HFR Special Report

Hedge Funds and U.S. Presidential Politics: Midterm Edition



Hedge Funds and U.S. Presidential Politics: Midterm Edition

HFR is pleased to present a special report providing the foundation for quantitative analysis on the performance of hedge funds through the lens of which U.S. political party administration held the office of President and majority in Congress from January 1990 – September 2026.

Key findings:

Year 2 Performance Effect: The second year of a president's four-year term has historically coincided with the lowest average annual hedge fund performance.

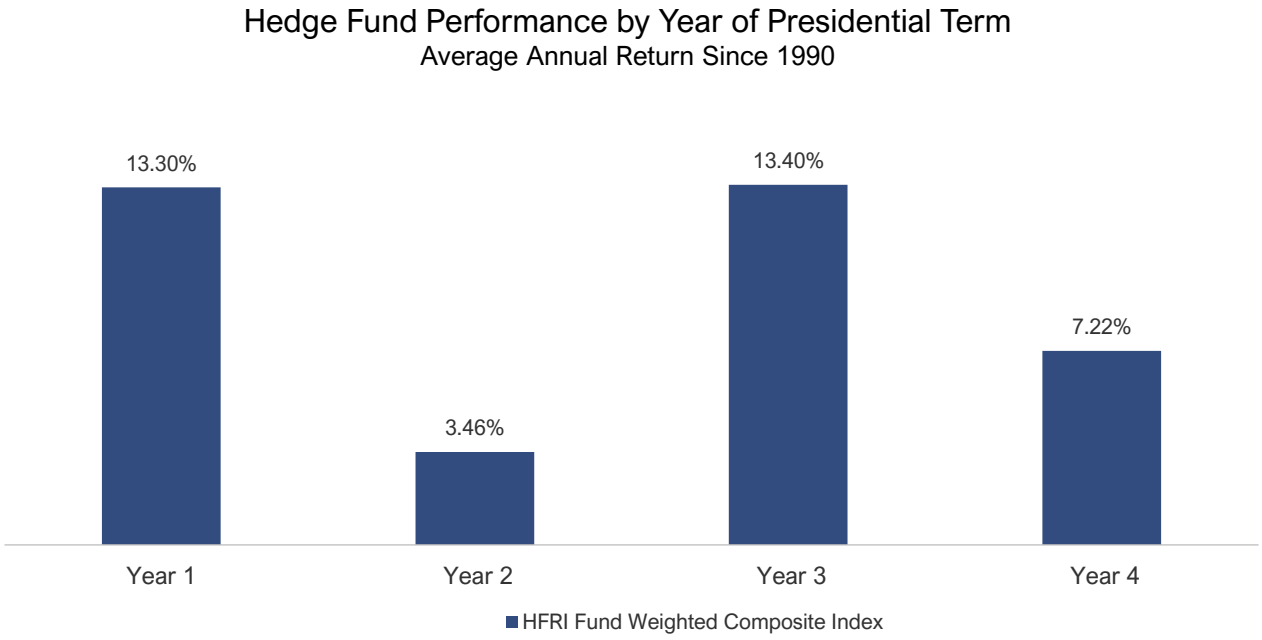
2026 generated the highest hedge fund performance over the first nine months of a midterm year since 2006.

In the fourth quarter of a midterm year, hedge funds have historically generated the strongest performance when the midterm election resulted in no change in Congressional majority.

Hedge funds have generated stronger performance when one political party controls both the House and Senate than when control is split between the parties.

