Aurum

2024 Review

Hedge fund industry deep dive

Inside this report:

In summary

- Hedge funds had their strongest year since the post-financial crisis bounce-back in 2009 - up 11.3%, outperforming bonds, -1.7%, but underperforming equities, +14.5%
- Multi-strategy was the strongest performing master strategy during the year, +13.6%, after being the 5th best performing master strategy in 2023
- Arbitrage was the lowest performing strategy, delivering +5.9%, after being the second-lowest performing strategy in 2023
- Industry AUM grew. This growth was largely driven by P&L; all strategies had negative net flows except multi-strategy and arbitrage
- Alt UCITS underperformed hedge funds in all strategies

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 also offers a range of single manager feeder funds.

Aurum's portfolios are designed to grow and protect clients' capital, while providing consistent uncorrelated returns. With 30 years of hedge fund investment experience, Aurum's objective is to lower the barriers to entry enabling investors to access the world's best hedge funds.

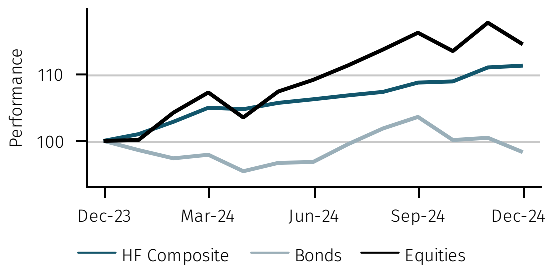
Aurum conducts extensive research and analysis on hedge funds and hedge fund industry trends. This research paper is designed to provide data and insights with the objective of helping investors to better understand hedge funds and their benefits.

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

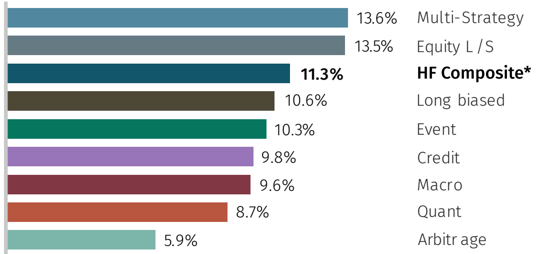
All figures and charts use asset weighted returns unless otherwise stated. All Hedge Fund data is sourced from Aurum Hedge Fund Data Engine. Data included in this report is dated as at 20 January 2025.

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/

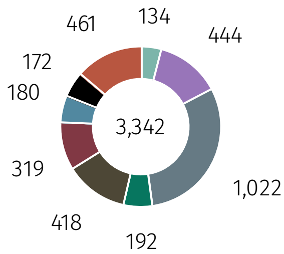
HF COMPOSITE VS INDICES (1 YR)



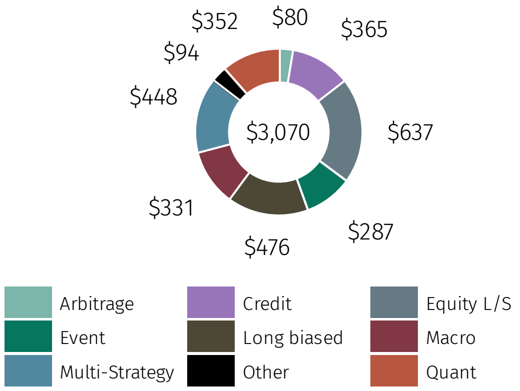
NET RETURN (1 YR)



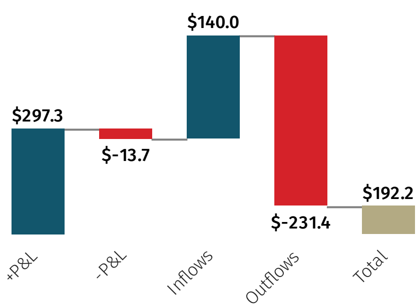
FUND COUNT – DEC 24



AUM ($BN) – DEC 24



AUM CHANGE $BN (1 YR)



2024 overview

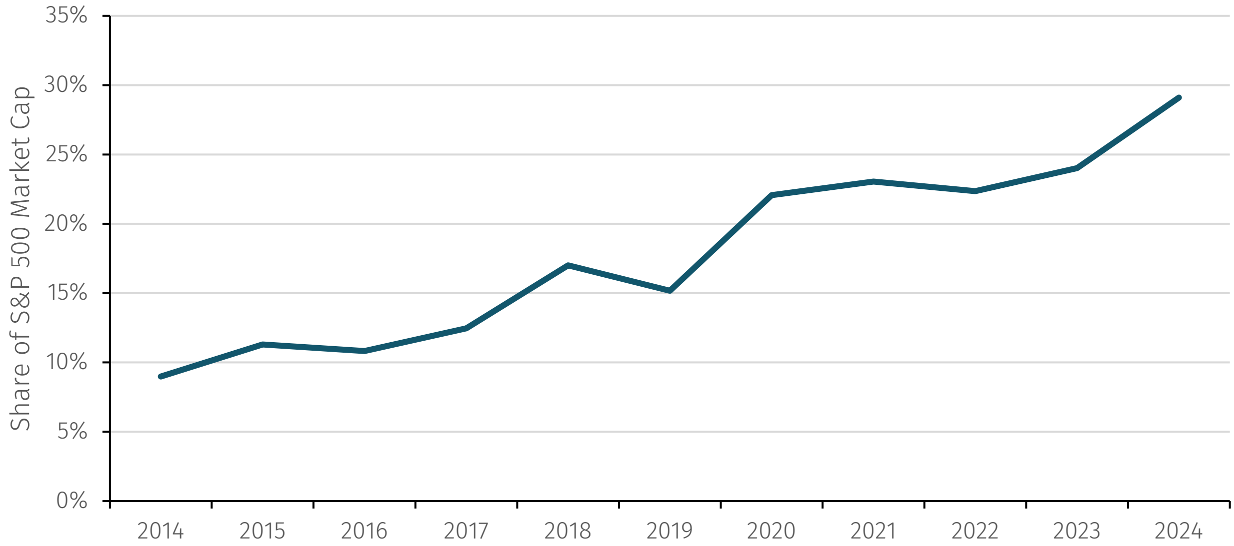
Key themes in markets in 2024

Investors came into 2024 cautiously optimistic after a turbulent 2023 – which was marked by geopolitical instability in the Middle East and Ukraine, economic weakness and market volatility. Tentative hopes were for stronger global economic growth, improved corporate earnings, moderating inflation and a potential shift toward more accommodative monetary policies by central banks.

Advances in AI

Once again, AI was a defining theme in financial markets. The rapid development and integration of generative AI technologies across industries have transformed business models and driven investor sentiment. The performance of AI companies has been at the heart of the outperformance of US equity markets – where a small cohort of mega-cap, tech/AI-focused names accounted for a disproportionate share of index performance. This was illustrated by the divergence of the Dow Jones Tech Index, which had over double the gains of the broader Dow Jones Index in 2024. Nvidia – the posterchild for AI saw ~190% share price growth over 2024†. The S&P 500 has reached record levels of market concentration – led by the "Magnificent Seven"‡' – which at the end of 2024 represented about a third of the index¤. See the chart below, which illustrates the percentage the Magnificent Seven represents of the S&P 500 Index over time.

MAGNIFICENT SEVEN MARKET CONCENTRATION



Source: Bloomberg. 2024 data to 30 Sep 2024.

Inflation and monetary policy

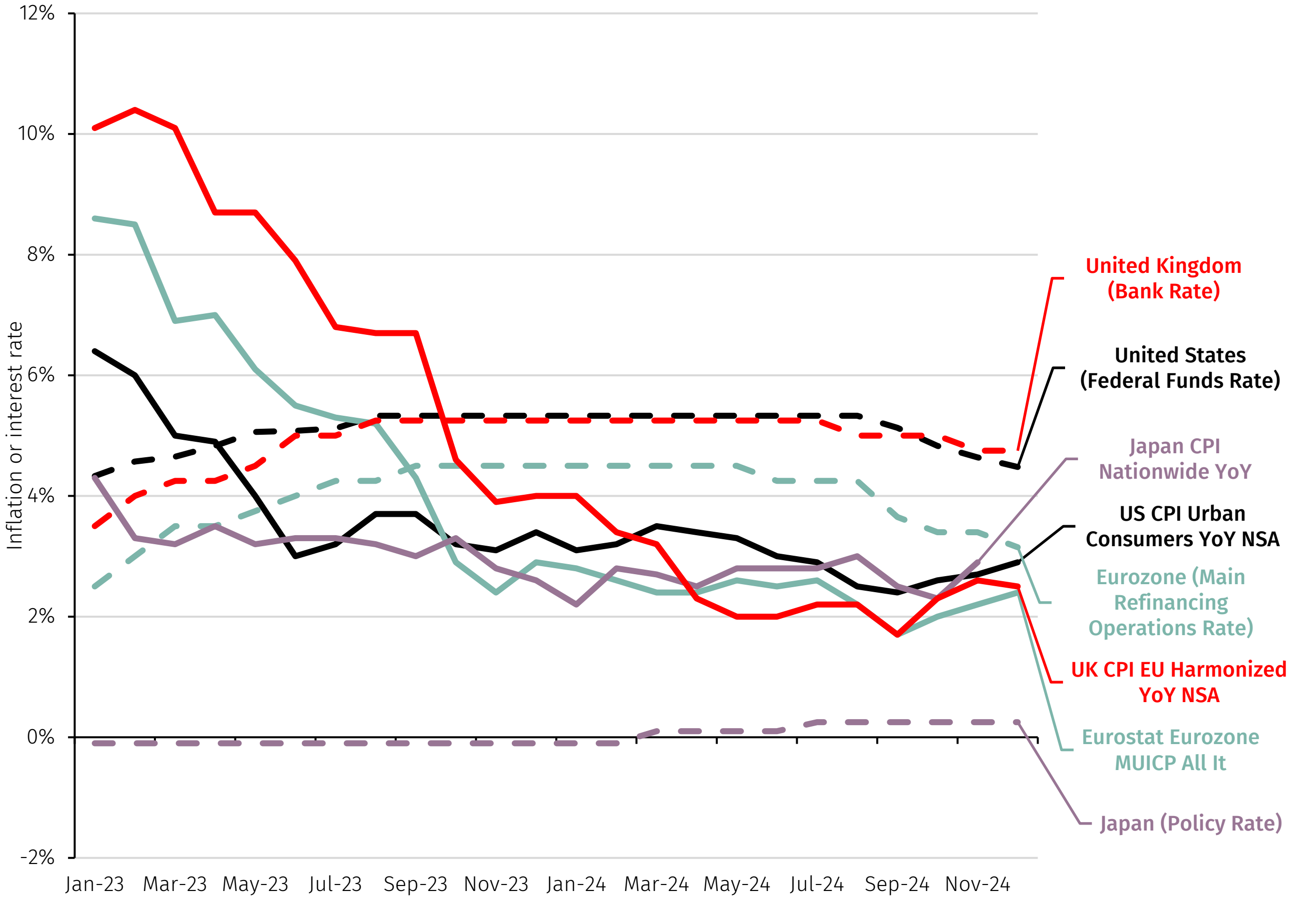
Despite some concerns at the start of the year about the possibility of a global economic slowdown, the global economy, particularly the U.S., demonstrated resilience. Inflation rates declined from earlier highs, allowing most central banks to consider easing monetary policies. Central banks worldwide adjusted monetary policies in response to evolving economic conditions. In September 2024, the US Federal Reserve enacted its first interest rate cut since the COVID-19 pandemic in 2024, lowering the benchmark federal funds rate by 50bps to a target range of 4.75% to 5.00%.

The trajectory and pace of these interest rate cuts remained a huge determinant of market performance in 2024. Consequently, US data releases – whether positive or negative – had an outsized impact on equity markets. Notably in April, higher-than-anticipated CPI inflation data precipitated declines in equity markets both within the US and internationally, highlighting the pronounced influence of US economic indicators on global markets.

In contrast to most other central banks globally, the Bank of Japan ended its negative interest rate policy in March, implementing its first rate hike in 17 years. This decision led to significant market reactions, including a sharp appreciation of the yen and a global sell-off in risk assets.

Source: Aurum Hedge Fund Data Engine.
†https://www.fool.co.uk/2024/12/31/nvidia-stock-jumped-almost-200-this-year-heres-what-could-happen-in-2025/
‡ Nvidia, Meta, Amazon, Alphabet, Microsoft, Apple, and Tesla.
¤https://finance.yahoo.com/news/magnificent-seven-stocks-dominate-p-180221332.html

MAJOR ECONOMY MONTHLY INFLATION AND INTEREST RATES – JAN 23-DEC 24

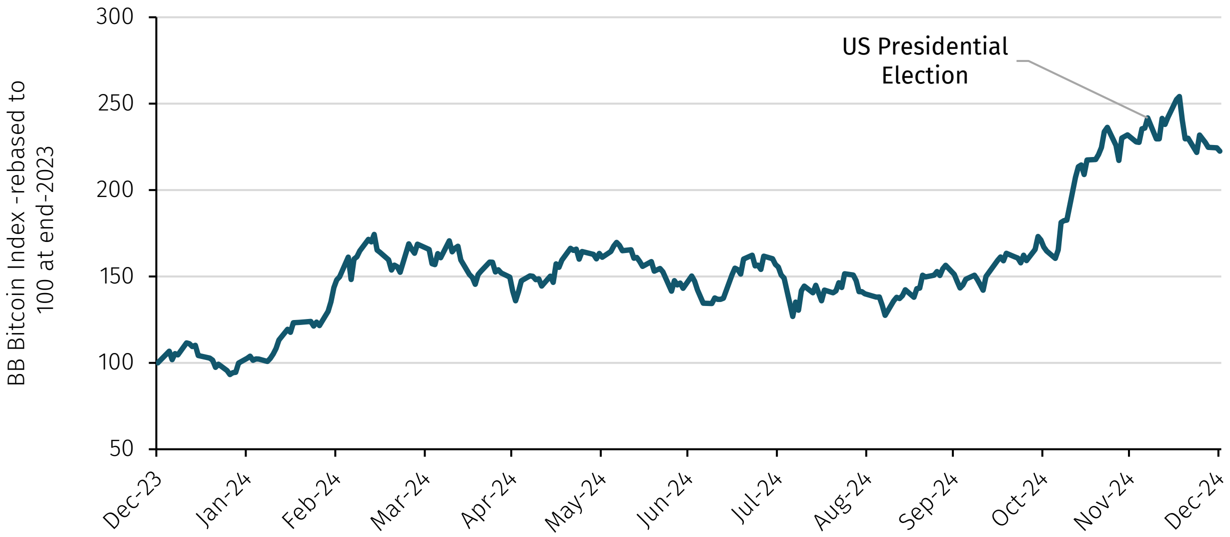


Source Bloomberg

Elections

2024 was the biggest election year in history – around 1.5 billion people went to the polls in more than 50 countries. The most talked about of these elections was November's US presidential election, which saw the re-election of Donald Trump. Expectations ahead of his inauguration in January 2025 were for tax cuts, deregulation in the digital assets, financial and energy sectors, which boosted investor confidence in the wake of the election result. This was somewhat tempered by concerns about the potential imposition of trade tariffs and uncertainty around fiscal policy.

BLOOMBERG BITCOIN INDEX



Source: Bloomberg.

Markets review

Equity markets

In 2024, global equity markets experienced robust growth, the S&P Global BMI (US Dollar) was up +14.5%. 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.

US equity markets led the charge – driven by growth stocks, which benefited from the US Federal Reserve's rate cuts in the second half of the year. Large-cap equities outperformed small-cap stocks. An uptick in manufacturing activity contributed positively to the performance of industrial and cyclical sectors in the US. Energy and financial sectors were boosted by the result of the US presidential election in anticipation of deregulation.

Japanese equities experienced significant volatility across the year – plummeting in the wake of the Bank of Japan's rate hike in August, but recovering by year end, closing the year with strong gains. Positive performance was driven by increasing foreign investor interest, spurred by active share buybacks initiated in 2023 and structural reforms in Japanese equity markets - which increased returns on equity and P/B ratios.

Gains in European equities were more modest. Performance was generally supported by the European Central Bank's three 25bp rate cuts between June and October. In contrast with the US – where the "Magnificent Seven" have been the largest driver of returns – the concentrated group of large European companies that dominate markets, the GRANOLAS*, underperformed.

Government bonds

In 2024, the global bond market faced challenges, with the Bloomberg Global Aggregate Bond Index posting a -1.7% return on a dollar unhedged basis. This underperformance is attributed to changes in correlation with equities and increased fixed income volatility, making bonds less reliable for risk offsetting and return smoothing. Despite expectations of rate cuts by the U.S. Federal Reserve, resilient growth and persistent inflation led markets to adjust their expectations, particularly in the U.S. Additionally, higher bond yields risk drawing money away from equities and increasing corporate borrowing costs, posing a challenge for investors seeking stable returns.

Credit

In 2024, corporate credit markets exhibited notable performance across various sectors. US high-yield bonds delivered their best returns in eight years.

Leveraged loans, often used for private equity buyouts, outperformed investment-grade bonds and US corporate credit spreads narrowed to multi-year lows.

Currencies

In 2024, the U.S. dollar appreciated against a basket of major currencies - reflecting the strength of the U.S. economy and investor confidence. The dollar's appreciation had a notable impact on emerging market currencies. Many of these currencies depreciated against the dollar, influenced by concerns over the direction of future US tariff policies. The re-election of Donald Trump contributed to domestic market optimism, with plans for tax reductions and deregulation boosting investor confidence. However, concerns persist over proposed trade tariffs and fiscal policies potentially impacting the extensive U.S. Treasury market. Notably, emerging market central banks sold US Treasury holdings to support their weakening currencies. This led to US Treasury holdings hitting their lowest point since April 2020[¤]. Overall, currency markets in 2024 were influenced by geopolitical developments and economic policies, leading to varied performances across different regions.

*Source: Aurum Hedge Fund Data Engine. *GSK, Roche, ASML, Nestlé, Novartis, Novo Nordisk, L'Oréal, LVMH, AstraZeneca, and SAP*
¤reuters.com/markets/rates-bonds/em-central-banks-cool-treasuries-stoking-bond-yield-heat-mcgeever-2025-01-16

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 $192.2bn since the end of 2023 to stand at $3.1tn. This was driven by net positive performance (+$283.6bn) and partially offset by net outflows (-$91.4bn). All but one of the eight hedge fund master strategies saw net growth in AUM, led by equity long/short and multi-strategy; long biased was the only master strategy which saw AUM shrink during the period. Equity long/short growth in AUM was exclusively driven by significant net positive P&L, which was offset by significant net investor outflows. Multi-strategy growth was all driven by positive P&L, there were no notable net flows. The only strategy to receive positive net flows was arbitrage, but these were small.

