









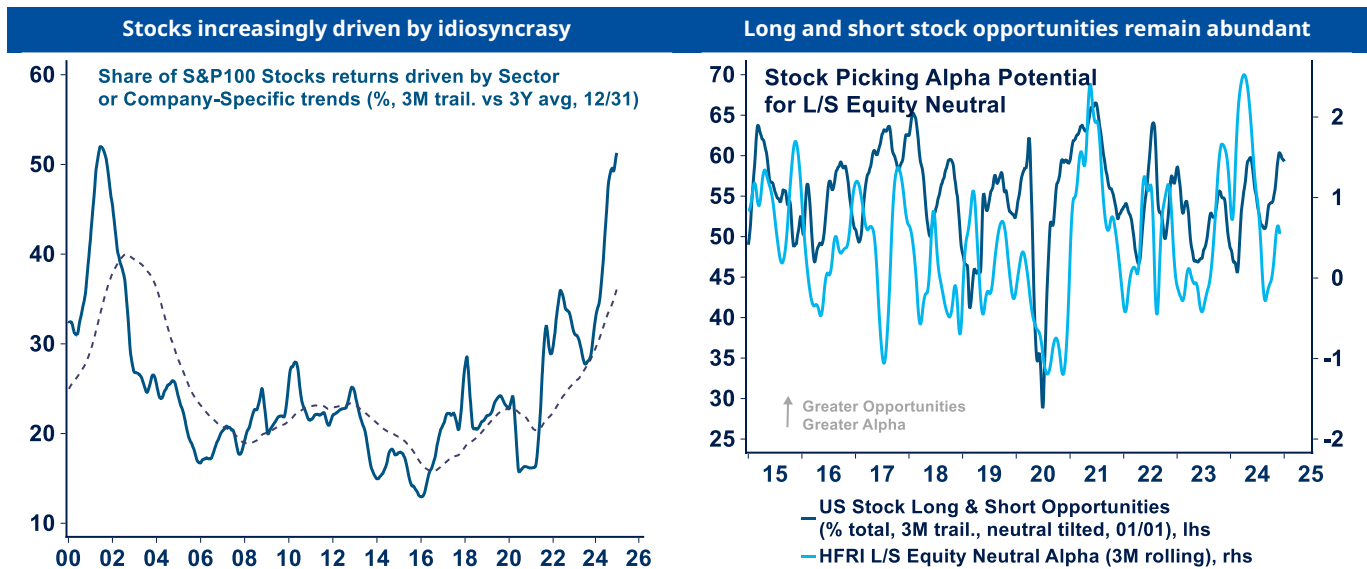


**Theme #8: Bifurcating drivers still make room for stock-picking, unlike credit that mainly relies on carry**

**Implications for HF: Selective but still strong Equity alpha (+), more limited in Credit (-)**

Stock pairwise correlations rose in the US and to some extent in Europe, with falling dispersion. However, the market structure hides a significant bifurcation between segments that are the most sensitive to US policies versus the rest of the market which is more driven by idiosyncrasy. Our L/S Equity Alpha Potential model, which tracks the share of stocks displaying an exploitable trend, suggests bottom-up opportunities remain abundant in equities, both on the long and short sides. We find more discrimination at an industry level than at a quant factor level.

In DM credit markets, room for bottom-up picking looks poor, given the limited dispersion and high correlation across rating, duration and sectors. The appeal for credit looks more linked to carry than alpha.



Source: Macrobond, Bloomberg, Amundi Investment Institute. Last available data as of 12/30/24.

Source: HFR Inc., Macrobond, Bloomberg, Amundi Investment Institute. Last available data as of 12/30/24.

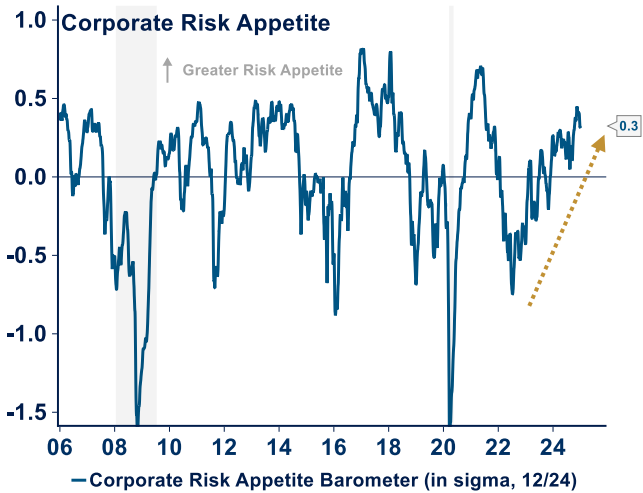
**Theme #9: Animal spirits back in the US; the rest of the world remains herbivore**

