

## MACRO STRATEGY DEEP DIVE

### 12-month review to June 2020

There is no doubt that the 12-month period to June 2020 is amongst the most challenging and volatile trading environments that investors have witnessed, but it also created a number of compelling trading opportunities.

Against this backdrop, for the 12-month period to June 2020 the Macro hedge funds monitored by the Aurum Hedge Fund Data Engine delivered a net return of 1.2%, coming in above the Hedge Fund Composite Index\*, which returned 0.8%, both on an asset-weighted basis. These headline numbers mask a huge amount of movement across the 12 months and significant performance dispersion across Macro sub-strategies.

The first big story for Macro in this period was the surprising results of the primary elections in Argentina, which saw Emerging Markets Macro ("EM Macro") funds hit hard, returning -5.4% in August 2019. In the fourth quarter of 2019, however, overall Macro performance was buoyed by a shift to a risk-on stance supported by progress in US-China trade discussions and strengthening economic data. Directional macro strategies responded positively as government bond yields reversed upwards having been declining for most of the year, while EM Macro strategies picked up in the fourth quarter as long positions in Argentinian bonds performed well with markets responding positively to President Fernandez's emergency economic package.

The first quarter of 2020 will be remembered for many years to come. As Covid-19 broke-out in the Wuhan province of China, markets were initially resilient, viewing the healthcare emergency as a contained, China-specific problem. Then Russia and Saudi Arabia entered into an oil price war, causing a selloff in crude oil, which was further exacerbated as markets started to factor in the huge demand shock caused by Covid-19. Markets imploded in March as the realisation hit that COVID-19 was a global pandemic with massive repercussions for economies around the world. As markets across all asset classes crashed, central banks cut interest rates aggressively and governments announced massive stimulus packages to protect their economies and stabilise markets.

EM Macro was again hit very hard as funds flowed out of EM and into safe havens, such as US Treasuries and gold. Global Macro and Fixed Income Relative Value ("FIRV") held up better, though were also down. Unsurprisingly, there was considerable dispersion among Macro managers in March, across all sub-strategies.

Macro performance rebounded strongly during the second quarter of 2020. While EM Macro generated particularly strong returns, it was not enough to cover earlier losses and the strategy finished the 12-month period down 6.7%.

FIRV was a consistent performer over the 12-month period, posting positive returns in 11 out of the 12 months. Micro RV trading was the driver of returns, with cash/futures basis trading in the US particularly profitable. Macro RV also contributed, with improved opportunities compared with previous years. Disruptions in the repo market in September 2019 caused some meaningful intra-month losses, though these were largely recovered by the month-end and resulted in some attractive trading opportunities in subsequent months. Similarly, spreads widening during the recent crisis caused significant intra-month losses during March 2020, though these were largely recovered by month-end.

Investor sentiment followed performance in EM Macro, with investors withdrawing over \$9 billion from the strategy in the last 12 months. It is noteworthy, however, that investors have also withdrawn \$12 billion from Global Macro during the period, despite the strategy generating over \$6 billion in returns. In summary, Macro navigated the challenging 12 months to June 2020 reasonably well, with Fixed Income Relative Value delivering the highest returns, while Emerging Markets Macro struggled.

### NET RETURN OF MASTER & SUB-STRATEGIES

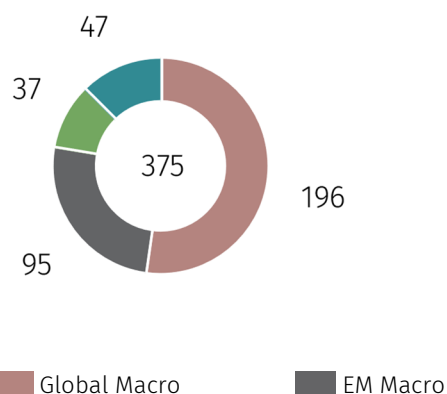
	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	YTD	1YR
<b>Macro</b>	0.6%	-1.5%	0.5%	0.8%	-0.1%	2.2%	0.4%	-0.9%	-6.8%	2.4%	2.8%	1.3%	-1.2%	1.2%
Commods	0.2%	-0.2%	-0.5%	0.1%	0.3%	2.5%	-1.4%	-1.1%	0.5%	3.3%	-1.0%	-0.1%	0.3%	2.8%
FIRV	0.5%	0.0%	0.2%	0.9%	0.6%	1.3%	0.8%	0.9%	-1.9%	2.2%	1.5%	1.1%	4.7%	8.5%
Global Macro	0.6%	0.2%	0.4%	0.7%	0.1%	1.8%	0.2%	-0.8%	-4.5%	2.4%	2.3%	0.8%	0.3%	4.2%
EM Macro	0.8%	-5.4%	0.9%	0.9%	-0.7%	3.3%	0.5%	-2.0%	-13.8%	2.2%	5.2%	2.6%	-6.3%	-6.7%
<b>HF Composite*</b>	<b>0.8%</b>	<b>-0.6%</b>	<b>0.2%</b>	<b>0.6%</b>	<b>1.0%</b>	<b>1.6%</b>	<b>0.3%</b>	<b>-2.3%</b>	<b>-8.3%</b>	<b>4.0%</b>	<b>2.4%</b>	<b>1.7%</b>	<b>-2.8%</b>	<b>0.8%</b>

Asset weighted returns unless otherwise stated.

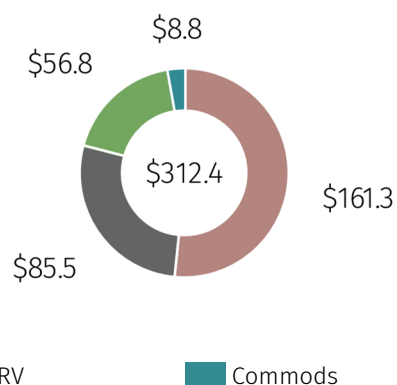
\*Aurum Hedge Fund Data Engine Asset-Weighted Composite Index

# Key Numbers

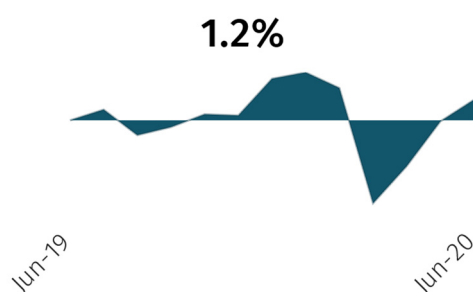
## NUMBER OF FUNDS



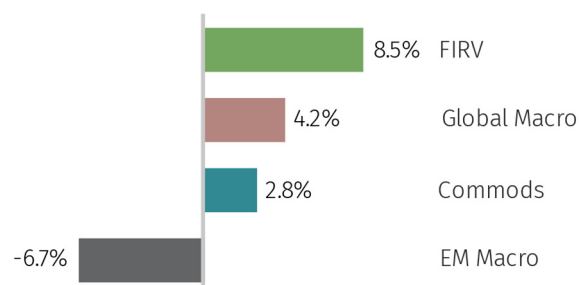
## AUM (\$ BN)



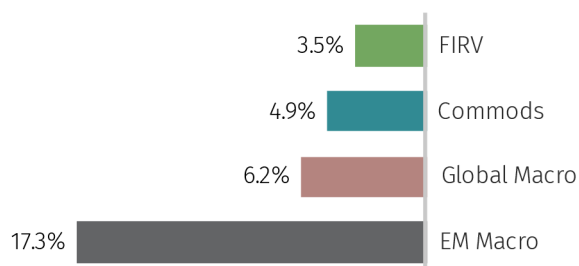
## STRATEGY NET RETURN (1 YR)



