8.14%	0.34
Quant - RP	9.91%	10.47%	-4.42%	13.57%	-7.28%	4.34%	6.82%	0.30
Quant - EMN	9.19%	8.72%	5.49%	12.93%	-14.99%	4.29%	7.75%	0.27
Credit - RV	4.41%	7.74%	-3.23%	4.81%	5.44%	4.19%	5.63%	0.33
Credit - Struct	6.38%	9.00%	-3.49%	10.42%	-3.16%	4.09%	10.37%	0.21
Quant - Macro	9.36%	-1.38%	6.96%	4.35%	-4.01%	3.48%	8.66%	0.16
Credit - Muni	2.91%	7.70%	-9.44%	5.86%	6.84%	3.19%	7.60%	0.13
Macro - EM	4.66%	9.81%	-6.18%	0.59%	5.83%	2.91%	8.60%	0.10
Long - Div Growth	2.51%	6.21%	-12.61%	9.45%	6.64%	2.86%	9.17%	0.09
Credit - StrucLO	5.04%	12.95%	-8.58%	3.62%	0.99%	2.85%	7.16%	0.09
Arb - Vol	0.79%	1.20%	5.21%	1.23%	1.63%	2.30%	2.85%	-0.04
Arb - Tail	-1.62%	-10.55%	8.32%	-7.88%	14.38%	-0.38%	12.50%	-0.17
HF Composite*	**6.08%**	**8.26%**	**-2.37%**	**7.81%**	**9.06%**	**6.40%**	**5.84%**	**0.68**
Bonds**	**-3.16%**	**5.72%**	**-16.25%**	**-4.71%**	**9.20%**	**-2.02%**	**7.47%**	**-0.56**
Equities***	**9.15%**	**19.24%**	**-20.04%**	**16.02%**	**14.34%**	**8.29%**	**17.72%**	**0.40**

**HF Composite = Aurum Hedge Fund Data Engine Asset Weighted Composite Index.*
***Bonds = Bloomberg Global Aggregate Bond USD Index. ***Equities = S&P Global BMI.*

NET MONTHLY RETURN (5 YR) - HEDGE FUND COMPOSITE*



NET RETURN (5 YR) PERIOD TO JUNE 2024

Performance	2024	2023	2022	2021	2020	5Yr CAR	5Yr Vol	5Yr Sharpe
Multi-Strategy	6.09%	7.49%	8.88%	11.40%	15.25%	10.52%	3.63%	2.12
Event	4.42%	9.54%	-4.66%	11.98%	12.43%	7.37%	6.86%	0.72
Equity L/S	8.17%	11.68%	-9.58%	5.55%	17.88%	7.27%	8.63%	0.58
Long biased	5.48%	10.98%	-14.12%	10.22%	12.54%	5.71%	11.99%	0.32
Macro	3.45%	5.71%	6.01%	0.12%	8.27%	5.24%	4.62%	0.60
Credit	4.87%	8.98%	-2.61%	9.55%	2.77%	4.83%	7.02%	0.36
Quant	8.74%	1.97%	8.40%	8.41%	-4.97%	4.82%	5.73%	0.43
Arbitrage	2.12%	2.05%	3.11%	3.83%	11.01%	4.68%	2.80%	0.78
HF Composite*	**6.08%**	**8.26%**	**-2.37%**	**7.81%**	**9.06%**	**6.40%**	**5.84%**	**0.68**
Bonds**	**-3.16%**	**5.72%**	**-16.25%**	**-4.71%**	**9.20%**	**-2.02%**	**7.47%**	**-0.56**
Equities***	**9.15%**	**19.24%**	**-20.04%**	**16.02%**	**14.34%**	**8.29%**	**17.72%**	**0.40**

HIERARCHICAL ANNUALISED NET RETURN TO JUNE 2024

1 YEAR	3 YEAR	5 YEAR	10 YEAR
Equity L/S 13.7%	Multi-Strategy 9.4%	Multi-Strategy 10.5%	Multi-Strategy 7.9%
Long biased 11.3%	Quant 7.8%	Event 7.4%	Equity L/S 5.3%
HF Composite* 11.0%	HF Composite* 4.5%	Equity L/S 7.3%	Event 5.1%
Event 10.9%	Macro 4.5%	HF Composite* 6.4%	HF Composite* 4.7%
Multi-Strategy 10.8%	Credit 4.4%	Long biased 5.7%	Long biased 4.3%
Credit 10.1%	Event 4.0%	Macro 5.2%	Credit 4.0%
Quant 10.0%	Equity L/S 2.9%	Credit 4.8%	Quant 4.0%
Macro 8.7%	Arbitrage 2.8%	Quant 4.8%	Macro 3.9%
Arbitrage 3.7%	Long biased 0.5%	Arbitrage 4.7%	Arbitrage 2.6%

*HF Composite = Aurum Hedge Fund Data Engine Asset Weighted Composite Index.
**Bonds = Bloomberg Global Aggregate Bond USD Index. ***Equities = S&P Global BMI.

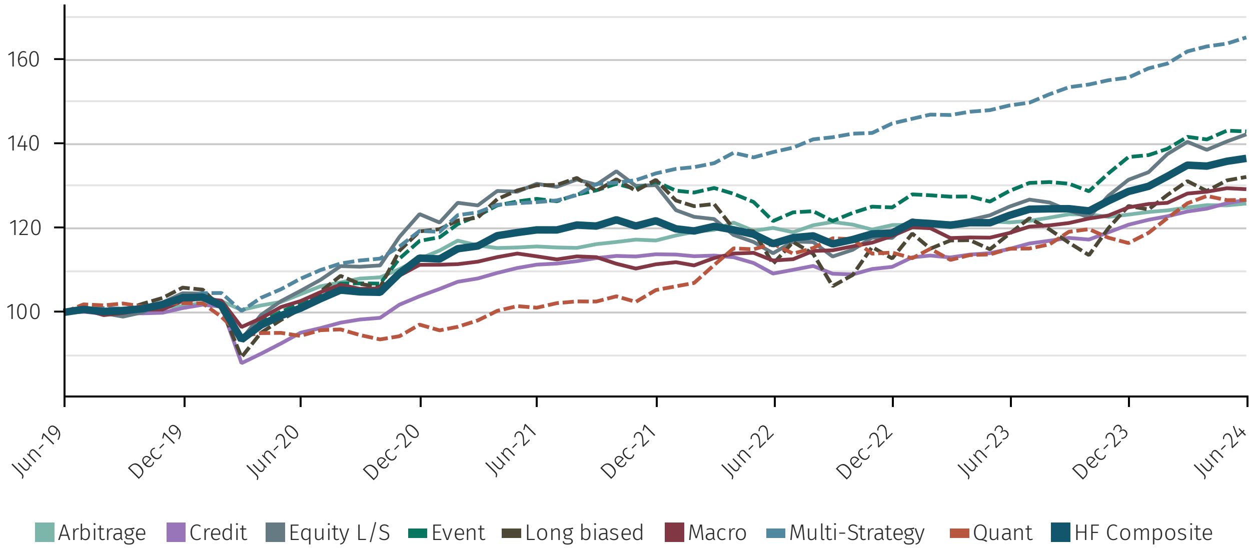
HIERARCHICAL ANNUALISED NET RETURN TO JUNE 2024 - SUB-STRATEGY

1 YEAR	3 YEAR	5 YEAR	10 YEAR
Quant - EMN 17.1%	Quant - Multi 13.7%	Event - Activist 12.4%	Quant - Multi 8.7%
Quant - Multi 16.7%	Quant - EMN 11.4%	Multi-strategy 10.5%	Event - Activist 8.2%
Event - Activist 15.4%	Multi-strategy 9.4%	Macro - Commods 9.6%	Multi-strategy 7.9%
ELS - Sector 15.0%	Quant - Stat Arb 9.1%	Arb - Opp 9.6%	Long - Equity 6.8%
Quant - RP 14.9%	Macro - Commods 7.8%	Quant - Multi 9.2%	ELS - Global 6.7%
Long - Other 14.6%	Macro - FIRV 7.5%	ELS - Global 8.6%	Arb - Opp 5.9%
ELS - Global 14.5%	Quant - RP 6.9%	Long - Equity 7.9%	ELS - APAC 5.9%
Long - Equity 14.3%	Event - Activist 6.6%	ELS - US 7.6%	Credit - Dir Len 5.9%
ELS - APAC 13.9%	Credit - Dir Len 6.4%	Macro - FIRV 7.4%	Macro - FIRV 5.7%
Credit - StrucLO 13.9%	ELS - FEMN 6.2%	Event - Multi 7.0%	Quant - EMN 5.5%
Quant - Stat Arb 13.3%	Arb - Opp 6.2%	ELS - APAC 6.9%	ELS - FEMN 5.4%
ELS - US 13.1%	Quant - CTA 6.0%	ELS - Other 6.8%	ELS - US 5.3%
Credit - Struct 12.6%	Long - Commods 6.0%	Long - Commods 6.8%	ELS - EUR 5.0%
ELS - Other 11.9%	Quant - Macro 5.8%	ELS - EUR 6.8%	Event - Multi 5.0%
ELS - EUR 11.6%	Event - Multi 5.2%	ELS - Sector 6.7%	Quant - Stat Arb 5.0%
HF Composite* 11.0%	ELS - EUR 5.2%	Arb - CB 6.6%	HF Composite* 4.7%
Macro - EM 10.9%	Credit - Multi 5.0%	ELS - FEMN 6.4%	ELS - Other 4.7%
Multi-strategy 10.8%	Credit - Struct 5.0%	Credit - Multi 6.4%	Credit - Struct 4.7%
Event - Opp 10.6%	HF Composite* 4.5%	HF Composite* 6.4%	Credit - Multi 4.6%
Credit - Multi 9.9%	ELS - Global 4.4%	Credit - Dir Len 5.9%	Arb - CB 4.5%
ELS - FEMN 9.5%	Macro - Global 4.1%	Quant - Stat Arb 5.7%	ELS - Sector 4.5%
Credit - Distress 9.4%	Credit - Distress 3.9%	Long - Other 5.6%	Credit - Muni 4.4%
Event - Multi 9.0%	ELS - US 3.6%	Quant - CTA 5.6%	Credit - Distress 4.2%
Event - M&A 8.9%	Event - M&A 3.5%	Macro - Global 5.5%	Quant - CTA 4.1%
Credit - RV 8.7%	Credit - StrucLO 3.1%	Credit - Distress 5.4%	Long - Other 4.0%
Arb - Opp 8.7%	Credit - RV 3.1%	Event - M&A 5.4%	Event - M&A 3.9%
Macro - FIRV 8.5%	Arb - CB 3.0%	Event - Opp 5.0%	Macro - Global 3.8%
Quant - Macro 8.1%	Arb - Vol 2.6%	Quant - RP 4.3%	Event - Opp 3.6%
Credit - Dir Len 8.1%	Macro - EM 2.4%	Quant - EMN 4.3%	Macro - EM 3.2%
Macro - Global 7.8%	ELS - Other 2.0%	Credit - RV 4.2%	Macro - Commods 3.2%
Macro - Commods 7.3%	Long - Other 1.5%	Credit - Struct 4.1%	Credit - StrucLO 3.0%
Long - Div Growth 7.1%	ELS - Sector 0.9%	Quant - Macro 3.5%	Quant - RP 2.9%
Credit - Muni 6.7%	Long - Equity 0.6%	Credit - Muni 3.2%	Credit - RV 2.8%
Arb - CB 6.7%	Credit - Muni 0.5%	Macro - EM 2.9%	Quant - Macro 2.6%
Long - Commods 5.7%	ELS - APAC 0.1%	Long - Div Growth 2.9%	Long - Div Growth 2.6%
Quant - CTA 4.1%	Event - Opp 0.1%	Credit - StrucLO 2.9%	Arb - Vol 2.3%
Arb - Vol 1.8%	Long - Div Growth -0.7%	Arb - Vol 2.3%	Long - Commods -1.3%
Arb - Tail -4.0%	Arb - Tail -2.8%	Arb - Tail -0.4%	Arb - Tail -3.5%

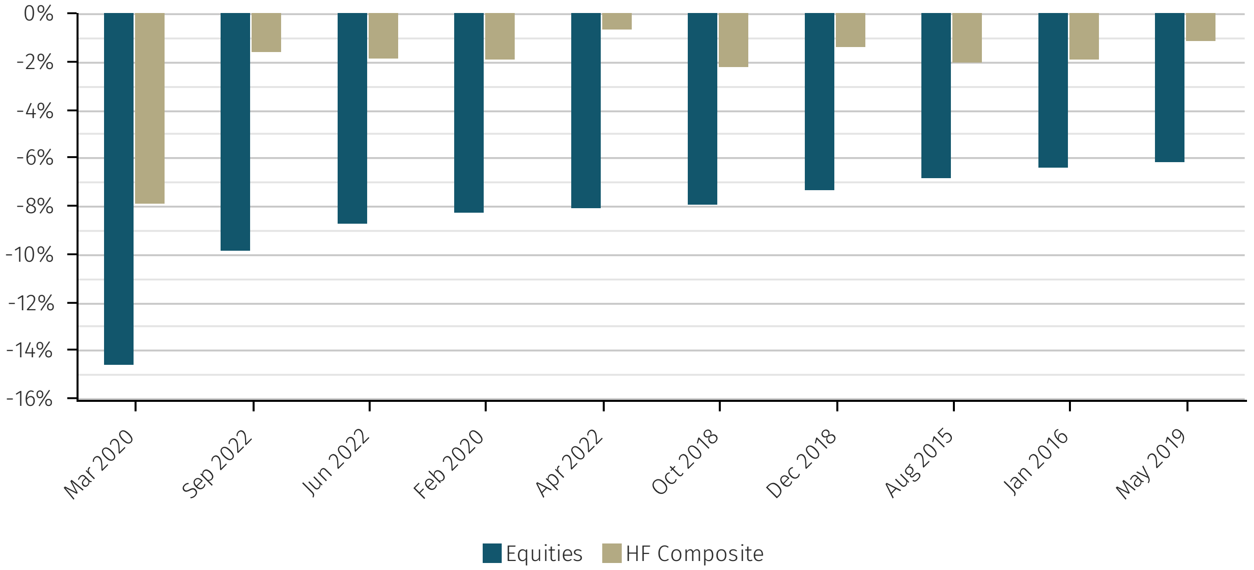
AURUM

*HF Composite = Aurum Hedge Fund Data Engine Asset Weighted Composite Index.
Source: Aurum Hedge Fund Data Engine.