Presidential Term: Year 2 Performance Effect

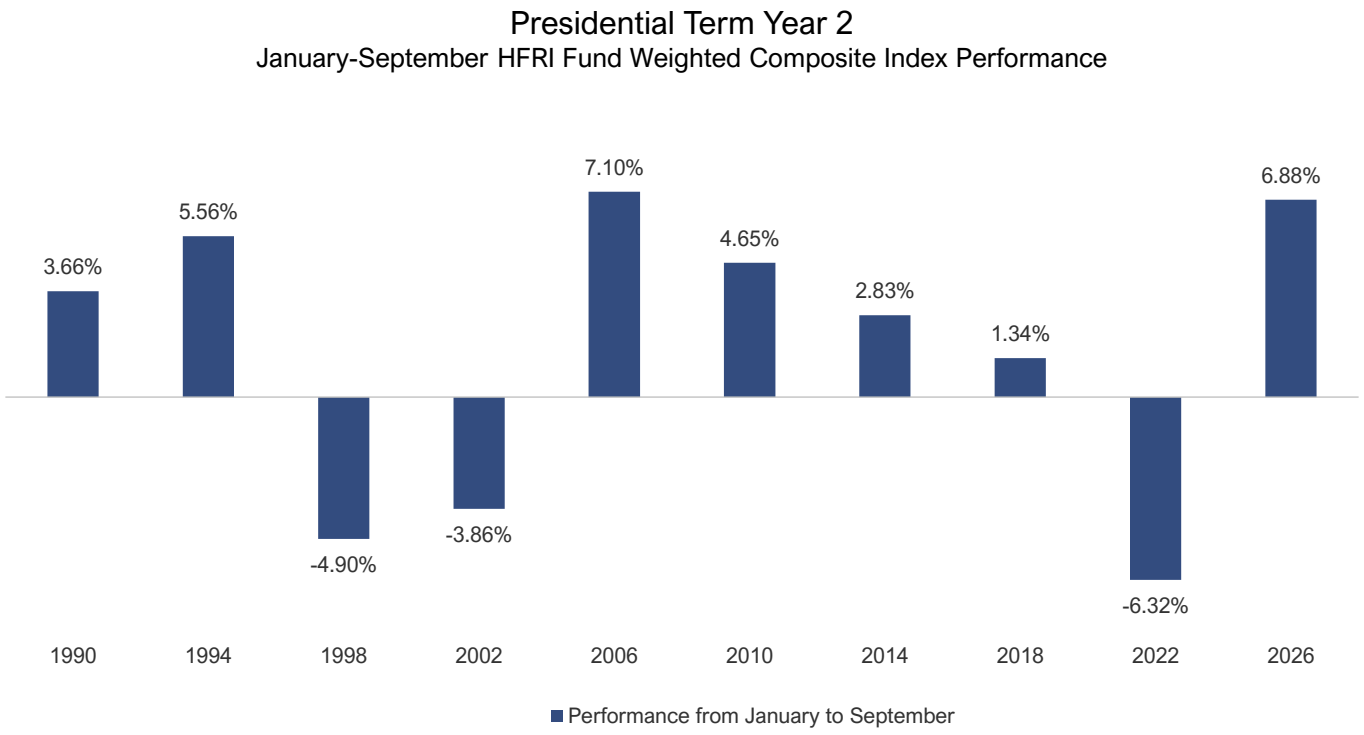
Across multiple business cycles, presidential administrations, and periods of Democratic and Republican control of the House of Representatives and/or Senate, hedge funds have historically produced the lowest average annual performance during the second year of a president's four-year term.



The data in the chart reflects the annualized return of monthly data for the HFRI Fund Weighted Composite Index through September 2026, with a comparison across Years 1 through 4 of a presidential term.