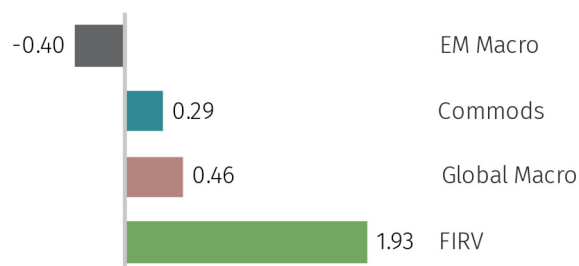
## SUB-STRATEGY NET RETURN (1 YR)



## STANDARD DEVIATION (1 YR)



## SHARPE RATIO (1 YR)\*



## NET POSITIVE/NEGATIVE MONTHS (1 YR)

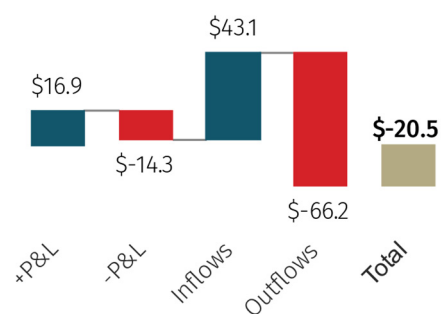


**66.7%**  
positive  
months



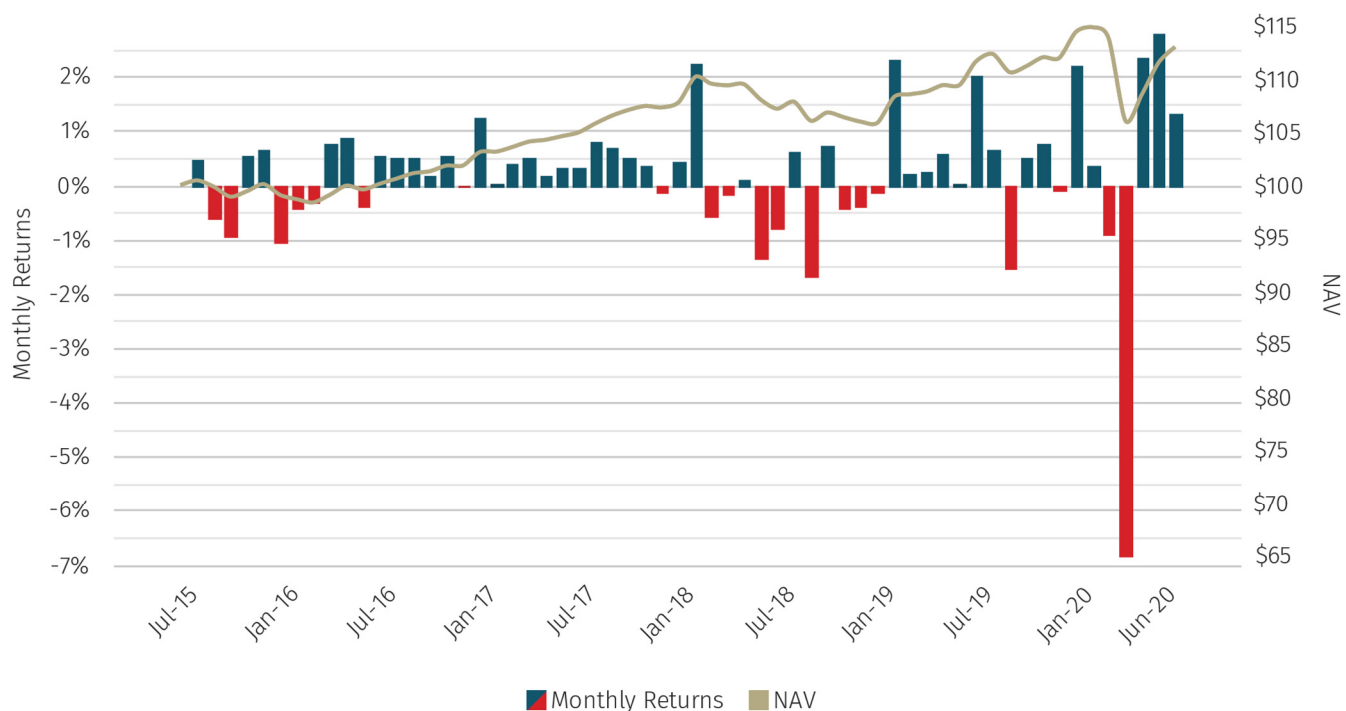
**33.3%**  
negative  
months

## AUM CHANGE \$BN (1 YR)



# Master Strategy Performance

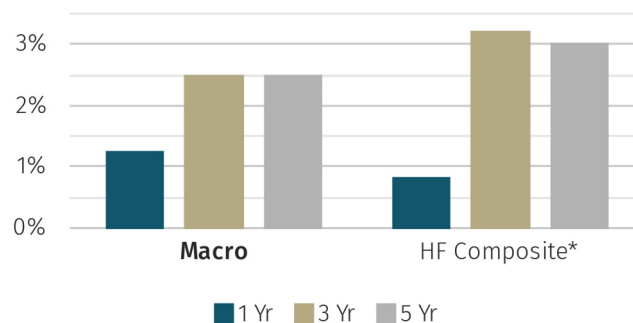
## NET MONTHLY RETURN (5 YR)



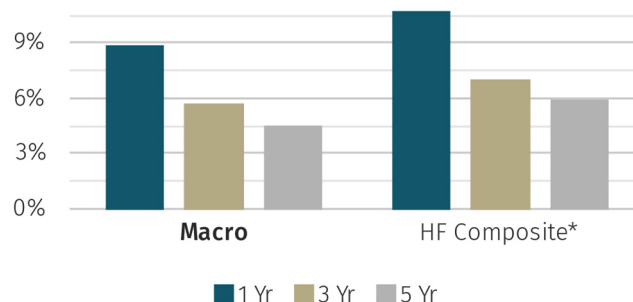
## RELATIVE RETURN VS HF COMPOSITE (1 YR)



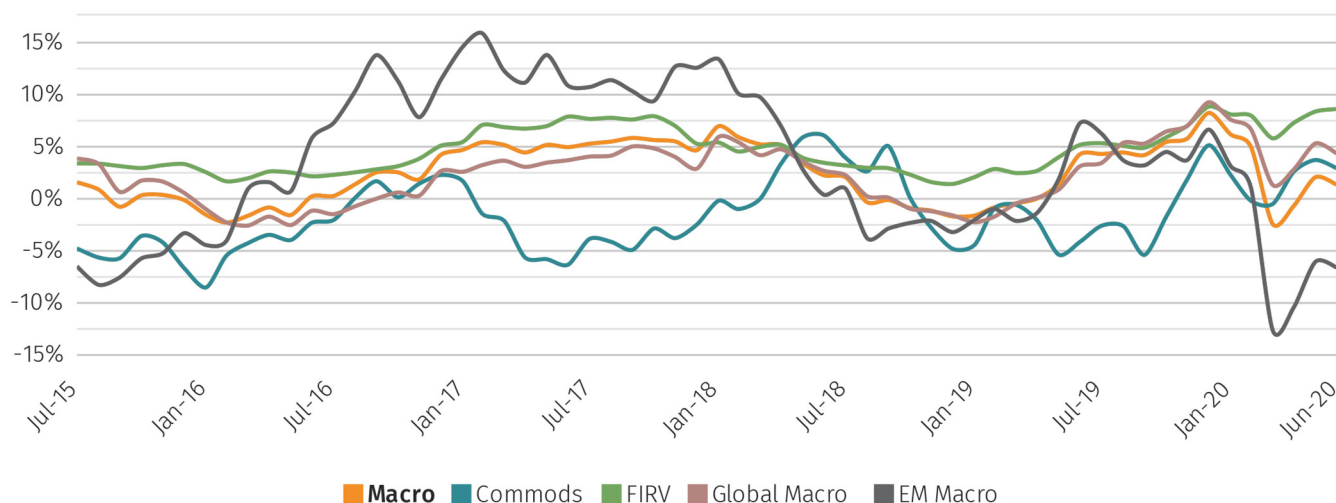
## NET RETURN (ANNUALISED)