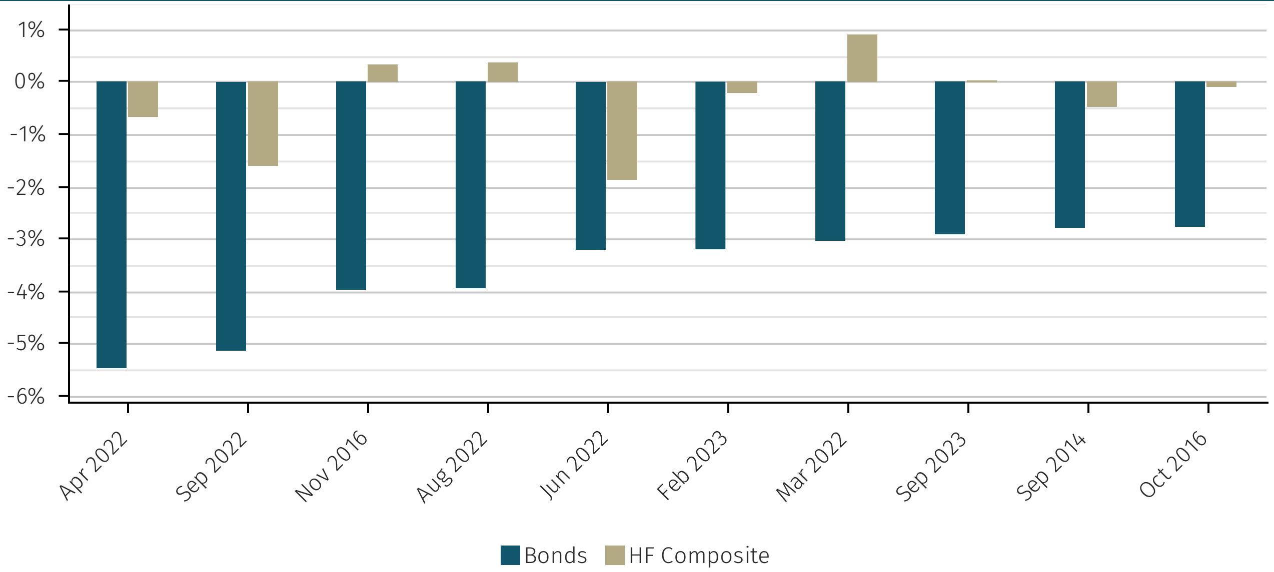
CUMULATIVE RETURN (5 YR) PERIOD TO JUNE 2024



PERFORMANCE DURING WORST 10 MONTHS FOR EQUITIES*** (10 YR) PERIOD TO JUNE 2024 – HF COMPOSITE*



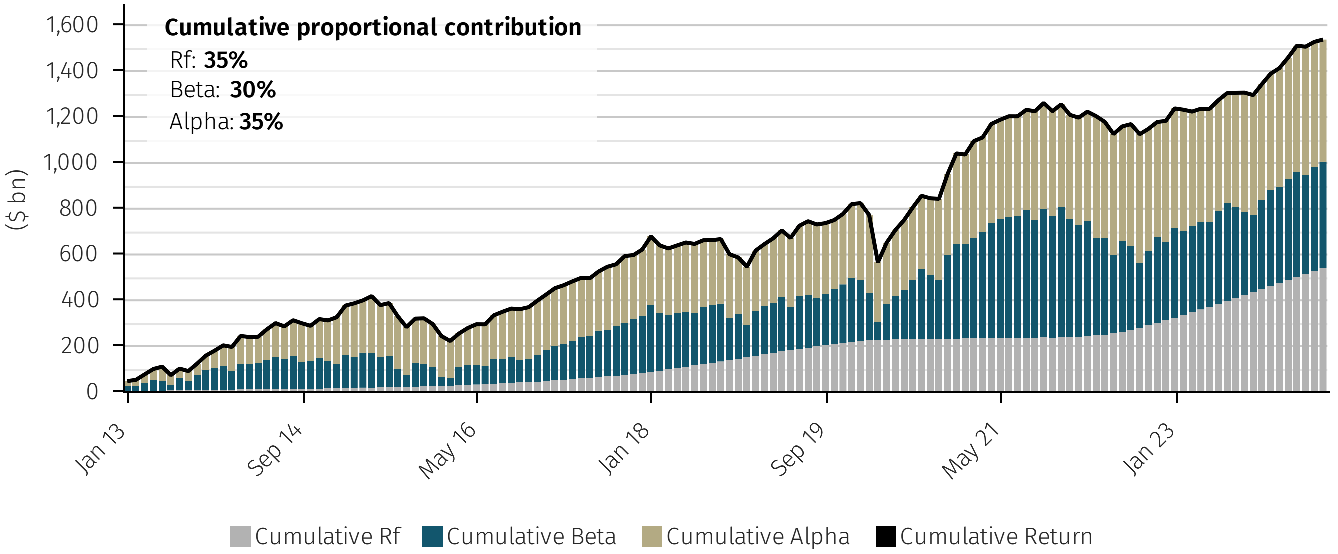
PERFORMANCE DURING WORST 10 MONTHS FOR BONDS** (10 YR) PERIOD TO JUNE 2024 – HF COMPOSITE*



**HF Composite = Aurum Hedge Fund Data Engine Asset Weighted Composite Index.*
***Bonds = Bloomberg Global Aggregate Bond Index ***Equities = S&P Global BMI.*
Source: Aurum Hedge Fund Data Engine.

DECOMPOSING DOLLAR PERFORMANCE INTO ALPHA, BETA AND RISK FREE (RF) COMPONENTS

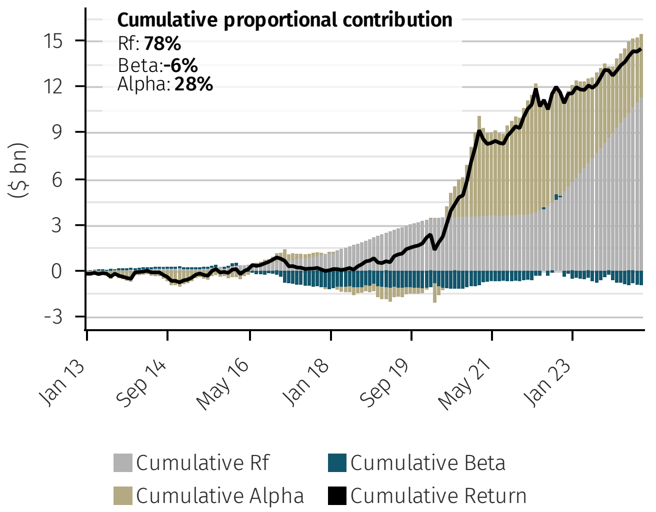
HF Composite



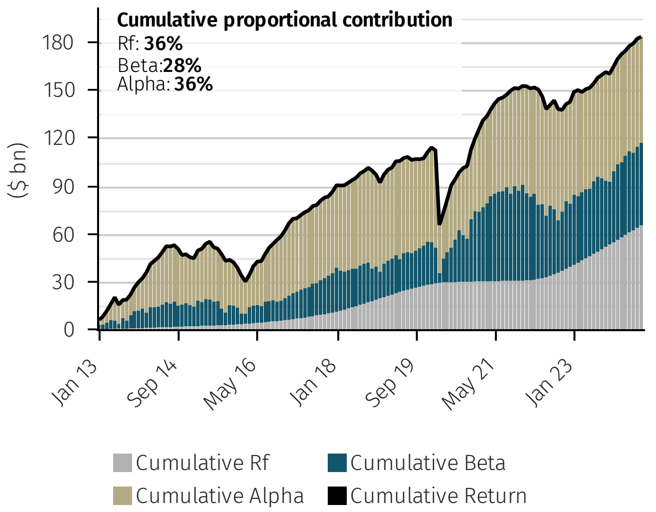
*These charts decompose the Hedge Fund Composite dollar returns into Beta, Alpha and Risk free ("Rf") components, as follows: Alpha = Actual return – Rf – Beta * (Market return – Rf).*

Where Rf is the Risk-free rate as defined by a rolling 3-month LIBOR-SOFR, where market return is that of S&P Global BMI ('the market index') and where Beta has been calculated with respect to each underlying fund observed on a 60m rolling basis to the market index. The monthly Alpha, Beta and Rf components are then applied to each underlying fund's dollar performance for a particular month, and then at a master strategy or industry level the individual fund dollar contributions are aggregated.

Arbitrage



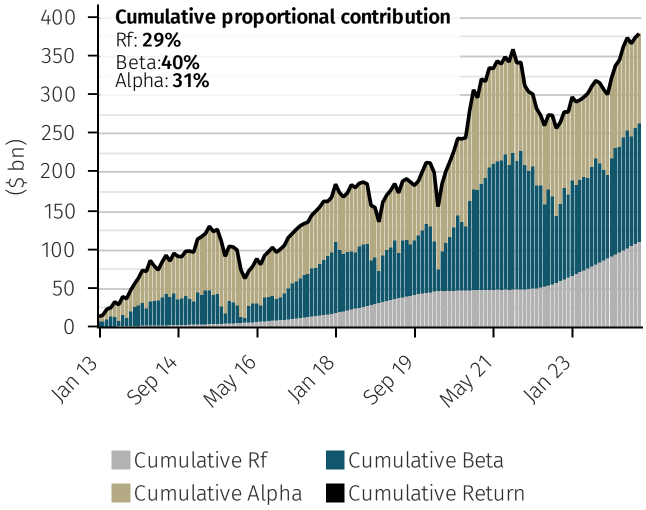
Credit



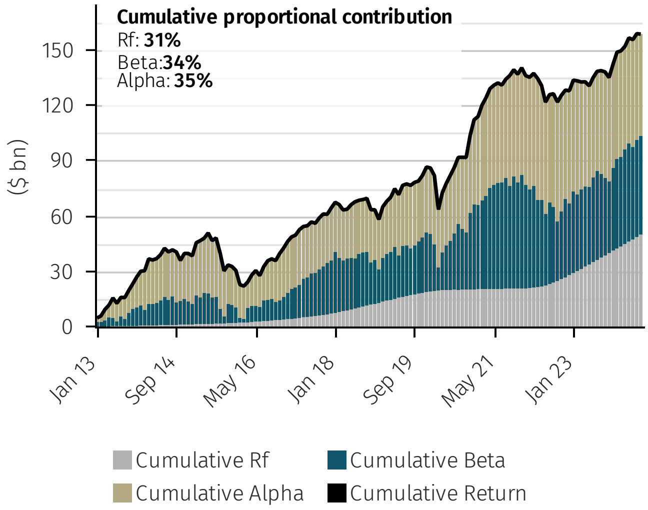
Source: Bloomberg.

HF Composite = Aurum Hedge Fund Data Engine Asset Weighted Composite Index.
Source: Aurum Hedge Fund Data Engine.

