

Press Release

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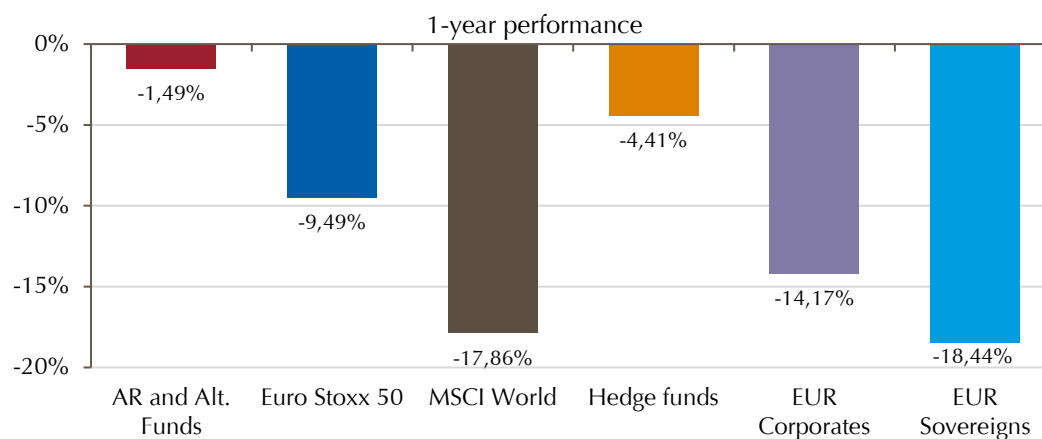
Liquid alternatives emerge as best asset class in full-year 2022 ahead of equities, bonds and hedge funds

Maximum losses limited and portfolios stabilised in volatile markets

Liquid alternatives in Germany (UCITS-compliant hedge fund strategies) proved their worth amid extreme geopolitical and economic events and helped to diversify and limit losses within investor portfolios in 2022. Although they suffered moderate losses with an average performance of -1.49%, they significantly outperformed global equities and bonds and left unregulated hedge funds trailing in their wake. These strategies also demonstrated their robustness in volatile markets with an average maximum loss of -10.38%.

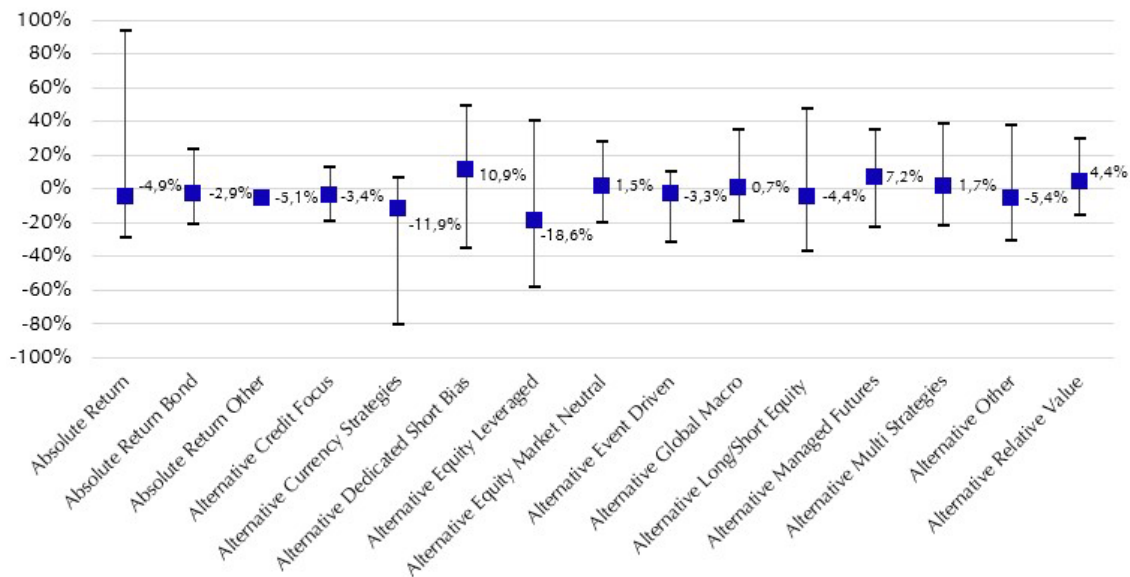
“Liquid alternatives strategies proved themselves as an anchor of stability within their investors’ portfolios in 2022,” said **Ralf Lochmüller, Managing Partner and CEO of Lupus alpha**. “As many of these strategies are often managed in an extremely flexible way, they are less dependent on the direction of the market, enabling them to generate profits and buck the negative capital market trend, even in falling markets,” explained Lochmüller.