**Implications for HF: Corporate activity is source of catalysts, good news for Event Driven and L/S Equity (+)**

Corporate risk appetite has been recovering since 2023 and more recently bounced in the US, boosted by prospects of deregulations, re-industrialisation and corporate tax cuts. Corporate activity is reviving, helped by lower rates and moderate private leverage, as evidenced by investments, M&A volumes, primary markets issuance and activist campaigns. However, corporate activity does not fully reflect the progress in corporate sentiment. Concerns about the impact of trade wars and immigration policies on corporate margins and capex are capping the upside for now.

A more benign event-driven backdrop is favorable for merger arbitrage, which would benefit from a broader menu of opportunities. Merger spreads are also appealing and factor in more individual deal specifics. Cheap valuations in Europe also provide acquirers with appealing entry points. The dominant strategy risk remains policy uncertainty, which is imposing a significant premium for strategic and cross-border acquisitions. Whether or not a new capex cycle starts off will matter too. While waiting for more clarity on these questions, we will prepare to reweight the strategy in H2 25. In the meantime, credit special situations remain relatively more attractive.

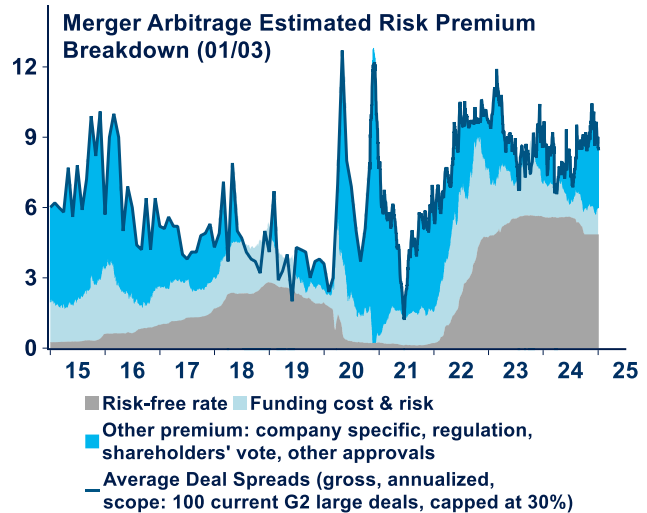
US corporate risk appetite back after 2 years of caution



Based on a variety of corporate surveys and on markets most sensitive to the topic

Source: Macrobond, Bloomberg, Amundi Investment Institute. Last available data as of 12/30/24.

Attractive merger spreads & more room for idiosyncrasy



Source: Macrobond, Bloomberg, Amundi Investment Institute. Last available data as of 12/30/24.

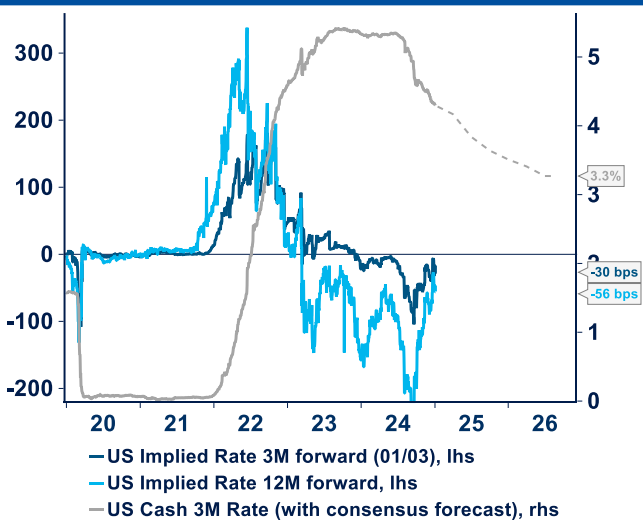
Theme #10: Cash rate still high

Implications for HF: Elevated extra cash contribution for HF (+)

HF maintain below-par net market exposures and are therefore directly and/or synthetically long cash. On top of this 'mechanical' cash contribution, HF returns are also indirectly yield-sensitive because major rate inflexions reflect changing macro tectonics that will open up relative opportunities. On average, HF capture about 60-70% of the cash interest, accounting for friction costs. With the cash rate seen staying at an elevated level for the foreseeable future, the contribution to HF returns will remain meaningful.