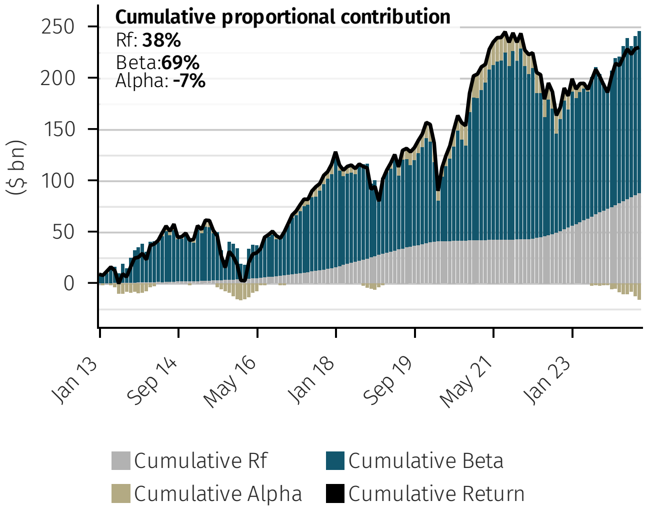
Equity L/S



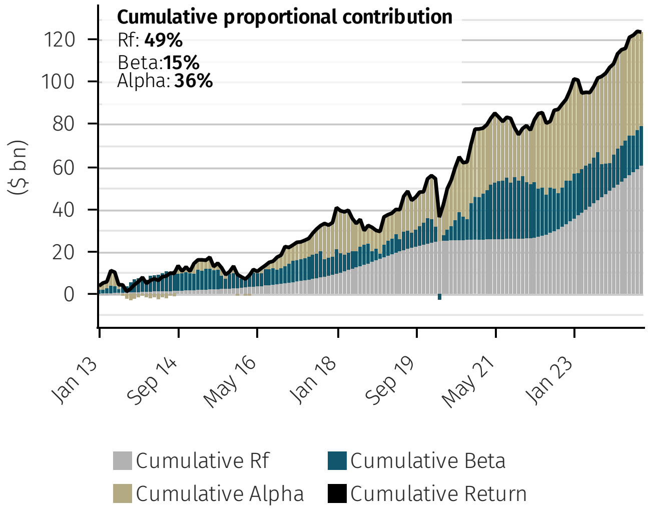
Event



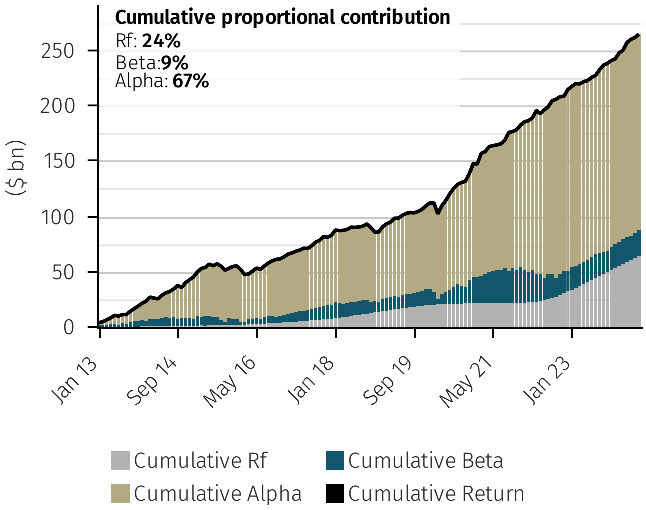
Long biased



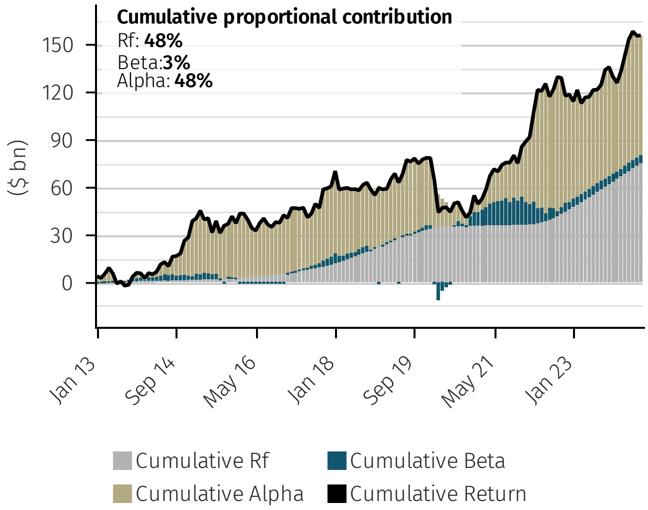
Macro



Multi-Strategy



Quant



Source: Bloomberg.
HF Composite = Aurum Hedge Fund Data Engine Asset Weighted Composite Index.
Source: Aurum Hedge Fund Data Engine.

Performance dispersion and correlation

After reaching low levels in 2023, performance dispersion between the top and bottom decile hedge funds normalised to pre-COVID levels. Today HF performance dispersion (as defined by the rolling 12m performance spread between top and bottom decile performing funds) sits 17% below 10-year average levels as at the end of H1 2024.

Relative to the last ten years, dispersion in arbitrage is well below average, as it is in multi-strategy to a lesser extent. All other strategies, apart from macro and long biased, are exhibiting below-average levels of dispersion relative to the last ten years.

Equity l/s is the master strategy with the highest levels of sub-strategy dispersion in H1 2024. For example, equity l/s – APAC is the second-best performing sub-strategy out of 37 sub-strategies across the industry - benefitting from high levels of volatility in Asian equities over the year so far. Equity l/s – FEMN funds – typically pursuing a zero-beta approach and with more of a developed markets focus – haven't benefited from the rising tide of positive equity market performance.

As the candlestick charts show, some strategies exhibit very large absolute levels of dispersion. Looking at equity l/s – which has the widest dispersion during H1 2024 – as the largest strategy by underlying number of funds, and with a highly diverse range of sub-strategies which cover multiple regions, sector specific funds, and market-neutral funds – it isn't a surprise that dispersion can be very wide. Similarly, long biased persistently has high levels of top-to-bottom decile dispersion. This is, in part, because the underlying funds had among the highest hedge fund volatilities. Credit and multi-strategy have a tight interquartile range for performance.

The analysis of inter-strategy correlations indicates that arbitrage and quant consistently exhibit lower levels of correlation to other hedge fund strategies, suggestive of their utility as potential diversifiers to an overall portfolio mix of hedge funds. On the other end of the scale, long biased, equity l/s and event have a consistently high correlation to equities and a high correlation to bond markets over recent years (with bonds and equity markets themselves currently highly correlated). This is an important factor of which to be wary if one is an asset allocator and using hedge funds as a source of uncorrelated return.

One should also pay close attention to the average intra-strategy correlation chart. This can give an additional quantitative measure of the extent of homogeneity of funds within each strategy bucket. The event – M&A sub-strategy has exhibited markedly higher cross correlation recently, and has the second-highest intra-strategy correlation. This is likely due to elevated levels of common factor risk. During H1 2024 there were a number of high-profile deal collapses which were widely held across M&A funds, which may account for the high degree of intra-strategy correlation. In the case of M&A, during periods where the incidence of deals being challenged/mergers coming under stress is relatively low, the cross correlation in the strategy has tended to be lower.

In the more recent past, with stress on the space in 2020 and more recently the higher number of large, widely held deals having had issues, there has been far less differentiation across the event – merger space. This also has impacted event – opp and to a far lesser extent event – opp funds as well. Event – activist funds tend to exhibit a higher beta to broader equity markets, which is a common factor among such managers.

The areas where Aurum tends to focus its research are more towards macro (primarily global macro and commodities), quant (with a bias towards statistical arbitrage, short-term futures and quant macro/quant volatility), multi-strategy and trading oriented event driven strategies. These strategies are more likely to be heterogenous in composition and individual manager/fund approach and are where one can potentially add significant value from fund and manager selection. These strategies also have historically exhibited lower correlation to risk assets and other sub-strategies.

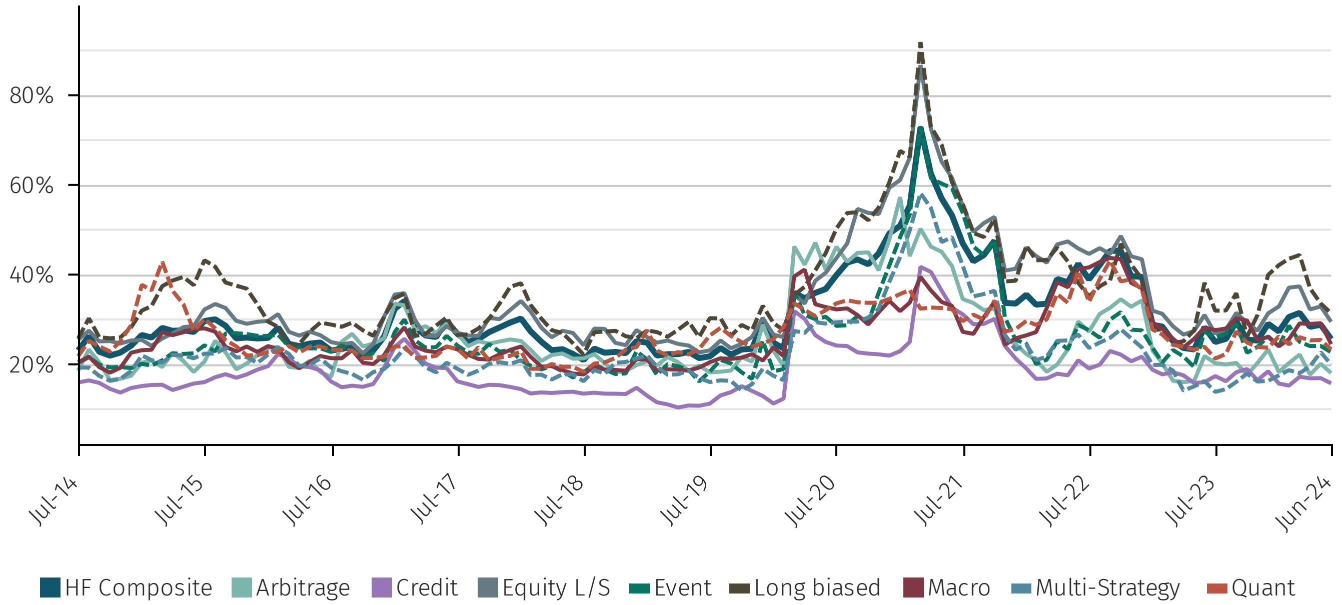
STRATEGY DISPERSION – ROLLING SPREAD 10-90th PERCENTILE

Strategy	Average 10 year	12M to Jun-24	Current % differential from 10 year average
Macro	26.04%	24.34%	-6.51%
Multi-Strategy	22.59%	19.81%	-12.30%
Long biased	36.03%	31.24%	-13.28%
Quant	26.87%	23.16%	-13.80%
Event	26.19%	22.54%	-13.94%
Equity L/S	34.20%	29.34%	-14.20%
Credit	18.36%	15.60%	-14.99%
HF Composite*	**30.59%**	**25.49%**	**-16.69%**
Arbitrage	25.69%	17.91%	-30.29%

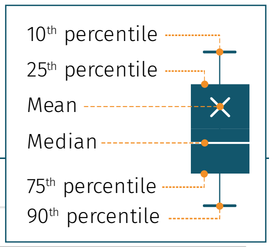
Equally weighted returns.
**HF Composite = Aurum Hedge Fund Data Engine Equally Weighted Composite Index*
Source: Aurum Hedge Fund Data Engine.

HEDGE FUND INDUSTRY DISPERSION – 12M ROLLING RETURN

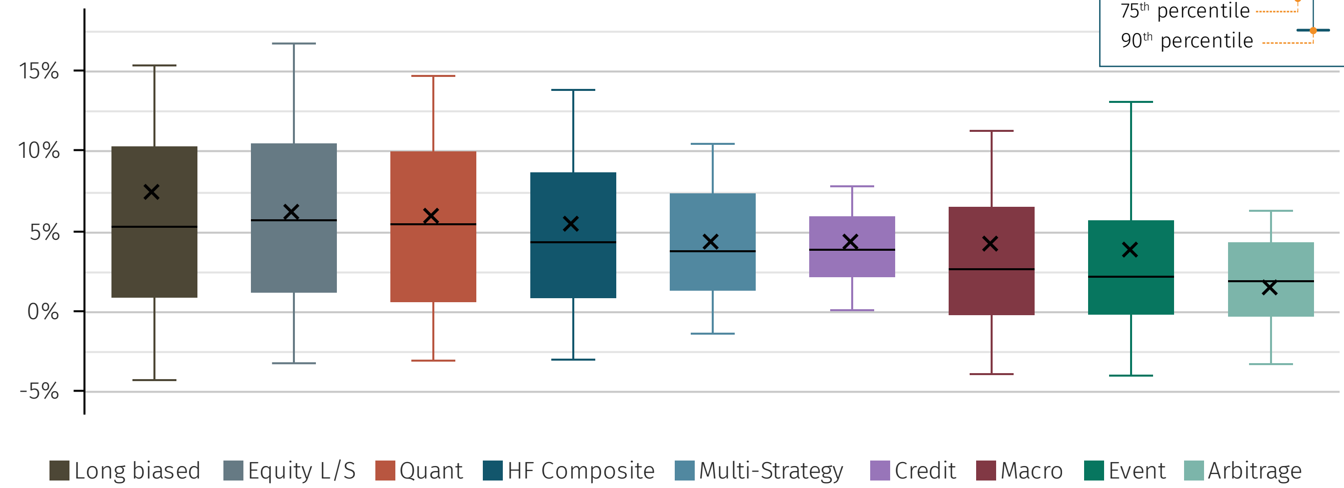
10th – 90th PERCENTILE 12M ROLLING PERFORMANCE SPREAD



Equally weighted returns.
**HF Composite = Aurum Hedge Fund Data Engine Equally Weighted Composite Index*
Source: Aurum Hedge Fund Data Engine.

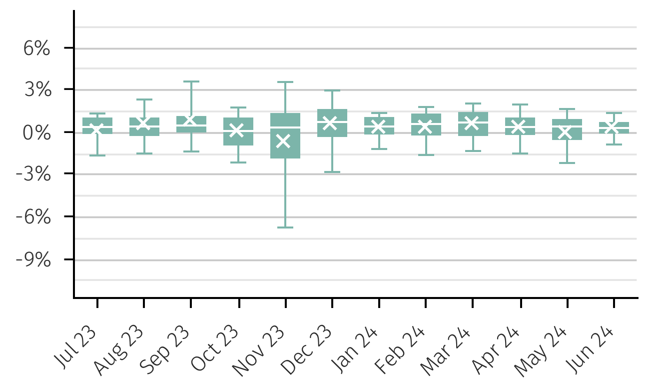


PERFORMANCE DISPERSION (H1)