Headline performance

The hedge fund industry was up 11.3% for the year on an asset weighted basis. This compares to the mean figure of 10.3%, suggesting that, on average, larger hedge funds have outperformed. The median performing hedge fund returned 9.3% for the year. The median performing hedge fund sub-strategies was credit - distress (ranked 19th out of 37 sub-strategies returning 11.1%). The largest constituent of the hedge fund universe was equity long/short ~21% of assets), followed by long biased which constitutes ~16%. Multi-strategy was the strongest performing strategy returning 13.6% on an asset weighted basis. Equity long/short delivered similar strong performance of 13.5% – also outperforming the HF Composite figure, which was dragged down by underperformance from long biased, quant, event, credit, macro and arbitrage strategies.

At a sub-strategy level, performance was rather similar to that seen in 2023; six of the top ten sub-strategies in 2024 were also in the top ten in 2023 (and the best performing sub-strategy – quant – multi, was a newly introduced classification in 2024). As in 2023, strong equity market performance during the year provided a significant tailwind to more long-biased and/or historically higher beta strategies such as ELS – APAC (+16.9%), long – equity (+14.4%), ELS – sector (+14.1%), ELS – US (+14.0%) and ELS – global (+14.0%).

On the other end of the scale, it was a similar picture; two of the five worst performing sub-strategies in 2024 were also in the bottom five in 2023. These were arb – tail (-2.9%), quant – CTA (+1.5%), arb – vol (+2.7%) and long – commods (+3.6%). It's worth noting, in this strong year for hedge fund performance, that only one sub-strategy had negative returns for the year: arb – tail (-2.9%).

Returns weren't generated evenly across the year - the hedge fund composite performance in Q1 was +5.0%, whereas it was +1.2% in Q2, +2.4% in Q3 and +2.3% in Q4. April (-0.2%) was the weakest month during the year in equity markets (-3.5%) and corresponded to the only down month in 2024 for the hedge fund composite. The negative industry performance that month was driven by those strategies more correlated to risk assets i.e. long biased, equity l/s and event (particularly event – activist).

The strongest month for the HF Composite occurred in March (+2.1%), driven by strong performance across the board, with every sub-strategy positive during the month apart from arb - tail. The second-strongest month during the year was November when the hedge fund composite was +1.9% - benefiting from buoyant investor sentiment in the wake of the US presidential election. Event driven and equity l/s sub-strategies performed particularly well in November, with event – activist up +4.5%, ELS – sector +3.5%, ELS – US +3.0% and event – opp +2.9% leading the charge. It was also the strongest month of the year for multi-strategy, +2.1%, which as one of the largest sub-strategies was therefore a material driver of the overall strong return for the month.

Five-year performance (CAR) for hedge funds now stands at 6.8%, markedly outperforming bonds (-2.0%) but underperforming equities (+7.7%) from a total return perspective, however, outperforming equities from a risk-adjusted perspective (Sharpe of 0.7 vs 0.4 RFR: 2.73%).

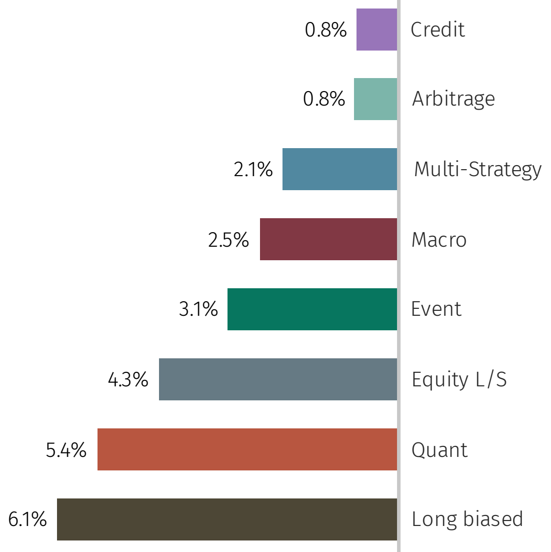
Dispersion

As can be seen in the following chart, dispersion between top and bottom decile performing hedge funds rose a little during 2024, when compared with 2023, however it is significantly lower than that observed during the COVID-19 pandemic, and more in line with recent historical averages.

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

Performance spread presented on an equally weighted basis

STANDARD DEVIATION (1 YR)



STRATEGY NET PERFORMANCE

	12M			3YR			5YR		
	AUM Weighted	Mean	Median	AUM Weighted	Mean	Median	AUM Weighted	Mean	Median
Multi-Strategy	13.59%	10.02%	11.24%	9.91%	5.81%	7.27%	11.27%	8.55%	9.22%
Equity L/S	13.45%	12.13%	11.21%	4.62%	4.49%	4.82%	7.30%	8.11%	7.72%
Long biased	10.60%	11.08%	9.74%	2.51%	2.69%	2.56%	5.76%	7.66%	7.24%
Event	10.27%	9.10%	8.40%	4.81%	4.18%	4.73%	7.73%	7.49%	7.22%
Credit	9.76%	9.75%	9.11%	5.19%	5.54%	5.49%	5.55%	6.20%	6.26%
Macro	9.64%	7.92%	7.58%	7.15%	5.84%	6.47%	5.93%	6.57%	6.86%
Quant	8.72%	6.55%	6.74%	6.29%	5.67%	5.95%	4.50%	5.67%	5.93%
Arbitrage	5.87%	3.79%	6.88%	3.60%	2.96%	4.69%	5.11%	5.76%	6.88%
HF Composite*	11.29%	10.33%	9.33%	5.58%	4.99%	5.25%	6.76%	7.82%	7.18%

**HF Composite = Aurum Hedge Fund Data Engine Asset Weighted Composite Index.*
2 = Presented on an equally weighted basis. Source: Aurum Hedge Fund Data Engine.

Strategy performance

Multi-strategy was the best performing headline strategy in 2024, up +13.6%. Multi-strategy has been the best long-term performing, consistent strategy (5y CAR of 11.3% with a Sharpe of 2.2). Ranking second out of the eight, was equity long/short, (+13.5%), the only other master strategy to outperform the hedge fund composite, with a number of sub-strategies among the top performers. Quant (+8.7%) was the master strategy group with the best performing sub-strategy: quant - multi (+17.4%) ranking 1st out of all 37 sub-strategies, but the quant master strategy group underperformed the hedge fund composite.

The lowest performing strategy was arbitrage (+5.9%), driven by material underperformance from the arb – tail sub-strategy (-2.9%) and mediocre performance from arb – vol (+2.7%). Much like in 2023, it's no surprise that tail hedging strategies would underperform in 2024 given the falling realised and implied volatility and negative beta associated with the strategy. Arb – vol strategies had performed well in the more elevated volatility regime in 2022, with 2023 and 2024 a much more muted environment for the strategy. The arbitrage strategy has also historically been persistently less volatile than other master strategies.

The second-lowest performing master strategy was quant (+8.7%), with the overall figure materially dragged down due to significant underperformance from CTAs (quant – CTA: +1.5%) and marginal underperformance from quant – macro (+9.6%) relative to the broader universe.

The third-lowest performing master strategy was macro, albeit with performance of +9.6%. Macro sub-strategies which underperformed the master strategy included macro – commods (+3.5%), macro – FIRV (+7.6%) and macro – global (+9.4%).

NET RETURN (1 YR)

Net Performance[1]	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	12M
Multi-Strategy	1.38%	0.69%	1.81%	0.72%	0.41%	0.87%	0.36%	0.84%	0.66%	1.03%	2.14%	1.91%	13.59%
Equity L/S	1.34%	3.15%	2.13%	-1.22%	1.49%	1.03%	0.57%	0.87%	1.30%	0.64%	2.35%	-0.87%	13.45%
Long biased	0.21%	2.79%	2.68%	-1.75%	1.94%	1.00%	0.99%	1.55%	2.52%	-1.55%	1.98%	-2.07%	10.60%
Event	0.34%	1.09%	2.04%	-0.42%	1.50%	-0.10%	1.00%	0.89%	1.41%	0.11%	2.24%	-0.23%	10.27%
Credit	0.94%	0.67%	0.92%	0.52%	1.03%	0.65%	0.94%	0.66%	1.05%	0.50%	0.98%	0.48%	9.76%
Macro	0.65%	0.25%	1.78%	0.38%	0.64%	-0.10%	1.04%	0.05%	1.72%	0.19%	2.02%	0.64%	9.64%
Quant	1.91%	3.02%	2.98%	1.32%	-0.79%	-0.41%	-0.88%	-1.71%	0.33%	-0.31%	1.62%	1.44%	8.72%
Arbitrage	0.50%	0.33%	0.57%	0.47%	0.00%	0.32%	0.49%	0.34%	0.95%	0.72%	0.57%	0.47%	5.87%
HF Composite*	**1.01%**	**1.84%**	**2.05%**	**-0.21%**	**0.91%**	**0.51%**	**0.55%**	**0.49%**	**1.30%**	**0.16%**	**1.92%**	**0.24%**	**11.29%**
Bonds**	**-1.38%**	**-1.26%**	**0.55%**	**-2.52%**	**1.31%**	**0.14%**	**2.76%**	**2.37%**	**1.70%**	**-3.35%**	**0.34%**	**-2.15%**	**-1.69%**
Equities***	**0.13%**	**4.10%**	**2.91%**	**-3.50%**	**3.76%**	**1.63%**	**1.99%**	**2.14%**	**2.22%**	**-2.37%**	**3.76%**	**-2.75%**	**14.49%**

AURUM

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

Performance

MULTI-STRATEGY

(see full multi-strategy analytics pack here)

Multi-strategy was the strongest performing (first out of eight) of the master strategies over the period, returning +13.6%. Multi-strategy continued its general trend for consistent performance with positive returns in every month during the year. The strongest months of performance were in November (+2.1%), December (+1.9%) and March (+1.8%). November performance was supported after the US election. The non-homogenous nature of multi-strategy funds makes it hard to say specifically why, but it was a positive environment for a wide range of strategies which benefited from the general rally but with dispersion in stock-specific returns.

Over the longer timeframe, multi-strategy funds are the most consistent, highest risk adjusted performers across the hedge fund space. Over five years, asset weighted returns are 11.3%, the strongest of any of the hedge fund master strategy classifications. With a Sharpe of 2.2, multi-strategy funds also are the highest ranked (1/37) when benchmarked to all hedge fund sub-strategy classifications. It is also interesting to note that multi-strategy funds have returned 8.2% over the last 10 years, with only event – activist (+8.5%) and quant – multi (+8.4%) sub-strategies outperforming when benchmarked to all 37 sub-strategies. It should be noted however that 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 (8.6% and 9.2% respectively), while the figures are still strong and outperform the mean and median across the whole hedge fund universe (7.8 and 7.2% 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 (see page 19), which indicates that since 2013, the vast majority (66%) of returns may be attributable to alpha, which is more than any other master strategy.

EQUITY LONG/SHORT

(see full equity long/short analytics pack here)

Equity l/s was the second-strongest performing (second out of eight) of the master strategies over the period, returning 13.5%. Unsurprisingly, the majority of performance coincided with the strongest positive monthly performance in equities. February (3.2% vs. 4.1% in equity markets), May (1.5% vs. 3.8%), March (2.1% vs. 2.9%) and November (2.4% vs 3.8%). During negative months for equities like April (-1.2% vs -3.5% in equity markets), December (-0.9% vs -2.8%) and October (+0.6% vs -2.4%), equity l/s funds outperformed equity markets.

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 (+16.9%), ELS – Sector (+14.1%), ELS – Global (+14.0%), ELS – US (+14.0%) and ELS – FEMN (+11.9%).

Over the last five years, ELS – global has been the top performing equity l/s sub-strategy (CAR: +8.5%, Sharpe: 0.7), with relative outperformance also in ELS – US (CAR: 7.8%, Sharpe: 0.5). These sub-strategies are the only two sub-strategies within equity l/s which have outperformed broader equity markets over this period (CAR: 7.7%). All equity l/s sub-strategies, other than ELS – Other, have however, 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 outperformed by multi-strategy (CAR: +11.3%) and event (CAR: +7.7%) over the five-year period.

As can be seen in the alpha/beta decomposition charts on page 19, a significant portion of equity l/s returns since 2013 appear to be attributable to beta, ~39%, a, with this proportion looking to have increased significantly over the last year. The highest risk-adjusted returns over five years comes from ELS – EUR and ELS - FEMN (both with a Sharpe ratio of +0.7). If one looks at the alpha/beta decomposition in the associated pack, ELS – FEMN has a sizeable proportion of 'alpha' attribution, comprising 44% of cumulative returns since 2013).

Equity l/s dispersion between top and bottom decile performers is the highest among the master strategies, currently sitting at a ~31% spread, however this is well within the strategy's historical bounds.

LONG BIASED

(see full long biased analytics pack here)

Long biased (+10.6%) ranks third out of the eight broad master strategy classifications. One sub-strategy outperformed the hedge fund composite - long – equity (+14.4%), which was the 3rd/37 industry sub-strategies. The sub-strategies that underperformed the broader hedge fund universe were long – other (+11.1%, 18th/37), long – div growth (+4.9%, 29th/37) and long – commods (+3.6%, 33rd/37).

The long biased strategy has exhibited high correlation with broader moves in risk assets; all sub-strategies had negative returns in April (except long – commods), October and December when equity markets made losses. Similarly, when equity markets had their strongest month 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 is just about in line with the performance of broader equity markets, delivering 7.7% vs 7.7% respectively. Both the five-year mean (+8.4%) and the median (+8.6%) outperform the asset weighted returns, suggesting that larger long – equity funds have underperformed vs their peers. Diversified growth remains a particular area of disappointment (+4.9% in 2024, and five-year CAR: +2.7%) 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 19) indicate that there is no alpha component to returns at all and the beta factor is the largest component driving returns (~63%), much higher than the broader hedge fund industry and the equity l/s strategy.

Dispersion is the second highest relative to all other master hedge fund strategies, with the top-bottom decile range currently at a 28.5% spread, which sits well below its ten-year average of 30.9%. 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.

EVENT

(see full event analytics pack here)

Event returned 10.2% during 2024 and ranked fourth out of the eight master fund strategy classifications. All underlying sub-strategies had positive returns; all but event – activist underperformed equities and the hedge fund composite. The strongest performing sub-strategy was event - activist (+11.7%, 12th/37), event - opp (+10.8%, 20th/37 industry sub-strategies), event - multi (+10.1%, 22nd/37), and the weakest, event - M&A (+4.5%, 32nd/37). In aggregate, the event strategy's returns correlated highly with prevailing equity markets.

Over five years, event has delivered a CAR of 7.7% and a Sharpe of 0.7. Absolute performance is slightly higher than equities, and 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 1.3, 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 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). January, April and October were particularly difficult months.

Reviewing the alpha/beta decomposition suggests that event - M&A indicates 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.

CREDIT

(see full credit analytics pack here)

Credit was up 9.8% in 2024, ranking fifth out of the eight master strategy classifications. There was fairly broad dispersion of performance among the underlying sub-strategies, ranging from +11.5% for credit – struct, through to +4.6% for credit – muni.

Relative to all 37 hedge fund sub-strategies, credit sub-strategies are ranked as follows: credit – struct (13/37), credit – distress (19/37), credit – structLO (21/37), credit – multi (23/37), credit – RV (26/37), credit – dir len (27/37), and credit – muni (30/37). With the exception of credit -struct, all credit sub-strategies underperformed the broader HF composite.

2024 was the credit strategy's strongest performance in five years, following positive performance in 2023. Credit had positive performance every month during the year. All sub-strategies had positive returns every month with the exception of credit – muni, which was down in April, October and December; while credit – strucLO was marginally down in December.

Over the last five years, credit has underperformed the broader hedge fund universe, returning 5.6% versus 6.8%. 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: +7.6%), with a Sharpe of 0.9. The highest risk adjusted returns were in credit – dir len (Sharpe 1.0 with a CAR of 5.8%).

Reviewing the alpha/beta decomposition chart on page 18 suggests that there is a reasonable proportion of overall returns attributable to alpha since 2013 (~36%), 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 ~47%, the lowest credit – muni at ~12%.

MACRO

(see full macro analytics pack here)

Macro strategies were up 9.6% in 2024, ranking sixth out of the eight master strategy classifications. The strategy was up in eleven out of twelve months and underperformed the broader hedge fund composite. Most sub-strategies underperformed the hedge fund composite, with the exception of macro – EM (+13.4%).

The primary drivers of the master strategy performance were macro – global (+9.4%) macro – FIRV (+7.6%), and macro – commods (+3.5%). Better performance by macro – EM (+13.4%, ranking 8th out of 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 25th, 28th, and 34th 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, September and November and negative performance during the sell-off in markets in April.

Over the last five years, macro ranks fourth out of the eight master hedge fund classifications (CAR: +5.9% and Sharpe of 0.7). This compares with broader industry figures of 6.8% and 0.7.

Over the past five years, macro – commods has been the strongest performing macro sub-strategy (CAR: +8.8%, Sharpe: 0.9), which is the fifth best performing sub-strategy across the industry). The strongest risk adjusted returns have come from macro – FIRV (Sharpe: 2.0), which are the second-strongest risk-adjusted returns for any sub-strategy across the industry and one of only five strategies with a five-year Sharpe ratio >1. Global macro has a five-year CAR of 6.0% 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 4.4% and Sharpe 0.2.

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 (39%, but also has significant attribution from the risk free rate – 48% - and only 13% 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, 8% beta and 36% to the risk-free rate. Macro – global indicates attribution of 52% to alpha, 48% to risk-free rates and 0% 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 since 2013 for Macro – EM to be primarily risk-free rates and beta, with negative alpha.

QUANT

(see full quant analytics pack here)

Quant was the seventh out of eight master strategies when ranked by performance over the period, returning 8.7%. It started the year very strongly, the best performing of all master strategies in Q1. Quant outperformed all other master strategies in January, March and April. The strongest month for the strategy was in February, where it was up 3.0% surpassed only by equity l/s (+3.2). Significant drivers of this performance in February were the performance of quant – macro (+4.2%) and quant – CTA (+4.1%) sub-strategies. After April, quant strategies struggled, returning negative performance four months in a row and struggling to generate material returns until the last two months of the year.