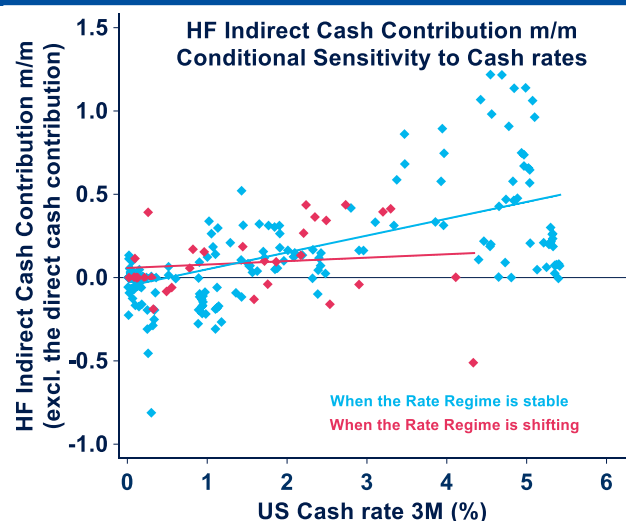
HF are highly competitive when the cash rate is elevated, especially when alpha conditions are supportive, as they are compared to risky assets that deliver less attractive net-of-cash yields.

US 'direct' cash contribution likely to stay elevated



Source: Macrobond, Bloomberg, Amundi Investment Institute. Last available data as of 12/30/24.

High cash rates are also 'indirectly' supportive for HF



Source: Macrobond, Bloomberg, Amundi Investment Institute. Last available data as of 12/30/24.

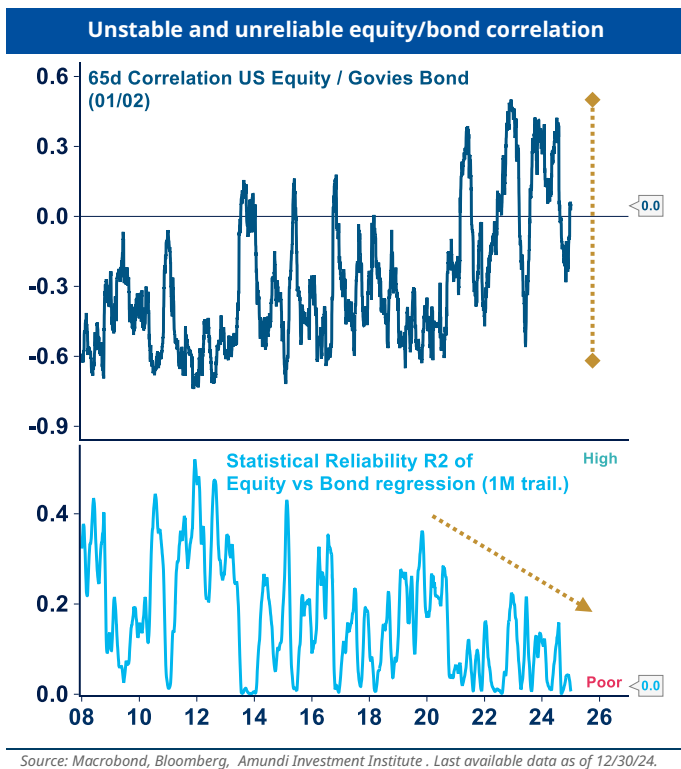
**Theme #11: A brave new world for diversification**

**Implications for HF: HF are among the few assets providing sustainable diversification (+)**

Portfolio risk management challenges are very different compared to those of the last decade. Liquidity is not as abundant and rates are higher. Absent a recession, the recovery phase will likely be shallow and result in more modest cyclical-asset returns. There are a lot more threats of a different nature including: more cycle inflexions; trade and globalization risks; geopolitical reshaping in the Middle East, the EU and Asia; high portfolio concentration in the US market and the tech sector in particular; FX carry trade vulnerability; and more trading instability.

Meanwhile, the equity/bond correlation remains unstable and unreliable, calling for alternative means of diversification.