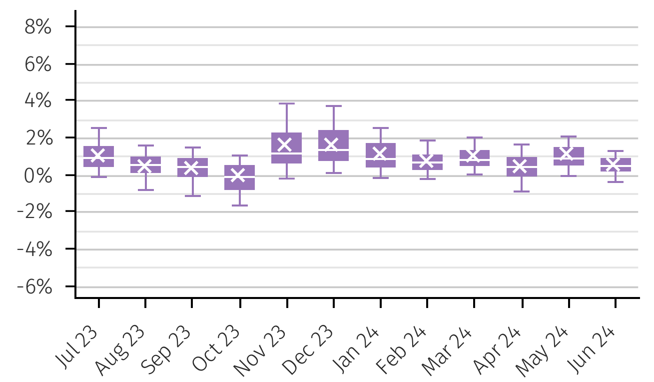


NET MONTHLY RETURN DISTRIBUTION

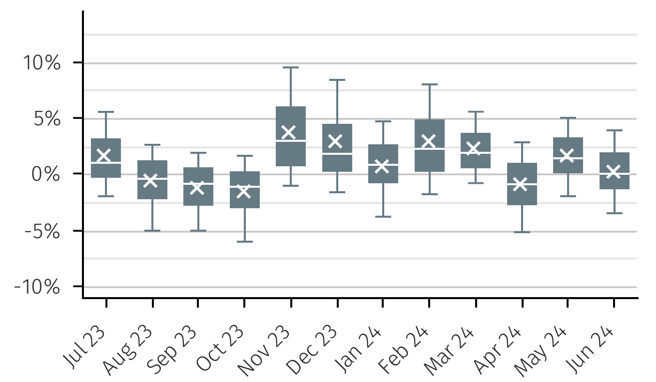
Arbitrage



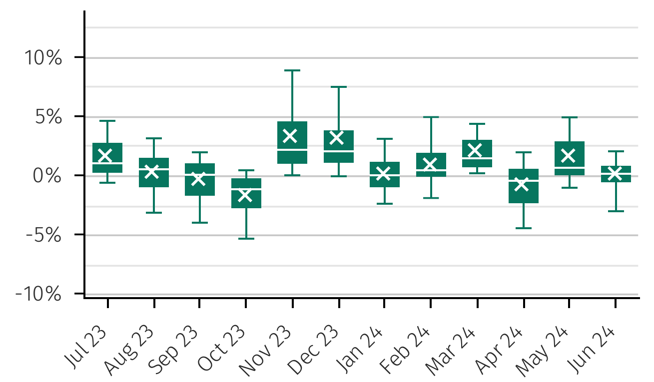
Credit



Equity L/S

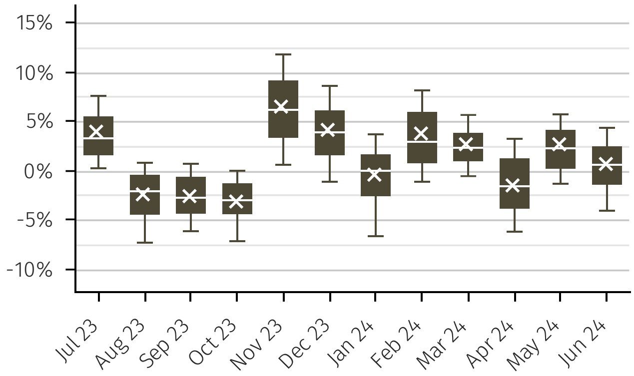


Event

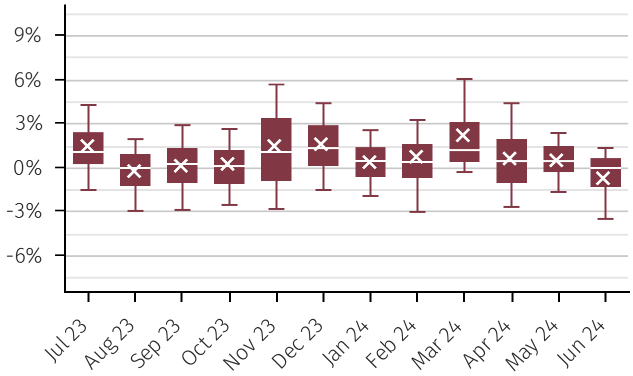


Equally weighted returns.
**HF Composite = Aurum Hedge Fund Data Engine Equally Weighted Composite Index*
Source: Aurum Hedge Fund Data Engine.

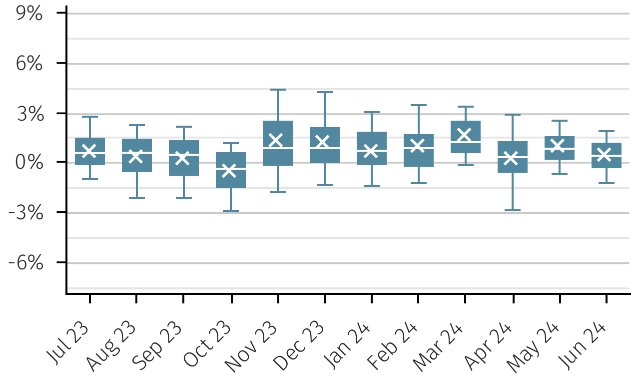
Long biased



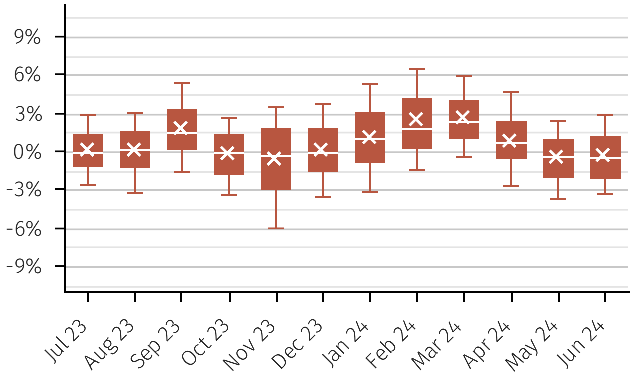
Macro



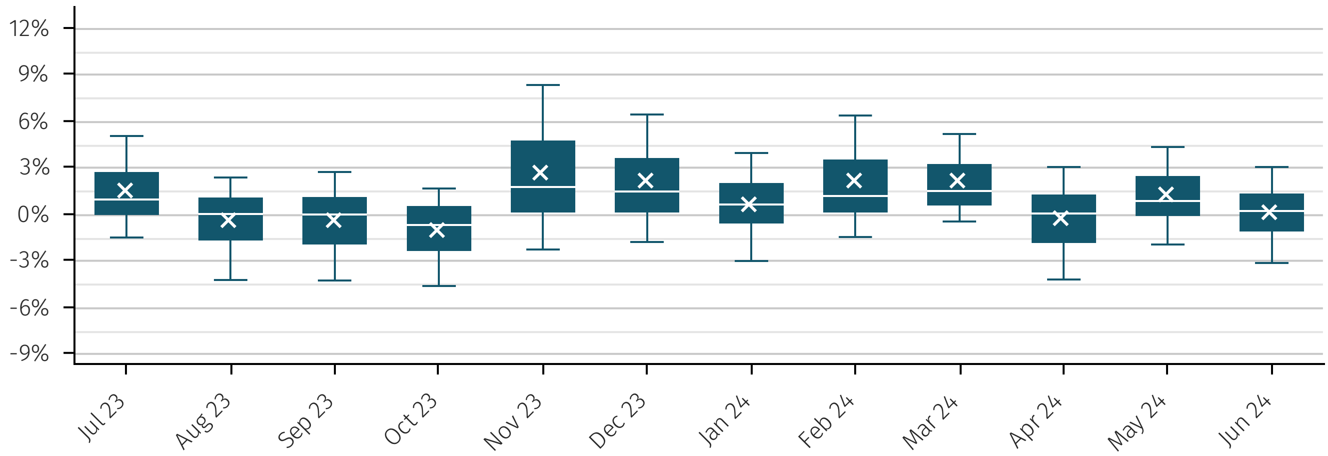
Multi-Strategy



Quant



HF Composite



Equally weighted returns.
**HF Composite = Aurum Hedge Fund Data Engine Equally Weighted Composite Index*
Source: Aurum Hedge Fund Data Engine.

Correlation

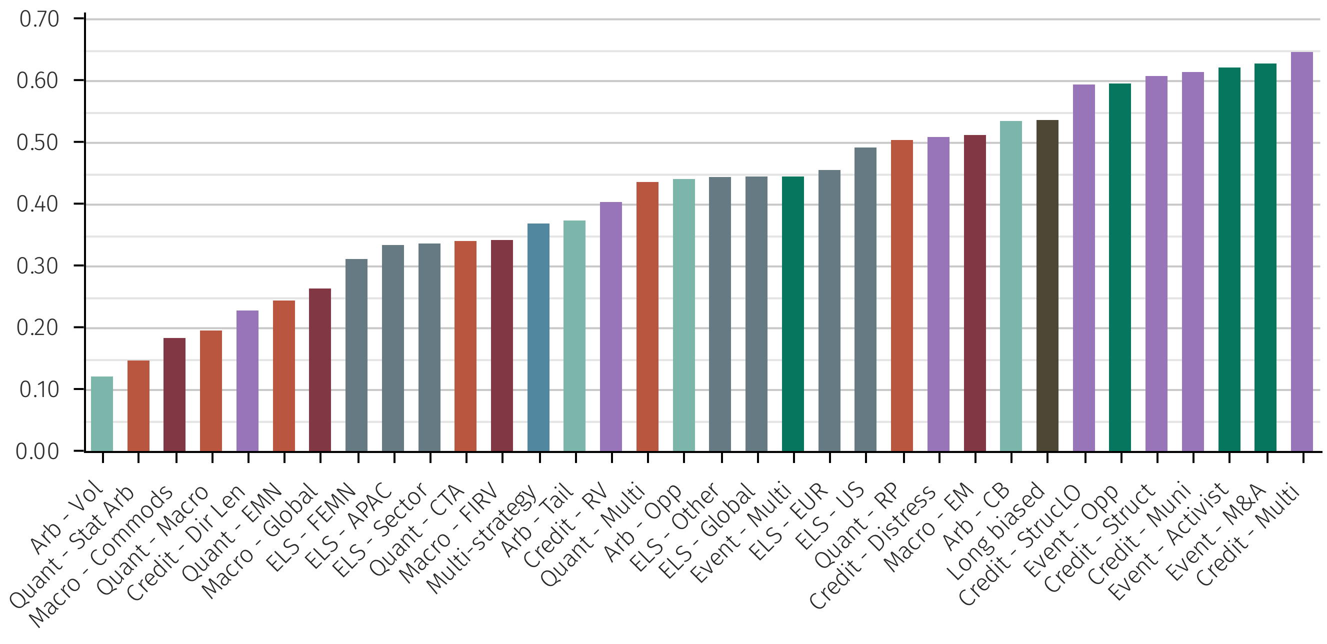
CORRELATION MATRIX (5 YR) PERIOD TO JUNE 2024

	Arbitrage	Credit	Equity L/S	Event	Long biased	Macro	Multi-Strategy	Quant	HF Composite	Bonds**	Equities***
Arbitrage		0.50	0.26	0.37	0.10	0.44	0.72	0.35	0.40	-0.16	0.04
Credit			0.73	0.84	0.71	0.80	0.75	0.31	0.88	0.33	0.66
Equity L/S				0.91	0.91	0.66	0.64	0.13	0.93	0.58	0.90
Event					0.91	0.78	0.71	0.24	0.96	0.49	0.89
Long biased						0.65	0.47	0.04	0.89	0.72	0.98
Macro							0.73	0.44	0.83	0.22	0.60
Multi-Strategy								0.51	0.77	0.07	0.43
Quant									0.37	-0.46	0.05
HF Composite*										0.45	0.87
Bonds**											0.67
Equities***											

CORRELATION MATRIX (1 YR) PERIOD TO JUNE 2024

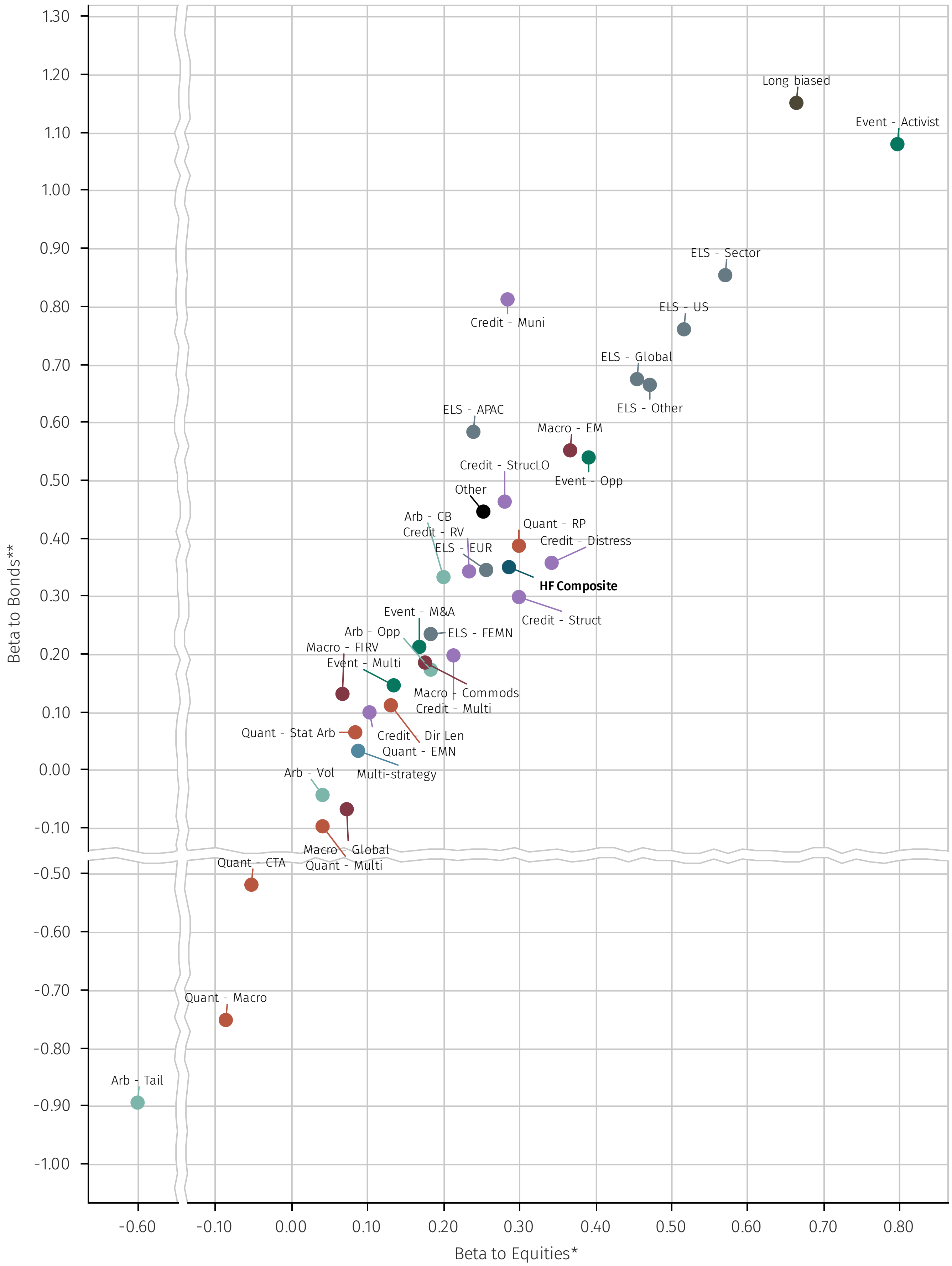
	Arbitrage	Credit	Equity L/S	Event	Long biased	Macro	Multi-Strategy	Quant	HF Composite	Bonds**	Equities***
Arbitrage		-0.13	-0.42	-0.34	-0.47	0.05	0.57	0.66	-0.21	-0.60	-0.56
Credit			0.75	0.90	0.81	0.35	-0.04	-0.41	0.77	0.73	0.78
Equity L/S				0.87	0.94	0.26	-0.10	-0.32	0.94	0.78	0.96
Event					0.93	0.50	-0.09	-0.43	0.90	0.87	0.90
Long biased						0.41	-0.26	-0.46	0.91	0.87	0.98
Macro							0.05	-0.06	0.47	0.41	0.30
Multi-Strategy								0.65	0.09	-0.34	-0.26
Quant									-0.10	-0.77	-0.50
HF Composite*										0.68	0.89
Bonds**											0.87
Equities***											

AVERAGE INTRA-STRATEGY CORRELATION (5 YR)[1] - SUB-STRATEGY



*HF Composite = Aurum Hedge Fund Data Engine Asset Weighted Composite Index
**Bonds = Bloomberg Global Aggregate Bond Index ***Equities = S&P Global BMI.
1 = Equally Weighted returns. The average correlation of underlying funds within the strategy classification to all other funds within that classification. Source: Aurum Hedge Fund Data Engine.