The worst performing month for the strategy was in August, where it was down 1.7%. This was largely driven by the underperformance of the quant – macro (-4.5%) and quant – CTA (-3.1%), sub-strategies that were impacted by the weaker US dollar.

The 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 (+17.4%), which had positive performance in nine out of twelve months in 2024 and was the best performing sub-strategy across all 37 industry sub-strategies. By contrast, quant – CTA was one of the worst performing hedge fund sub-strategies and given it forms a significant proportion of the overall master strategy, was the primary factor dragging down overall headline quant performance. Statistical arbitrage, quant equity market-neutral and risk premia all performed relatively well.

All quant sub strategies, with the exception of quant – CTA and quant - macro, outperformed the quant master strategy average, including quant – multi (+17.4%), which is a sub-strategy classification that was added in 2024 to the quant sub-strategies group). 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 1.4 and five-year CAR of 9.9%).

Quant – stat arb continues to deliver strong performance – up 13.4%, 9th/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 1.0.

As perhaps one would expect, risk-premia strategies (quant – RP) performed well (+12.0%) in a positive market environment for global equities and other risk-assets, posting particularly strong returns in January, Feb, March and November. It was 10th /37 industry sub-strategies.

Quant – EMN (+11.5%) was the 14th/37 industry sub-strategies. The sub-strategy had positive performance in 10 of 12 months.

Quant – macro (+9.6%) was the 24th/37 industry sub-strategies, encouraging performance after a challenging year for the strategy in 2023 (where it returned -1.3%). Much like in 2023, this strategy has performed well in the most stressful periods for risk assets in 2024. One of the strongest months of performance for the sub-strategy was in April, when it was up +3.1%, and global equities and bonds were down 3.5% and 2.5% respectively, illustrating the potential diversification and hedging benefits of this strategy.

Quant – CTA was the weakest of the quant sub-strategies, 36th/37 industry sub-strategies, up 1.5% in 2024, after it was the weakest performing quant sub-strategy in 2023 (-3.6%). Like quant – macro, it delivered resilient performance in the worst months for equity markets - April 2024 (+1.3%) and December 2024 (+1.0%).

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 (~8%) 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 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.

ARBITRAGE

(see full arbitrage strategies analytics pack here)

Arbitrage strategies were up 5.9% in 2024, ranking last out of the eight master fund strategies. Despite this rather lacklustre ranking, the arbitrage strategy was up in all twelve months. There was little volatility (12m standard deviation: 0.8%), the biggest up month was in September (+1.0%). Under the surface however, there was a broader performance dispersion among the sub-strategies: the best performing was arb – CB (convertible bond arbitrage strategies), which were up 11.2% during the year, followed by arb – opp (opportunistic arbitrage) up 11.1%. All sub-strategies underperformed the broader HF Composite (+11.3%), albeit exhibiting a significantly lower level of volatility. Performance from tail protection strategies (arb – tail) was much weaker, returning -2.9%. 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 third weakest sub-strategy, ranking 35th/37 industry sub-strategies with returns of 2.7% for 2024.

Over the last five years, arbitrage is ranked seventh out of the eight master strategy classifications (CAR: 5.1%).

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 9.9% and a Sharpe of 1.1. 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 quant – multi strategies 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 themselves to be market neutral, the realised betas to bonds and equities are targeted to be low/close to zero, or even negative, 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 7.3% relative to 6.8% for the HF Composite, and a similar Sharpe of 0.9 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 2.4% and a Sharpe of -0.1. Arb – tail has a five-year CAR of 0.5%, 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]

	12M			3YR			5YR		
	AUM Weighted	Mean	Median	AUM Weighted	Mean	Median	AUM Weighted	Mean	Median
Quant - Multi	17.35%	12.55%	13.67%	13.17%	11.63%	12.80%	9.92%	12.15%	11.42%
ELS - APAC	16.86%	12.88%	12.38%	3.15%	3.13%	4.08%	6.85%	7.30%	8.33%
Long - Equity	14.39%	11.60%	12.01%	4.12%	2.44%	2.64%	7.67%	8.35%	8.58%
ELS - Sector	14.10%	13.74%	12.02%	3.49%	4.52%	5.21%	7.05%	9.14%	7.97%
ELS - Global	14.04%	13.78%	10.87%	5.66%	5.07%	5.20%	8.45%	9.42%	8.44%
ELS - US	13.97%	13.09%	12.88%	5.24%	5.44%	5.80%	7.75%	9.61%	8.36%
Multi-strategy	13.59%	10.02%	11.24%	9.91%	5.81%	7.27%	11.27%	8.55%	9.22%
Macro - EM	13.38%	12.68%	10.55%	5.28%	5.51%	5.11%	4.44%	5.43%	5.66%
Quant - Stat Arb	13.35%	14.10%	14.34%	9.83%	7.15%	11.95%	7.19%	6.32%	9.86%
Quant - RP	11.95%	10.14%	9.49%	5.61%	6.59%	6.61%	4.46%	4.45%	3.80%
ELS - FEMN	11.94%	8.93%	9.29%	7.03%	4.67%	4.33%	6.44%	5.12%	5.58%
Event - Activist	11.66%	14.05%	18.73%	6.61%	6.32%	9.81%	12.26%	11.56%	13.53%
Credit - Struct	11.54%	12.30%	11.49%	5.54%	6.55%	7.57%	4.69%	5.03%	6.08%
Quant - EMN	11.51%	13.31%	14.18%	8.84%	8.17%	9.67%	4.42%	7.03%	8.48%
ELS - EUR	11.27%	6.22%	7.36%	5.24%	3.04%	3.84%	6.64%	4.98%	5.85%
Arb - Opp	11.16%	8.66%	8.43%	7.08%	5.36%	8.13%	9.87%	9.00%	9.18%
Arb - CB	11.14%	10.17%	10.17%	4.36%	4.42%	4.40%	7.34%	7.78%	6.82%
Long - Other	11.12%	15.52%	2.95%	3.78%	5.67%	3.50%	5.64%	7.51%	6.07%
Credit - Distress	11.06%	12.18%	8.96%	5.37%	5.65%	4.47%	6.91%	8.50%	6.91%
Event - Opp	10.81%	7.77%	8.20%	1.08%	2.13%	2.59%	5.34%	5.90%	7.68%
Credit - StrucLO	10.30%	10.26%	9.18%	4.42%	4.86%	5.44%	3.59%	5.11%	4.64%
Event - Multi	10.08%	10.06%	9.92%	6.31%	4.58%	6.41%	7.56%	6.94%	6.00%
Credit - Multi	9.75%	9.37%	10.00%	5.71%	6.93%	7.29%	7.56%	8.10%	10.49%
Quant - Macro	9.56%	6.03%	6.87%	4.97%	3.11%	3.94%	2.92%	3.27%	3.87%
Macro - Global	9.41%	7.26%	6.47%	7.63%	5.90%	6.58%	5.98%	6.02%	6.86%
Credit - RV	8.77%	7.51%	7.20%	4.33%	4.22%	4.53%	4.69%	5.42%	5.80%
Credit - Dir Len	8.60%	8.04%	9.71%	6.36%	6.28%	7.90%	5.82%	6.18%	7.72%
Macro - FIRV	7.56%	8.88%	8.25%	9.07%	7.29%	8.50%	7.83%	6.31%	7.16%
Long - Div Growth	4.85%	6.00%	7.30%	-0.78%	0.79%	0.36%	2.70%	3.10%	2.71%
Credit - Muni	4.61%	5.17%	5.11%	0.67%	4.68%	6.21%	2.90%	4.97%	6.82%
ELS - Other	4.54%	7.95%	9.35%	2.72%	5.00%	6.53%	4.93%	5.32%	8.95%
Event - M&A	4.47%	3.37%	3.32%	4.37%	3.09%	3.28%	5.52%	5.00%	4.88%
Long - Commods	3.62%	1.85%	4.91%	3.96%	3.54%	5.19%	6.12%	5.85%	7.17%
Macro - Commods	3.53%	1.90%	2.39%	5.84%	4.67%	3.68%	8.77%	9.91%	8.79%
Arb - Vol	2.68%	2.69%	6.33%	3.16%	3.87%	5.12%	2.44%	5.37%	6.13%
Quant - CTA	1.50%	3.24%	3.11%	3.95%	5.03%	4.78%	4.07%	5.77%	5.50%
Arb - Tail	-2.86%	-3.70%	-5.17%	-2.07%	-1.69%	1.60%	0.52%	1.41%	9.09%
HF Composite*	11.29%	10.33%	9.33%	5.58%	4.99%	5.25%	6.76%	7.82%	7.18%

*HF Composite = Aurum Hedge Fund Data Engine Asset Weighted Composite Index.
1 = Returns net of all fees and expenses. Source: Aurum Hedge Fund Data Engine.

NET RETURN (1 YR) - SUB-STRATEGY

Net Performance[1]	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	12M
Quant - Multi	3.03%	1.55%	2.60%	-0.19%	-0.25%	3.09%	0.55%	2.28%	-0.13%	0.57%	2.27%	0.83%	17.35%
ELS - APAC	0.40%	2.86%	3.13%	0.94%	2.13%	1.12%	-0.89%	-0.01%	3.99%	0.71%	0.78%	0.64%	16.86%
Long - Equity	0.72%	4.24%	2.72%	-2.05%	2.20%	1.35%	0.94%	2.10%	2.87%	-1.50%	2.33%	-2.16%	14.39%
ELS - Sector	1.07%	4.30%	2.09%	-2.61%	1.17%	1.42%	1.55%	1.08%	1.28%	1.39%	3.51%	-2.76%	14.10%
ELS - Global	1.95%	2.75%	2.01%	-0.61%	1.38%	1.02%	-0.18%	0.97%	0.83%	0.86%	2.26%	0.03%	14.04%
ELS - US	1.56%	3.15%	2.17%	-2.21%	2.42%	0.90%	1.06%	1.38%	1.09%	0.07%	2.96%	-1.26%	13.97%
Multi-strategy	1.38%	0.69%	1.81%	0.72%	0.41%	0.87%	0.36%	0.84%	0.66%	1.03%	2.14%	1.91%	13.59%
Macro - EM	-0.14%	1.29%	2.76%	-0.62%	1.09%	0.39%	1.10%	1.11%	2.12%	0.56%	1.87%	1.13%	13.38%
Quant - Stat Arb	1.73%	0.72%	1.95%	-0.11%	1.05%	2.49%	0.25%	2.62%	0.26%	-1.05%	1.74%	1.00%	13.35%
Quant - RP	2.35%	1.89%	3.34%	-0.96%	1.68%	0.83%	0.14%	-0.36%	0.31%	-0.25%	2.57%	-0.10%	11.95%
ELS - FEMN	1.19%	1.87%	1.32%	0.44%	0.79%	0.57%	-0.22%	1.07%	1.24%	0.73%	1.59%	0.75%	11.94%
Event - Activist	0.61%	2.11%	3.02%	-1.74%	3.23%	-1.97%	0.95%	0.86%	1.54%	-0.75%	4.54%	-1.09%	11.66%
Credit - Struct	1.60%	0.81%	1.09%	0.89%	1.01%	0.83%	0.98%	0.62%	0.98%	0.75%	0.76%	0.66%	11.54%
Quant - EMN	2.64%	0.17%	1.95%	1.12%	0.60%	1.27%	-0.77%	1.41%	-0.19%	0.44%	0.69%	1.67%	11.51%
ELS - EUR	1.77%	2.26%	2.20%	-0.48%	1.14%	0.41%	0.49%	0.61%	0.38%	-0.07%	2.05%	0.02%	11.27%
Arb - Opp	1.16%	0.94%	1.16%	0.48%	0.35%	0.50%	0.83%	1.02%	1.77%	1.08%	0.95%	0.41%	11.16%
Arb - CB	0.51%	1.06%	1.24%	-0.15%	0.68%	0.58%	0.90%	1.11%	1.61%	0.89%	1.36%	0.81%	11.14%
Long - Other	0.97%	2.89%	2.20%	-2.08%	2.15%	1.33%	-0.32%	1.35%	1.76%	-1.25%	2.44%	-0.71%	11.12%
Credit - Distress	0.44%	0.92%	1.00%	0.49%	1.20%	0.47%	1.06%	0.57%	1.17%	0.70%	1.36%	1.17%	11.06%
Event - Opp	0.02%	1.71%	1.97%	-0.69%	1.65%	0.35%	0.83%	0.63%	1.43%	0.75%	2.94%	-1.22%	10.81%
Credit - StrucLO	1.19%	0.61%	0.81%	0.65%	1.28%	0.79%	0.85%	0.45%	1.43%	0.48%	1.41%	-0.09%	10.30%
Event - Multi	0.47%	0.37%	1.65%	0.52%	0.61%	0.71%	1.01%	1.13%	1.46%	0.43%	0.92%	0.38%	10.08%
Credit - Multi	0.62%	0.68%	0.86%	0.62%	1.19%	0.58%	1.06%	0.73%	1.00%	0.46%	1.11%	0.43%	9.75%
Quant - Macro	2.11%	4.17%	3.13%	3.14%	-1.94%	-1.51%	-0.86%	-4.48%	0.14%	2.34%	0.66%	2.64%	9.56%
Macro - Global	0.86%	-0.19%	1.69%	0.64%	0.42%	-0.26%	1.31%	-0.81%	2.10%	-0.02%	2.87%	0.48%	9.41%
Credit - RV	1.04%	0.50%	1.04%	0.15%	0.97%	0.47%	1.01%	0.86%	1.06%	0.40%	0.66%	0.29%	8.77%
Credit - Dir Len	0.79%	0.61%	0.79%	0.74%	0.81%	0.55%	0.67%	0.60%	0.82%	0.58%	0.71%	0.61%	8.60%
Macro - FIRV	1.19%	0.02%	0.69%	0.41%	0.65%	0.26%	0.73%	0.66%	0.88%	0.26%	0.90%	0.69%	7.56%
Long - Div Growth	-0.89%	0.60%	2.70%	-1.43%	1.46%	0.34%	1.81%	0.72%	2.11%	-1.77%	1.33%	-2.10%	4.85%
Credit - Muni	0.49%	0.38%	0.24%	-0.93%	0.26%	2.20%	0.99%	0.67%	1.21%	-1.22%	1.58%	-1.30%	4.61%
ELS - Other	0.15%	1.78%	1.35%	0.36%	0.92%	0.83%	0.78%	-0.39%	1.18%	-1.48%	-1.60%	0.65%	4.54%
Event - M&A	-0.50%	0.21%	1.02%	-0.68%	0.52%	0.45%	1.65%	0.11%	0.37%	-0.56%	0.66%	1.13%	4.47%
Long - Commods	0.27%	-0.85%	3.84%	1.94%	1.22%	-0.85%	-2.09%	-0.18%	3.10%	-1.29%	-0.42%	-0.94%	3.62%
Macro - Commods	0.25%	0.37%	2.23%	2.24%	0.56%	-1.92%	-0.20%	0.37%	0.14%	0.05%	-0.01%	-0.53%	3.53%
Arb - Vol	0.37%	-0.02%	0.13%	0.54%	-0.15%	0.01%	0.43%	-0.41%	0.45%	0.22%	0.63%	0.46%	2.68%
Quant - CTA	0.94%	4.09%	3.31%	1.29%	-1.28%	-2.22%	-2.03%	-3.06%	0.97%	-3.30%	2.13%	0.99%	1.50%
Arb - Tail	-0.34%	-1.00%	-0.35%	1.08%	-1.21%	0.46%	-0.63%	-0.30%	-0.35%	0.79%	-1.23%	0.20%	-2.86%
HF Composite*	**1.01%**	**1.84%**	**2.05%**	**-0.21%**	**0.91%**	**0.51%**	**0.55%**	**0.49%**	**1.30%**	**0.16%**	**1.92%**	**0.24%**	**11.29%**
Bonds**	**-1.38%**	**-1.26%**	**0.55%**	**-2.52%**	**1.31%**	**0.14%**	**2.76%**	**2.37%**	**1.70%**	**-3.35%**	**0.34%**	**-2.15%**	**-1.69%**
Equities***	**0.13%**	**4.10%**	**2.91%**	**-3.50%**	**3.76%**	**1.63%**	**1.99%**	**2.14%**	**2.22%**	**-2.37%**	**3.76%**	**-2.75%**	**14.49%**

