

## **How do Hedge Funds play their role as diversifier?**

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Hedge funds have had a very good start to this year, playing their role as a diversifier in an investment portfolio, when public markets continue to be volatile due to the geopolitical and macroeconomic uncertainties.

In our previous update earlier this year, we had explained that, looking at historical data of the past 20 years, hedge fund excess returns have risen in tandem with interest rates.

As such we expect hedge fund performance to pick up in 2024 and the first few months of 2024 are validating those expectations, with returns on average outperforming cash by several percentage points.

Within hedge fund strategies, Multi-Strategy and Multi-Portfolio Management managers have delivered healthy returns since the beginning of the year supported by their trading, quantitative and fundamentally driven processes.

We continue to have a positive view on the operating environment for those hedge funds looking ahead.

By allocating to such managers, investors benefit from diversification of risks and returns across strategies, and diversification of portfolio managers' investment skills.

Such multi-Portfolio Management managers usually have several dozens of portfolio managers and analysts, investing within a very tightly controlled risk environment.

We have upgraded our forecasts for some equity long/short strategies.

The operating environment is supportive of stock selection which is driving alpha opportunities for managers on both the long and short sides of their portfolios.

In addition, individual stock price movements appear to better represent the fortunes of their related companies rather than macro concerns.

Lastly, we also retain our positive outlook for the macro strategies.

The ability of macro managers to operate with full flexibility during these uncertain times should serve the strategy well during the rest of 2024.

Thank you.