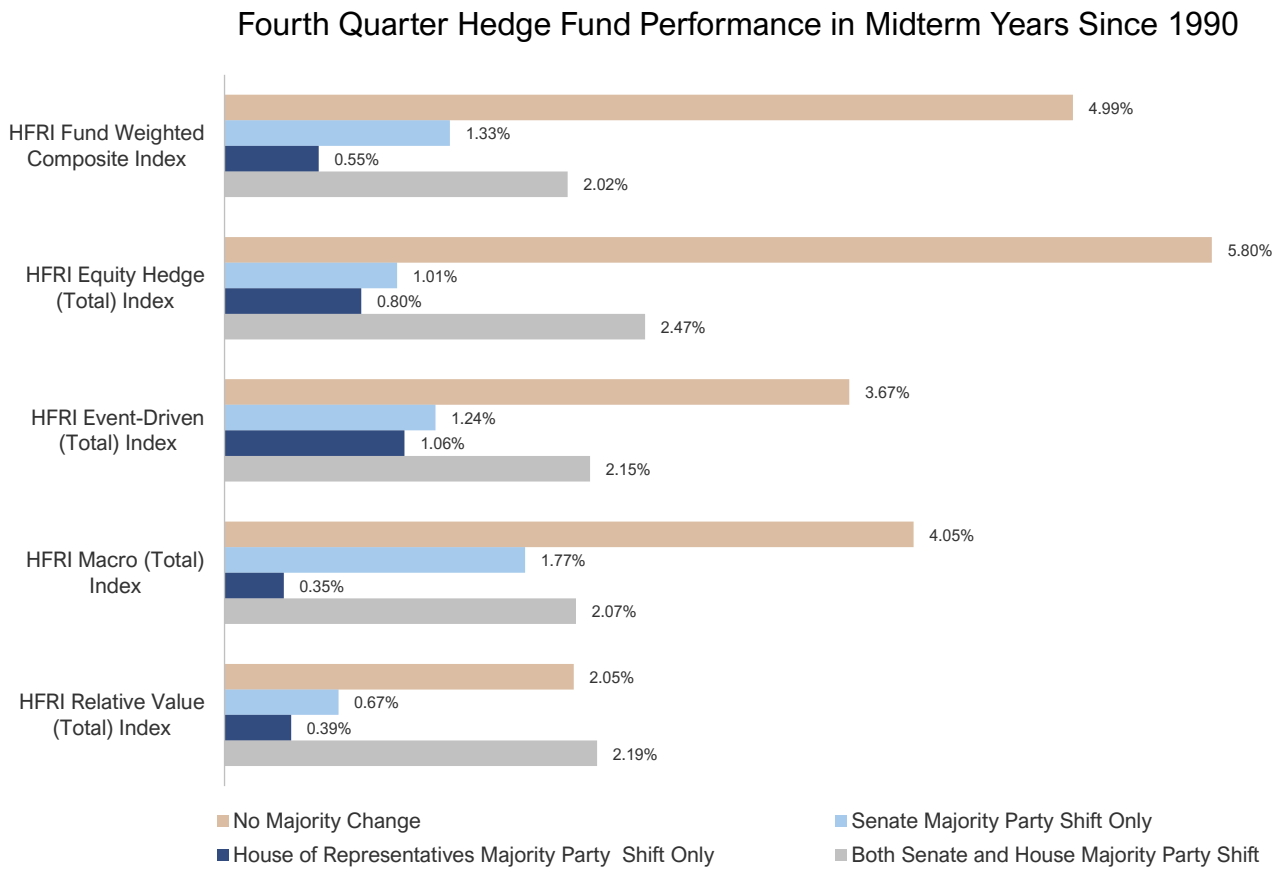
Hedge Fund Performance: Presidential Term Year 2

In 2026, hedge funds generated the highest performance in the first nine months of a midterm year since 2006.