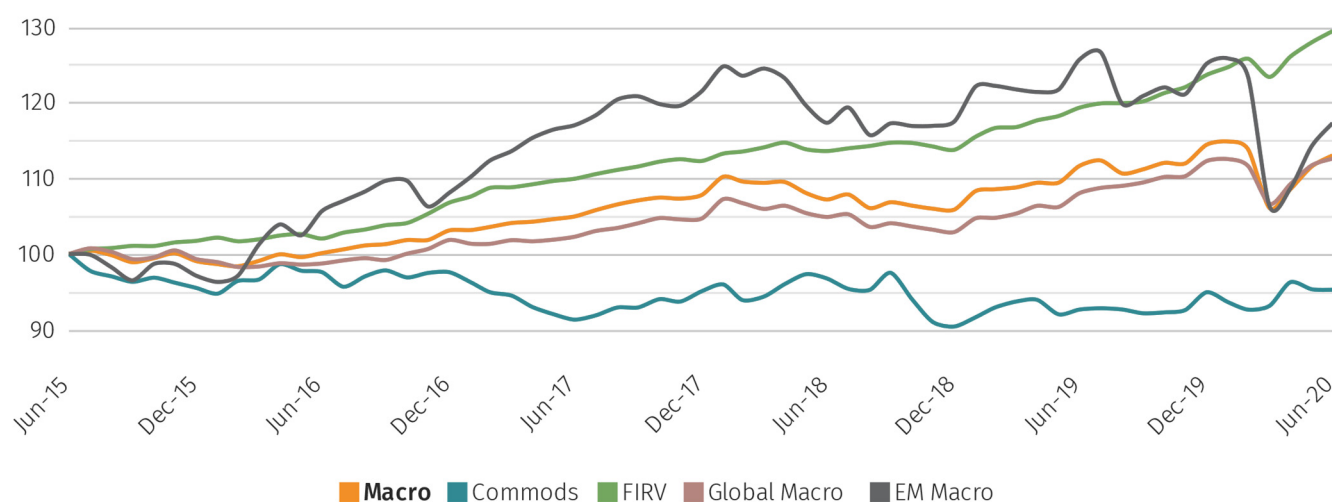
## VOLATILITY (ANNUALISED)



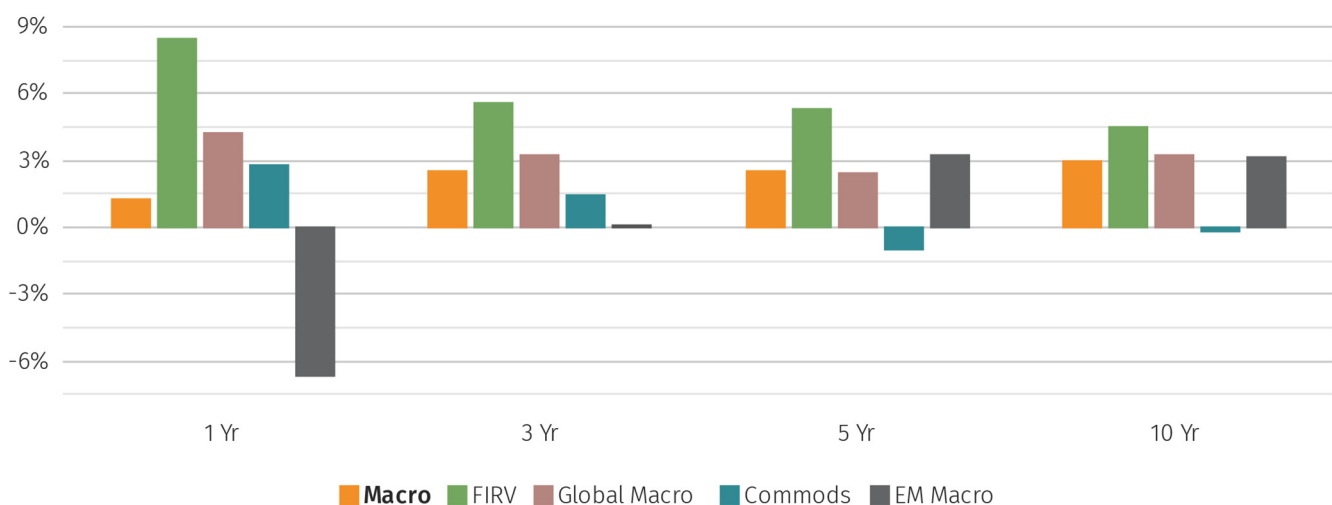
## ROLLING 12 MONTH NET RETURN (5 YR)



## CUMULATIVE NET RETURN (5 YR)



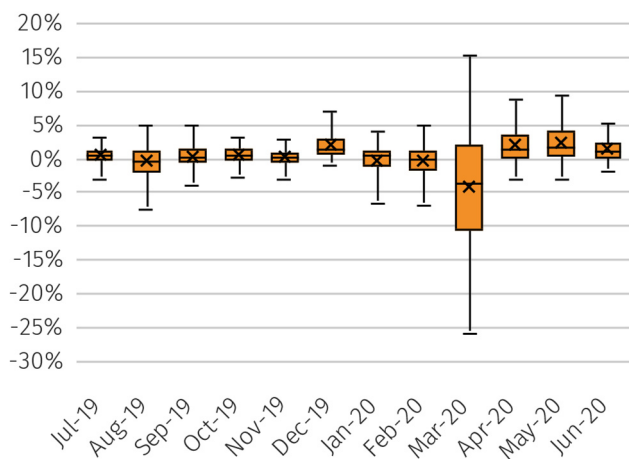
## COMPOUND ANNUAL RETURN (ANNUALISED)