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

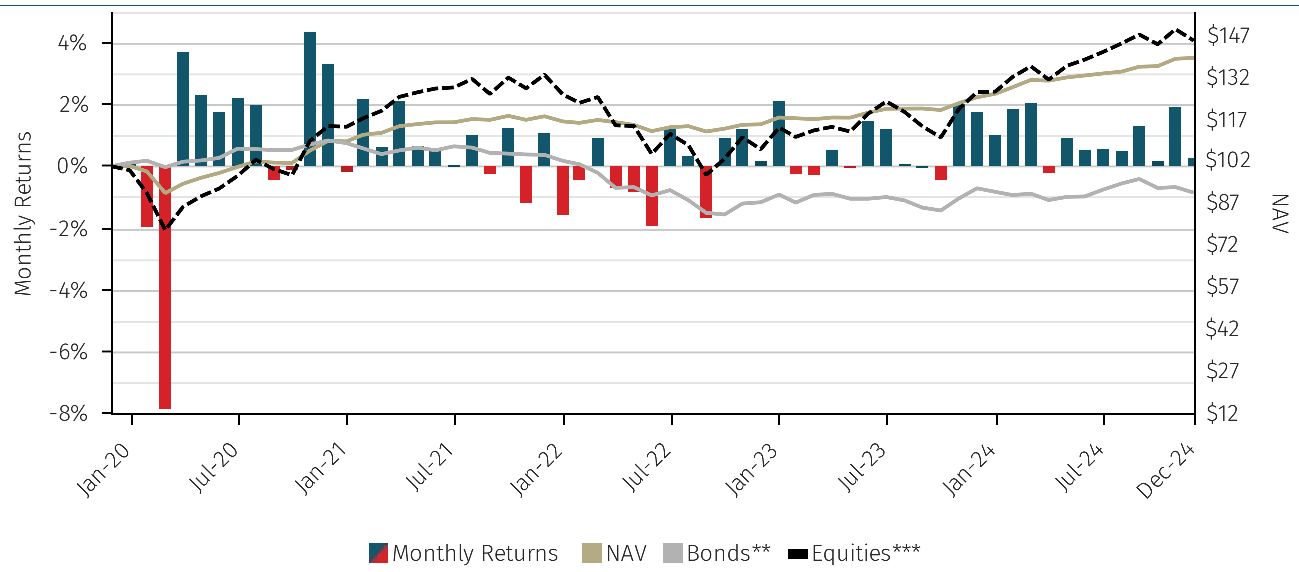
NET RETURN (5 YR) PERIOD TO DECEMBER 2024 - SUB-STRATEGY

Performance	2024	2023	2022	2021	2020	5Yr CAR	5Yr Vol	5Yr Sharpe
Event - Activist	11.66%	20.48%	-9.92%	19.47%	23.13%	12.26%	14.92%	0.67
Multi-strategy	13.59%	7.49%	8.76%	11.39%	15.30%	11.27%	3.64%	2.22
Quant - Multi	17.35%	10.09%	12.19%	11.06%	-0.32%	9.92%	4.98%	1.39
Arb - Opp	11.16%	7.88%	2.39%	10.10%	18.42%	9.87%	6.58%	1.06
Macro - Commods	3.53%	2.77%	11.43%	17.41%	9.35%	8.77%	6.58%	0.90
ELS - Global	14.04%	13.63%	-8.97%	9.11%	16.56%	8.45%	8.96%	0.65
Macro - FIRV	7.56%	10.88%	8.80%	3.30%	8.75%	7.83%	2.51%	1.95
ELS - US	13.97%	14.17%	-10.43%	7.84%	15.56%	7.75%	9.93%	0.53
Long - Equity	14.39%	15.63%	-14.67%	13.45%	13.02%	7.67%	14.47%	0.40
Event - Multi	10.08%	6.87%	2.13%	10.10%	8.84%	7.56%	3.50%	1.34
Credit - Multi	9.75%	9.43%	-1.63%	12.38%	8.44%	7.56%	5.64%	0.85
Arb - CB	11.14%	7.25%	-4.65%	7.38%	16.75%	7.34%	5.26%	0.86
Quant - Stat Arb	13.35%	9.66%	6.57%	8.20%	-1.26%	7.19%	4.35%	1.00
ELS - Sector	14.10%	12.41%	-13.58%	1.26%	25.23%	7.05%	11.85%	0.41
Credit - Distress	11.06%	9.01%	-3.37%	15.08%	3.75%	6.91%	8.50%	0.52
ELS - APAC	16.86%	3.58%	-9.32%	3.63%	22.46%	6.85%	8.09%	0.53
ELS - EUR	11.27%	8.94%	-3.83%	8.45%	9.08%	6.64%	5.36%	0.73
ELS - FEMN	11.94%	7.79%	1.62%	3.98%	7.18%	6.44%	5.02%	0.73
Long - Commods	3.62%	-5.79%	15.10%	25.09%	-4.25%	6.12%	14.57%	0.30
Macro - Global	9.41%	2.53%	11.14%	-2.55%	10.03%	5.98%	4.67%	0.69
Credit - Dir Len	8.60%	7.22%	3.34%	6.95%	3.08%	5.82%	3.15%	0.96
Long - Other	11.12%	16.70%	-13.82%	6.21%	10.85%	5.64%	10.97%	0.31
Event - M&A	4.47%	6.40%	2.26%	5.83%	8.73%	5.52%	5.00%	0.56
Event - Opp	10.81%	5.85%	-11.94%	10.96%	13.15%	5.34%	8.69%	0.33
ELS - Other	4.54%	8.07%	-4.05%	4.52%	12.29%	4.93%	10.23%	0.26
Credit - RV	8.77%	7.85%	-3.20%	4.86%	5.63%	4.69%	5.68%	0.36
Credit - Struct	11.54%	8.96%	-3.28%	10.25%	-2.98%	4.69%	10.21%	0.24
Quant - RP	11.95%	10.29%	-4.59%	13.21%	-6.73%	4.46%	6.85%	0.28
Macro - EM	13.38%	9.80%	-6.28%	0.60%	5.87%	4.44%	8.39%	0.24
Quant - EMN	11.51%	9.31%	5.78%	9.15%	-11.80%	4.42%	5.13%	0.34
Quant - CTA	1.50%	-3.60%	14.80%	7.85%	0.79%	4.07%	8.13%	0.20
Credit - StrucLO	10.30%	12.97%	-8.65%	3.55%	1.22%	3.59%	7.11%	0.15
Quant - Macro	9.56%	-1.33%	7.00%	4.36%	-4.36%	2.92%	8.59%	0.06
Credit - Muni	4.61%	7.70%	-9.44%	5.86%	6.84%	2.90%	7.69%	0.06
Long - Div Growth	4.85%	6.01%	-12.12%	9.26%	7.05%	2.70%	8.96%	0.04
Arb - Vol	2.68%	1.49%	5.36%	1.15%	1.60%	2.44%	2.81%	-0.09
Arb - Tail	-2.86%	-8.08%	5.17%	-5.59%	15.76%	0.52%	11.23%	-0.14
HF Composite*	**11.29%**	**8.39%**	**-2.43%**	**8.04%**	**9.06%**	**6.76%**	**5.88%**	**0.69**
Bonds**	**-1.69%**	**5.72%**	**-16.25%**	**-4.71%**	**9.20%**	**-1.96%**	**7.81%**	**-0.56**
Equities***	**14.49%**	**19.24%**	**-20.04%**	**16.02%**	**14.34%**	**7.69%**	**17.78%**	**0.35**

AURUM

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

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



NET RETURN (5 YR) PERIOD TO DECEMBER 2024

Performance	2024	2023	2022	2021	2020	5Yr CAR	5Yr Vol	5Yr Sharpe
Multi-Strategy	13.59%	7.49%	8.76%	11.39%	15.30%	11.27%	3.64%	2.22
Event	10.27%	9.52%	-4.66%	11.98%	12.55%	7.73%	6.92%	0.72
Equity L/S	13.45%	11.31%	-9.32%	5.56%	17.65%	7.30%	8.52%	0.55
Macro	9.64%	5.75%	6.10%	0.07%	8.35%	5.93%	4.61%	0.69
Long biased	10.60%	11.55%	-12.68%	11.50%	10.15%	5.76%	11.56%	0.31
Credit	9.76%	8.89%	-2.60%	9.43%	2.85%	5.55%	6.95%	0.43
Arbitrage	5.87%	2.37%	2.61%	3.98%	10.95%	5.11%	2.65%	0.88
Quant	8.72%	1.70%	8.61%	7.80%	-3.76%	4.50%	5.76%	0.32
HF Composite*	**11.29%**	**8.39%**	**-2.43%**	**8.04%**	**9.06%**	**6.76%**	**5.88%**	**0.69**
Bonds**	**-1.69%**	**5.72%**	**-16.25%**	**-4.71%**	**9.20%**	**-1.96%**	**7.81%**	**-0.56**
Equities***	**14.49%**	**19.24%**	**-20.04%**	**16.02%**	**14.34%**	**7.69%**	**17.78%**	**0.35**

HIERARCHICAL ANNUALISED NET RETURN TO DECEMBER 2024

1 YEAR	3 YEAR	5 YEAR	10 YEAR
Multi-Strategy 13.6%	**Multi-Strategy** 9.9%	**Multi-Strategy** 11.3%	**Multi-Strategy** 8.2%
Equity L/S 13.5%	**Macro** 7.1%	**Event** 7.7%	**Event** 5.8%
HF Composite* 11.3%	**Quant** 6.3%	**Equity L/S** 7.3%	**Equity L/S** 5.7%
Long biased 10.6%	**HF Composite*** 5.6%	**HF Composite*** 6.8%	**Long biased** 5.4%
Event 10.3%	**Credit** 5.2%	**Macro** 5.9%	**HF Composite*** 5.2%
Credit 9.8%	**Event** 4.8%	**Long biased** 5.8%	**Credit** 4.6%
Macro 9.6%	**Equity L/S** 4.6%	**Credit** 5.5%	**Macro** 4.4%
Quant 8.7%	**Arbitrage** 3.6%	**Arbitrage** 5.1%	**Quant** 3.2%
Arbitrage 5.9%	**Long biased** 2.5%	**Quant** 4.5%	**Arbitrage** 3.2%

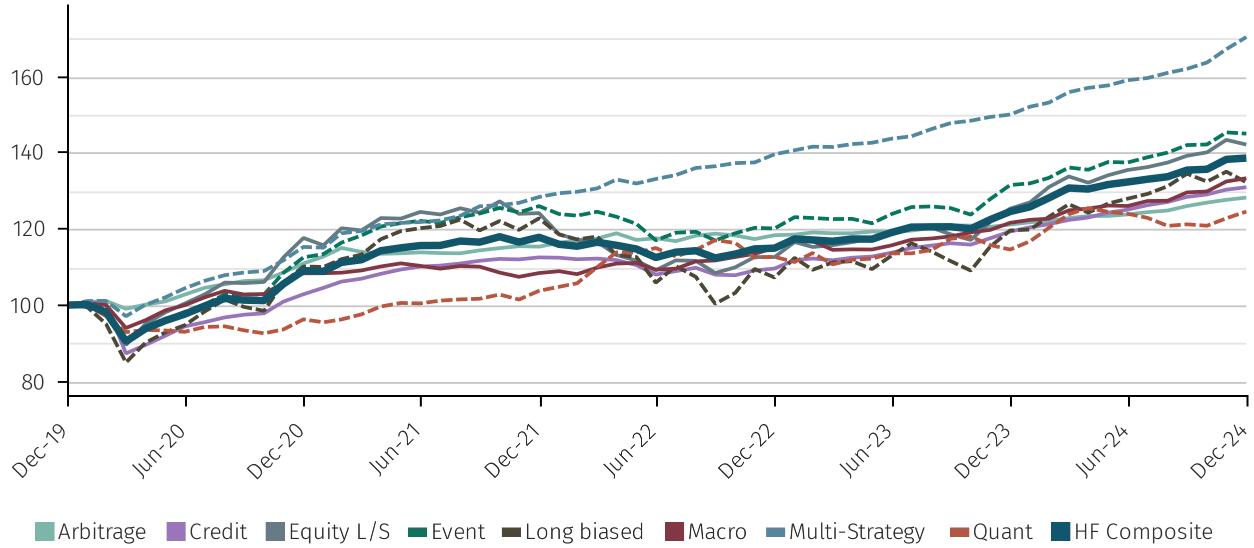
**HF Composite = Aurum Hedge Fund Data Engine Asset Weighted Composite Index.*
***Bonds = Bloomberg Global Aggregate Bond USD Index. ***Equities = S&P Global BMI.*
Source: Aurum Hedge Fund Data Engine.

HIERARCHICAL ANNUALISED NET RETURN TO DECEMBER 2024 – SUB-STRATEGY

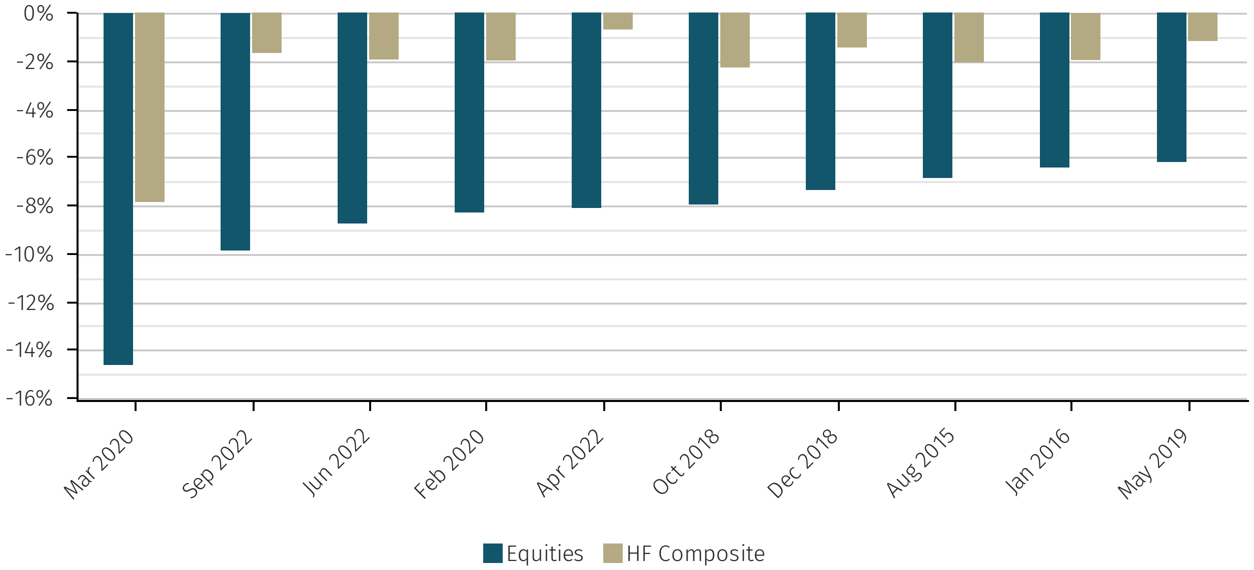
1 YEAR	3 YEAR	5 YEAR	10 YEAR
Quant - Multi 17.3%	Quant - Multi 13.2%	Event - Activist 12.3%	Event - Activist 8.5%
ELS - APAC 16.9%	Multi-strategy 9.9%	Multi-strategy 11.3%	Quant - Multi 8.4%
Long - Equity 14.4%	Quant - Stat Arb 9.8%	Quant - Multi 9.9%	Multi-strategy 8.2%
ELS - Sector 14.1%	Macro - FIRV 9.1%	Arb - Opp 9.9%	Long - Equity 7.7%
ELS - Global 14.0%	Quant - EMN 8.8%	Macro - Commods 8.8%	ELS - Global 6.9%
ELS - US 14.0%	Macro - Global 7.6%	ELS - Global 8.4%	Arb - Opp 6.8%
Multi-strategy 13.6%	Arb - Opp 7.1%	Macro - FIRV 7.8%	Macro - FIRV 6.2%
Macro - EM 13.4%	ELS - FEMN 7.0%	ELS - US 7.7%	ELS - APAC 6.0%
Quant - Stat Arb 13.3%	Event - Activist 6.6%	Long - Equity 7.7%	ELS - US 6.0%
Quant - RP 11.9%	Credit - Dir Len 6.4%	Event - Multi 7.6%	Credit - Dir Len 5.9%
ELS - FEMN 11.9%	Event - Multi 6.3%	Credit - Multi 7.6%	Event - Multi 5.6%
Event - Activist 11.7%	Macro - Commods 5.8%	Arb - CB 7.3%	Arb - CB 5.6%
Credit - Struct 11.5%	Credit - Multi 5.7%	Quant - Stat Arb 7.2%	ELS - FEMN 5.6%
Quant - EMN 11.5%	ELS - Global 5.7%	ELS - Sector 7.0%	ELS - Sector 5.3%
HF Composite* 11.3%	Quant - RP 5.6%	Credit - Distress 6.9%	HF Composite* 5.2%
ELS - EUR 11.3%	HF Composite* 5.6%	ELS - APAC 6.9%	Credit - Multi 5.2%
Arb - Opp 11.2%	Credit - Struct 5.5%	HF Composite* 6.8%	Credit - Distress 5.1%
Arb - CB 11.1%	Credit - Distress 5.4%	ELS - EUR 6.6%	Quant - Stat Arb 5.1%
Long - Other 11.1%	Macro - EM 5.3%	ELS - FEMN 6.4%	Long - Other 5.0%
Credit - Distress 11.1%	ELS - EUR 5.2%	Long - Commods 6.1%	ELS - EUR 5.0%
Event - Opp 10.8%	ELS - US 5.2%	Macro - Global 6.0%	Credit - Struct 4.9%
Credit - StrucLO 10.3%	Quant - Macro 5.0%	Credit - Dir Len 5.8%	ELS - Other 4.7%
Event - Multi 10.1%	Credit - StrucLO 4.4%	Long - Other 5.6%	Event - Opp 4.7%
Credit - Multi 9.8%	Event - M&A 4.4%	Event - M&A 5.5%	Macro - EM 4.6%
Quant - Macro 9.6%	Arb - CB 4.4%	Event - Opp 5.3%	Event - M&A 4.5%
Macro - Global 9.4%	Credit - RV 4.3%	ELS - Other 4.9%	Credit - Muni 4.3%
Credit - RV 8.8%	Long - Equity 4.1%	Credit - RV 4.7%	Macro - Global 4.2%
Credit - Dir Len 8.6%	Long - Commods 4.0%	Credit - Struct 4.7%	Credit - RV 3.6%
Macro - FIRV 7.6%	Quant - CTA 4.0%	Quant - RP 4.5%	Credit - StrucLO 3.5%
Long - Div Growth 4.9%	Long - Other 3.8%	Macro - EM 4.4%	Macro - Commods 3.2%
Credit - Muni 4.6%	ELS - Sector 3.5%	Quant - EMN 4.4%	Quant - EMN 3.2%
ELS - Other 4.5%	Arb - Vol 3.2%	Quant - CTA 4.1%	Quant - RP 3.0%
Event - M&A 4.5%	ELS - APAC 3.2%	Credit - StrucLO 3.6%	Long - Div Growth 3.0%
Long - Commods 3.6%	ELS - Other 2.7%	Quant - Macro 2.9%	Quant - Macro 2.6%
Macro - Commods 3.5%	Event - Opp 1.1%	Credit - Muni 2.9%	Arb - Vol 2.6%
Arb - Vol 2.7%	Credit - Muni 0.7%	Long - Div Growth 2.7%	Quant - CTA 2.3%
Quant - CTA 1.5%	Long - Div Growth -0.8%	Arb - Vol 2.4%	Long - Commods 1.3%
Arb - Tail -2.9%	Arb - Tail -2.1%	Arb - Tail 0.5%	Arb - Tail -3.2%