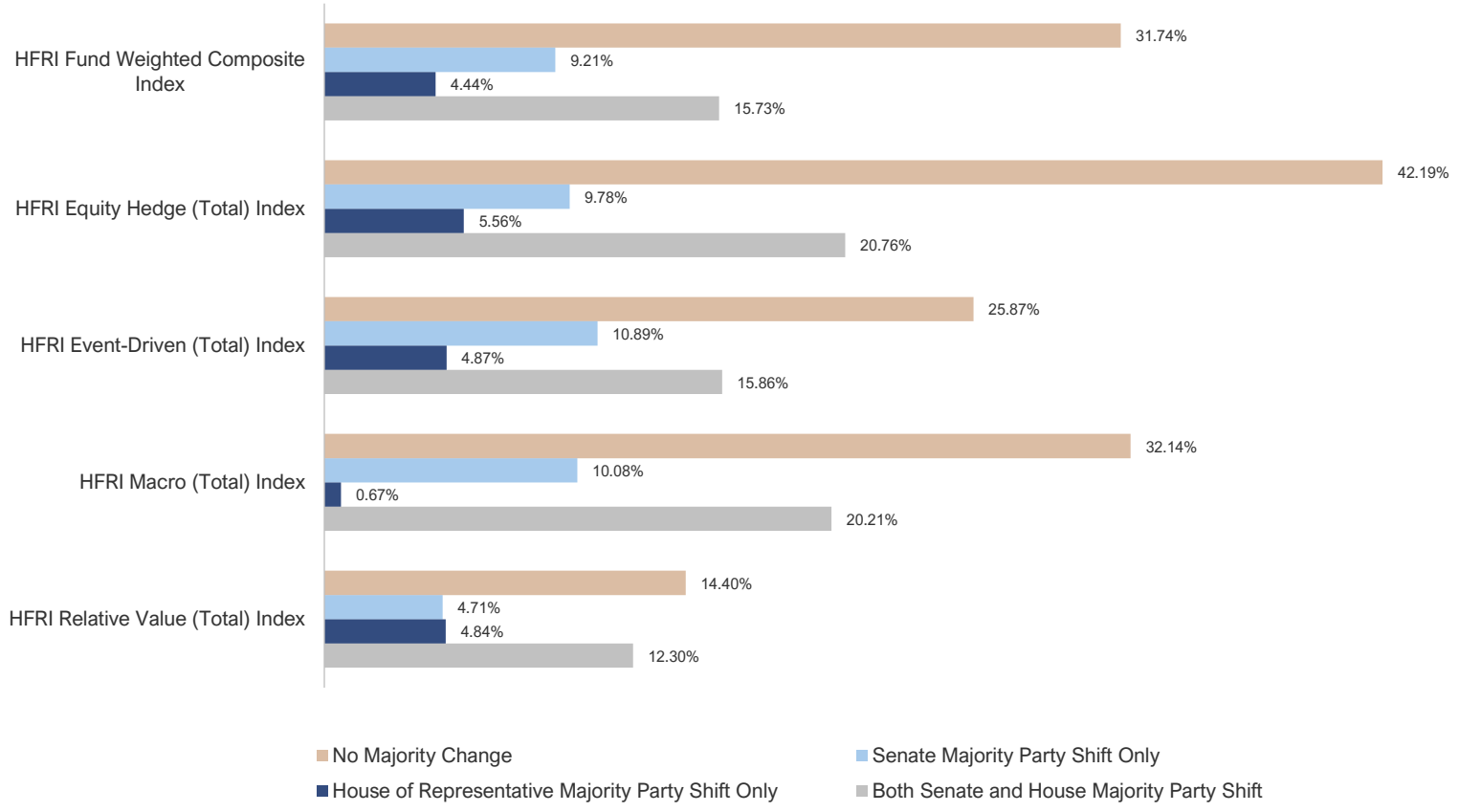


The data in the chart reflects the ROR of the HFRI Fund Weighted Composite Index in January to September of Year 2 of a presidential term.