# Monthly Performance Dispersion

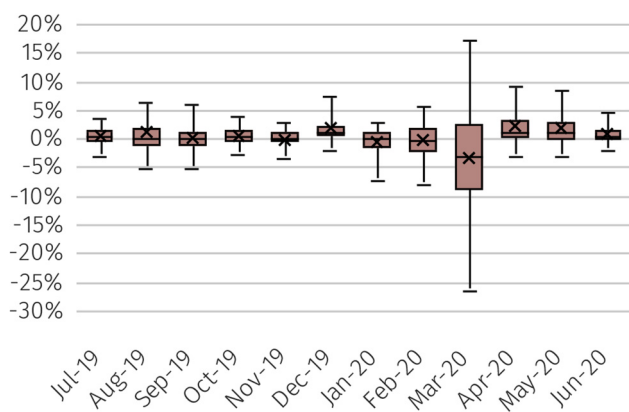
Equally weighted returns

## MASTER STRATEGY NET RETURN DISTRIBUTION

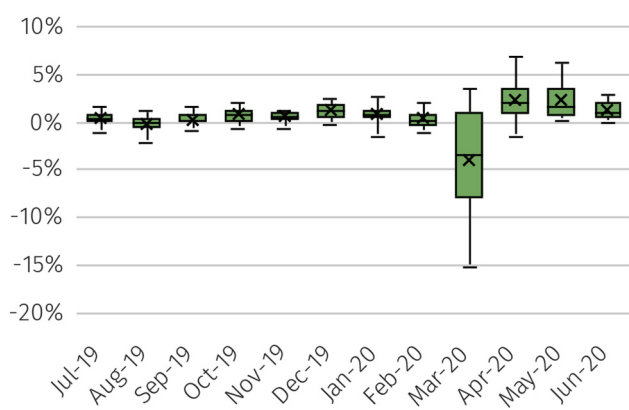


## SUB-STRATEGIES NET MONTHLY RETURN DISTRIBUTION

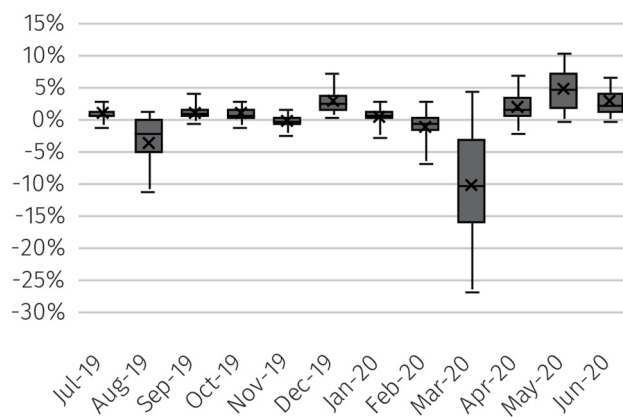
### Global Macro



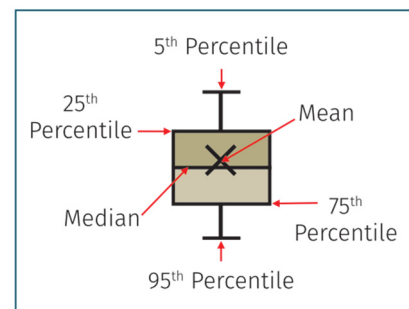
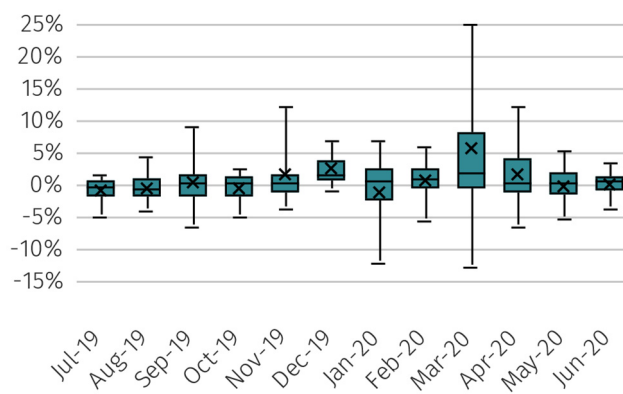
### FIRV



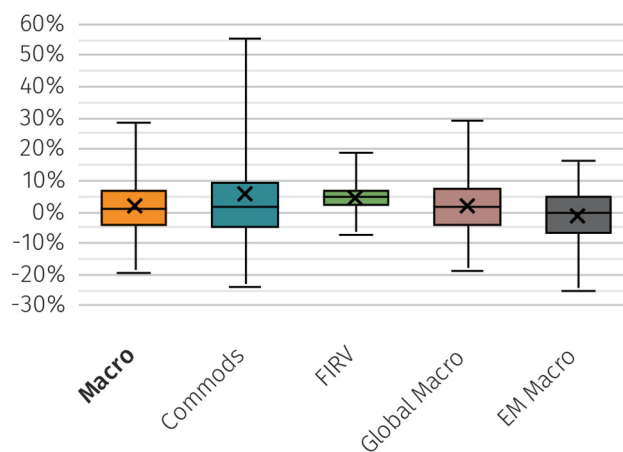
### EM Macro



### Commods



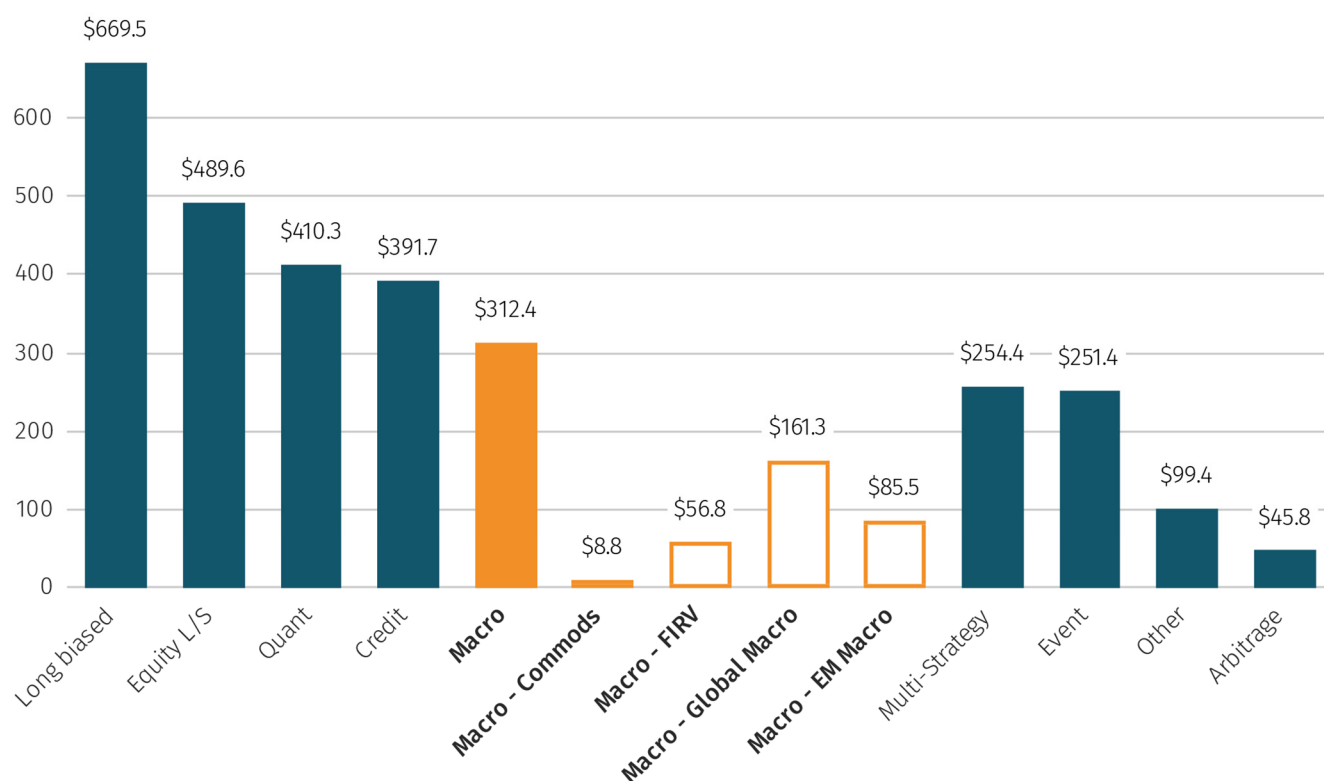
## SUB-STRATEGY NET RETURN (1 YR)



## Master Strategy Overview

Putting the Macro Universe into context versus other Hedge Fund strategies.