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

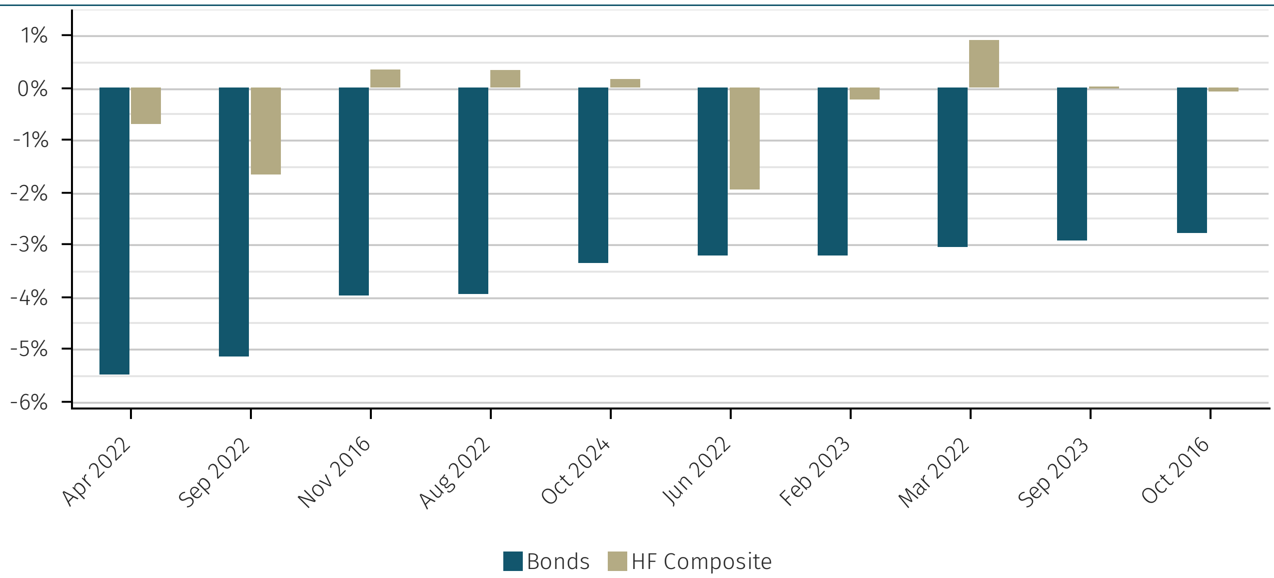
CUMULATIVE RETURN (5 YR) PERIOD TO DECEMBER 2024



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



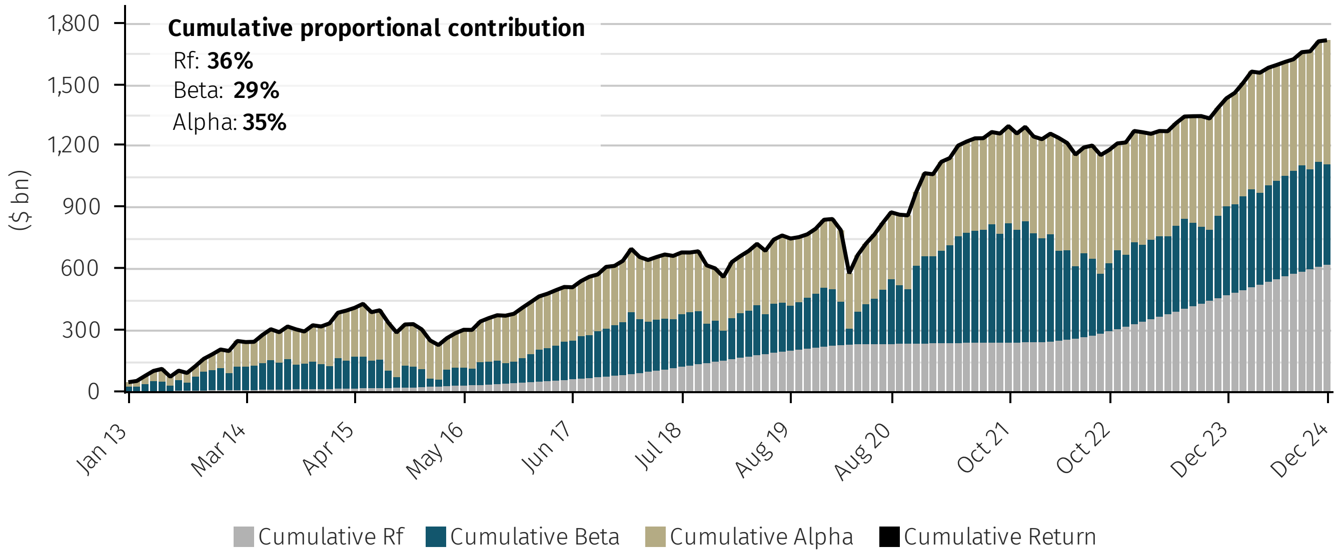
PERFORMANCE DURING WORST 10 MONTHS FOR BONDS** (10 YR) PERIOD TO DECEMBER 2024 – HF COMPOSITE*



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

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

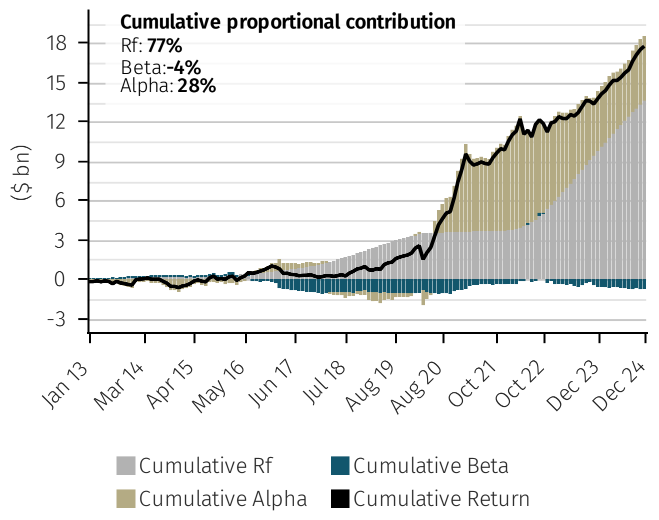
HF Composite



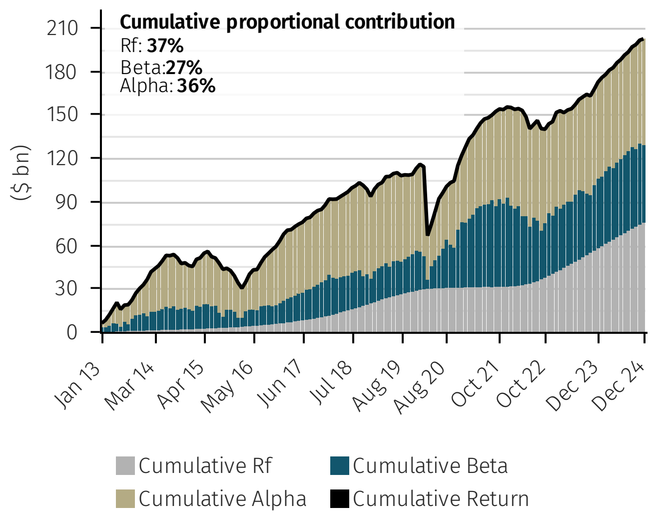
These charts decompose the Hedge Fund Composite dollar returns into Beta, Alpha and Risk free ("Rf") components, as follows: Alpha = Actual return – Rf – Beta * (Market return – Rf).*

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.

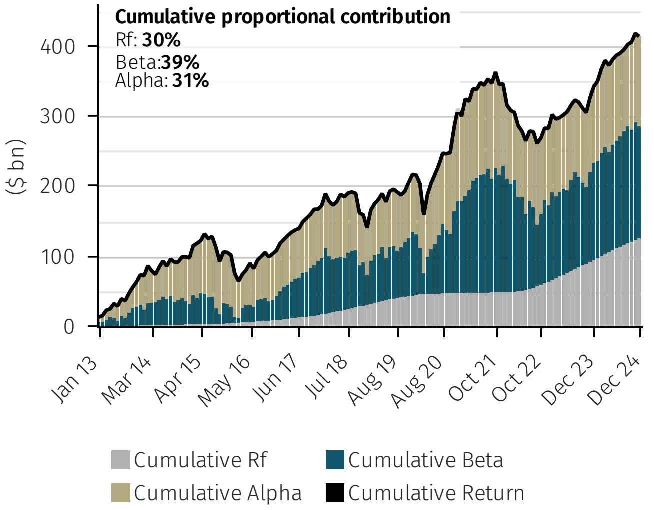
Arbitrage



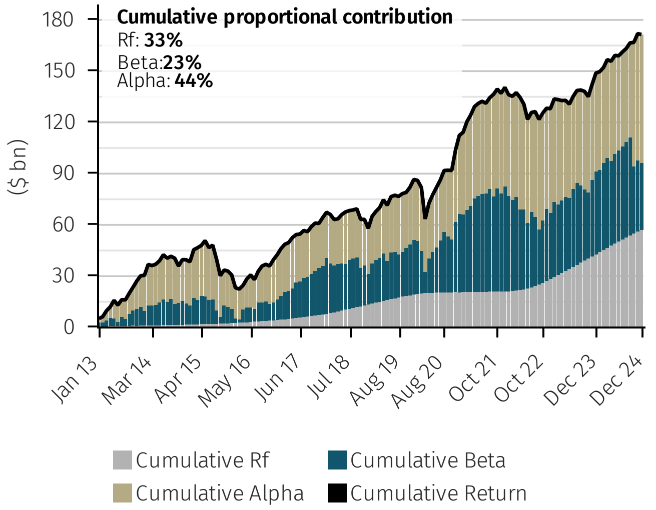
Credit



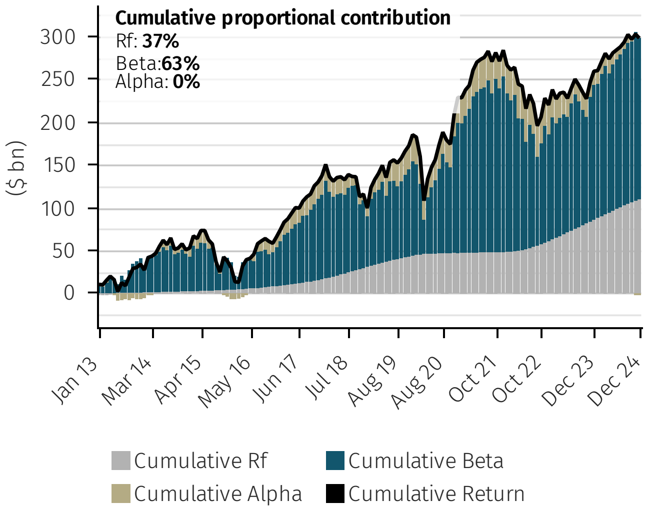
Equity L/S



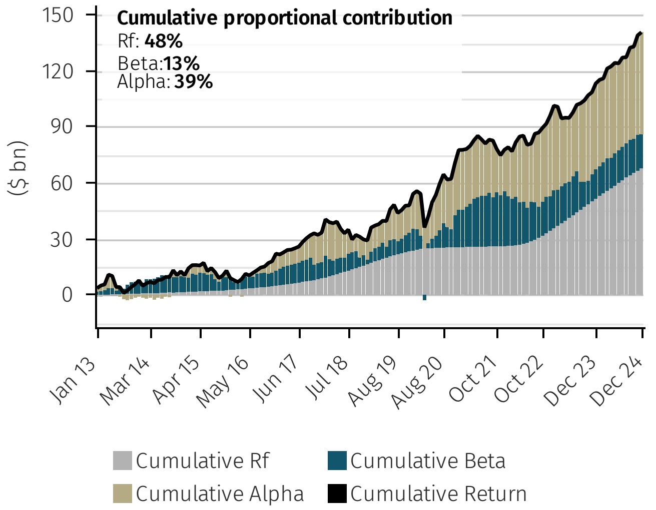
Event



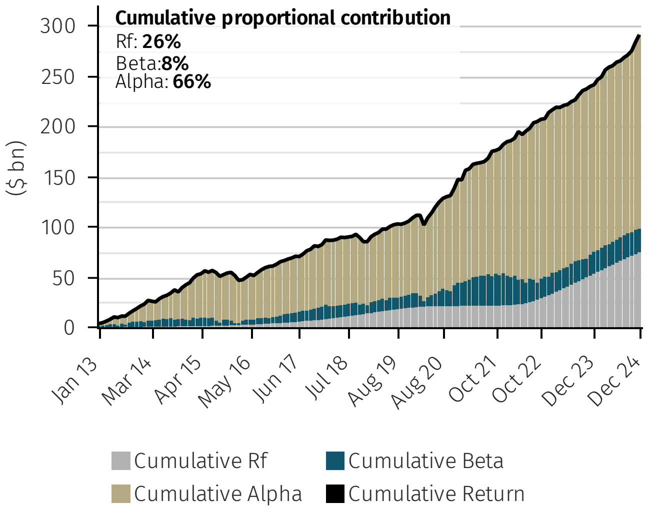
Long biased



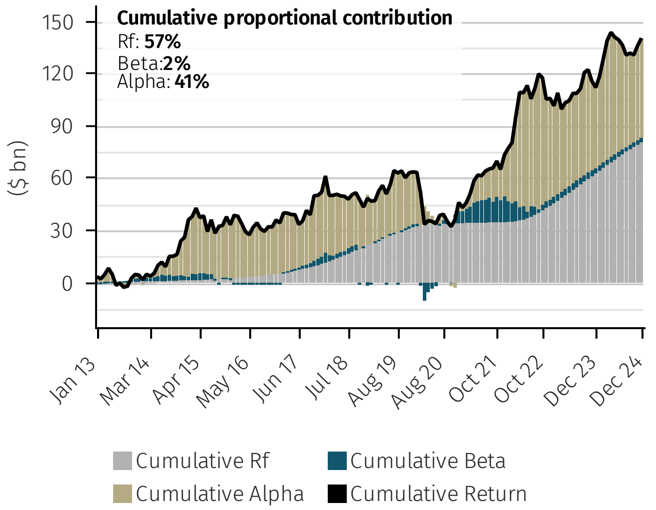
Macro



Multi-Strategy



Quant



Source: Aurum Hedge Fund Data Engine, Bloomberg

Performance dispersion and correlation

After reaching low levels in 2023, performance dispersion between the top and bottom decile hedge funds normalised trading slightly above pre-COVID levels. Today HF performance dispersion (as defined by the rolling 12m performance spread between top and bottom decile performing funds) sits 14% below 10-year average levels as at the end of 2024.

Relative to the last ten years, dispersion in credit, arbitrage, and long biased are well below average. All other strategies are also exhibiting below-average levels of dispersion relative to the last ten years albeit at a smaller magnitude.

Equity l/s is the master strategy with the highest levels of sub-strategy dispersion in 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 – other funds – which don't easily fit into the taxonomy that classifies other funds, haven't benefited from the same opportunity set and are 31st of 37 sub-strategies.

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 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 macro 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 third-highest intra-strategy correlation. This is likely due to elevated levels of common factor risk, with many event driven funds exposed to similar positions and common struggles. During 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 funds as well. Event – activist funds tend to exhibit a higher beta to broader equity markets, which is a common factor among such managers.

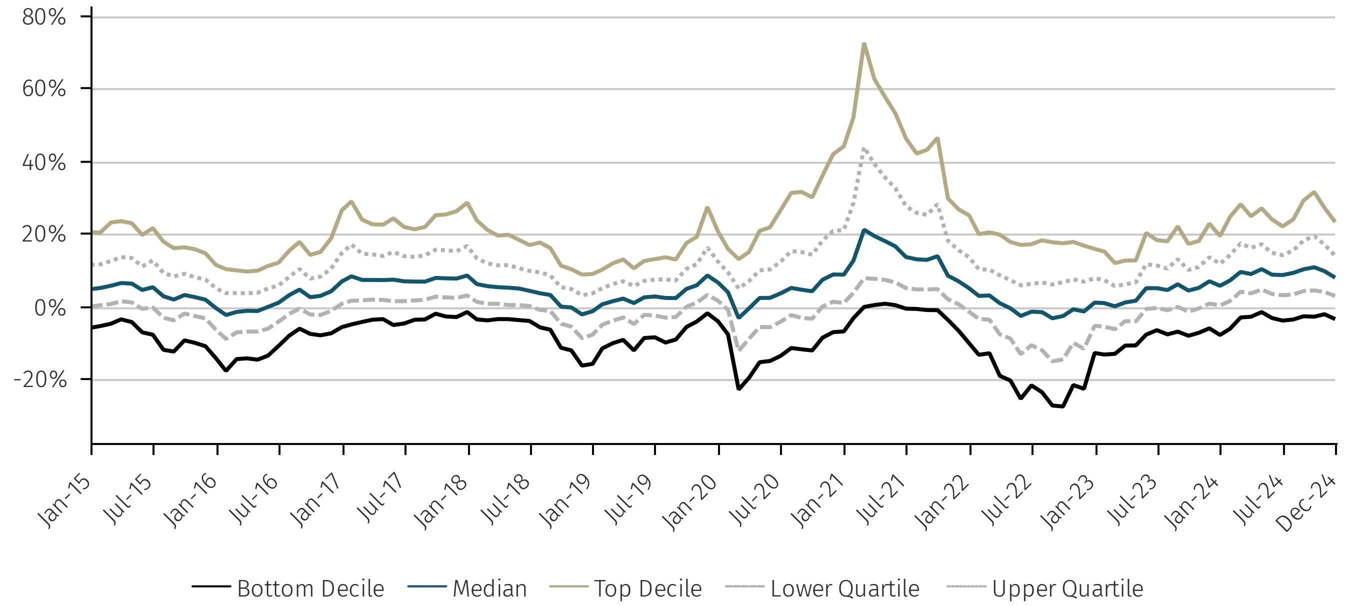
The areas where Aurum tends to focus its research are more towards macro (primarily global macro and commodities), quant (with a bias towards statistical arbitrage, short-term futures and quant macro/quant volatility), multi-strategy and trading oriented event driven strategies. These strategies are 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