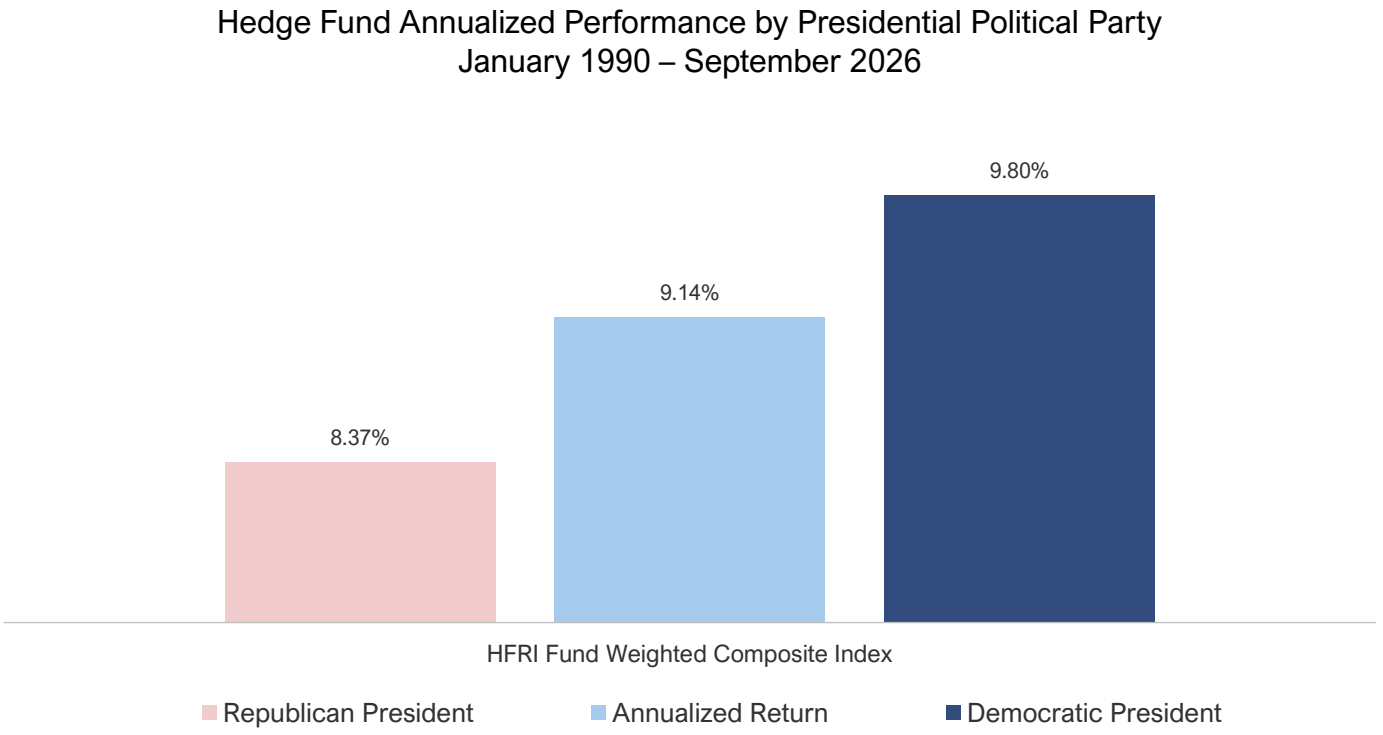
In the fourth quarter of a midterm year, hedge funds have historically generated the strongest performance when the midterm election resulted in no change in Congressional majority.



Hedge Fund Performance in Year 3 of Presidential Term Since 1990

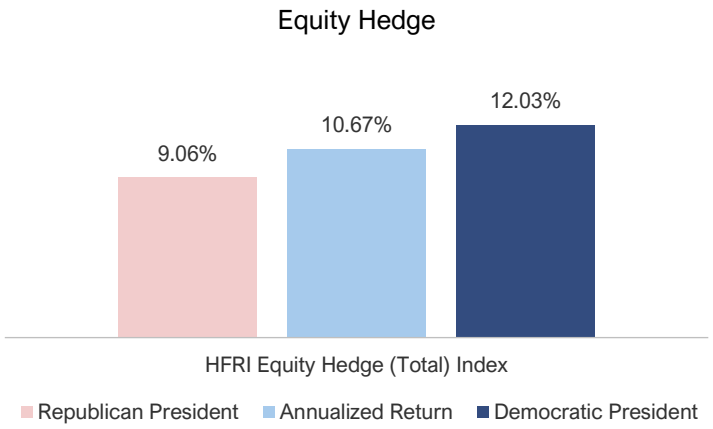


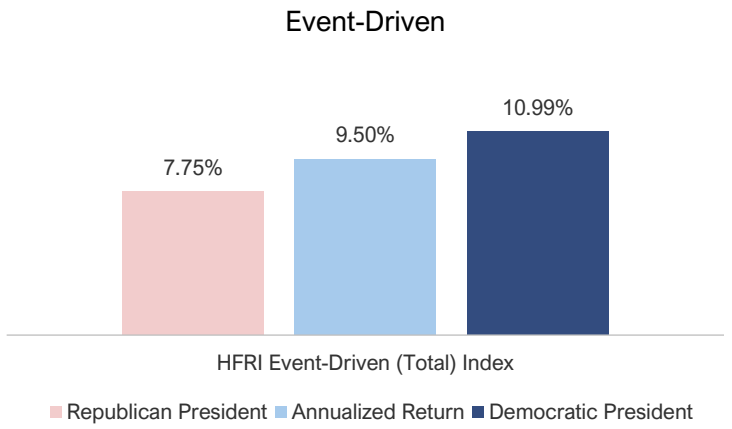
Hedge Fund Performance by Presidential Political Party

