

# Global Alternative Beta Strategy

## A Passive Proxy for Hedge Funds

Hedge funds can help provide strong risk-adjusted returns, diversification benefits, and less susceptibility to equity market drawdowns. But they can also include high fees, little transparency, alpha cyclicality, and poor liquidity.

Building on our legacy in indexing and our commitment to delivering innovative solutions for investors, our Global Alternative Beta Strategy was designed to gain access to hedge fund beta in a cost-efficient, transparent, and liquid manner.

## How to Achieve Hedge Fund Beta?

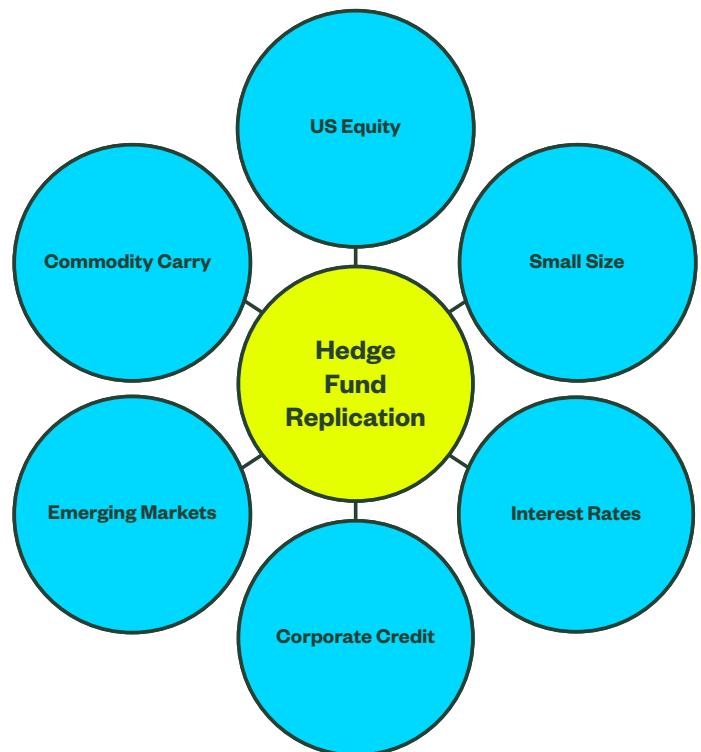
Replicating the return of a hedge fund index, such as the ones provided by Hedge Fund Research (HFR), is not straightforward. While full replication is theoretically possible, by investing directly in the underlying hedge funds that make up a hedge fund index, this comes at a significant implementation cost and reduced liquidity.

Academic research has shown that up to 90% of returns from hedge fund indices can be explained by common market factor exposures. Hedge funds, in aggregate, tend to have exposure to market factors such as interest rates, corporate credit, emerging markets, commodities, and equities (both large and small caps), although their exposure tends to change over time. Research further shows that hedge fund returns can be replicated by buying exposures to these common market factors in line with how hedge funds are positioned.

**Global Alternative Beta Strategy** Our Global Alternative Beta Strategy is built on the thesis that you can replicate hedge fund indices while seeking to minimise tracking error, by buying the same factor exposures while being conscious of costs and liquidity.

## Why State Street Global Advisors for Alternative Beta?

- **Indexing Heritage** We manage \$2.80 trillion in beta portfolios globally, supported by a global investment and trading team.
- **Founded in Research** Our Global Alternative Beta strategy has been leveraging insights from academic and practitioners' research since 2014.
- **A True Systematic Solution** Our investment process is systematic, transparent, and rules-based. We use cost-efficient passive instruments to replicate hedge fund indices.