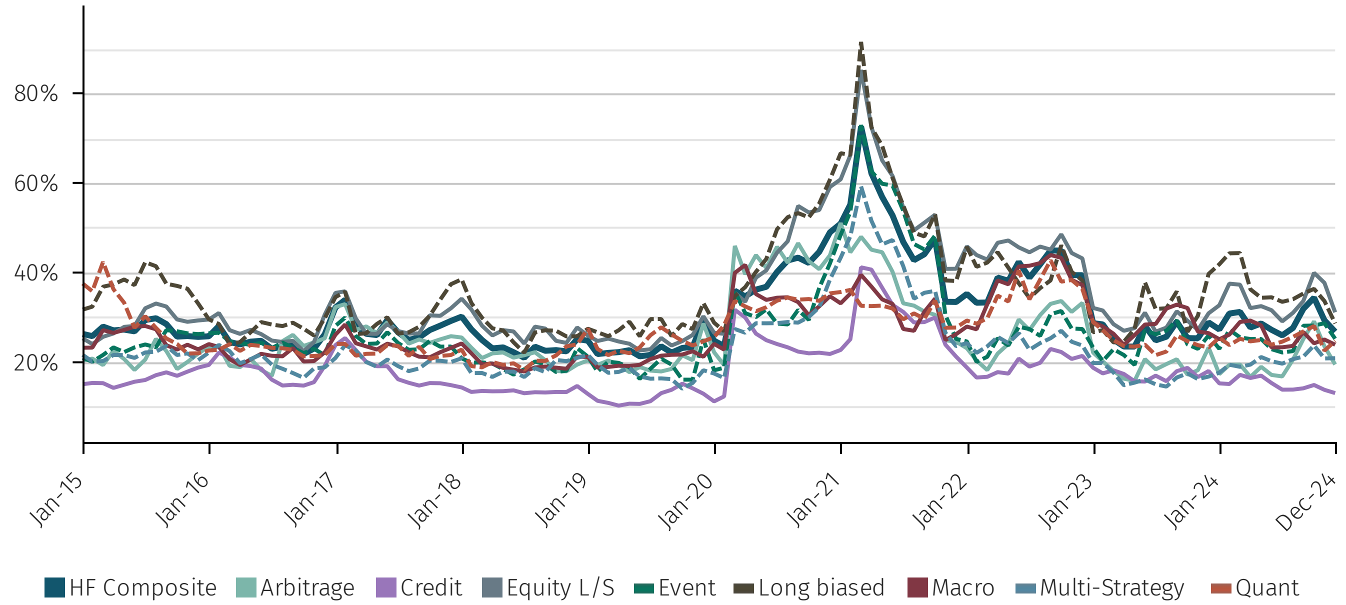
Strategy	Average 10 year	12M to Dec-24	Current % differential from 10 year average
Event	26.67%	25.13%	-5.76%
Quant	26.86%	24.65%	-8.25%
Multi-Strategy	22.70%	20.77%	-8.49%
Equity L/S	34.62%	31.05%	-10.31%
Macro	26.64%	23.79%	-10.69%
HF Composite*	**30.85%**	**26.70%**	**-13.45%**
Long biased	36.07%	28.54%	-20.88%
Arbitrage	25.43%	19.36%	-23.86%
Credit	18.21%	12.96%	-28.81%

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



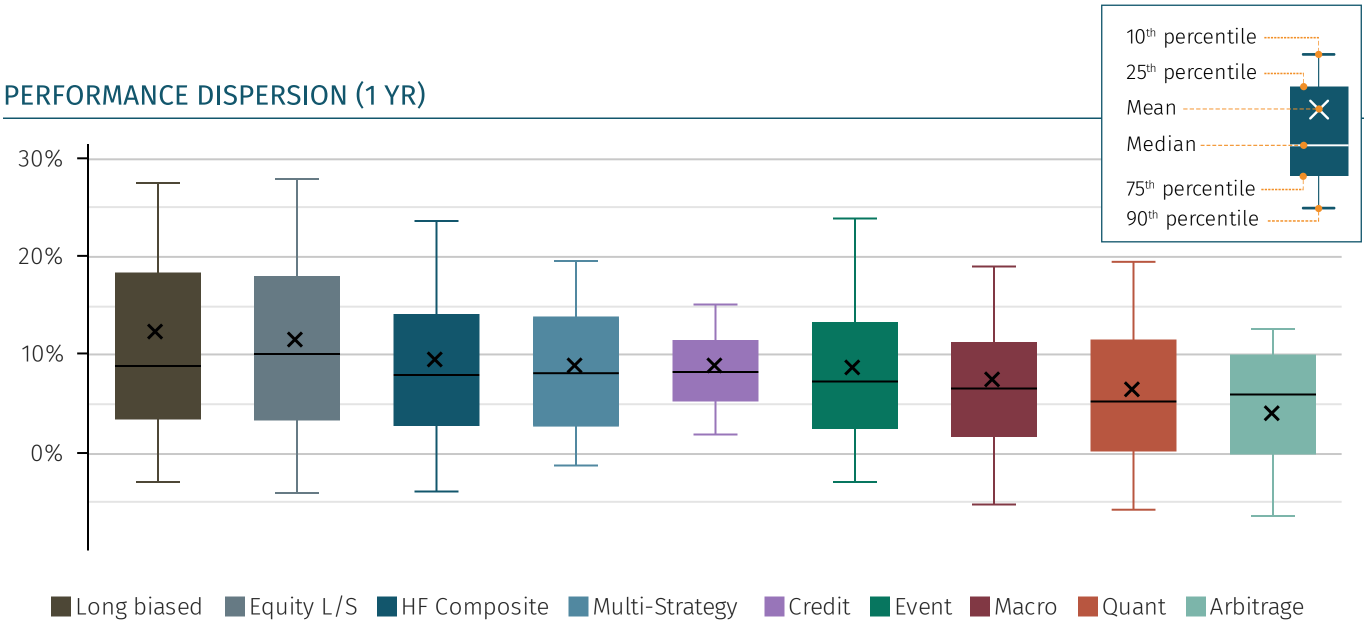
10th – 90th PERCENTILE 12M ROLLING PERFORMANCE SPREAD



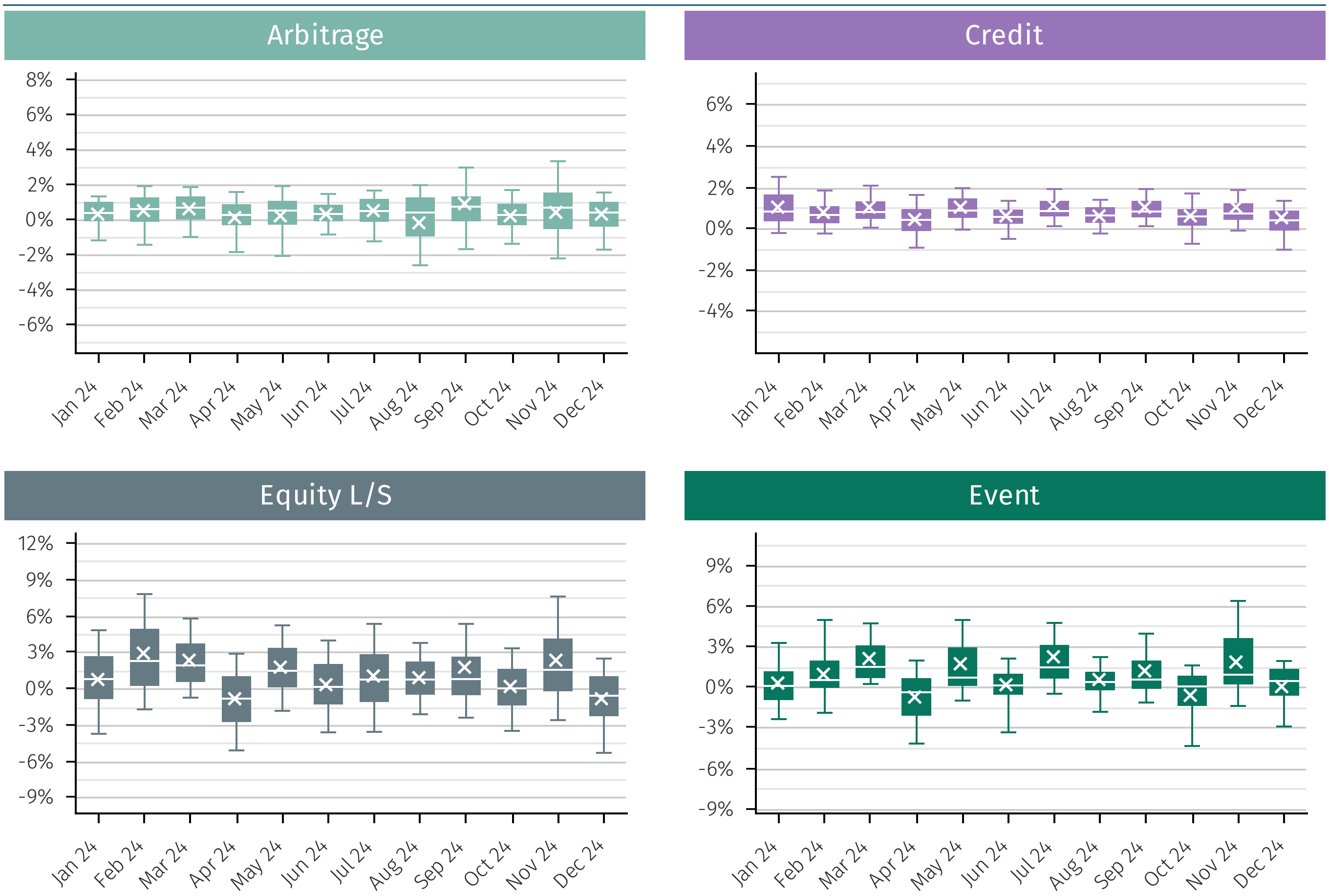
AURUM

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

PERFORMANCE DISPERSION (1 YR)

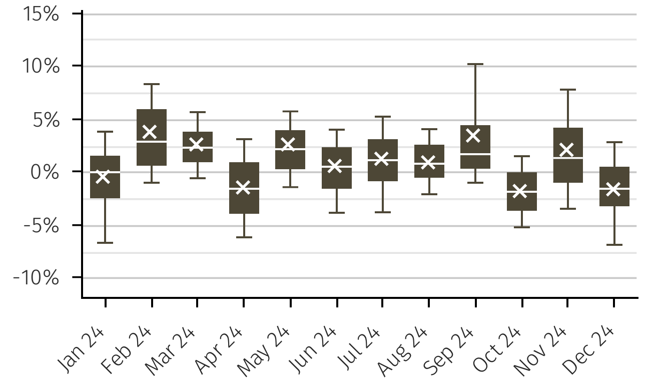


NET MONTHLY RETURN DISTRIBUTION

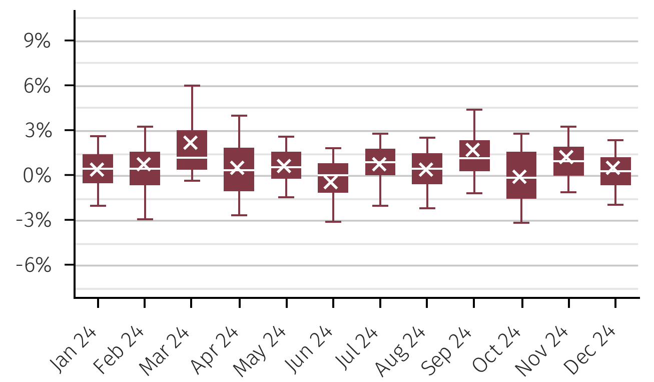


Equally weighted returns.
HF Composite = Aurum Hedge Fund Data Engine Equally Weighted Composite Index
Source: Aurum Hedge Fund Data Engine.

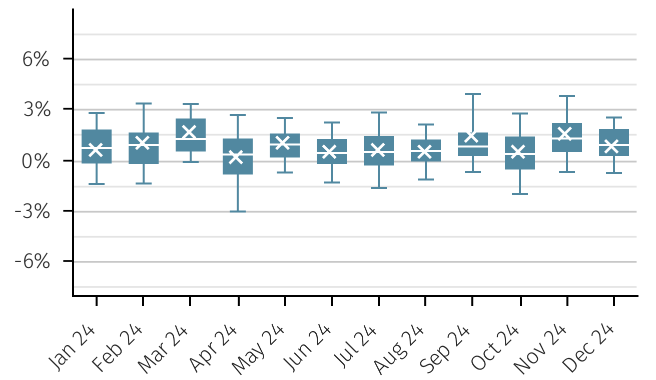
Long biased



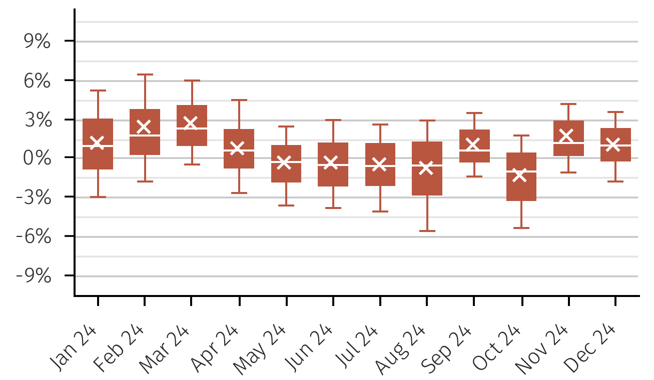
Macro



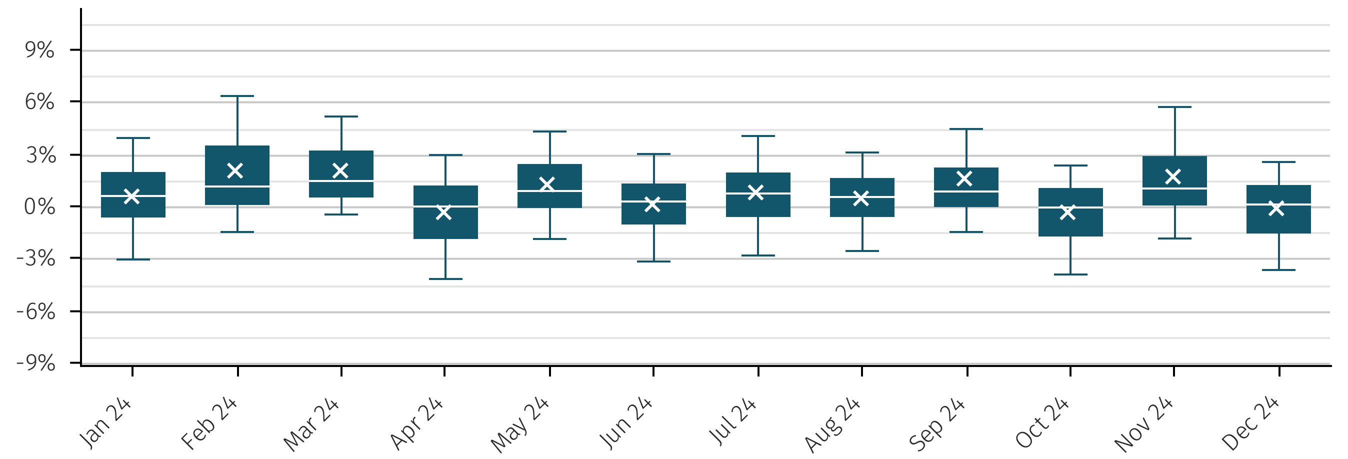
Multi-Strategy



Quant



HF Composite



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

Correlation

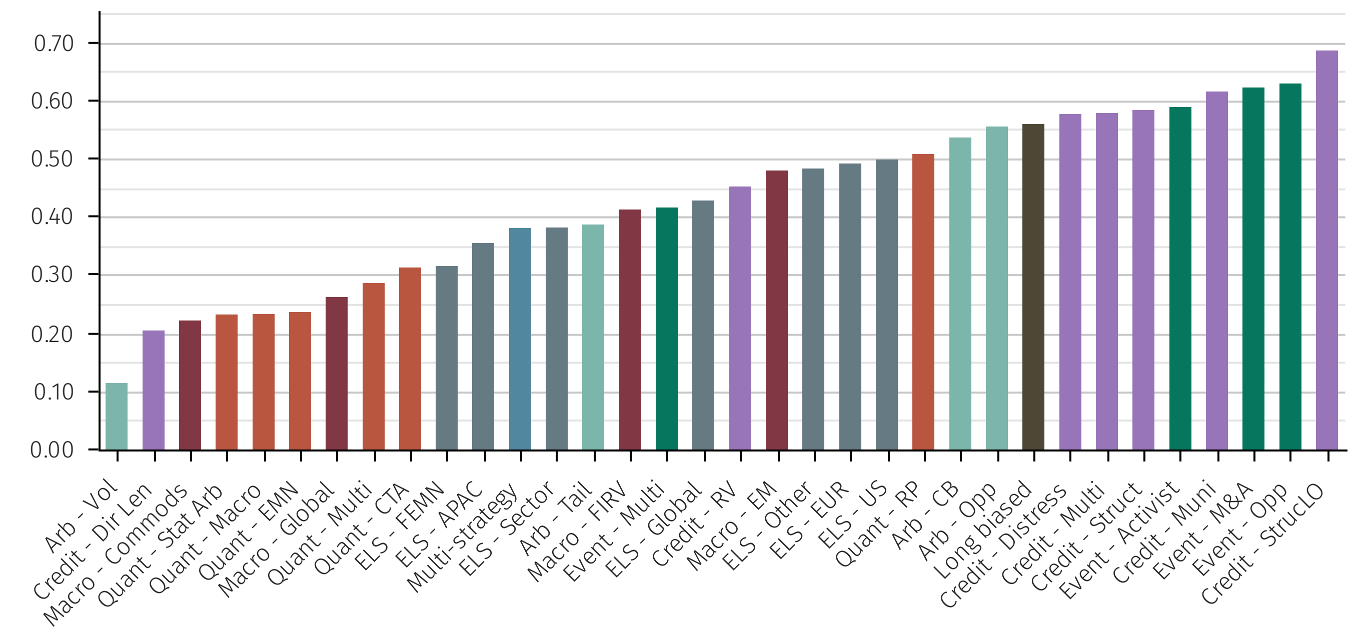
CORRELATION MATRIX (5 YR) PERIOD TO DECEMBER 2024

	Arbitrage	Credit	Equity L/S	Event	Long biased	Macro	Multi-Strategy	Quant	HF Composite	Bonds	Equities
Arbitrage		0.56	0.36	0.45	0.17	0.51	0.73	0.38	0.47	-0.09	0.13
Credit			0.74	0.84	0.70	0.80	0.74	0.29	0.87	0.33	0.66
Equity L/S				0.91	0.90	0.66	0.63	0.10	0.94	0.57	0.90
Event					0.90	0.78	0.70	0.22	0.97	0.50	0.89
Long biased						0.63	0.45	0.02	0.89	0.72	0.99
Macro							0.73	0.45	0.82	0.24	0.59
Multi-Strategy								0.51	0.75	0.04	0.42
Quant									0.34	-0.50	0.00
HF Composite*										0.46	0.87
Bonds**											0.68
Equities***											

