HEDGE FUND STRATEGY PERFORMANCE ACROSS FINANCIAL AND GEOPOLITICAL CRISES: EVIDENCE FROM LIQUID REPLICATION INDICES

Luka Bulajić*
Singidunum University, Belgrade, Serbia

Abstract
This paper compares the crisis performance of five liquid hedge fund strategy indices, namely Long/Short Equity, Event Driven, Merger Arbitrage, Managed Futures and a multi-strategy Global Strategies index, together with their aggregate, against the S&P 500, a 60/40 portfolio and gold across five crises spanning 2008 to 2026. The crises differ in character, encompassing systemic financial, pandemic, geopolitical and policy-driven episodes. Each crisis is divided into a crisis phase and, for the four completed episodes, a recovery phase. The geopolitical episodes are examined alongside the daily Geopolitical Risk index, and differences in Sharpe ratios are tested using the Jobson-Korkie statistic with the Memmel correction and the Ledoit-Wolf bootstrap. The results show that crisis protection is regime-specific. Managed Futures hedged the systemic, pandemic and commodity-driven geopolitical crises but failed in the policy-driven tariff turmoil; Merger Arbitrage was the steadiest performer across the set, and gold protected capital in only two of the five episodes. Crisis phases range from 23 to 129 trading days, and many of the crisis-phase differences prove too small relative to their sampling variation to reach statistical significance. The underperformance of Managed Futures during recoveries is the most consistently significant result in the study, and two of its 2008 recovery comparisons are the only results to survive a Holm correction for multiple testing. The paper concludes that no single liquid alternative strategy can be relied upon as an unconditional crisis hedge, and that a combination of complementary strategies is more resilient than reliance on the strategy that performed best in the most recent episode.

Keywords
hedge fund strategies, crisis performance, liquid replication indices, managed futures, geopolitical risk, Sharpe ratio tests

JEL Classification
G01, G11, G14, G23

* Corresponding author, **Luka Bulajić** - luka.bulajic.251@singimail.rs