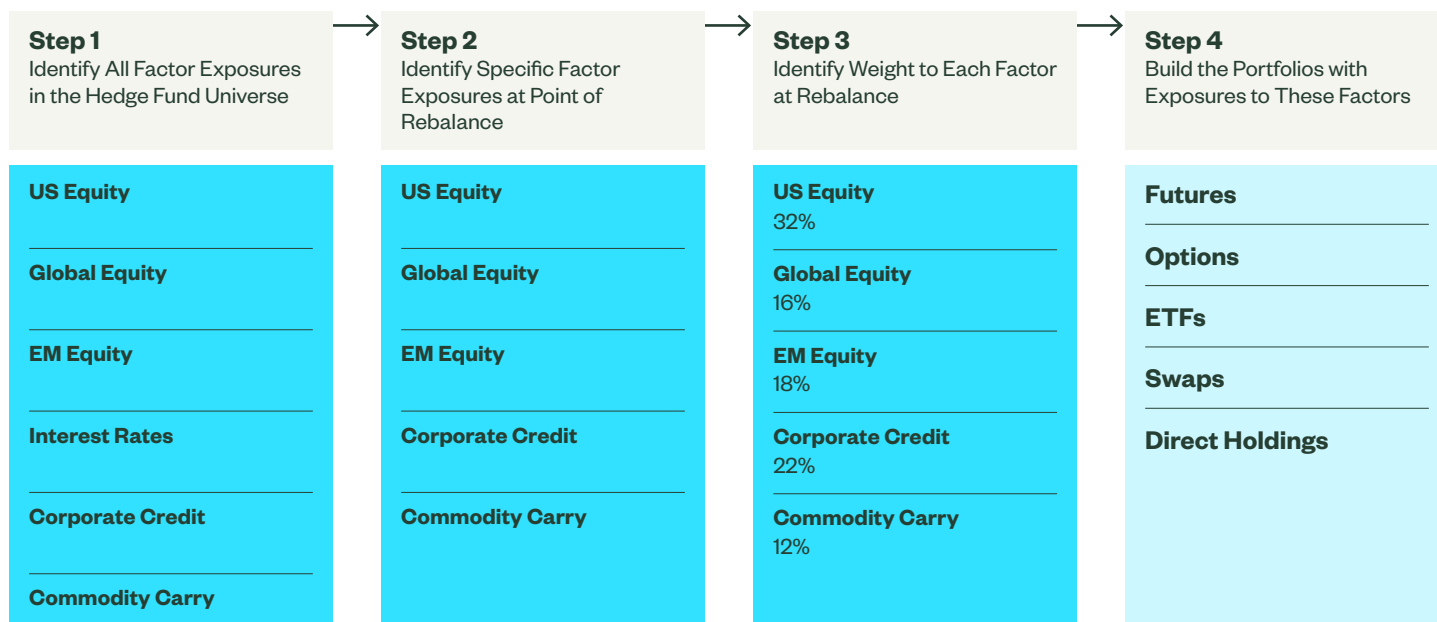


**What is HFR?** Hedge Fund Research (“HFR”), established in 1992, is the hedge fund industry’s “go to” provider of hedge fund index information. They deliver over 300 indices for hedge fund benchmarking and performance measurement needs. HFR produces indices of hedge fund performance ranging from industry-aggregate levels down to specific, niche areas of hedge fund sub-strategy and regional investment focus. Beyond indices, HFR delivers high-value visibility into private hedge funds and publicly available liquid alternatives through their hedge fund databases.

**What is the HFRX Global Hedge Fund Index\*?**

The HFRX Global Hedge Fund Index is designed to be representative of the investable hedge fund universe, providing exposure to key hedge fund strategies like equity hedge, event driven, macro/CTA, and relative value arbitrage. The constituents of the index are asset weighted based on the distribution of assets in the hedge fund industry. It is one of the range of HFRX Hedge Fund Indices, investable indices constructed through a UCITS-compliant methodology. Hedge funds need to have at least \$50 million under management and a 24-month track record of active performance before they can be included in the index. Returns are reported daily and net of fees. It’s widely recognized and one of the most popular hedge fund indices for benchmarking purposes.

Our Global Alternative Beta strategy follows a 4-step investment process



**State Street Global Advisors Global Alternative Beta Strategy Facts**

Asset class	Hedge Funds
Benchmark	HFRX Global Hedge Fund Index or any equivalent hedge fund index
Portfolio Management team	Multi-Asset Solutions
AUM in Exposure Management Strategies	\$7.76 billion
AUM in Multi-Asset Strategies	\$392.63 billion

Source: State Street Global Advisors, as of June 30, 2023.

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## Contact

If you'd like to learn more about our Global Alternative Beta capabilities, please contact [SSGA\\_InsightsEMEA@ssga.com](mailto:SSGA_InsightsEMEA@ssga.com).

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## About State Street Global Advisors

For four decades, State Street Global Advisors has served the world's governments, institutions and financial advisors. With a rigorous, risk-aware approach built on research, analysis and market-tested experience, we build from a breadth of index and active strategies to create cost-effective solutions. As pioneers in index, ETF, and ESG investing, we are always inventing new ways to invest. As a result, we have become the world's fourth-largest asset manager\* with US \$4.13 trillion† under our care.

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\* Pensions & Investments Research Center, as of December 31, 2022.

† This figure is presented as of December 31, 2023 and includes approximately \$64.44 billion USD of assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated.

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