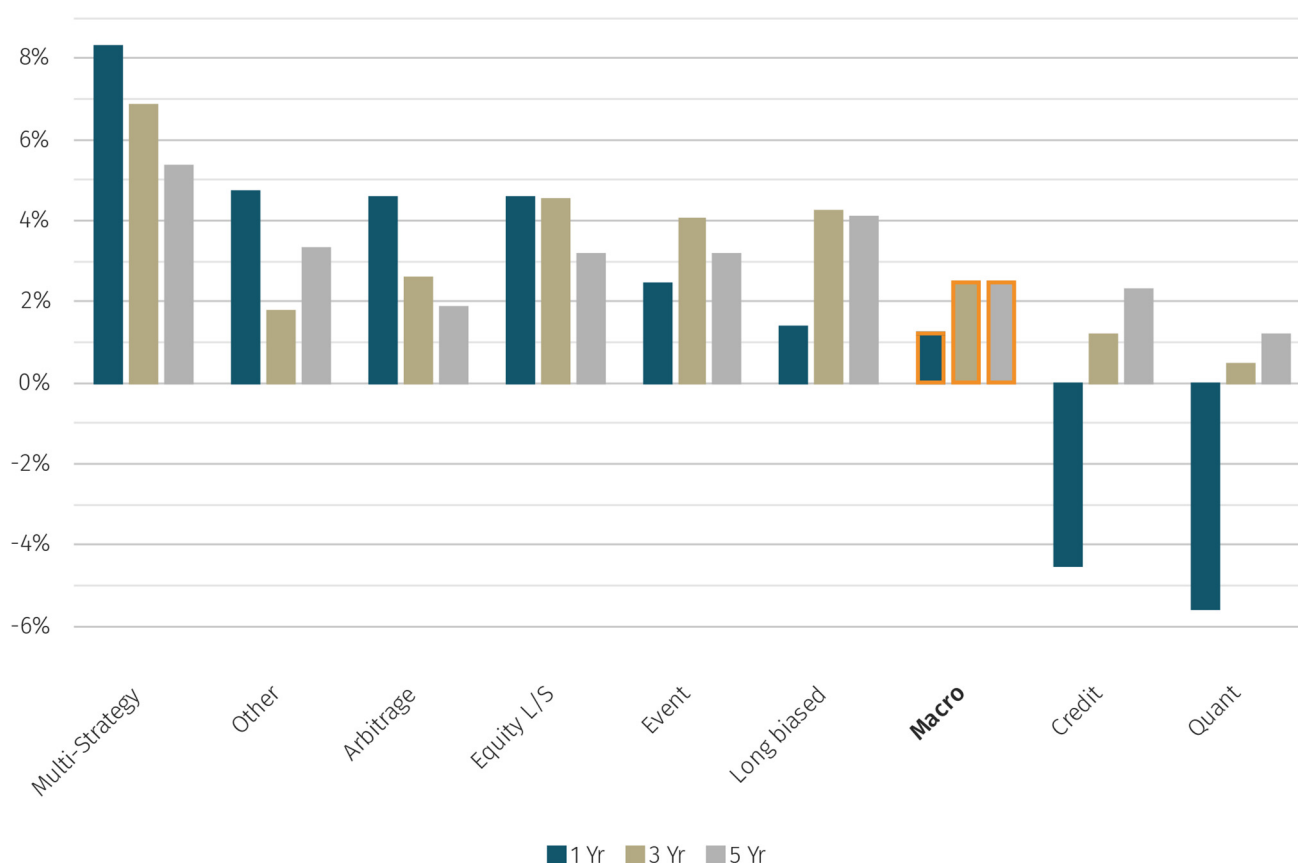
### AUM OF MASTER STRATEGY – JUNE 2020 (\$ BN)



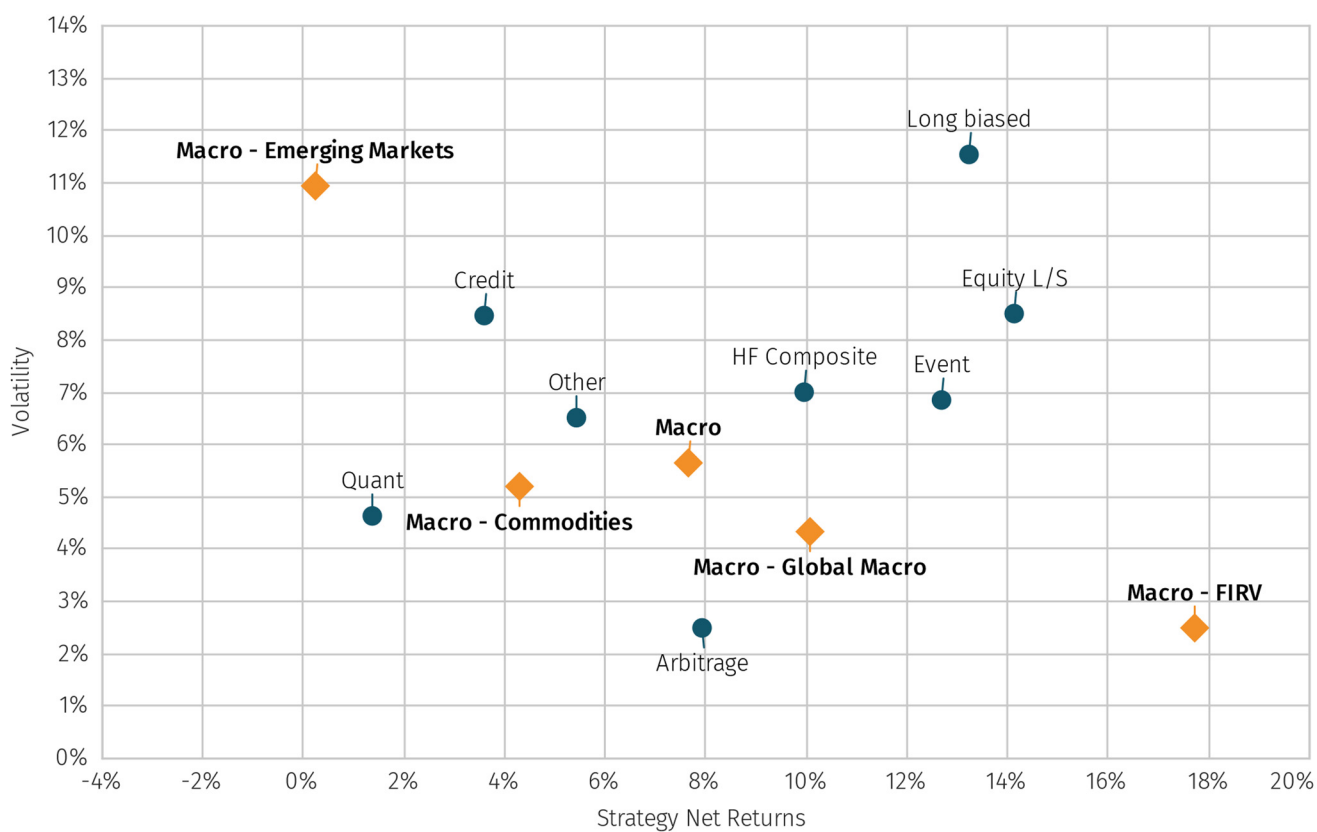
### MULTIPLE PERIOD – HIERARCHICAL ANNUALISED NET RETURN

1 YEAR	3 YEAR	5 YEAR	10 YEAR
<b>Multi-Strategy</b> 8.3%	<b>Multi-Strategy</b> 6.8%	<b>Multi-Strategy</b> 5.3%	<b>Multi-Strategy</b> 7.2%
<b>Other</b> 4.7%	<b>Equity L/S</b> 4.5%	<b>Long biased</b> 4.1%	<b>Long biased</b> 6.1%
<b>Arbitrage</b> 4.6%	<b>Long biased</b> 4.2%	<b>Other</b> 3.3%	<b>Equity L/S</b> 5.5%
<b>Equity L/S</b> 4.6%	<b>Event</b> 4.1%	<b>Equity L/S</b> 3.2%	<b>Event</b> 5.0%
<b>Event</b> 2.4%	<b>Arbitrage</b> 2.6%	<b>Event</b> 3.2%	<b>Other</b> 4.7%
<b>Long biased</b> 1.4%	<b>Macro</b> 2.5%	<b>Macro</b> 2.5%	<b>Credit</b> 4.6%
<b>Macro</b> 1.2%	<b>Other</b> 1.8%	<b>Credit</b> 2.3%	<b>Quant</b> 3.4%
<b>Credit</b> -4.5%	<b>Credit</b> 1.2%	<b>Arbitrage</b> 1.8%	<b>Macro</b> 3.0%
<b>Quant</b> -5.6%	<b>Quant</b> 0.5%	<b>Quant</b> 1.2%	<b>Arbitrage</b> 1.5%