BETA TO BONDS AND BETA TO EQUITIES (5 YR) PERIOD TO JUNE 2024 - SUB-STRATEGY



AURUM

HF Composite = Aurum Hedge Fund Data Engine Asset Weighted Composite Index
**Bonds = Bloomberg Global Aggregate Bond Index *Equities = S&P Global BMI.
Source: Aurum Hedge Fund Data Engine.

Hedge funds vs alt UCITS

The table below presents the returns of hedge funds relative to their alternative UCITS ('alt UCITS') counterparts. As can clearly be seen, both the hedge fund composite and every hedge fund strategy has, on average, outperformed their 'younger' and cheaper peers; both in H1 2024 and over a five-year period.

The strategy with the biggest performance differential between the performance of hedge funds and alt UCITS is multi-strategy, with an 8.2% spread. It is also the only alt UCITS strategy with negative performance in H1 2024. Multi-strategy is an example of where differences between hedge funds and implementation via a UCITS structure can become very stark, with the latter unable to compete from a structural perspective, as well as being hamstrung with regards to asset class mix, trading time horizon, competition for talent and restrictions on leverage.

Despite seemingly being two of the simplest strategies to recreate in an alt UCITS format, equity l/s alt UCITS funds underperformed equity l/s hedge funds by 2.0% and event alt UCITS funds underperformed event hedge funds by 3.6% in H1 2024.

It is less surprising to see credit hedge funds outperforming alt UCITS credit funds (by 1.6%), as the hedge funds have much more ability to short and have a structure offering more flexibility to trade the asset class than alt UCITS have the scope to do.

The performance differential between quant hedge funds and alt UCITS was 1.9%. One area where UCITS often able to compete on a level footing from a structural perspective is in areas such as more vanilla CTAs (especially in the medium-term trend-following space) and risk premia. Alt UCITS CTAs and risk premia funds have actually outperformed their hedge fund peers. In some cases, quant macro/GAA strategies can also be expressed through UCITS structures without too much impairment, however quant macro/GAA alt UCITS funds have notably underperformed in H1 2024.

The strategies with the smallest performance differential between hedge funds and alt UCITS in H1 2024 were: long biased (-0.2%) and arbitrage (+1.0%).

HEDGE FUNDS VS ALT UCITS RETURNS

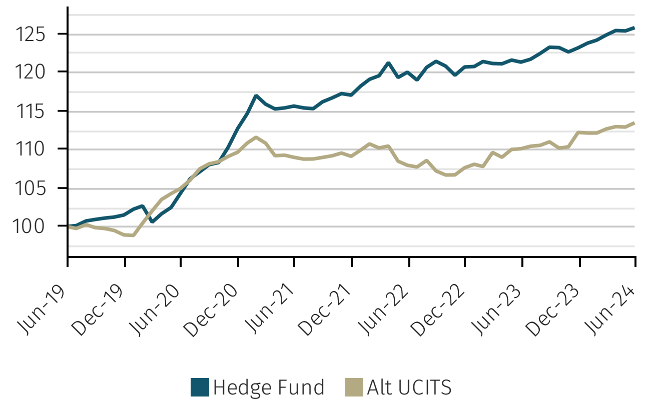
	2024 Returns		5Y Returns		5Y Vol		5Y Sharpe		AUM ($bn)		Fund Count	
	Hedge Fund	Alt UCITS	Hedge Fund	Alt UCITS	Hedge Fund	Alt UCITS	Hedge Fund	Alt UCITS	Hedge Fund	Alt UCITS	Hedge Fund	Alt UCITS
Arbitrage	2.12%	1.11%	4.68%	2.55%	2.80%	2.53%	0.78	0.05	75.1	5.7	116	14
Credit	4.87%	3.24%	4.83%	2.06%	7.02%	5.80%	0.36	-0.04	349.1	14.9	438	33
Equity L/S	8.17%	6.50%	7.27%	4.67%	8.63%	4.98%	0.58	0.46	615.1	53.6	1,037	134
Event	4.42%	0.76%	7.37%	2.88%	6.86%	4.77%	0.72	0.11	284.1	10.0	204	31
Long biased	5.48%	6.23%	5.71%	4.20%	11.99%	8.91%	0.32	0.23	426.0	51.0	413	67
Macro	3.45%	1.61%	5.24%	2.17%	4.62%	7.42%	0.60	0.00	335.3	37.5	328	49
Multi-Strategy	6.09%	-2.18%	10.52%	1.47%	3.63%	5.06%	2.12	-0.17	429.1	18.1	181	23
Quant	8.74%	6.81%	4.82%	2.00%	5.73%	4.33%	0.43	-0.08	385.1	17.3	450	59
HF Composite*	**6.08%**	**4.49%**	**6.40%**	**3.38%**	**5.84%**	**5.15%**	**0.68**	**0.20**	**2979.8**	**218.6**	**3,376**	**424**
Bonds**	**-3.16%**		**-2.02%**		**7.47%**		**-0.56**		-	-	-	-
Equities***	**9.15%**		**8.29%**		**17.72%**		**0.40**		-	-	-	-

AURUM

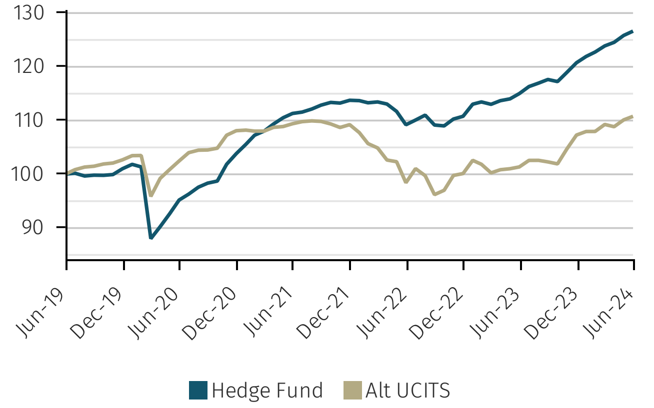
*HF Composite = Aurum Hedge Fund Data Engine Asset Weighted Composite Index.
**Bonds = Bloomberg Global Aggregate Bond Index ***Equities = S&P Global BMI.
Source: Aurum Hedge Fund Data Engine.

HEDGE FUNDS VS ALT UCITS (5 YR)

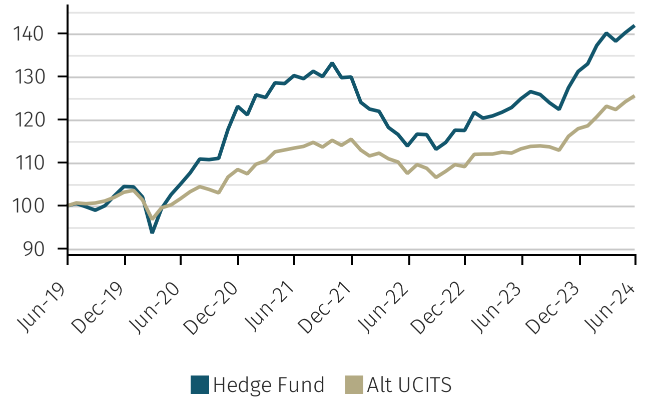
Arbitrage



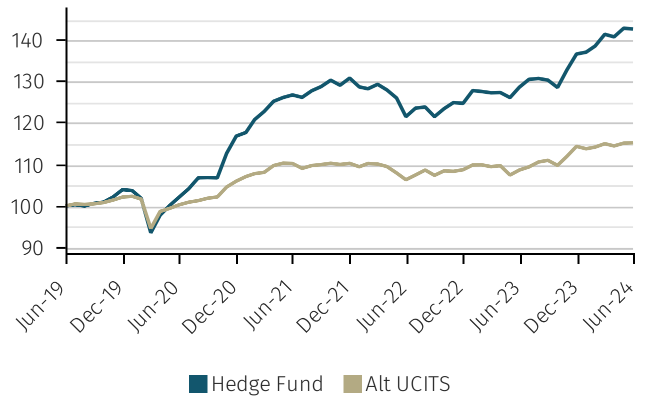
Credit



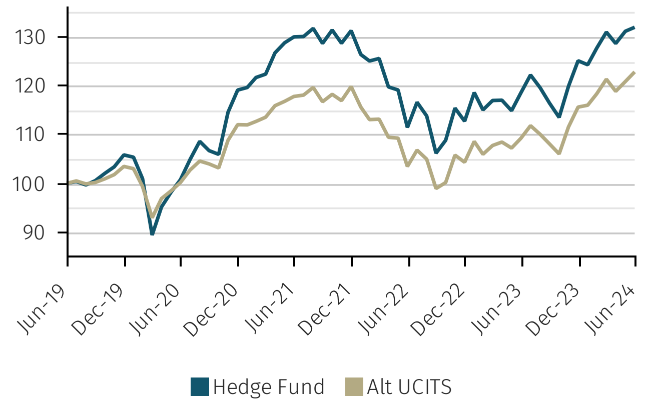
Equity L/S



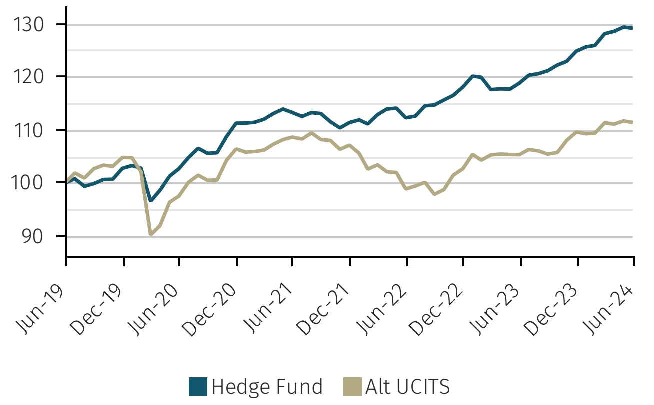
Event



Long biased

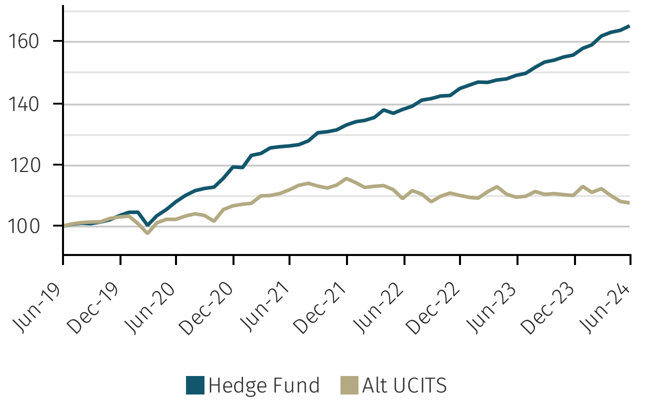


Macro

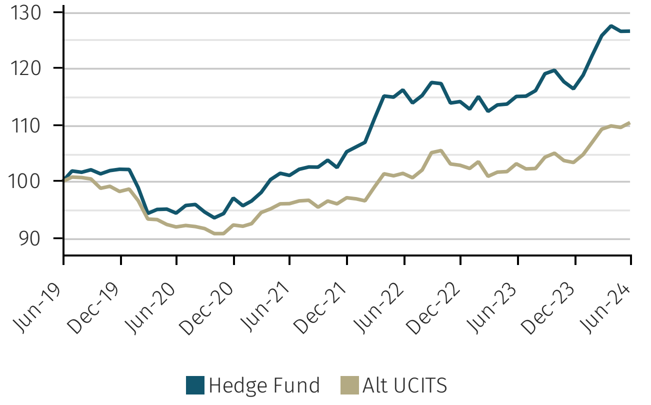


**HF Composite = Aurum Hedge Fund Data Engine Asset Weighted Composite Index.*
***Bonds = Bloomberg Global Aggregate Bond Index ***Equities = S&P Global BMI.*
Source: Aurum Hedge Fund Data Engine.