CORRELATION MATRIX (1 YR) PERIOD TO DECEMBER 2024

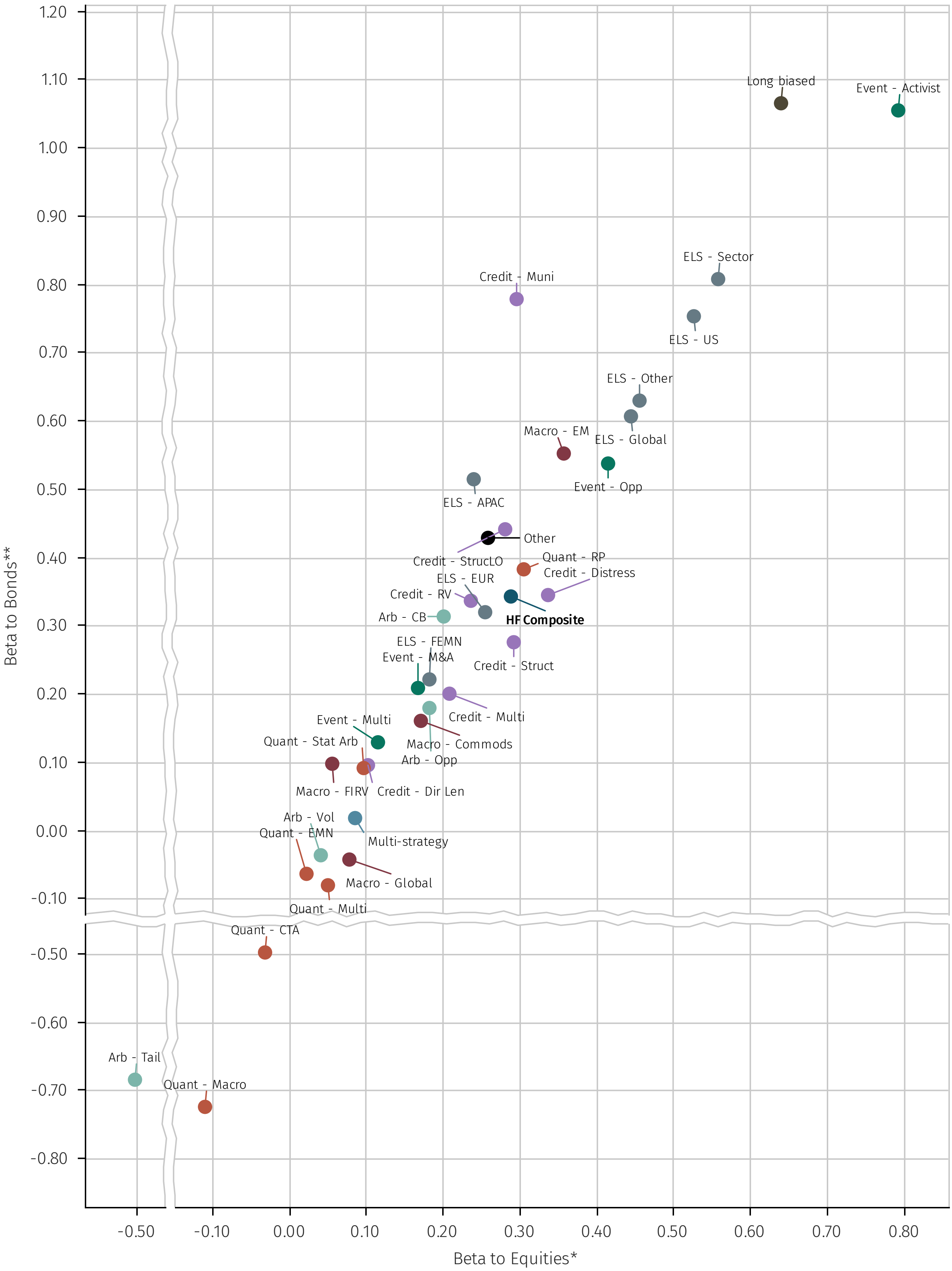
	Arbitrage	Credit	Equity L/S	Event	Long biased	Macro	Multi-Strategy	Quant	HF Composite	Bonds	Equities
Arbitrage		0.07	-0.07	0.06	-0.09	0.49	0.26	0.19	0.11	-0.13	-0.26
Credit			0.55	0.78	0.71	0.70	-0.05	0.01	0.63	0.67	0.71
Equity L/S				0.75	0.85	0.32	0.08	0.33	0.89	0.31	0.86
Event					0.83	0.75	0.19	0.17	0.85	0.60	0.83
Long biased						0.43	-0.13	0.11	0.82	0.70	0.96
Macro							0.45	0.36	0.65	0.34	0.37
Multi-Strategy								0.55	0.35	-0.31	-0.11
Quant									0.57	-0.46	0.03
HF Composite*										0.31	0.79
Bonds**											0.71
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 USD 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 DECEMBER 2024 – SUB-STRATEGY



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 have, on average, outperformed their 'younger' and cheaper peers; both in 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 10.0% spread. 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 8.2% and event alt UCITS funds underperformed event hedge funds by 7.5% in 2024.

The strategies with the smallest performance differential between hedge funds and alt UCITS in 2024 were: arbitrage (-1.2%) and credit (-2.2%).

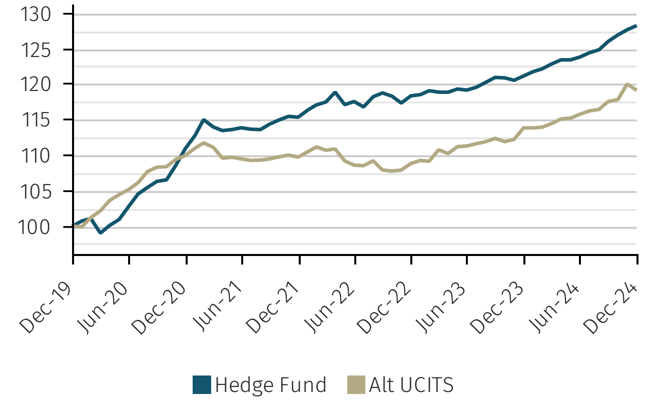
HEDGE FUNDS VS ALT UCITS RETURNS

	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	5.87%	4.64%	5.11%	3.57%	2.65%	2.35%	0.88	0.36	79.8	7.5	134	24
Credit	9.76%	7.57%	5.55%	2.41%	6.95%	5.90%	0.43	-0.02	364.7	14.1	444	34
Equity L/S	13.45%	5.39%	7.30%	3.22%	8.52%	4.28%	0.55	0.13	636.6	47.6	1,022	134
Event	10.27%	2.82%	7.73%	2.86%	6.92%	4.81%	0.72	0.05	286.8	8.6	192	27
Long biased	10.60%	7.13%	5.76%	3.62%	11.56%	8.38%	0.31	0.14	476.0	55.4	418	74
Macro	9.64%	7.12%	5.93%	2.31%	4.61%	7.44%	0.69	-0.02	331.4	26.9	319	47
Multi-Strategy	13.59%	1.76%	11.27%	1.67%	3.64%	5.24%	2.22	-0.17	448.3	16.4	180	24
Quant	8.72%	3.86%	4.50%	1.52%	5.76%	4.05%	0.32	-0.27	352.0	21.7	461	68
HF Composite*	**11.29%**	**6.85%**	**6.76%**	**3.22%**	**5.88%**	**5.19%**	**0.69**	**0.12**	**3069.7**	**215.2**	**3,342**	**444**
Bonds**	**-1.69%**		**-1.96%**		**7.81%**		**-0.56**		-	-	-	-
Equities***	**14.49%**		**7.69%**		**17.78%**		**0.35**		-	-	-	-

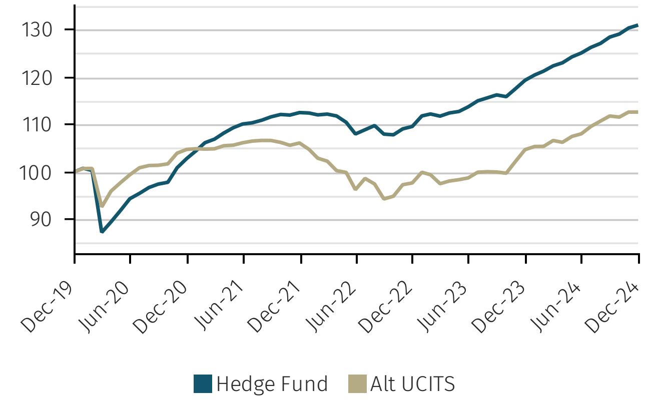
**HF Composite = Aurum Hedge Fund Data Engine Asset Weighted Composite Index.*
***Bonds = Bloomberg Global Aggregate Bond USD Index. ***Equities = S&P Global BMI.*
Source: Aurum Hedge Fund Data Engine.

HEDGE FUNDS VS ALT UCITS (5 YR)

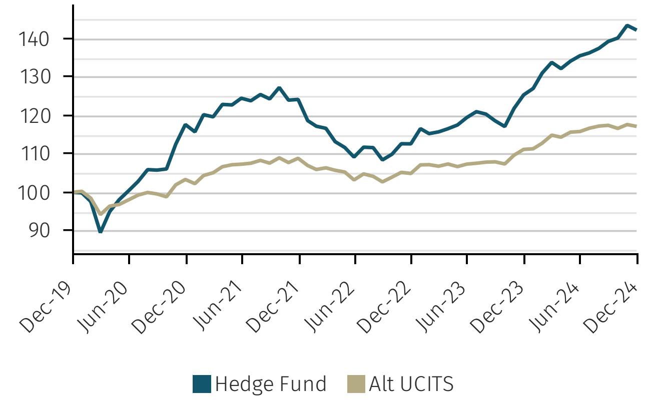
Arbitrage



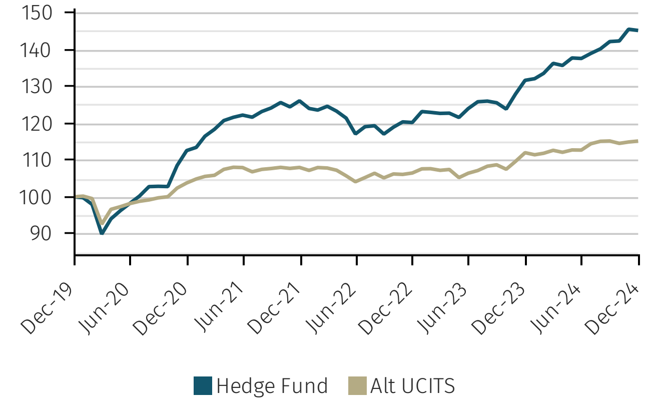
Credit



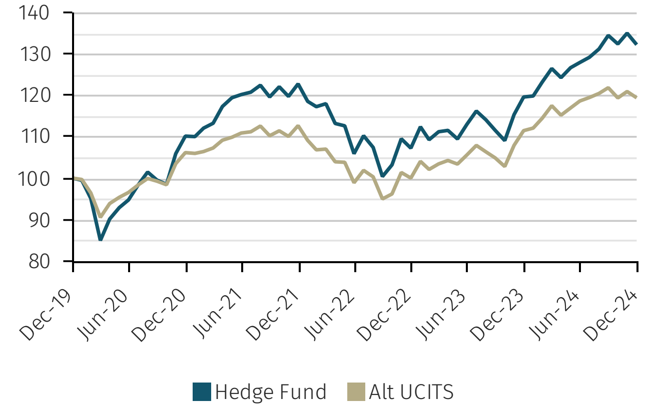
Equity L/S



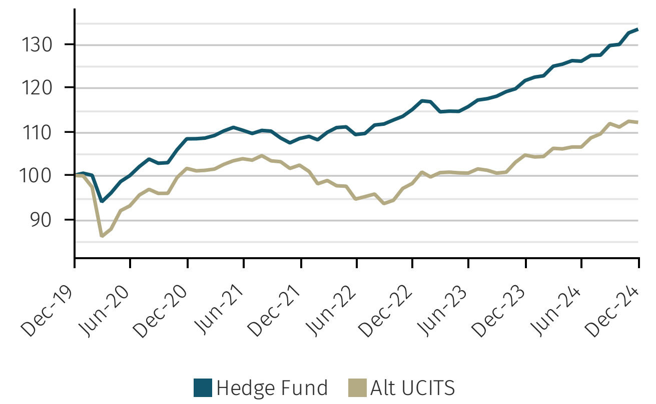
Event



Long biased

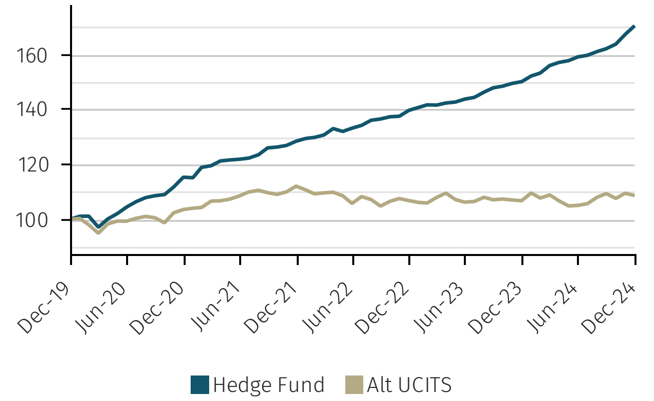


Macro

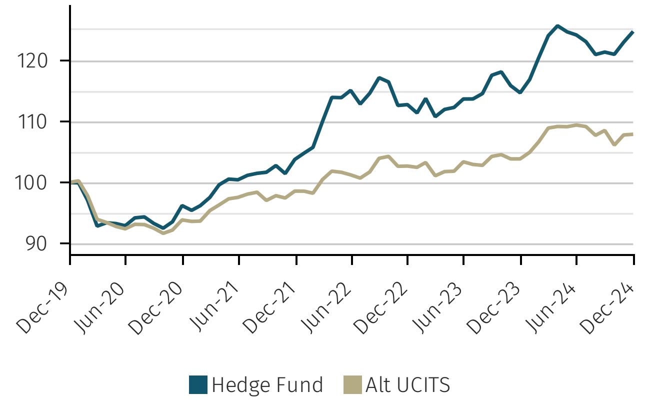


**HF Composite = Aurum Hedge Fund Data Engine Asset Weighted Composite Index.*
***Bonds = Bloomberg Global Aggregate Bond USD Index. ***Equities = S&P Global BMI.*
Source: Aurum Hedge Fund Data Engine.

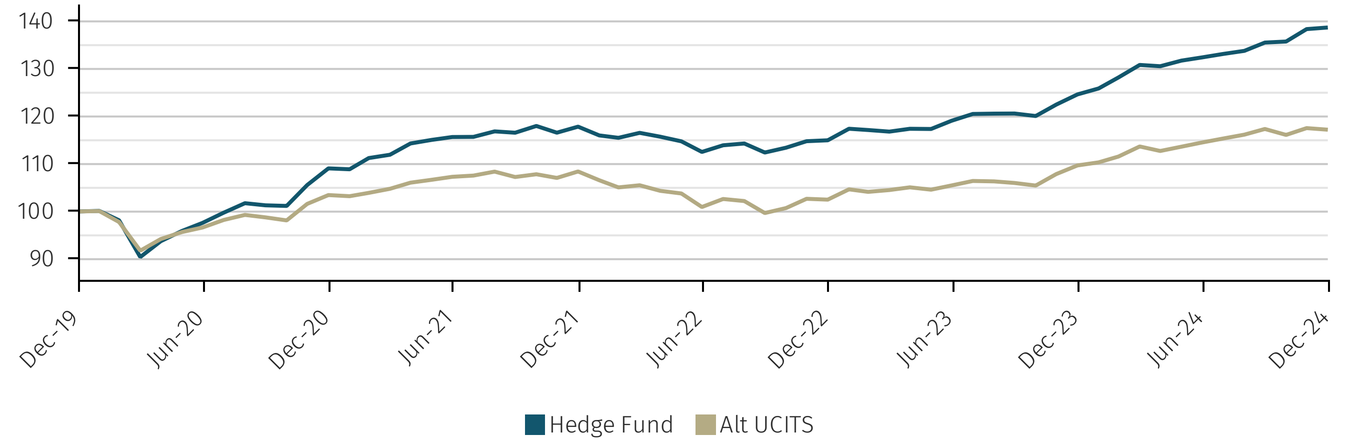
Multi-Strategy



Quant



HF Composite



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

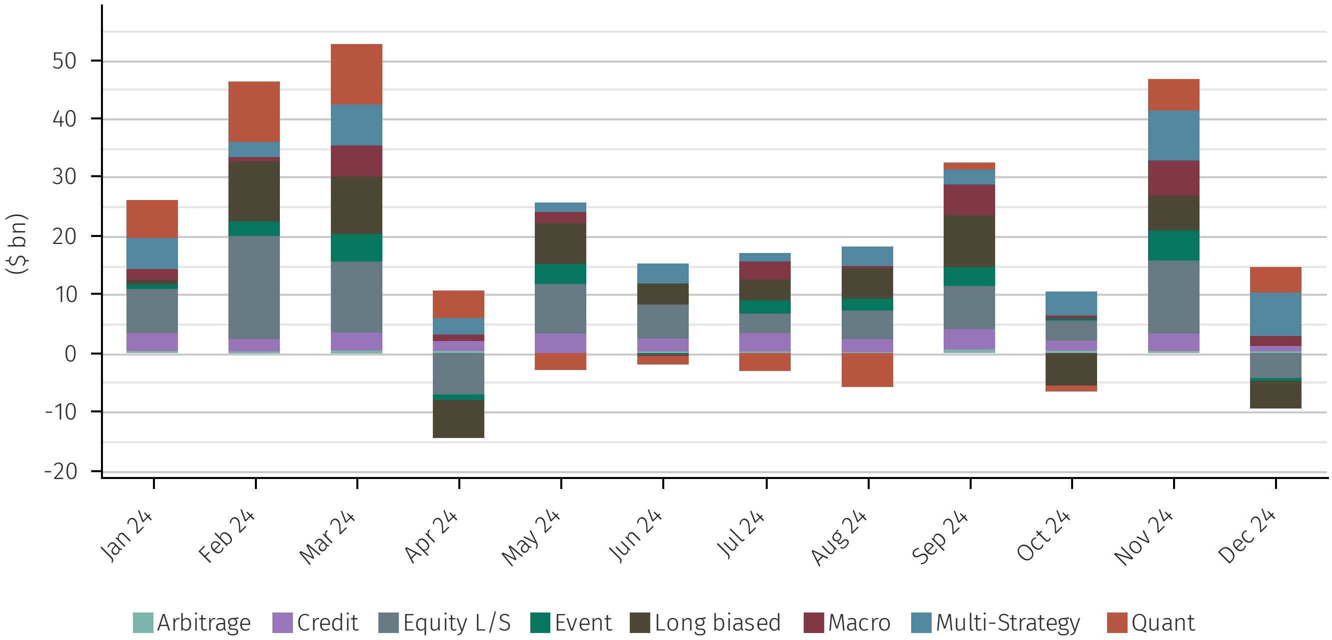
Dollar extraction

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.