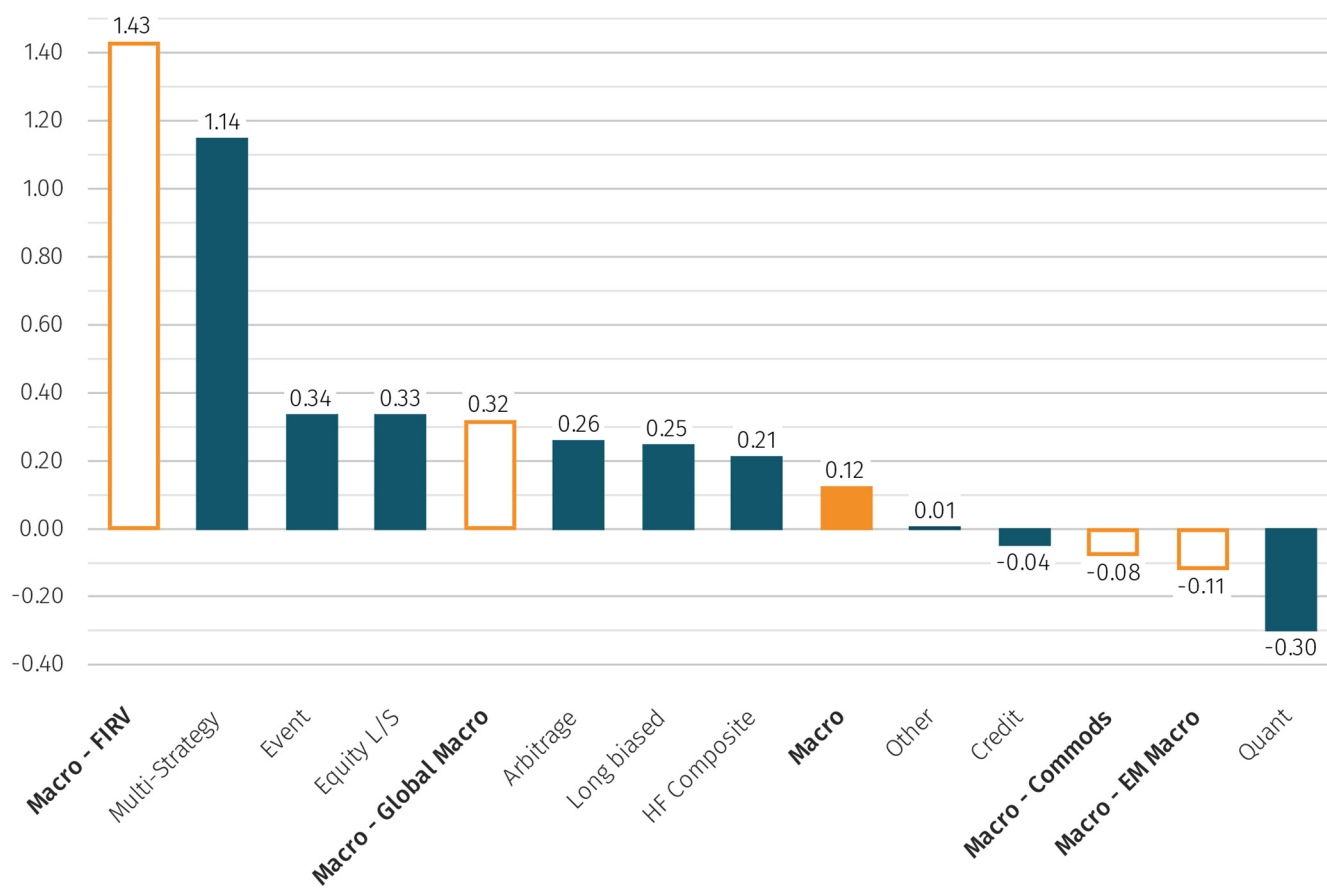
## MASTER STRATEGY NET ANNUALISED RETURNS



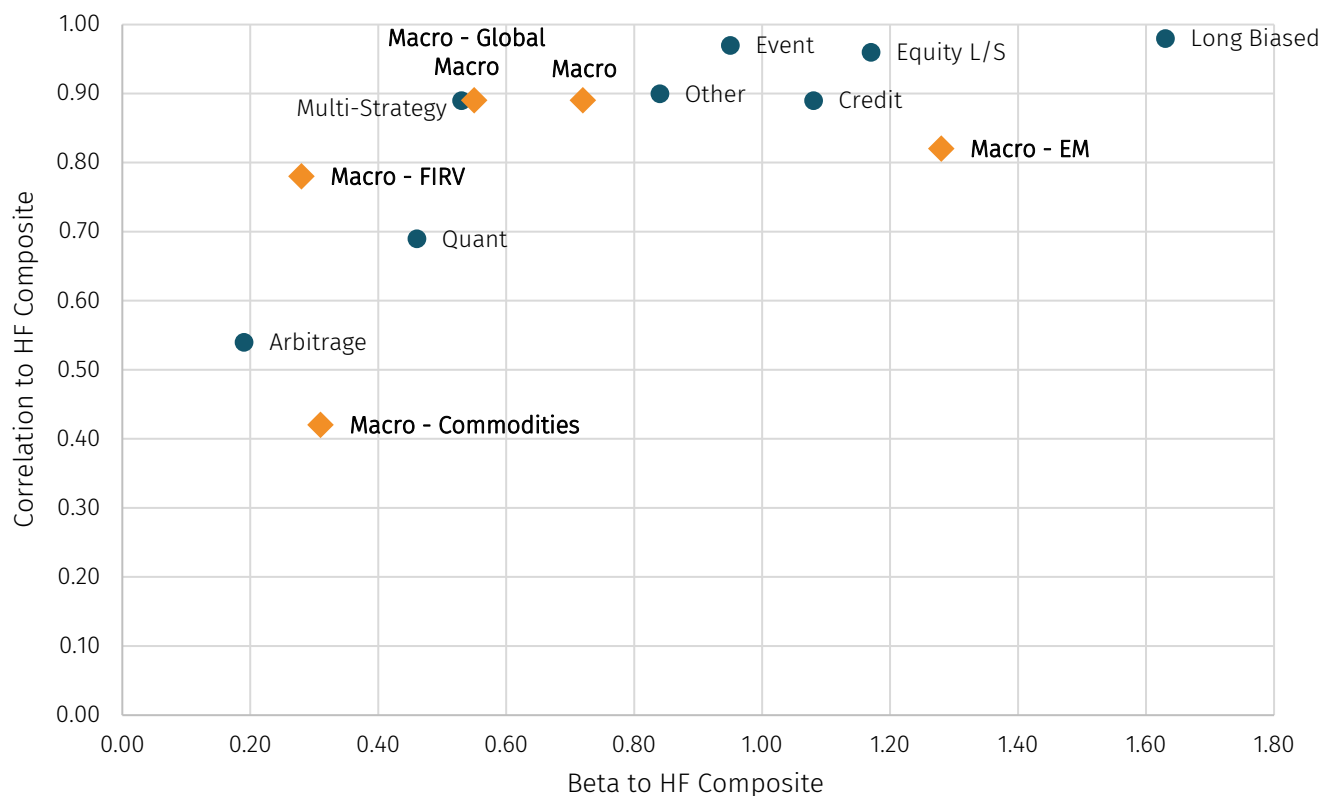
## STRATEGY NET TOTAL RETURN VS ANNUALISED VOL (3 YR)



