AURUM

	1 month return	3 month return	YTD return
Arbitrage	-0.06%	0.92%	4.26%
Credit	0.52%	0.56%	8.91%
Equity L/S	-0.18%	-0.74%	4.08%
Event	1.53%	1.92%	12.09%
Long biased	2.06%	2.45%	10.89%
Macro	0.88%	-1.78%	-0.07%
Multi-Strategy	1.15%	1.85%	11.35%
Quant	2.57%	2.46%	8.41%
HF Composite	1.12%	0.99%	7.60%

December 2021 - Strategy Performance [1]
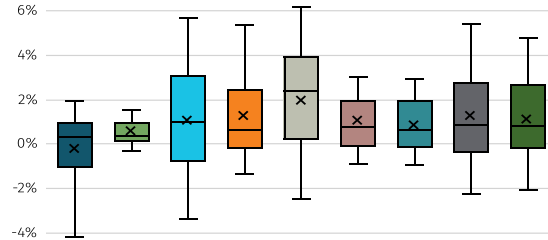
12 months to December 2021 - Strategy Performance [1]

Legend: Arbitrage, Credit, Equity L/S, Event, Long biased, Macro, Multi-Strategy, Quant, HF Composite
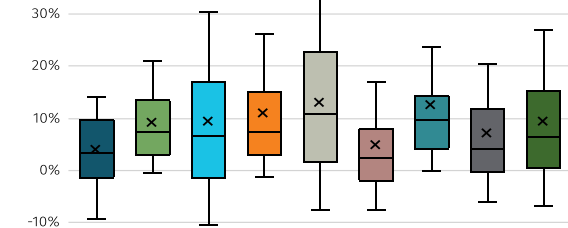
HEDGE FUNDS

Hedge Fund Composite ⬆
Most hedge fund strategies monitored by Aurum's Hedge Fund Data Engine delivered positive returns in December. The average hedge fund return in December across all strategies was 1.12%, bringing 2021 performance to 7.60%. Performance dispersion was slightly tighter than in November.

Long Biased ⬆
Long biased funds monitored by Aurum's Hedge Fund Data Engine returned an average of 2.06% in December, bringing 2021 returns to 10.89%. All sub-strategies were positive for the month. The best performing sub-strategy was long biased – commodities, which benefited from rising oil prices amidst a reversal in November's Omicron-related negative market sentiment.

Quant ⬆
Quant funds monitored by Aurum's Hedge Fund Data Engine generated 2.57% in December, bringing 2021 returns to 8.41%. 2021 was the best year's performance for quant strategies since 2014. All sub-strategies were positive for the month. The best performing sub-strategy was quantitative equity market neutral.

Equity Long/Short ⬇
Equity Long/Short funds monitored by Aurum's Hedge Fund Data Engine returned an average of -0.18% in December, the weakest performing strategy for a second month. Returns were at 4.08% for 2021. Sub-strategies delivered mixed performance, the worst of which were in Asia Pacific, sector and global funds.

Macro ⬆
Macro funds monitored by Aurum's Hedge Fund Data Engine had an average return in December of 0.88%. Despite a strong December, it remains the weakest performing master strategy in 2021 with a return of -0.07%; the only master strategy with negative year-to-date returns. Sub-strategy returns were all positive; macro commodities was the strongest performing.

Multi-Strategy ⬆
Multi-strategy funds monitored by Aurum's Hedge Fund Data Engine returned an average of 1.15% in December. All fund sizes delivered positive performance, however the largest funds ($5bn+) delivered the strongest performance.

MARKETS

Major Events
COVID-19 rates soared globally in December as the Omicron variant spread rapidly. In well-vaccinated wealthy countries, infection rates didn't translate into mass hospitalisations, and it appeared that the Omicron variant may be less severe than other COVID-19 variants. The WHO continued to warn about the possibility of further variants emerging as a consequence of global vaccine inequity. Market sentiment wasn't adversely impacted by Omicron infection rates, and most equity markets had a positive month in December. The majority of members of the US Federal Reserve's FOMC were projecting three rate hikes in 2022 at their meeting in mid-December.

Equities ⬆
Global equity indices were almost all positive at the end of December, with the exception of Chinese markets. Despite COVID-related restrictions being re-introduced in many European countries, this didn't adversely impact market sentiment; European equities were particularly bullish. Chinese equities continued to fall as Evergrande's debt was downgraded to default status after missing a payment, which weighed on investor sentiment more widely.

Government Bonds ⬇
Government bond yields rose in December reflecting the shift to more risk-on market sentiment. The largest increase in yields was seen in European bonds and UK gilts; despite generic 10 year bond yields increasing significantly, German bonds were the last European bond to still have a negative yield.

Corporate Bonds ⬆
Corporate bond performance was generally positive in December, supported by more bullish market sentiment. US-denominated emerging markets debt and the lower quality US high yield were the strongest performers. Returns were slightly negative in US investment grade corporate bonds.

Currencies
The US dollar was supported by the outcome of the US Federal Reserve's FOMC meeting, but slipped at the end of the month. Sterling strengthened against the US dollar after the Bank of England increased rates from 0.1% to 0.25% in mid-December, going against the market's expectations. Emerging market rate hikes supported a variety of currencies, most notably for the Mexican peso.

Commodities ⬆
Commodity prices generally increased in December. Gold prices were supported by the tapering projections that came out of the US Federal Reserve's FOMC meeting. Industrial metals prices increased on supply concerns. Oil prices reversed November's declines and increased significantly. Natural gas was the exception; warmer-than-expected weather in the US contributed to the decline.