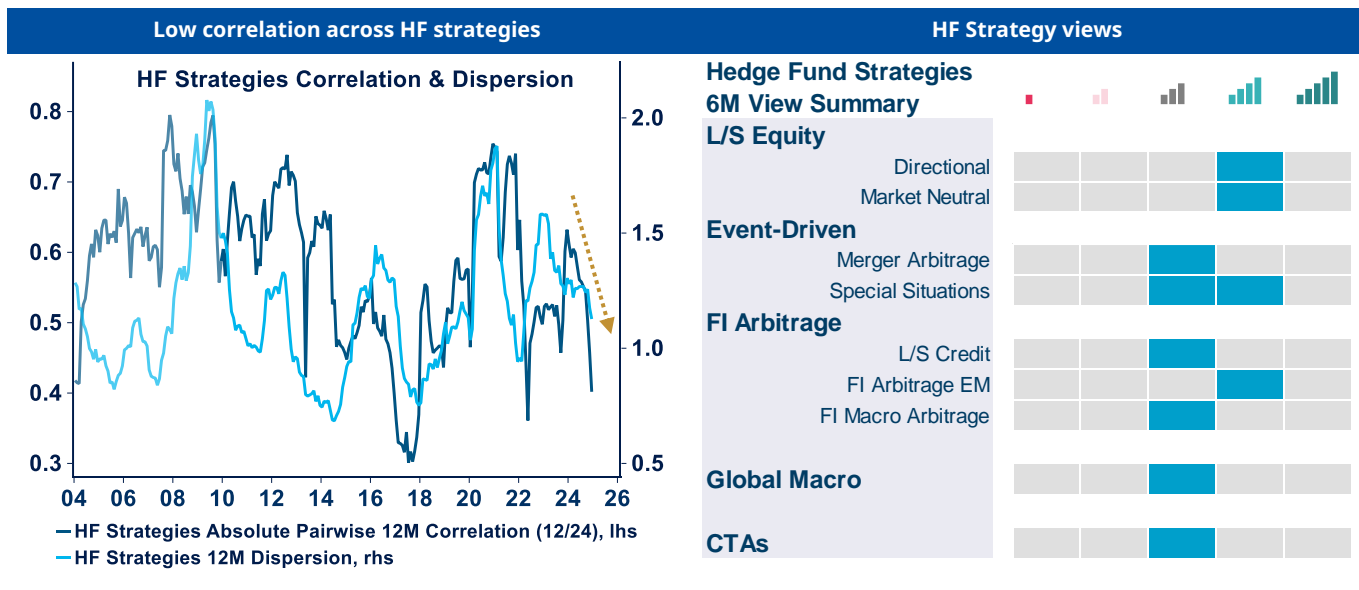
Along with real assets, HF provide appealing diversification benefits as they operate in most markets, favour relative arbitrage with shorts, have dynamic market timing and deploy differentiated strategies (including fundamental, systematic and thematic styles).



Source: Macrobond, Bloomberg, Amundi Investment Institute. Last available data as of 12/30/24.

**HF allocation stances**

Overall, we seek a more balanced allocation across HF strategies than in 2024. Skewed towards L/S Equity Neutral, EM FI and L/S Credit in 2024, we favour a more diversified allocation within L/S Equity, between neutral and diversified styles, and a more balanced position across regions. We would also favour a more balanced allocation between bottom-up and top-down styles, with a tilt to both L/S Equity and EM FI strategies. We prepare to reweight Merger Arbitrage and Global Macro in H2 25. Fund selection would matter more for Macro FI, favoring the most tactical and/or arbitrage-oriented strategies. We would keep a neutral allocation to CTAs.



Source: HFR Inc., Macrobond, Amundi Investment Institute. Last available data as of 12/30/24.

Source: Amundi Investment Institute. Stance as of 12/30/24.