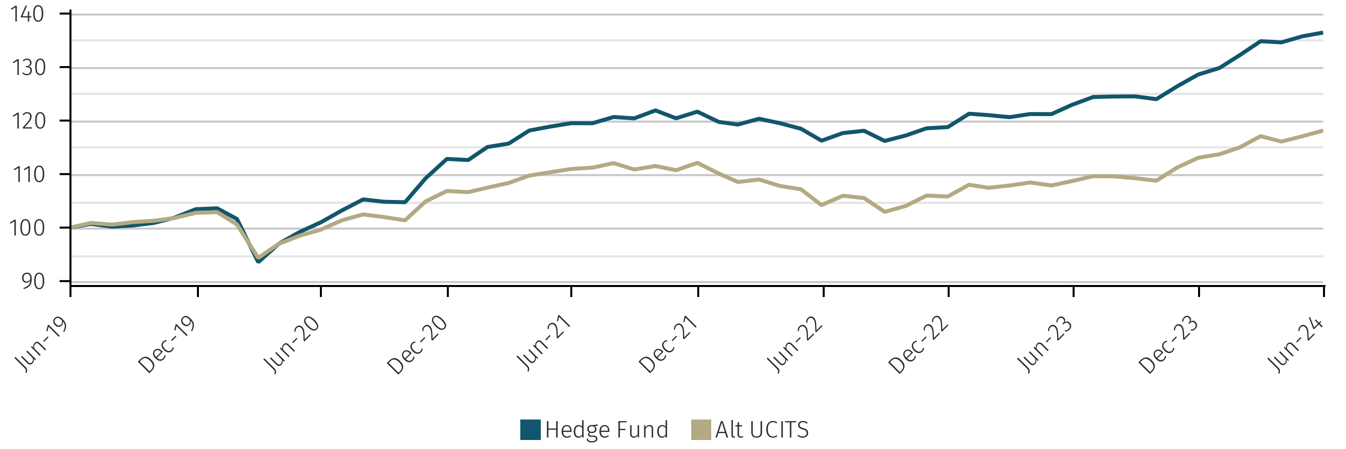
Multi-Strategy



Quant



HF Composite



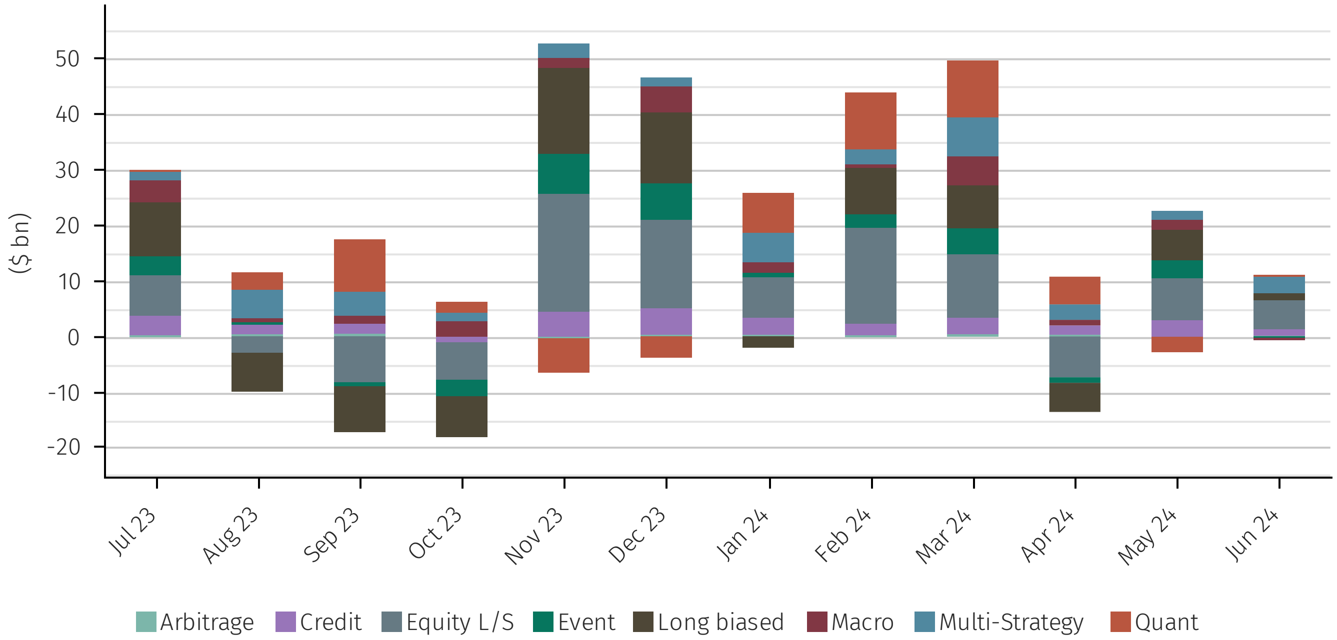
Dollar extraction

This part of the report describes, in dollar terms, how much – as a result of performance – has been generated or lost by particular strategies and the hedge fund industry as a whole.

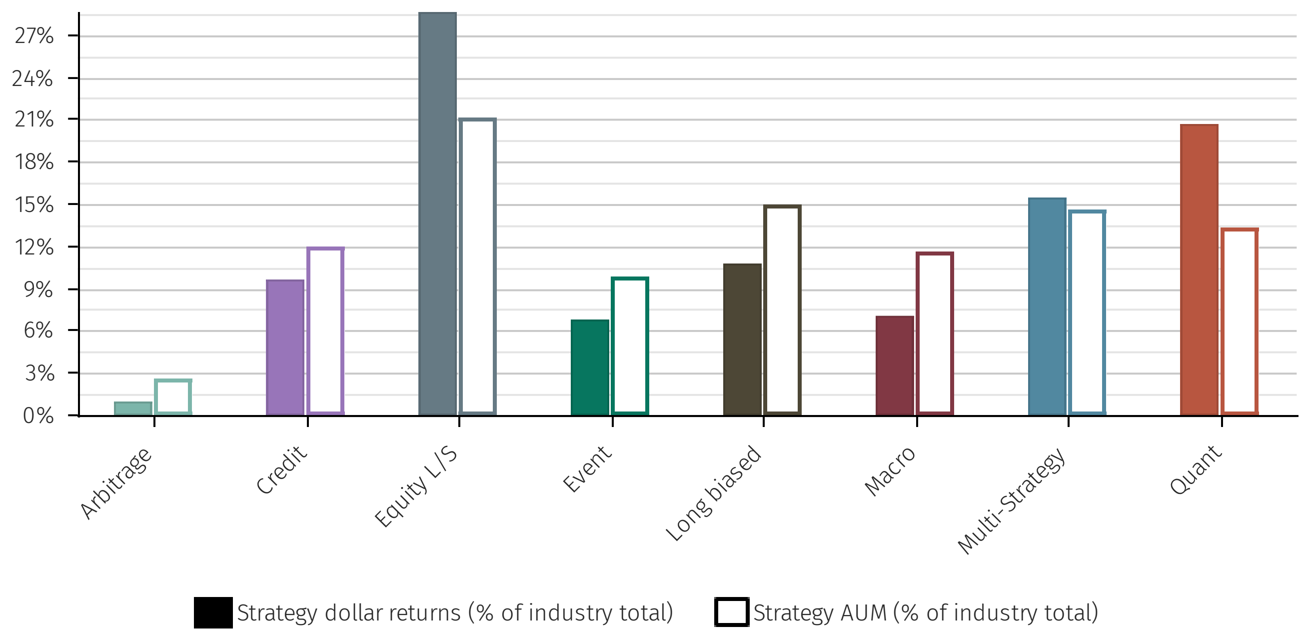
There was positive performance (or 'dollar generation') from all strategies, most notably from equity l/s, quant and multi-strategy. Quant relative industry share of total dollar generation was well above its relative share of industry AUM as at June 2024.

Relative to their asset size arbitrage, credit, event, long biased and macro all underperformed in terms of % of total industry P&L generated vs. % total industry AUM.

NET DOLLAR PERFORMANCE (1 YR)



DOLLAR RETURNS AND AUM RELATIVE TO THE INDUSTRY (H1)*

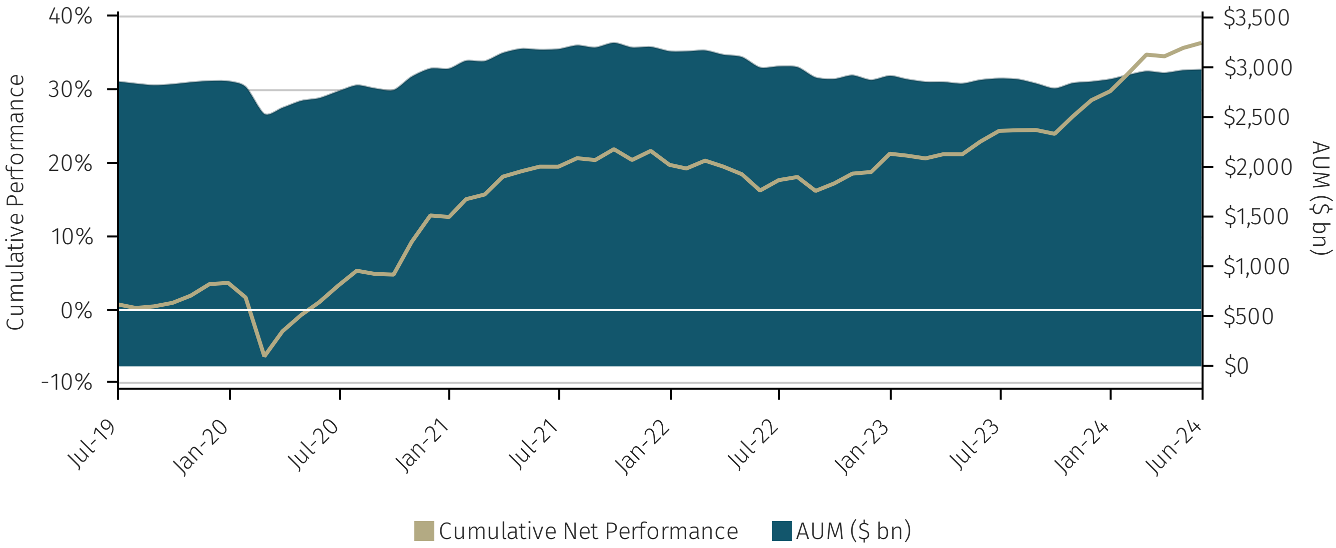


**Note - When the hedge fund industry composite has a negative return for the reporting period, those strategies that contributed negative returns will show on the chart as a positive contribution to the overall negative return. Strategies that have generated positive returns during a period of losses for the hedge fund composite are displayed as a negative contribution to the overall negative return.*

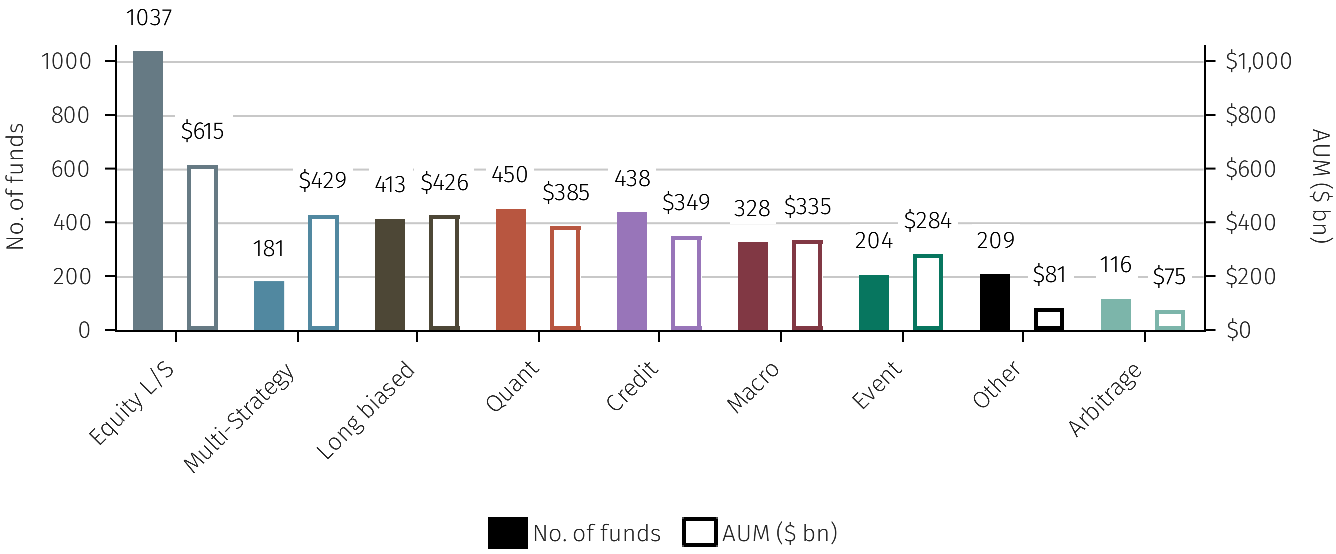
Industry assets and flows

Industry assets have seen net outflows from redemptions. However, total hedge fund industry assets have marginally risen due to positive P&L generation; as indicated above, that has primarily been driven by equity l/s, quant and multi-strategy with other material contributions coming from credit, long biased, macro, and event. Arbitrage was also a minor positive driver of aggregate industry dollar performance. Equity l/s, event, long biased, macro and multi-strategy have seen investor outflows in H1.