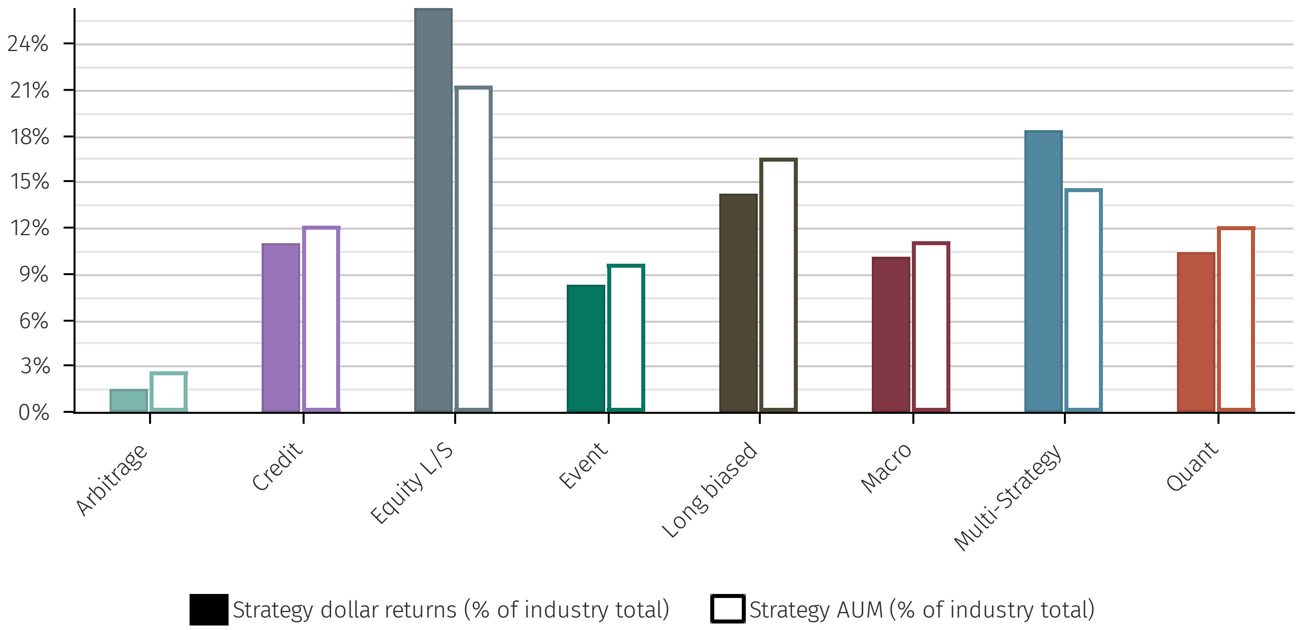
There was positive performance (or 'dollar generation') from all strategies, most notably from equity l/s and multi-strategy. Equity l/s, multi-strategy and quant relative industry share of total dollar generation were above their relative share of industry AUM as at December 2024.

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 (1 YR)*

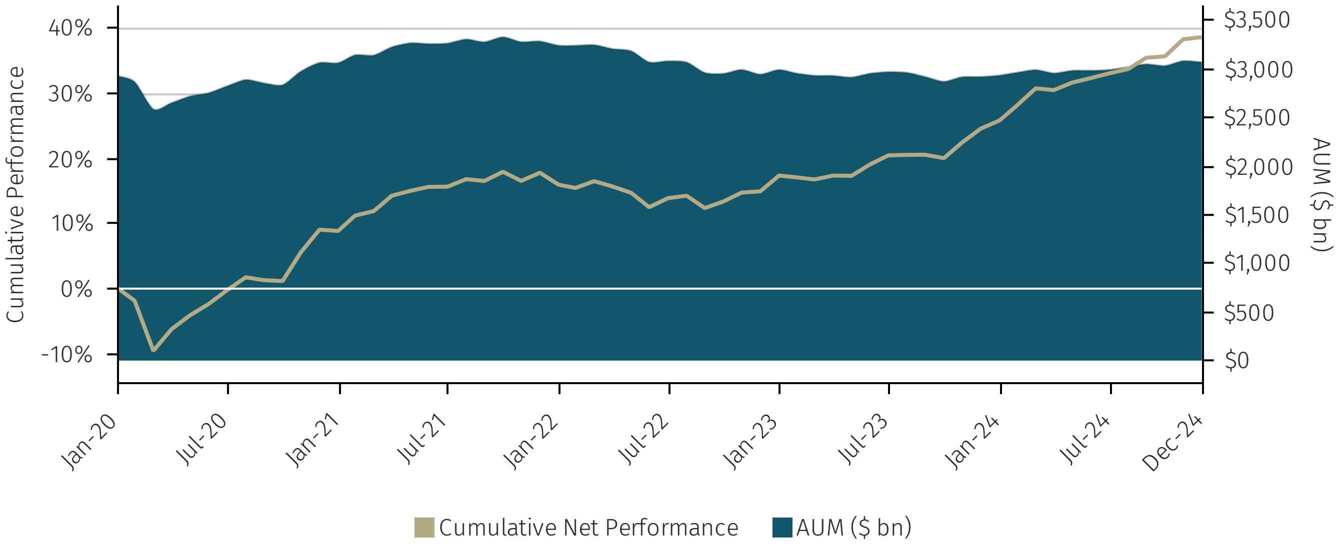


**Note - When the hedge fund industry composite has a negative return for the reporting period, those strategies that contributed negative returns will show on the chart as a positive contribution to the overall negative return. Strategies that have generated positive returns during a period of losses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

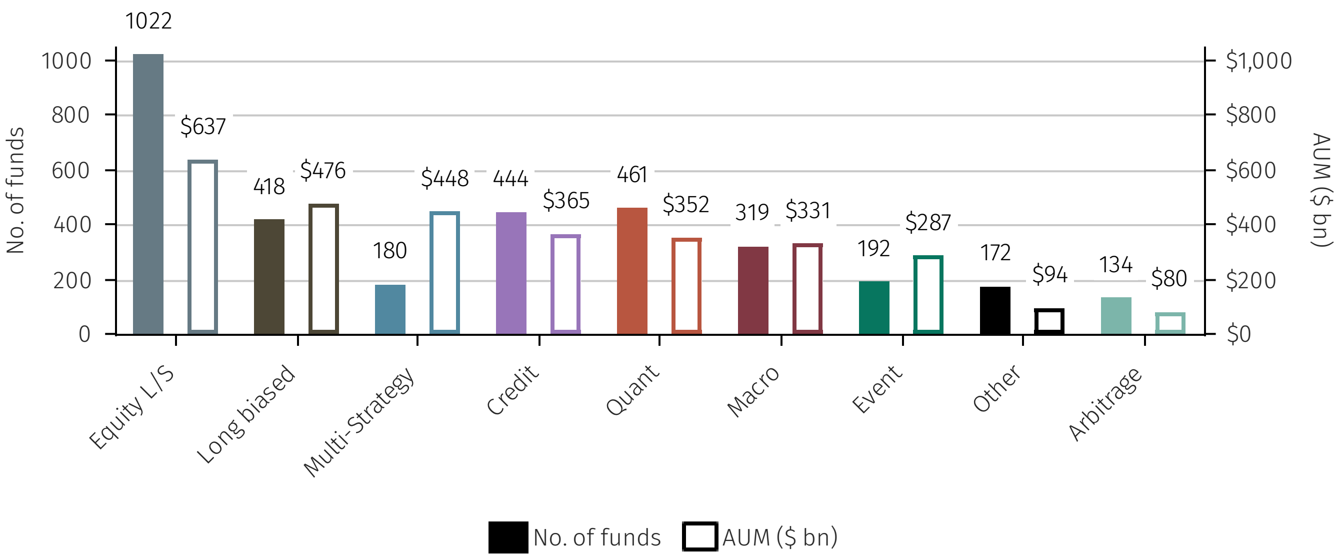
Industry assets and flows

Industry assets have seen net outflows from redemptions. However, total hedge fund industry assets have risen moderately due to positive P&L generation; as indicated above, that has primarily been driven by equity l/s and multi-strategy with other contributions coming from all other strategies. All strategies have seen investor outflows in 2024, with the exception of arbitrage.

HF COMPOSITE ASSETS (5 YR)*

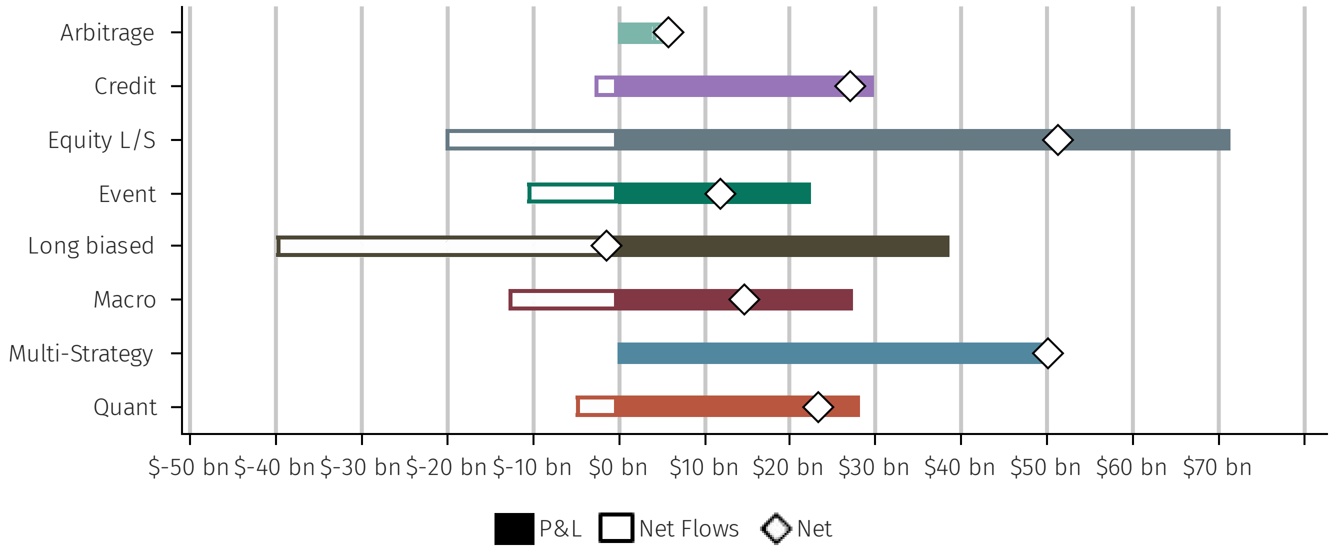


NUMBER OF FUNDS AND AUM

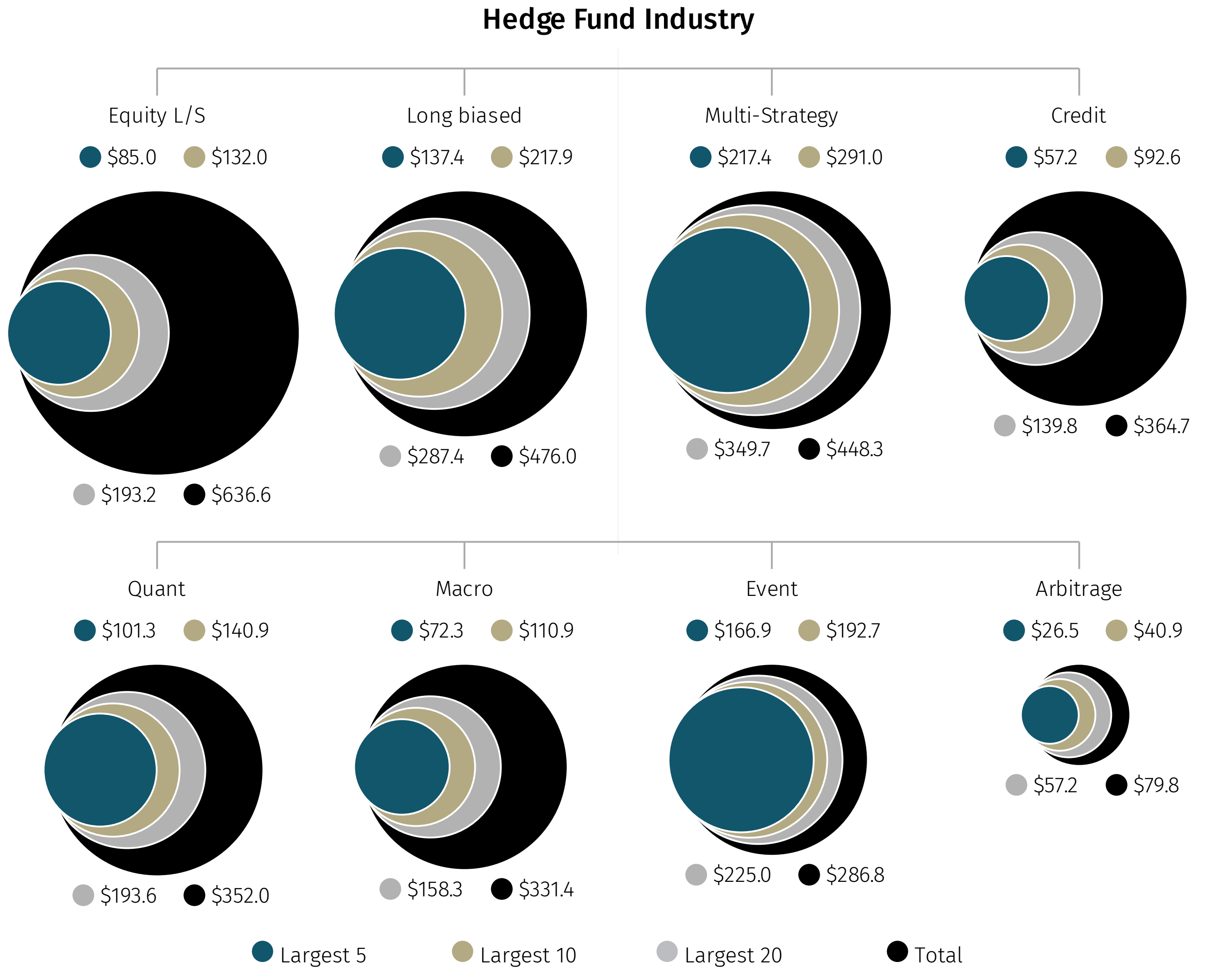


*Includes funds which are active but have not reported to Aurum within the last 12 months
Source: Aurum Hedge Fund Data Engine.

CHANGE IN AUM (1 YR)



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-performance/

- 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**	**1.33%**	**18.82%**
Convertible bond (CB)	45	Quarterly	104	1.45%	18.51%
Opportunistic (Opp)	60	Quarterly	152	1.35%	19.50%
Tail protection (Tail)	30	Monthly	72	1.15%	17.59%
Volatility arbitrage (Vol)	15	Fortnightly	62	1.28%	18.90%
Credit	**60**	**Quarterly**	**178**	**1.37%**	**17.81%**
Direct lending (Dir Len)	90	Quarterly	209	1.33%	14.18%
Distressed (Distress)	90	Quarterly	305	1.65%	19.87%
Multi-credit (Multi)	65	Quarterly	160	1.32%	19.67%
Municipal (Muni)	60	Quarterly	123	0.93%	5.04%
Credit RV (RV)	45	Monthly	107	1.29%	16.58%
Structured credit (Struct)	90	Quarterly	172	1.53%	19.33%
Structured credit LO (Struc LO)	30	Monthly	22	0.60%	14.81%
Equity l/s	**45**	**Monthly**	**129**	**1.47%**	**19.14%**
Asia pacific long/short (ELS – APAC)	30	Monthly	125	1.60%	20.77%
European long/short (ELS – EUR)	30	Monthly	67	1.29%	18.74%
Fundamental equity MN (ELS – FEMN)	30	Monthly	122	1.67%	19.27%
Global long/short (ELS – Global)	60	Quarterly	184	1.46%	19.36%
Other l/s (ELS – Other)	38	Monthly	65	1.22%	19.63%
Sector (ELS – Sector)	45	Quarterly	136	1.60%	18.46%
US long/short (ELS – US)	45	Quarterly	107	1.27%	18.95%
Event	**60**	**Quarterly**	**197**	**1.49%**	**19.42%**
Activist (Event – Activist)	90	Quarterly	213	1.48%	18.98%
Merger arbitrage (Event – M&A)	30	Monthly	67	1.34%	17.33%
Multi-strategy (Event - Multi)	60	Quarterly	217	1.48%	19.83%
Opportunistic (Event - Opp)	60	Quarterly	172	1.59%	19.78%
Long biased	**30**	**Monthly**	**79**	**0.88%**	**12.62%**
Commodities (Long - Commods)	1	Daily	11	0.71%	4.23%
Diversified growth (Long - Div Growth)	1	Daily	40	0.59%	1.36%
Equities (Long – Equity)	30	Monthly	104	1.02%	16.21%
Long biased – other (Long - Other)	30	Monthly	77	1.26%	16.88%
Macro	**30**	**Monthly**	**97**	**1.48%**	**19.26%**
Commodities (Commods)	30	Monthly	60	1.46%	18.58%
Emerging Markets (EM)	37	Monthly	76	1.24%	15.42%
FIRV (FIRV)	30	Monthly	132	1.65%	23.06%
Global Macro (Global)	30	Monthly	100	1.56%	19.56%
Multi-Strategy	**45**	**Monthly**	**152**	**1.80%[2]**	**21.22%**
Quant	**5**	**Monthly**	**53**	**1.56%**	**19.35%**
CTA (CTA)	5	Monthly	38	1.25%	17.19%
Equity MN (EMN)	30	Monthly	47	1.40%	19.34%
Macro/GAA (Macro)	5	Weekly	25	1.88%	19.38%
Multi-strategy (Multi)	45	Monthly	118	2.11%	26.36%
Risk premia (RP)	5	Fortnightly	30	0.66%	6.09%
Statistical arbitrage (Stat Arb)	30	Monthly	76	1.65%	19.92%

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 the 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 the 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

AURUM

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