## Hedge Fund Indices Performance

Hedge Fund Indices HFRI (as of 12/24)	2023	Q1	Q2	Q3	Q4	2024
<b>HFRI FoF Composite Index</b>	<b>6.1</b>	<b>4.2</b>	<b>0.6</b>	<b>2.0</b>	<b>2.6</b>	<b>9.7</b>
<b>L/S Equity</b>	<b>11.4</b>	<b>5.1</b>	<b>1.0</b>	<b>4.0</b>	<b>1.7</b>	<b>12.3</b>
Equity Multi-Strategy	8.6	5.8	0.2	3.6	2.1	12.2
Quantitative Directional	12.8	9.0	2.3	4.6	1.7	18.6
Market Neutral	6.0	4.3	1.9	1.5	2.1	10.1
Other (Sector, Factor bias)	10.4	5.6	0.9	3.8	2.2	13.0
<b>Event-Driven</b>	<b>10.4</b>	<b>2.3</b>	<b>0.5</b>	<b>4.6</b>	<b>1.1</b>	<b>8.7</b>
Merger Arbitrage	5.1	0.3	0.0	3.5	2.0	5.9
Special Situations	13.6	2.0	0.5	6.2	-1.5	7.2
Activist	18.1	5.6	-4.6	7.1	-0.4	7.5
Credit Arbitrage	10.7	4.4	1.6	1.0	2.9	10.3
Distressed/Restructuring	7.9	2.6	2.0	3.6	1.9	10.5
Multi-Strategy	10.0	1.9	1.5	4.7	3.9	12.6
<b>Relative Value</b>	<b>7.0</b>	<b>2.5</b>	<b>1.4</b>	<b>2.6</b>	<b>1.8</b>	<b>8.6</b>
Fixed Income-Corporate	8.4	3.2	1.7	3.0	1.5	9.7
Yield Alternatives	8.2	0.9	1.5	3.2	5.5	11.3
Fixed Income-Sovereign	9.1	3.0	1.6	2.1	2.2	9.1
Multi-Strategy	6.3	2.3	0.7	2.2	1.4	6.8
Other (CB, Vol, Structured)	4.9	2.5	1.3	2.3	1.6	7.9
<b>Global Macro &amp; CTAs</b>	<b>-0.3</b>	<b>6.3</b>	<b>-0.8</b>	<b>-0.6</b>	<b>1.1</b>	<b>6.0</b>
Discretionary Thematic	5.0	1.7	1.3	3.5	0.4	7.2
Multi-Strategy	3.1	4.4	-0.6	3.9	-0.2	7.7
Macro Other	1.7	3.0	-0.2	-0.7	3.7	5.9
CTAs	-3.8	9.7	-1.7	-3.6	0.4	4.5
<b>EM Multistrategy</b>	<b>11.6</b>	<b>5.2</b>	<b>2.3</b>	<b>3.5</b>	<b>2.1</b>	<b>13.7</b>
China	-3.3	0.4	2.4	6.6	-1.3	8.1
<b>Global Benchmarks (net fees)</b>						
<b>40% Equity / 60% Bond Basket</b>	<b>12.8</b>	<b>2.2</b>	<b>0.4</b>	<b>6.8</b>	<b>-3.1</b>	<b>6.2</b>
<b>Global Allocation Basket</b>	<b>11.2</b>	<b>3.5</b>	<b>0.5</b>	<b>5.3</b>	<b>-2.1</b>	<b>7.2</b>
<b>G3 TBill 3M TR (loc, unhedged)</b>	<b>3.5</b>	<b>1.0</b>	<b>0.9</b>	<b>1.0</b>	<b>0.8</b>	<b>3.7</b>

Source: HFR Inc., Amundi Investment Institute. Data as of the date indicated in the table

The index returns are provided for purposes of comparison and include dividends and/or interest income. The indices are unmanaged and fully invested. Although information and analysis contained herein has been obtained from sources Amundi AM believes to be reliable, its accuracy and completeness cannot be guaranteed. Investors cannot invest directly in indices. The indices referenced herein have been selected because they are well known, easily recognized by investors, and reflect those indices that Amundi AM believes, in part based on industry practice, provide a suitable benchmark against which to evaluate the investment or broader market described herein.

### Index Description

**Other L/S Equity:** equally weighted performance of HFRI Equity Hedge: Sector - Energy/Basic Materials, Technology/Healthcare

**Other Relative Value:** equally weighted performance of HFRI Relative Value: Fixed Income-Asset Backed, Convertible Arbitrage, Volatility

**Other Macro:** equally weighted performance of HFRI, Macro: Active Trading, Commodity, Currency

**HFRI indices:** for a comprehensive description of the HFRI indices used in the above table, please refer to the index description on HFR website: <https://www.hfr.com/hfrx-indices-index-descriptions>

### Global Benchmark Description

**40% Equity/60% Bond Basket:** Combines the MSCI World and the Barclays Global Bond Aggregate

**Global Allocation Basket:** Combines the MSCI World, the Barclays Global Bond Aggregate, Global FX Carry in USD, and the S&P GSCI Commodity index. All indexes are in USD unhedged. Net of fees and gross of taxation.