HF COMPOSITE ASSETS (5 YR)*

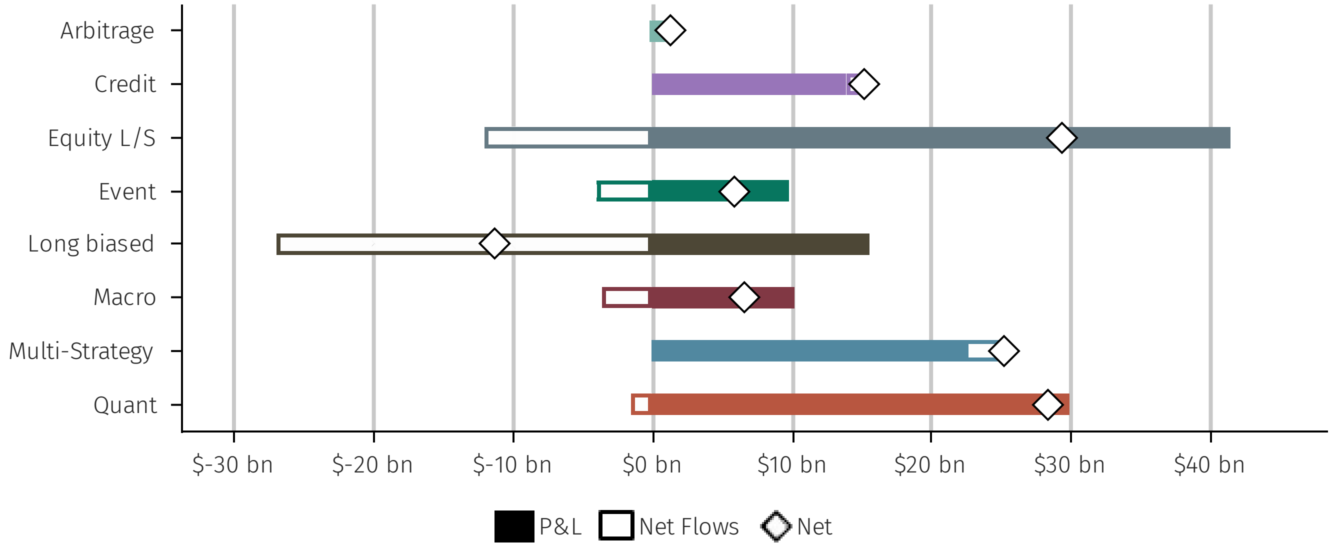


NUMBER OF FUNDS AND AUM

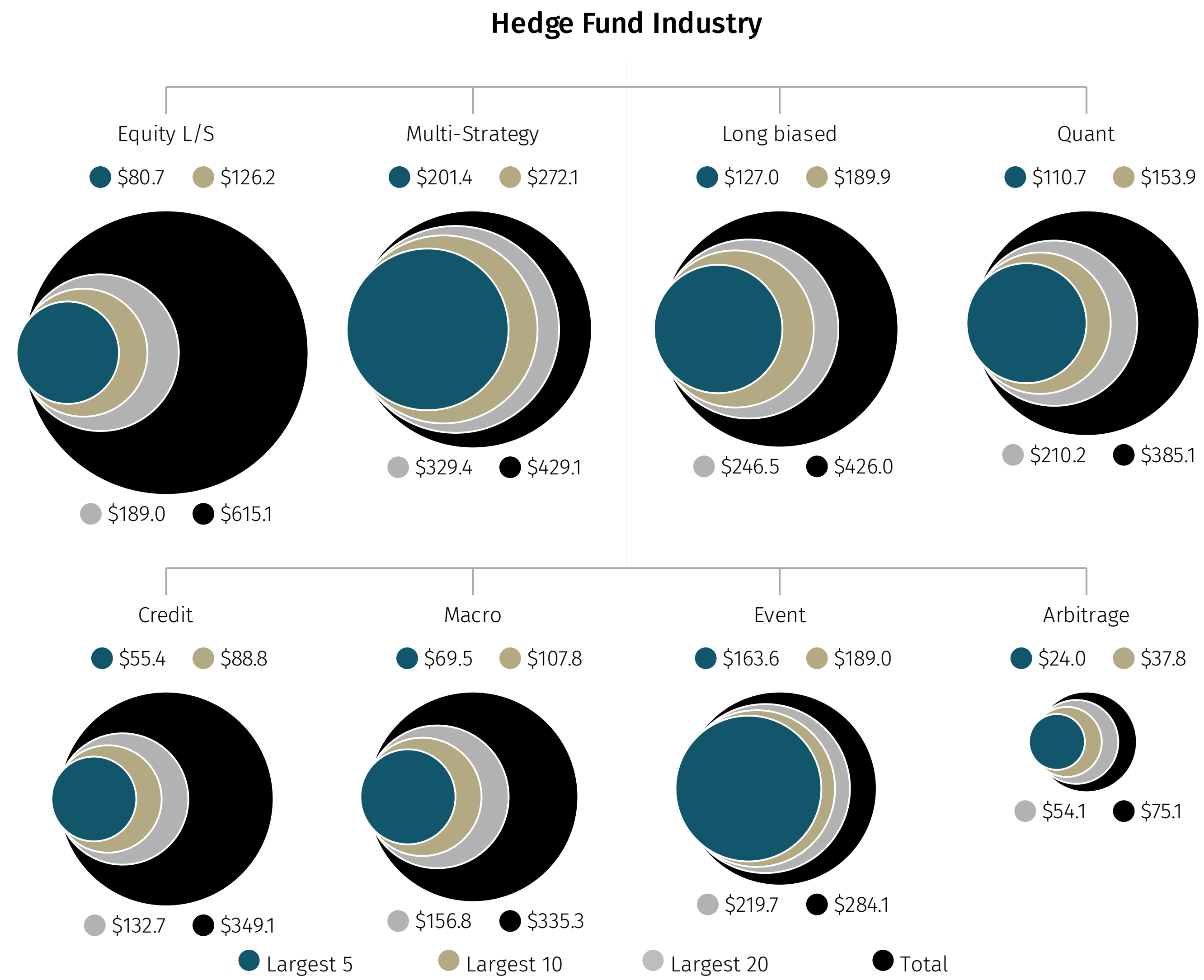


*Includes funds which are active but have not report to Aurum within the last 12 months
Source: Aurum Hedge Fund Data Engine.

CHANGE IN AUM (H1)



SUB-STRATEGY FUND CONCENTRATION ($ BN)



Strategy analytics packs

Links to individual strategy chart packs below. Our full strategy page including all the chart packs can be found here:
https://www.aurum.com/hedge-fund-strategy-definitions/

- Arbitrage strategy analytics packs
- Credit strategy analytics packs
- Equity long short strategy analytics packs
- Event strategy analytics packs
- Long biased strategy analytics packs
- Macro strategy analytics packs
- Multi-strategy analytics packs
- Quant strategy analytics packs

Terms and conditions

	Median Redemption Notice (Days)	Median Redemption Frequency	Weighted Avg. Redemption Total (Days)[1]	Weighted Avg. Management Fee	Weighted Avg. Performance Fee
Arbitrage	**30**	**Monthly**	**104**	**1.37%**	**19.08%**
Convertible bond (CB)	45	Monthly	92	1.39%	18.80%
Opportunistic (Opp)	60	Quarterly	153	1.34%	19.40%
Tail protection (Tail)	30	Monthly	77	1.19%	18.22%
Volatility arbitrage (Vol)	15	Monthly	73	1.45%	19.37%
Credit	**65**	**Quarterly**	**170**	**1.33%**	**17.26%**
Direct lending (Dir Len)	75	Quarterly	210	1.35%	14.19%
Distressed (Distress)	90	Quarterly	262	1.58%	19.67%
Multi-credit (Multi)	90	Quarterly	150	1.28%	17.76%
Municipal (Muni)	60	Quarterly	124	0.96%	5.44%
Credit RV (RV)	45	Monthly	102	1.22%	16.58%
Structured credit (Struct)	90	Quarterly	166	1.43%	17.93%
Structured credit LO (Struc LO)	30	Monthly	15	0.60%	15.13%
Equity l/s	**45**	**Monthly**	**129**	**1.47%**	**19.01%**
Asia pacific long/short (ELS – APAC)	30	Monthly	127	1.60%	20.31%
European long/short (ELS – EUR)	30	Monthly	88	1.30%	19.09%
Fundamental equity MN (ELS – FEMN)	30	Monthly	102	1.74%	19.38%
Global long/short (ELS – Global)	45	Quarterly	183	1.47%	19.25%
Other l/s (ELS – Other)	38	Monthly	60	1.11%	18.18%
Sector (ELS – Sector)	45	Quarterly	136	1.60%	18.39%
US long/short (ELS – US)	45	Quarterly	108	1.30%	18.83%
Event	**60**	**Quarterly**	**197**	**1.48%**	**19.41%**
Activist (Event – Activist)	90	Quarterly	215	1.48%	18.90%
Merger arbitrage (Event – M&A)	30	Monthly	67	1.35%	18.05%
Multi-strategy (Event - Multi)	60	Quarterly	224	1.48%	19.94%
Opportunistic (Event - Opp)	60	Quarterly	164	1.54%	19.43%
Long biased	**30**	**Monthly**	**70**	**0.93%**	**10.24%**
Commodities (Long - Commods)	2	Daily	14	0.70%	4.77%
Diversified growth (Long - Div Growth)	1	Daily	39	0.70%	0.70%
Equities (Long – Equity)	30	Monthly	105	1.15%	17.27%
Long biased – other (Long - Other)	30	Monthly	58	1.41%	18.80%
Macro	**30**	**Monthly**	**94**	**1.42%**	**18.62%**
Macro – Commodities (Commods)	30	Monthly	65	1.51%	18.57%
Macro – Emerging Markets (EM)	30	Monthly	69	1.11%	14.16%
Macro – FIRV (FIRV)	30	Monthly	123	1.56%	23.29%
Macro – Global Macro (Global)	30	Monthly	95	1.48%	18.18%
Multi-Strategy	**45**	**Monthly**	**153**	**1.83%[2]**	**21.14%**
Quant	**5**	**Monthly**	**52**	**1.53%**	**18.23%**
CTA (CTA)	5	Monthly	38	1.25%	17.06%
Equity MN (EMN)	30	Monthly	66	1.30%	15.58%
Macro/GAA (Macro)	5	Monthly	28	1.90%	19.12%
Risk premia (RP)	4	Weekly	27	0.65%	5.71%
Statistical arbitrage (Stat Arb)	30	Monthly	111	2.15%	25.22%

1. Weighted Avg. Redemption Total (Days) is the weighted Avg. of both redemptions notice days and redemption frequency days.
2. Some funds operate a pass-through fee structure in addition to, or instead of, a traditional management fee. Aurum does not currently include funds which operate a pass-through structure within this management fee calculation (even if they also separately charge a management fee), accordingly the weighted average management fee above excludes funds with this fee structure.

Definitions

ARBITRAGE

Strategies that look to benefit from mispricings of the same instrument/asset or extremely closely related instrument. The strategy covers the following areas: convertible bond arbitrage, tail protection, volatility or opportunistic trades in this area, including but not limited to other areas such as capital structure arbitrage, ETF arbitrage or arbitrage of other closely related instruments.

Convertible bond (Arb – CB):
Traditionally the strategy looks to isolate mispriced components of convertible securities in order to capture a return to fair value. CB's essentially consist of a bond plus an embedded call option on the equity. Key valuation components relate to the credit (bond component) and the volatility (option and equity component). Those components other than the component believed to be mispriced are typically hedged in order to isolate the mispricing.

Tail protection (Arb – Tail):
Strategy that explicitly look to benefit from large market moves, typically either in the form of large spikes in volatility (either from implied or realised volatility), or from significant moves in the underlying spot price (long gamma) or a particular asset or assets. Some tail protection strategies also look to benefit from sudden/large moves in spread relationships, which are typically tight, but which can move to extremes during periods of stress.

Volatility arbitrage (Arb – Vol):
Traditionally the strategy looks to identify the mispricing of volatility. Funds may incorporate exposure to factors such as implied volatility, realised volatility, dividends, skew, term structure and correlation. Funds may be biased short, long or neutral to Greek exposures such as delta, vega and gamma.

Opportunistic (Arb – Opp):
Strategy that look to benefit from inconsistent/mis-pricing of the same instrument/asset or extremely closely related instruments/assets. Opportunistic arbitrage strategies typically have the flexibility to trade across multiple areas, but tend to specialise in a combination of volatility trading, convertible bonds and capital structure arbitrage trades. But they may also focus on other niche areas in order to capitalise upon perceived mis-pricing. The narrow arbitrage focus is why they are better considered as part of arbitrage, rather than in the broader multi-strategy classification.

CREDIT

Strategies that focus the vast majority of their trading on debt instruments, or instruments that are far more 'debt-like' in nature.

Credit – Credit RV (RV)
The strategy focuses on investing in investment and non investment grade securities, primarily corporate debt. The strategy takes a balanced long/short approach where the short position may be outright, related by sector, and/or within the same capital structure. Whilst not heavily trading oriented (given the associated costs) the strategy is more event-focused than passive and as such tends to have shorter investment horizons than something like the Distressed category.

Credit – Direct Lending (Dir Len)
Direct lending typically involves investing in first lien loans to middle market companies but can also encompass many other forms of middle market lending, including second lien debt, mezzanine debt and unitranche debt.

Credit – Distressed Credit (Distress)
Strategy typically invests in non-investment grade corporate – and sometimes sovereign – debt, which is frequently stressed (e.g. performing, but priced at a significant discount to par) or defaulted (e.g. where a balance sheet restructuring will occur). Some also invest in deeply discounted and/or subordinate structured product. Time horizon is typically longer dated.

Credit – Multi-Credit (Multi)
Broad credit focused strategy where a significant portfolio of their P&L is generated from a combination of relative value credit, distressed credit and/or structured credit.

Credit – Municipal Credit (Muni)
This strategy aims to generate a comparatively substantial income and achieve an additional overall return by actively overseeing collections of both tax-exempt and taxable municipal bonds. The emphasis of this strategy lies in enhancing performance by pinpointing sectors and securities in longer-term municipal bonds that are undervalued, thereby capitalising on yields and price returns through strategic duration positioning.

Credit – Structured Credit (Struct)
The strategy involves investing in synthetic structured credit and cash structured products including ABS, CLOs, CMBS, and RMBS. Investors can achieve higher returns, portfolio diversification, and tailored credit risk exposures. Repayment is supported by borrowers' contractual obligations, making structured credit an avenue for increased flexibility and potential gains in investment portfolios.

Credit – Structured Credit LO (Struc LO)
Long only or overwhelmingly long-biased structured credit strategy with some leverage. The managers add value through security selection and can take advantage of depressed security prices through wide spreads. The strategy benefits from tightening credit spreads and falling interest rates.

EQUITY LONG/SHORT

Investing in global stocks, both on the long and short side. Most funds have a fundamental bias, value and/or growth-oriented investment theses. Some managers may also be more tactical/technical in their approach, taking into account flows, positioning on the street and market dynamics as part of the investment decision making process.