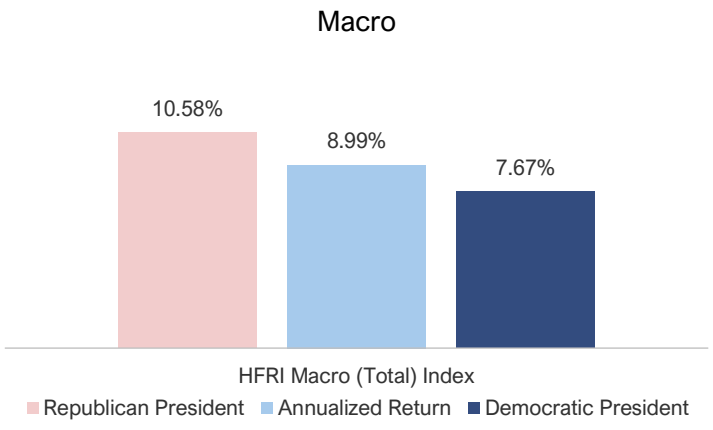


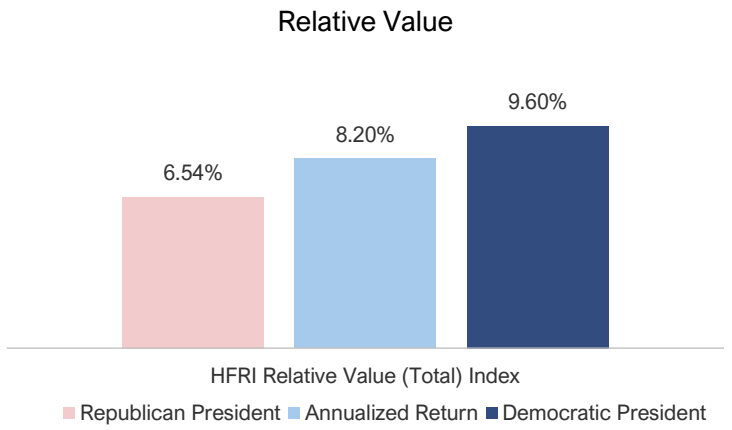
Data reflects the annualized ROR of the HFRI Fund Weighted Composite Index, with a comparison across years during which presidents were Republicans and Democratics