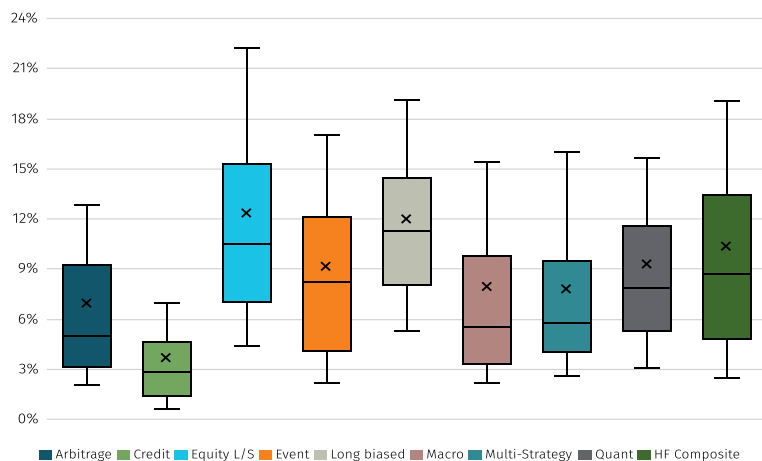All figures and charts use asset weighted net returns unless otherwise stated

[1]The box represents the interquartile range, the middle line represents the median, the 'x' represents the mean, while the whiskers show the extreme values represented by the 10th and 90th percentiles, equally weighted.
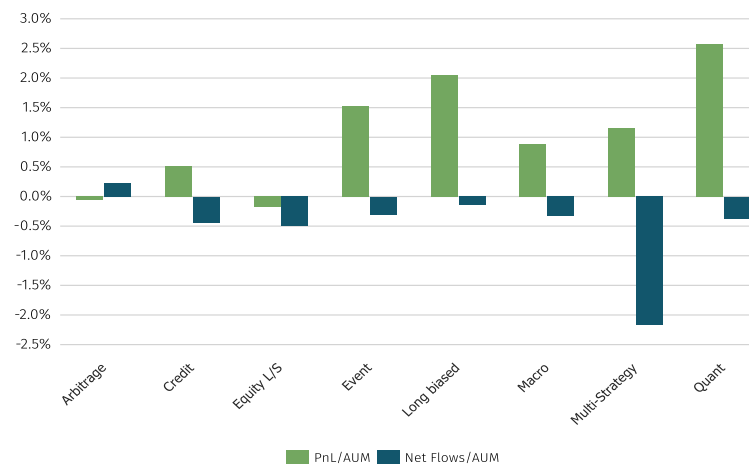
12 Month Correlation Matrix

12 Month Correlation Matrix	Arbitrage	Credit	Equity L/S	Event	Long biased	Macro	Multi-Strategy	Quant
Arbitrage	1.00	0.45	0.07	0.09	-0.28	-0.18	0.36	-0.58
Credit		1.00	0.42	0.66	0.45	0.53	0.26	0.06
Equity L/S			1.00	0.73	0.69	0.10	0.51	0.48
Event				1.00	0.65	0.59	0.56	0.57
Long biased					1.00	0.34	-0.02	0.68
Macro						1.00	0.33	0.47
Multi-Strategy							1.00	0.24
Quant								1.00

Net Performance[1]

	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Rolling 12 month return
Arbitrage	1.88%	2.16%	-1.08%	-0.57%	0.15%	0.24%	-0.24%	-0.09%	0.87%	0.44%	0.53%	-0.06%	4.26%
Credit	1.63%	1.53%	0.66%	1.22%	1.02%	0.73%	0.19%	0.52%	0.52%	0.36%	-0.32%	0.52%	8.91%
Equity L/S	-2.01%	3.98%	-0.68%	2.74%	-0.26%	1.44%	-0.63%	1.26%	-0.94%	2.37%	-2.87%	-0.18%	4.08%
Event	0.74%	2.60%	1.61%	2.06%	0.69%	0.45%	-0.52%	1.24%	0.73%	1.22%	-0.82%	1.53%	12.09%
Long biased	0.35%	1.50%	0.89%	3.53%	1.54%	0.96%	0.27%	1.31%	-2.31%	2.17%	-1.75%	2.06%	10.88%
Macro	0.10%	0.35%	0.71%	0.83%	0.70%	-0.73%	-0.79%	0.57%	0.01%	-1.62%	-1.04%	0.89%	-0.07%
Multi-Strategy	-0.31%	3.43%	0.36%	1.48%	0.27%	0.22%	0.34%	0.98%	2.26%	0.15%	0.54%	1.15%	11.35%
Quant	-1.43%	0.81%	1.66%	2.26%	1.09%	-0.21%	1.01%	0.44%	0.07%	1.08%	-1.18%	2.57%	8.40%
HF Composite	-0.24%	2.06%	0.59%	2.15%	0.67%	0.55%	0.00%	0.90%	-0.27%	1.12%	-1.23%	1.12%	7.60%

12 month volatility dispersion (standard deviation)[1] [2]

Legend: Arbitrage, Credit, Equity L/S, Event, Long biased, Macro, Multi-Strategy, Quant, HF Composite

Net flows and AUM change[3] – December 2021

Legend: PnL/AUM, Net Flows/AUM

[2]Asset weighted 12 month volatility.

[3]P&L/AUM shows the percentage change in AUM accounted for by performance, split by strategy. Net flows/AUM shows the percentage change in AUM accounted for by subscriptions and redemptions, split by strategy.