US equity long/short (ELS – US):
Investing all or the vast majority of their portfolio into US stocks, both on the long and short side. Most funds have a fundamental bias, value and/or growth-oriented investment theses. Some managers may also be more tactical/technical in their approach, taking into account flows, positioning on the street and market dynamics as part of the investment decision making process.

Asia Pacific equity long/short (ELS – APAC):
Investing all or the vast majority of their portfolio into Asian Pacific stocks, both on the long and short side. Most funds have a fundamental bias, value and/or growth-oriented investment theses. Some managers may also be more tactical/technical in their approach, taking into account flows, positioning on the street and market dynamics as part of the investment decision making process.

European equity long/short (ELS – EUR):
Investing all or the vast majority of the portfolio in European stocks, both on the long and short side. Most funds have a fundamental bias, value and/or growth-oriented investment theses. Some managers may also be more tactical/technical in their approach, taking into account flows, positioning on the street and market dynamics as part of the investment decision making process.

Global equity long/short (ELS – Global):
Investing the portfolio in global stocks, both on the long and short side. The fund is agnostic to country/region to maintain flexibility. Most funds have a fundamental bias, value and/or growth-oriented investment theses. Some managers may also be more tactical/technical in their approach, taking into account flows, positioning on the street and market dynamics as part of the investment decision making process.

Fundamental equity market neutral (ELS – FEMN):
Investing the portfolio in stocks, both on the long and short side. To classify as 'equity market neutral' funds are expected to run with a very tight net exposure bias, which over the longer term should be close to zero. Note, different funds use different methodologies, e.g., some may run to be 'beta neutral', while others may be cash neutral (with a tolerance band around the zero level). The distinguishing characteristic is that such funds are typically very low net at all times, but some may run with varying degrees of factor or industry exposure, while others may have more stringent risk parameters around such exposures. Most funds have a fundamental bias, value and/or growth-oriented investment theses. Some managers may also be more tactical/technical in their approach, taking into account flows, positioning on the street and market dynamics as part of the investment decision making process.

Sector (ELS – Sector):
Investing the portfolio in a specific sector, both on the long and short side. The funds may or may not be agnostic to country/region to maintain flexibility, however sector specialist funds tend to be US focused given that it is a very deep/broad market with sectors that are large enough to accommodate diversified sector specific portfolios. Most funds have a fundamental bias, value and/or growth-oriented investment theses. Some managers may also be more tactical/technical in their approach, taking into account flows, positioning on the street and market dynamics as part of the investment decision making process.

Other l/s (ELS – Other):
Long short equity investing, which does not readily fit into the other classification taxonomy.

EVENT DRIVEN

Broad strategy category covering funds that invest in securities of companies facing announced and anticipated corporate events. This includes, but is not limited to: M&A, Spin-offs, Company restructurings, some distressed situations (although if this is the dominating part of the strategy it will be classified as 'credit-distressed'). The strategy identifies mispriced securities with favourable risk/reward characteristics based upon differentiated views of value-unlocking catalysts, event-probabilities and post-event valuations.

Activist (Event – Activist):
Activist hedge funds invest in companies that they feel are undervalued and the managers then attempt to drive the value creation process by influencing corporate management to undertake initiatives that they feel will benefit shareholders. This

can include a number of activities, including but not limited to: capital structure restructuring, change in operating strategy/capital allocation, change in the board/management, change in corporate governance or the outright sale of the enterprise. Funds typically own large stakes in the companies they invest in as investors need to be a large enough shareholder to influence management.

Merger arbitrage (Event – M&A):
Strategy typically involves taking positions in the securities of a company being acquired in a merger or acquisition. Due to the risk of a deal-break as well as time value of money, the securities typically trade at a discount to the deal-price/value (deal-spread). Primary risk is when deals break, which can lead to asymmetric losses to the downside. Funds will typically trade cash deals and also share-for-share deals, where the fund will short the securities they expect to receive upon deal closure (locking in the deal spread). In addition to M&A, managers may also invest in other situations that involve process driven catalysts.

Multi-strategy (Event - Multi):
Whilst these are funds investing across multiple strategies, they are characterised by their overwhelming focus on the broad event-driven space and therefore placed in their own category. Such funds consistently generate a significant portion of their P&L from the primary event-driven investing categories: merger arbitrage, soft-catalyst event-driven situations (spin-offs, spin-outs, share- class arbitrage, non-mandatory shareholder elections, index-rebalancing, holdco/subsidiary relative value trade, high probability potential merger 'targets', etc.) and/or activist investing. Some funds may also allocate a portion of their capital to Distressed (which can fall under the category of event- driven investing), however, if the majority of the risk is in consistently in the distressed arena, it falls under the 'credit/distressed' categorisation.

Opportunistic (Event - Opp):
Has some similarities to the event-driven 'multi-strategy' classification however, as the name suggests, these funds tend to be very opportunistic and dynamically adjust their capital allocation between various event-driven trades. These funds tend to also be more value and soft catalyst oriented. Such funds may also place 'special situations' trades, looking to unlock value taking various positions in the capital structure (i.e., could be debt or equity). Opportunistic funds have the flexibility to trade all areas of the event space (M&A, Activist, soft catalyst and distressed investing) but will do so on an opportunistic basis, they also may concentrate a large portion (or even at times all) of the risk in a specific area, unlike event driven - multi-strategy funds, which are typically always allocated across multiple sub-strategies at all times.

LONG BIASED

Long only or overwhelmingly long-biased strategies. Covers multiple asset classes.

Equities (Long - Equity):
Long only or overwhelmingly long-biased equity strategies. Such funds still have a hedge-fund structure. Funds that are more ‘mutual fund’-like are excluded from this category. Most funds have a fundamental bias, value and/or growth oriented investment theses are typically adopted. Some managers may also be more tactical/technical in their approach, taking into account flows, positioning on the street and market dynamics as part of the investment decision making process.

Diversified growth (Long - Div Growth):
A hedge fund where the majority of the capital is deployed in strategies within the long-biased categories.

Commodities (Long - Commods):
Funds that take long positions across the commodity complex (e.g., precious metals, base metals, basic materials, soft commodities, agriculture, oil, gas, power, coal & utilities product, etc.) on a passive or actively managed basis. The manager may specialises in one or more of these sub-sectors.

Other (Long - Other):
Long biased investing, which does not readily fit into the other classification taxonomy.

MACRO

Macro funds take positions (can be either directional or relative-value) in currencies, bonds, equities and commodities, based on fundamental and qualitative judgements. Investment decisions can be based on a manager's top-down views of the world (e.g., views on economy, interest rates, inflation, government policy or geopolitical factors). Relative valuations of financial instruments within or between asset classes can also play a role (or be the dominant part) in the investment process. Primary areas of focus are the liquid instruments of G10 countries, although they may also include emerging markets.

Fixed income relative value (Macro – FIRV):
Fund generates all or a substantial majority of the P&L/risk from relative movements across fixed income assets and their derivatives. Funds are typically looking to profit from arbitrage, mean-reversion or positive carry. Most traders aim to be either duration neutral or 'risk neutral' (i.e., matching DV01 across long and short positions). Most managers incorporate some use of leverage as an integral part of the strategy. Note - that some managers in the space may also trade a smaller portion of the book in more 'classic' directional macro trades, but funds in the FIRV category are generating a minority of the risk from this area.

Commodities (Macro – Commods):
These funds are primarily focused on trading commodity futures and options from both the long and short side. They can occasionally include the tactical use of equities, currencies, or fixed income instruments, but commodity futures/options should make up the bulk of the risk. The manager is typically looking for longer term trends and supply/demand imbalances within and between commodity markets.

Global macro (Macro – Global):
Macro funds take positions (can be either directional or relative-value) in currencies, bonds, equities and commodities, based on fundamental and qualitative judgements. Investment decisions can be based on a manager's top-down views of the world (e.g., views on economy, interest rates, inflation, government policy or geopolitical factors). Relative valuations of financial instruments within or between asset classes can also play a role (or be the dominant part) in the investment process. Primary areas of focus are the liquid instruments of G10 countries, although they may also include emerging markets. Macro managers that do not have a particular specialisation in areas such as commodities, emerging markets or fixed income relative value fall under this more general classification.

Emerging markets (Macro - EM):
Macro funds take positions (can be either directional or relative-value) in currencies, bonds, equities and commodities, based on fundamental and qualitative judgements. Investment decisions can be based on a manager's top-down views of the world (e.g., views on economy, interest rates, inflation, government policy or geopolitical factors). Relative valuations of financial instruments within or between asset classes can also play a role (or be the dominant part) in the investment process. Primary areas of focus are the emerging markets.

MULTI-STRATEGY

A hedge fund where the capital is deployed across multiple strategies and asset classes. Funds are typically extremely diversified and employ multiple PMs/risk taking groups.

QUANT

Systematic strategies: Funds trade securities based strictly on the buy/sell decisions of computer algorithms. Quant strategies primarily fall into the following categories: Quantitative Equity Market Neutral, Statistical Arbitrage, Quant macro/GAA (Global Asset Allocation), CTA, and risk-premia.

CTA (Quant – CTA):
CTAs (Commodity Trading Advisors) take primarily directional positions in index level or macro instruments, such as futures or FX contracts, in a systematic fashion. Technically, a CTA is a trader of futures contracts as defined by the CFTC and historically, there were many CTAs who were not systematic; such traders are more likely to be classified as 'Global Macro'. CTAs are typically extremely systematised with straight through processing from signal generation to execution. Many, but by no means all, CTAs are trend following (using historical prices to determine predictable 'trending patterns') buying into markets where prices are rising and selling where markets are falling. When rising markets slow down/stop rising, trend-followers typically reduce its position and will eventually reverse its position into a short position, which it will hold until the market starts to rally again. The strategy is known for running with profits and cutting losses. Other models used in CTAs may include carry, seasonality, mean reverting or pattern recognition systems, models driven by fundamental data or non-traditional data sources. Some CTAs can also trade very short-term signals driven by market microstructure anomalies and patterns.

Quant macro / GAA (Quant – Macro):
GAA (Global Asset Allocation) is a systematic approach to Global Macro, with managers taking positions in global markets based on quantitative analysis, taking in information based primarily on economic data, but also incorporating price related information. The strategy is highly data and technology intensive. The positions tend to be relative value based, but they may also take directional positions in instruments such as futures, FX and baskets of equities, ETFs, swaps and other instruments. Signals may be arranged into relative value asset class models, cross asset class models / directional trades. Signals are also often classified under a number of factor headings: value, carry, momentum etc.

Multi strategy (Quant – Multi):
A hedge fund where the capital is deployed across multiple sub-strategies and asset classes. The overwhelming driver of returns will come from quantitative sub-strategies typically falling into two or more of the following categories: Statistical arbitrage and/or quant equity market neutral; CTA and/or quant macro; volatility arbitrage; quantitative event-driven. Please refer to specific sub-strategy definitions for further detail. In some instances, quantitative multi-strategy funds may also trade discretionary elements, however, these will be a far smaller driver of overall P&L. Should non-quantitative strategies drive a large proportion of overall P&L the fund will be classified as a multi-strategy fund.

Statistical arbitrage (Stat Arb):
Statistical arbitrage funds typically take price data and its derivatives, such as correlation, volatility and other forms of market data, such as volume and order-book information to determine the existence of patterns. These patterns can help the manager forecast the future return of a stock, often over a relatively short timeframe. Typical signal types are: mean-reversion, momentum and event-driven. Mean- reversion looks to take advantage of the phenomenon of short-term price movements occurring due to supply/demand imbalances then moving back to an equilibrium level. Momentum models look for patterns in price data that suggest that price movements will be more persistent (i.e., trend). Other statistical arbitrage funds will look

to incorporate more discrete information into their process from events (e.g., publishing of analyst earnings estimates, news flow, etc.). Whilst statistical arbitrage funds tend to focus more on 'technical' models, some may also incorporate some longer-term models that are driven by fundamental data (e.g., stock value models, growth, etc.), however, if these models are the more dominant driver of risk, then the fund is likely to be classified as Quantitative Equity Market Neutral. Statistical arbitrage funds are typically run with a very low level of beta and are market neutral, however, this may not always be the case, with some funds able to take significant directional risk; however, given the higher frequency trading nature of such funds, they are not expected to have significant correlation to markets over time.

Quant equity market neutral (Quant EMN):
Traditional QEMN strategies take fundamental data, such as analyst earnings estimates, balance sheet information and cash flow statement statistics, and systematically rank/score stocks against these metrics in varying proportions. The weights of the scores of the different fundamental data sources may be fixed or dynamic. Managers may construct a portfolio using an optimisation process or by applying simpler rules combined with risk constraints so as to create a portfolio that is dollar and/or beta neutral, and typically with minimal sector exposure. Traditional QEMN portfolios consists of exposure to: Value (looking for stocks mispriced relative to their fundamental value, e.g. based on P/E, P/B, cash flow, etc.); Quality (looking at metrics such as levels of debt, stability of earnings growth, balance sheet strength); momentum (looking at past returns over a preset timeframe ranging from days to months); however, these are common factors that are relatively easy to exploit/replicate - hence the proliferation of risk-premia products that operate in this space.

Risk premia (Quant – RP):
Hedge fund risk premia products typically seek to capture the fundamental insights of a class of hedge fund strategies (hedge fund risk premia / alternative risk premia) along with a meaningful proportion of the expected returns those strategies can earn - using a dynamic but clearly defined process. Funds typically have exposure to a well-diversified portfolio of hedge-fund premia. Premia can cover everything from equity premia (Equity market neutral - trading across value, quality, growth and momentum factors, as well as EM premia), macro premia (e.g., trend following, or EM premia), to arbitrage strategies (e.g., risk arbitrage - holding a portfolio of merger targets diversified by sector and deal type; convertible arbitrage, etc.). The strategies are typically very well understood, backed up by academic research and implemented systematically.

Bond Index

Equity Index

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