# Amundi Investment Institute

In an increasing complex and changing world, investors need to better understand their environment and the evolution of investment practices in order to define their asset allocation and help construct their portfolios.

This environment spans across economic, financial, geopolitical, societal and environmental dimensions. To help meet this need, Amundi has created the Amundi Investment Institute. This independent research platform brings together Amundi's research, market strategy, investment themes and asset allocation advisory activities under one umbrella; the Amundi Investment Institute. Its aim is to produce and disseminate research and Thought Leadership publications which anticipate and innovate for the benefit of investment teams and clients alike.

CHIEF EDITOR	EDITORS
<b>MONICA DEFEND</b> HEAD OF AMUNDI INVESTMENT INSTITUTE	<b>CLAUDIA BERTINO</b> HEAD OF AMUNDI INVESTMENT INSIGHTS AND PUBLISHING, AII*

## IMPORTANT INFORMATION

This document is not intended for retail investors and is for the exclusive use of institutional investors acting on their own account and categorized as either "eligible counterparties" or "professional clients" within the meaning of the markets in financial instruments directive 2014/65/EU. This document has been prepared solely for the information of the person to whom it is presented and should not be reproduced or used for any other purpose. No recipient of this document may distribute it to any other person. This document is not intended for U.S. investors.

## HEDGE FUND - MAIN RISK FACTORS

Investments in or linked to hedge funds are speculative and may be adversely affected by the unregulated nature of hedge funds and the use of trading strategies and techniques. Hedge funds are typically less transparent in terms of information and pricing and have higher fees than traditional funds. There is no assurance that any of the strategy will achieve its investment objective. The risks associated with Hedge Funds are listed but are not limited to the below:

- Risk of Non-achievement of Investment Objective: There is no assurance that a strategy will achieve its investment objective.
- Risk of losses: Investors can suffer a loss of their initial capital, up to total loss of their investment, because it is made on the financial markets and uses technologies and instruments that are subject to variations
- Risk of illiquidity: Certain exceptional market conditions may have an unfavorable impact on the product's liquidity, or even make the product totally illiquid. This leads to a risk to the possibility of valuing the product, a risk of loss, and may make it impossible to resell the product. Some products are by nature less liquid than others and carry a high liquidity risk
- Market Risk: The risk of a change in a product's valuation due to market factors, including, among other things, overall business performance and the market's perception of economic/political factors influencing the product's valuation

This document has not been prepared in regards to specific investment objectives, financial situations, or the particular needs of any specific entity or person. Investors should make their own appraisal of the risks and should seek their own financial advice regarding the appropriateness of investing in any securities or financial instrument or participating in any investment strategy. Before you decide to invest in any account or fund, you should carefully read the relevant client agreements and offering documentation.

Any descriptions involving investment process, risk management, portfolio characteristics or statistical analysis are provided for illustrative purposes only, will not apply in all situations, and may be changed without notice.

## PAST PERFORMANCE DOES NOT PREDICT FUTURE RETURNS. THIS ALSO APPLIES TO HISTORICAL MARKET DATA.

Unless otherwise stated, all information contained in this document is from Amundi Asset Management SAS and is as of 30 December 2024. This document is solely for informational purposes. This document does not constitute an offer to sell, a solicitation of an offer to buy, or a recommendation of any security or any other product or service. Any securities, products, or services referenced may not be registered for sale with the relevant authority in your jurisdiction and may not be regulated or supervised by any governmental or similar authority in your jurisdiction. Any information contained in this document may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. Furthermore, nothing in this document is intended to provide tax, legal, or investment advice. Diversification does not guarantee a profit or protect against a loss. This document is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The views expressed regarding market and economic trends are those of the author and not necessarily Amundi Asset Management SAS and are subject to change at any time based on market and other conditions, and there can be no assurance that countries, markets or sectors will perform as expected. These views should not be relied upon as investment advice, a security recommendation, or as an indication of trading for any Amundi product. Investment involves risks, including market, political, liquidity and currency risks. Furthermore, in no event shall any person involved in the production of this document have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. Images credit: GettyImages | in8finity. Icons from thenounproject.com | Orange Cat.

Date of first use: [10 January 2025](#). DOC ID: 4146882

**Amundi**  
Investment Solutions

**Trust must be earned**