Hedge Fund Strategy Performance by Presidential Political Party

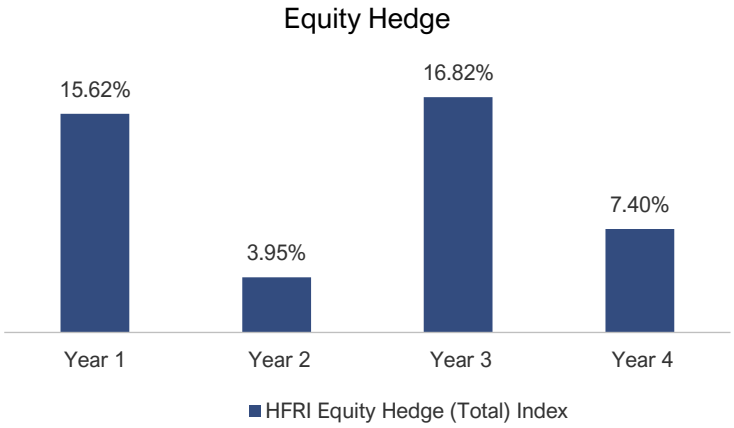


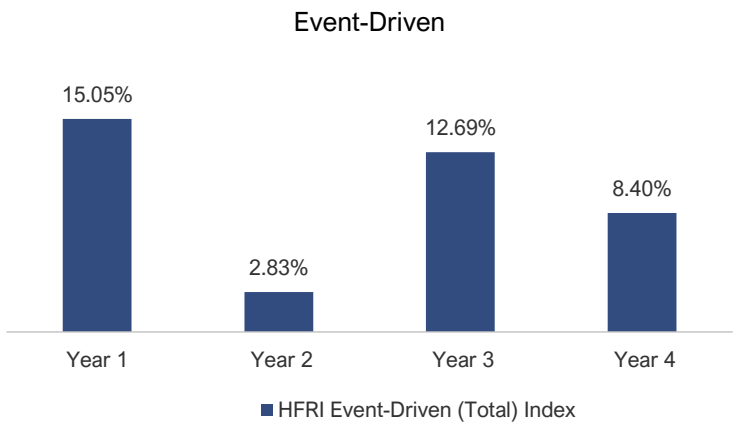


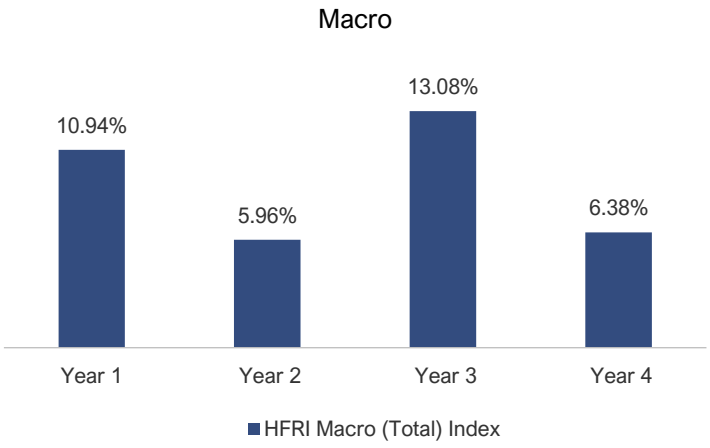