Liquid alternatives impress in challenging market environment



The Alt. Dedicated Short Bias short strategy, which profits from sharply declining markets, reported the best performance at 10.9%. Another good performer at 7.2% was Alt. Managed Futures, which can profit from both rising and falling prices irrespective of the market. The biggest losers were Alt. Equity Leveraged at -18.6%, a leveraged strategy that relies on rising prices, and Alt. Currency Strategies at -11.9%. One striking trend is the significant spread of returns between funds with each individual strategy. This shows that choosing the right manager is ultimately the only way to achieve investment success.

Funds within individual strategies show strong spread of returns (1 year)



In an exceptionally challenging year for the capital markets that included the war in Ukraine, high inflation and surging interest rates, equities and bonds both recorded high double-digit losses for the first time in more than 20 years. Nevertheless, the evaluated UCITS-compliant hedge funds succeeded in effectively limiting maximum losses in this environment. Their average maximum drawdowns of -10.38% were well below those of equities and bonds, with the overwhelming majority of these funds recording a maximum loss of 10% or less. This shows how liquid alternatives are able to consistently spare their investors' nerves in an exceptionally challenging market environment.

Given this generally strong performance under difficult conditions, it is surprising to see that the asset class experienced net outflows of around EUR 17.56 billion, most of them in the second half of the year. Around two-thirds or net EUR 11.2 billion of the funds withdrawn from the market were attributable to institutional share classes. One reason: In a year characterized by high losses in stocks and bonds, many investors had switched to a risk-off mode. "Some regulated investors such as pension funds had to meet liquidity requirements and sold assets with which they could realize the least losses," explained Lochmüller.

The largest outflows across all share classes were recorded by the two fixed-income strategies Alt. Credit Focus (EUR -5.06 billion) and Absolute Return Bond (EUR -3.39 billion), which suffered most from growing recession and insolvency fears fuelled by rising interest rates. The only strategy to record material net inflows of EUR 2.14 billion was Alt. Equity Market Neutral, which is less dependent on the direction of the market. Overall, the market volume in the segment consisting of liquid alternatives strategies approved for distribution in Germany amounted to EUR 262.9 billion at the end of the year.

Lupus alpha

The [downloadable](#) white paper contains further detailed information, including a breakdown of the performance of individual strategies.

About the Study

Since 2008, Lupus alpha has been evaluating the universe of absolute return and liquid alternatives funds on the basis of data from Refinitiv. The Study covers UCITS-compliant funds with an active management approach that are authorised for distribution in Germany. The Study focuses on market size, development and composition, performance in the investment segment and individual strategies, as well as key risk figures. It evaluates the three levels of aggregation – the overall universe, strategies within the universe, and funds within the strategies – and distinguishes between 15 strategies. The Long/Short Equity strategy, for example, is made up of 106 funds.

About Lupus alpha

As an independent, owner-operated asset management company, Lupus alpha has been synonymous with innovative, specialised investment solutions for over 20 years. As one of Germany's European small and mid-cap pioneers, Lupus alpha is one of the leading providers of volatility strategies as well as collateralised loan obligations (CLOs). Global convertible bond strategies complete its specialised product range. The Company manages a volume of approximately EUR 13.5 billion for institutional and wholesale investors. For further information, visit www.lupusalpha.de.