

For Immediate Release

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Wilshire Liquid Alternative IndexSM Returns -0.89% in September and -0.37 in the Third Quarter

Santa Monica, Calif., October 13, 2021 – The Wilshire Liquid Alternative IndexSM, which provides a representative baseline for how the broad liquid alternative investment category performs, returned -0.89% in September and -0.37 in the third quarter, underperforming a -0.38% monthly return and -0.03% quarterly return for the HFRX Global Hedge Fund Index. The Wilshire Liquid Alternative Index family aims to deliver precise market measures for the performance of diversified liquid alternative investment strategies implemented through mutual fund structures, backed by a proprietary classification methodology.

“Equity markets experienced positive performance for most of the quarter on the back of a strong earnings season and a healthy consumer. Equities reached all-time highs as growth-oriented names outperformed and value-oriented names also performed well. The last week of the quarter saw a major reversal of this trend as the 10-year yield began rising again, though equities ended the quarter up modestly.” said Jason Schwarz, President and Chief Operating Officer of Wilshire.

The Wilshire Liquid Alternative Equity Hedge IndexSM ended the month down -2.09%, underperforming the HFRX Equity Hedge Index’s return of -0.51%. For the quarter the Wilshire Liquid Alternative Equity Hedge IndexSM returned -0.16%, underperforming its HFRX counterpart’s return of 1.28%.

- Long-short managers with US and European exposure were positive through the first two months of the quarter on the back of strong earnings and a stable 10-year yield. Growth-oriented managers outperformed but value-oriented managers also produced positive performance.
- September was a far more challenging month as managers were generally flat but exhibited positive alpha while equity markets were modestly down. The final week of the quarter saw equities sell off as managers generally made a growth-to-value trade. Long-short managers have generally reduced both gross and net exposure as risk/reward has become more asymmetric to the downside on the back of historic valuations.

The Wilshire Liquid Alternatives Event Driven IndexSM ended the month up 0.24%, outperforming the HFRX Event Driven Index’s monthly return of 0.06%. For the quarter the Wilshire Liquid Alternatives Event Driven IndexSM returned -0.68%, outperforming the HFRX Event Driven Index’s return of -1.04%.

- Merger arbitrage managers experienced a slightly negative quarter after the collapse of the Aon/Willis Towers Watson deal. Despite the anti-trust concerns surrounding M&A activity and a challenging start to the quarter, merger activity reached all time highs in September. Bank consolidation and private equity-led deals remain areas of strong activity. Broadly speaking, merger spreads have remained volatile due to anti-trust risk.

The Wilshire Liquid Alternative Multi-Strategy IndexSM, which includes both single and multi-manager funds, returned -1.58% in September and -1.08% for the quarter.

The Wilshire Liquid Alternative Global Macro IndexSM ended the month up 0.18%, outperforming the HFRX Macro/CTA Index's monthly return of -1.24%. For the quarter the Wilshire Liquid Alternative Global Macro IndexSM returned -0.13%, outperforming the HFRX Macro/CTA Index's return of -1.49%.

- Macro managers experienced a challenging start to the quarter due to significant exposure to FX. The strong relative performance of safe haven currencies such as the US dollar, Japanese Yen and Swiss Franc negatively impacted CTAs. Sharpe reversals in currency and commodity trends midway through the quarter further challenged CTAs. Long positions in equities modestly offset these losses in July and August. A sharp reversal in equities in the last week of the quarter were offset by strong performance in commodities, leading to a flat result overall.

The Wilshire Liquid Alternative Relative Value IndexSM ended the month down -0.28%, underperforming the HFRX Relative Value Arbitrage Index's monthly return of -0.15%. For the quarter the Wilshire Liquid Alternative Relative Value IndexSM returned -0.17%, underperforming the HFRX Relative Value Arbitrage Index's return of -0.03%.

- Despite spreads remaining tight, structured credit markets experienced a challenging quarter on the back of a cooling residential housing market, geopolitical risk, rising government bond yields, and a general rise in market volatility.

About Wilshire

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