September was a favorable month for hedge fund strategies tracked by CISDM. Individual hedge fund strategies performed well across the board. Nine out of the ten Indices tracked had positive returns in September. The CISDM Fixed Income Arbitrage Index was the only strategy to post negative returns for the month.

The CISDM Equal Weighted Index increased 1.09% for the month of September bringing year-to-date returns for the Index to 6.52%. Hedge fund performance in the month delivered favorable results supported by favorable returns in the US averages benefitted by broad based participation. The S&P500 Index recorded its sixth consecutive monthly gain reaching all-time highs in September. The S&P500 Index gained 1.94% for the month, bringing 2017 total returns to 14.24%.

Corporations reporting early in the earnings season mostly reported strong earnings results, helping to bolster the stock market as well as benefiting long/short and event driven multi-strategies geared towards earnings. Not surprisingly, hedge funds with exposure to these strategies performed well. The CISDM Event Driven Multi-Strategy Index and the CISDM Equity Long/Short Index posted gains, respectively, of 1.22% and 1.53%.

Credit spreads across the board continued to narrow, supporting returns of those hedge funds with exposure to risk assets. High yield spreads against the US 10YR narrowed by 28 basis points as measured by the CSI BARC Index, providing additional support to hedge fund performance. Relative spreads of
corporate HY-US10yr against US2-10yr continued to narrow in the month of September, allaying some of the concerns of a flattening yield curve.

CISDM CTA Equal Weighted Index was down 1.47% for the month. This was the largest decliner among the CISDM indices tracked. Commodities, as measured by the CRB Index, were down 1.89% in September falling from 435.55 to 427.32.

Crude Oil posted very strong returns in September. WTIC increased from 47.29 to 51.67, up 9.26% for the month; and Brent increased from 52.75 to 57.24 up 8.51%. Crack spreads continued to widen, reaching new 52-wk highs. Benefiting were the refiners, up 6.91% as a group in September. Three out of the top five performing sub groups within the S&P500 in September were those with oil and gas operations.

The CISDM Merger Arbitrage Index was up .49% in September, bringing year-to-date returns of 4.58%. There were two large announcements in September. UTX acquiring COL for $30.174 billion, and NOC acquiring OA for $9.168 billion.

The CISDM China Long/Short Index posted a gain of 1.55% for the month. Fund strategies with an overweight exposure to Chinese equities performed well in the month of September. The Shanghai Shenzen 300 Index gained 3830.54 to 3836.50, reaching its highest level in over two years. Chinese equities continue their strong performance in 2017.

Quan Huang
Josh Alexander