## SHARPE RATIO BY HEDGE FUND STRATEGY (3 YR)\*

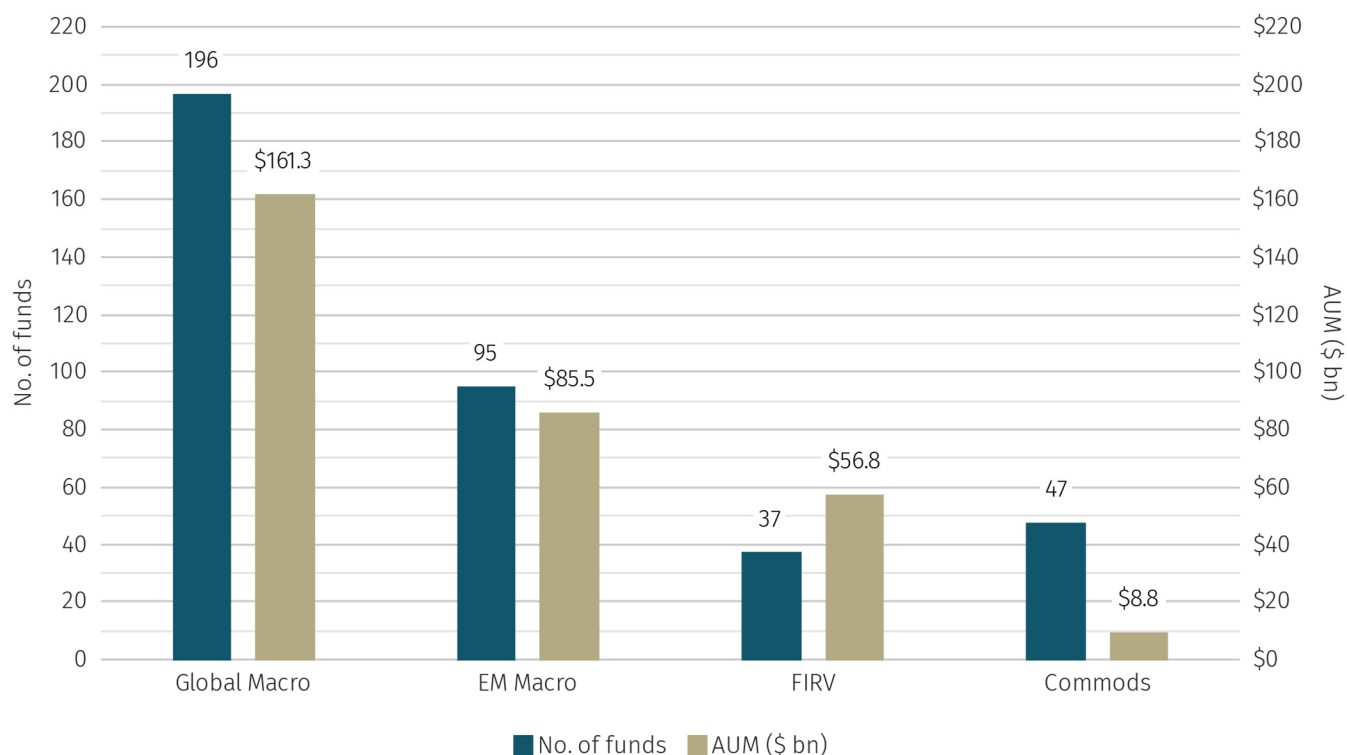


## STRATEGY CORRELATION & BETA TO HF COMPOSITE (3 YR)

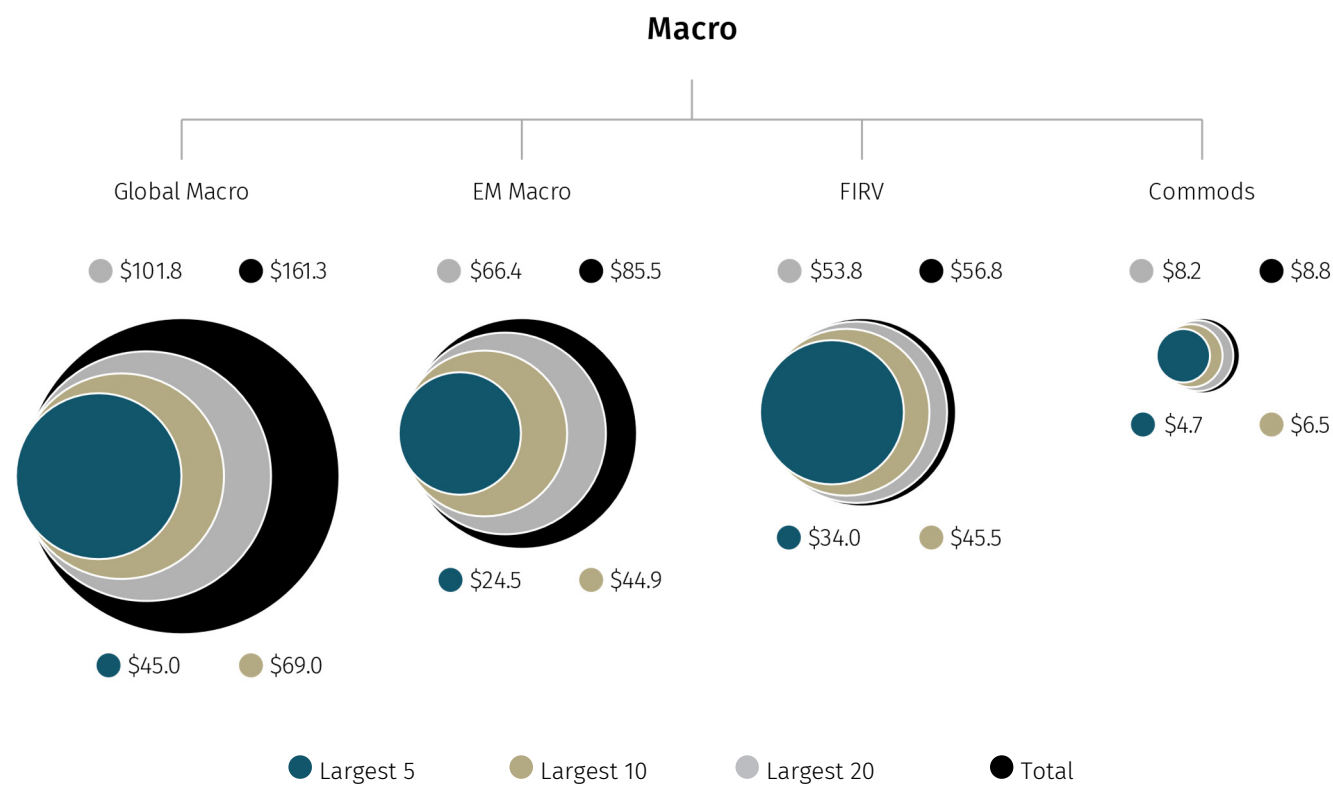


# Macro Universe

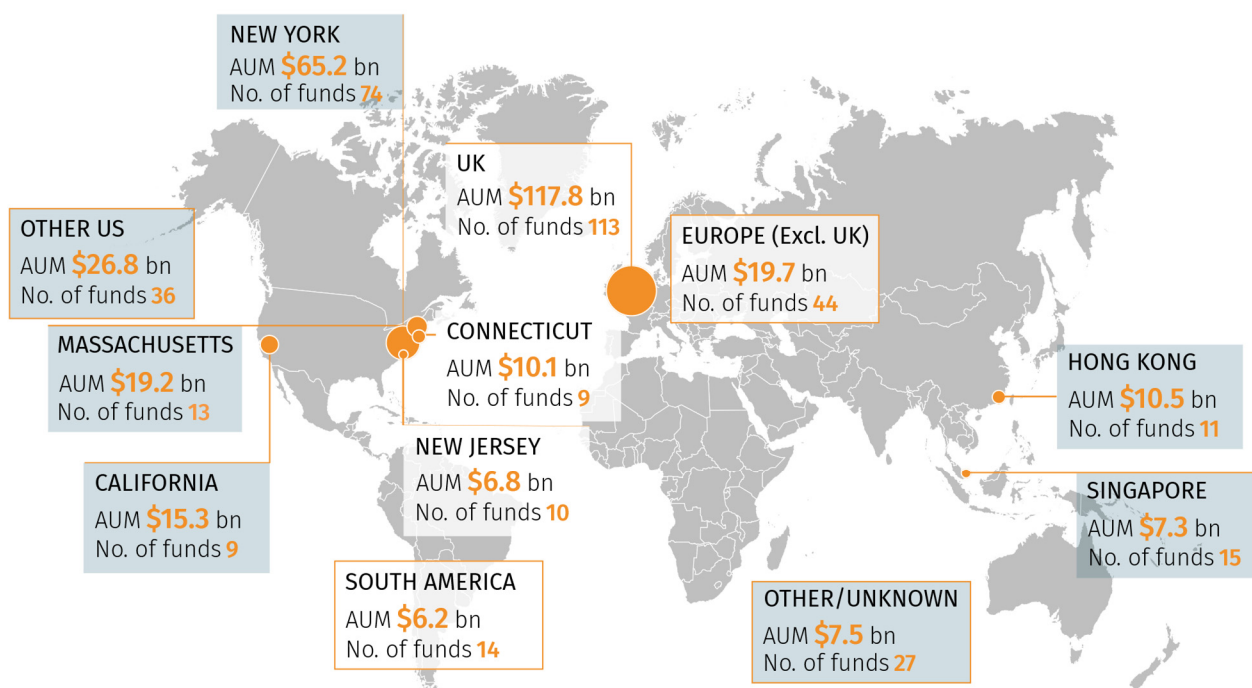
## NUMBER OF FUNDS & AUM BY SUB-STRATEGY



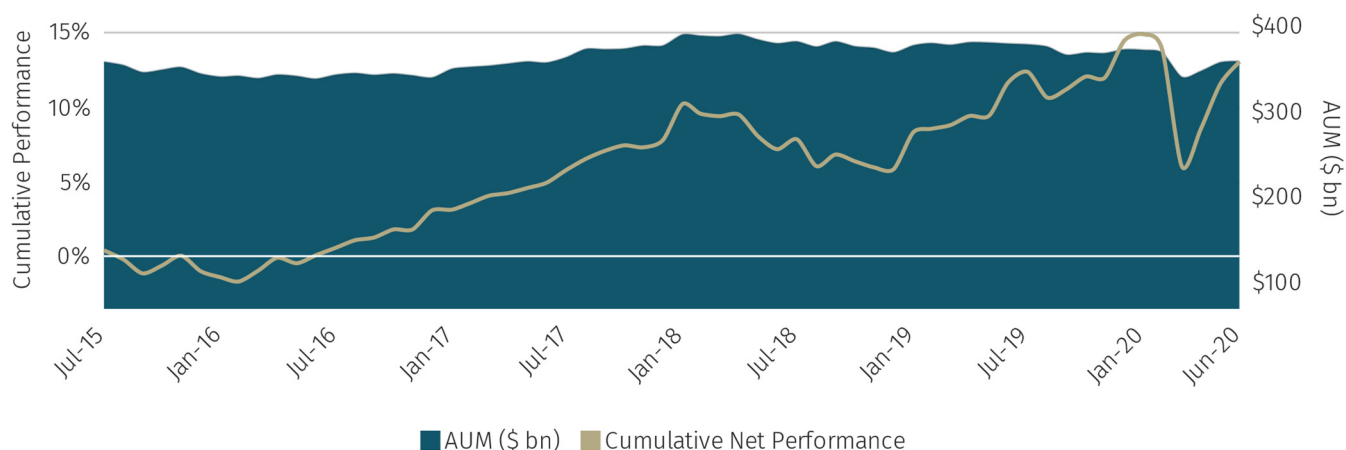
## SUB-STRATEGY FUND CONCENTRATION (\$ BN)



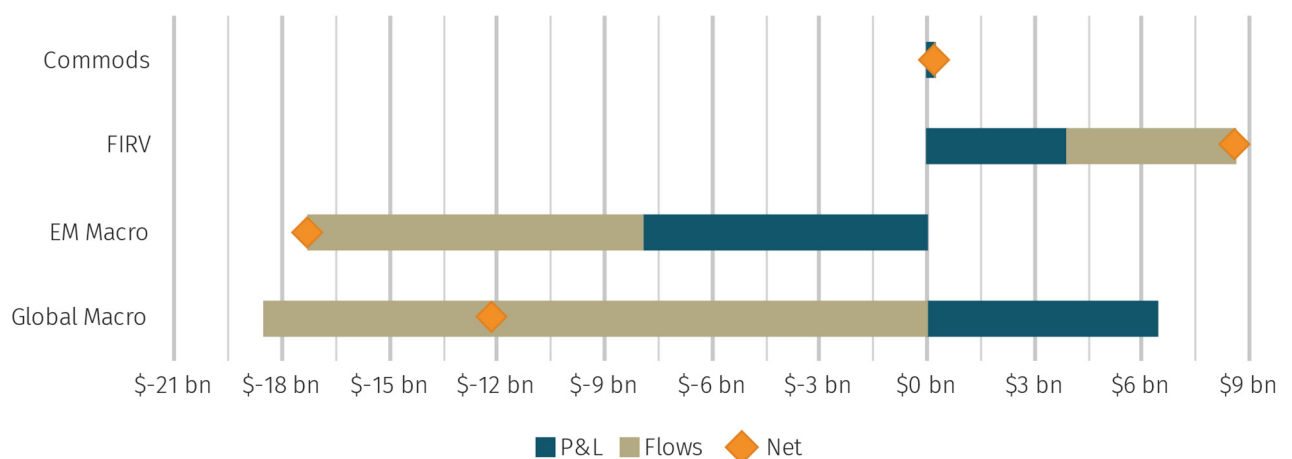
## ASSETS UNDER MANAGEMENT BY LOCATION



## MASTER STRATEGY ASSETS (5 YR)\*



## 12 MONTH CHANGE IN AUM BY SUB-STRATEGY



## TERMS AND CONDITIONS

	Median Redemption Notice (Days)	Median Redemption Frequency	Weighted Avg. Redemption Total (Days)*	Weighted Avg. Management Fee	Weighted Avg. Performance Fee
<b>Macro – MASTER</b>	<b>30</b>	<b>Monthly</b>	<b>85</b>	<b>1.40%</b>	<b>16.20%</b>
Macro – Commodities	30	Monthly	60	1.47%	17.78%
Macro – FIRV	30	Monthly	92	1.23%	19.66%
Macro – Global	30	Monthly	81	1.43%	14.62%
Macro – Emerging Markets	30	Monthly	89	1.44%	16.86%

\*Weighted Avg. Redemption Total (Days) is the weighted Avg. of both redemptions notice days and redemption frequency days.

## Definitions

### Macro – Commodities “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.

### Macro – Fixed Income Relative Value “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.

### Macro – Global 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. 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.

### Macro – Emerging Markets “EM 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 emerging markets.

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The Aurum Hedge Fund Data Engine is a proprietary database maintained by Aurum Research Limited ("ARL") containing data on over 4,000 active hedge funds representing in excess of \$2.9 trillion of assets as at December 2019.

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