

► MSCI Hedge Fund Crowding

Measuring crowding in hedge funds to understand their impact on risk in the market

Measuring hedge fund positioning and potential crowding around stocks is of interest to many institutional investors. However, obtaining high quality, robust and timely information on hedge fund positioning has been difficult, as well as identifying high conviction positions among these funds.

Crowded trades can present challenges, including:

- Liquidity risk: potential for large drawdowns when investors liquidate similar positions at the same time due to other events
- Crowded names may generate positive returns for long periods of time (as the crowd builds up)
- Market efficiency: risk premium may suffer when a strategy is crowded
- Similar alpha strategies, portfolio construction processes, and risk policies can contribute to crowding

Understanding the asset ownership structure provides a direct way to measure crowding. The holdings of hedge funds are important in understanding crowding risks since hedge funds are highly active.

Benefits and features

- Position level information on equity exposures aggregated and anonymized hedge fund data from the MSCI HedgePlatform (HP) service
- Aggregated long, short and net hedge fund portfolios
- Conviction metrics allowing subscribers to measure hedge fund crowding at position level across various dimensions
- Unique, proprietary data source derived as a subset of HP
- Timely and accurate, MSCI Hedge Fund Crowding has both short and long positions

Hedge Fund Crowding with Form 13 F

MSCI Hedge Fund Crowding leverages HedgePlatform, a unique, proprietary data source that provides additional transparency compared to the publicly available U.S. Form 13F filings.

- MSCI Hedge Fund Crowding has short holdings data which is not available in 13F
- 13F is reported quarterly while the Hedge Fund Crowding dataset is monthly
- Hedge Fund Crowding provides global coverage (covering ~90% i.e. 7000+ securities from MSCI ACWI IMI Universe)

MSCI HedgePlatform

For almost 20 years, MSCI HedgePlatform has helped investors better manage their investments using analytics calculated on the position-level holding of each fund. With HedgePlatform clients can analyze portfolio risks across multiple dimensions to confirm they align with expectations; identify crowded investment themes; see which funds contribute to or reduce risks while offering the transparency through a third party and an independent view that still preserves the anonymity of the alternative managers they allocate with. As asset owners increasingly allocate to alternative investments, HedgePlatform has grown to over \$2T in assets under management and ~1,400 funds.

The service has three components:

- HedgePlatform collects holdings data of hedge funds directly from administrators
- The positions are modeled in the state-of-the-art RiskMetrics system
- Analyze funds, individually and in aggregate, using standardized analytics.

About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

To learn more, please visit www.msci.com.

The information contained herein (the "Information") may not be reproduced or disseminated in whole or in part without prior written permission from MSCI. The Information may not be used to verify or correct other data, to create indexes, risk models, or analytics, or in connection with issuing, offering, sponsoring, managing or marketing any securities, portfolios, financial products or other investment vehicles. Historical data and analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. None of the Information or MSCI index or other product or service constitutes an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product or trading strategy. Further, none of the Information or any MSCI index is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. The Information is provided "as is" and the user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NONE OF MSCI INC. OR ANY OF ITS SUBSIDIARIES OR ITS OR THEIR DIRECT OR INDIRECT SUPPLIERS OR ANY THIRD PARTY INVOLVED IN THE MAKING OR COMPILING OF THE INFORMATION (EACH, AN "MSCI PARTY") MAKES ANY WARRANTIES OR REPRESENTATIONS AND, TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH MSCI PARTY HEREBY EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. WITHOUT LIMITING ANY OF THE FOREGOING AND TO THE MAXIMUM EXTENT PERMITTED BY LAW, IN NO EVENT SHALL ANY OF THE MSCI PARTIES HAVE ANY LIABILITY REGARDING ANY OF THE INFORMATION FOR ANY DIRECT, INDIRECT, SPECIAL, PUNITIVE, CONSEQUENTIAL (INCLUDING LOST PROFITS) OR ANY OTHER DAMAGES EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited.

©2021 MSCI Inc. All rights reserved | CFS0321