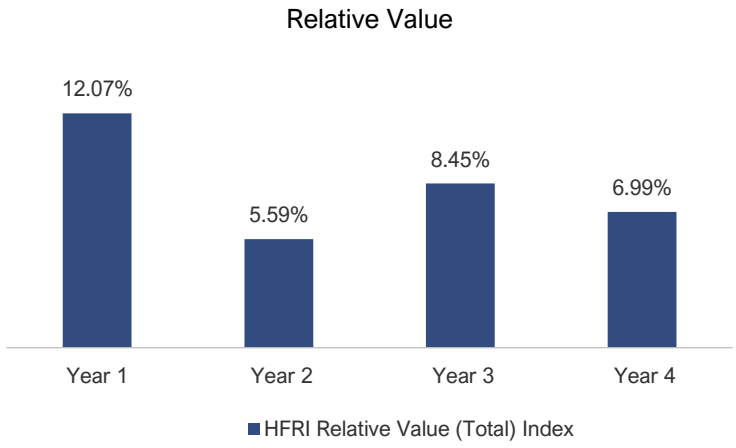


Hedge Fund Strategy Performance by Presidential Term Year

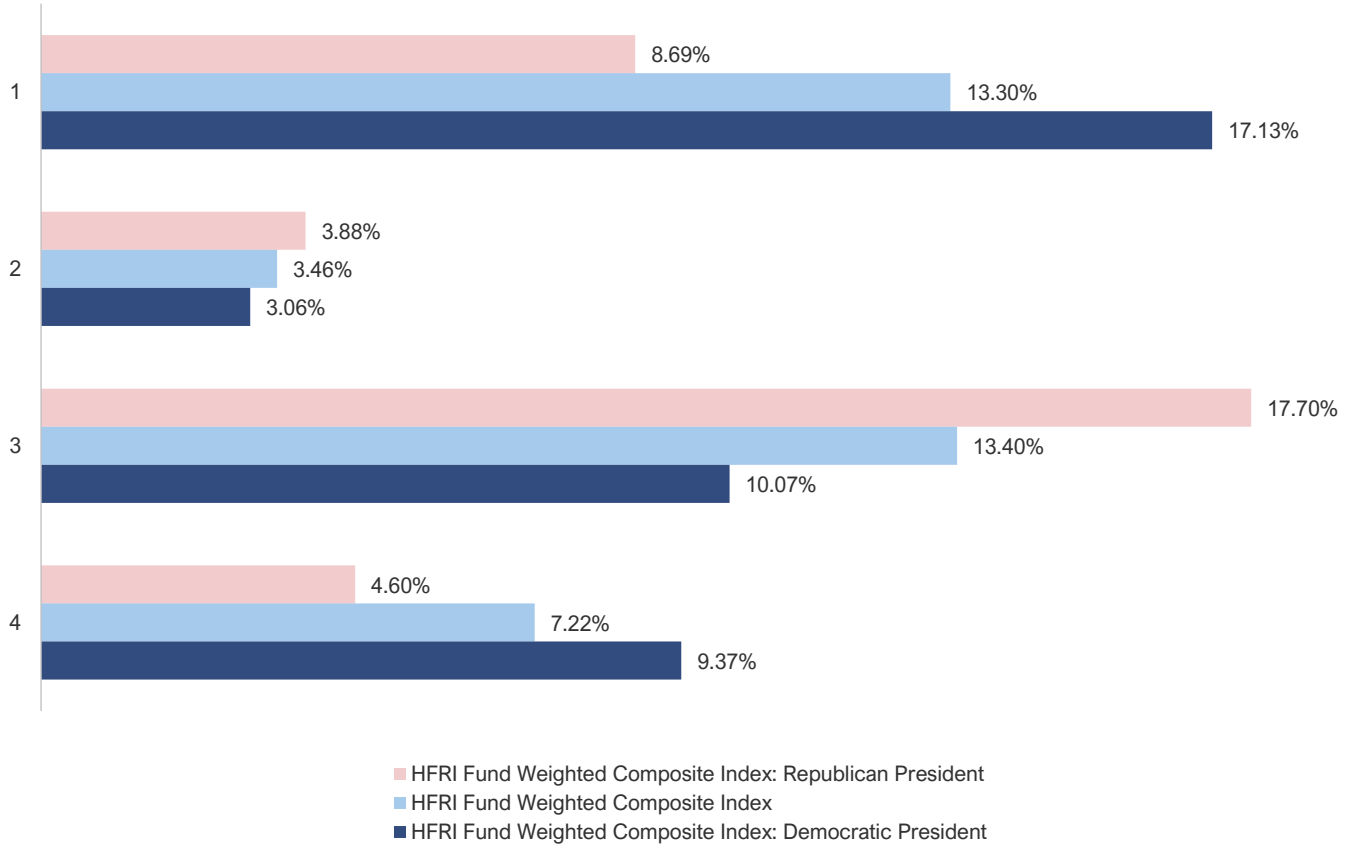




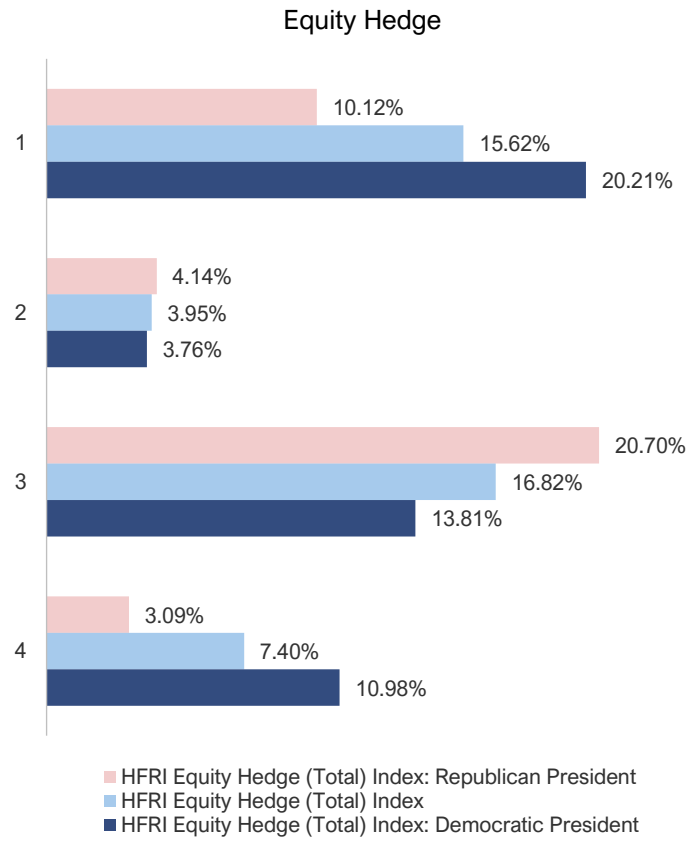


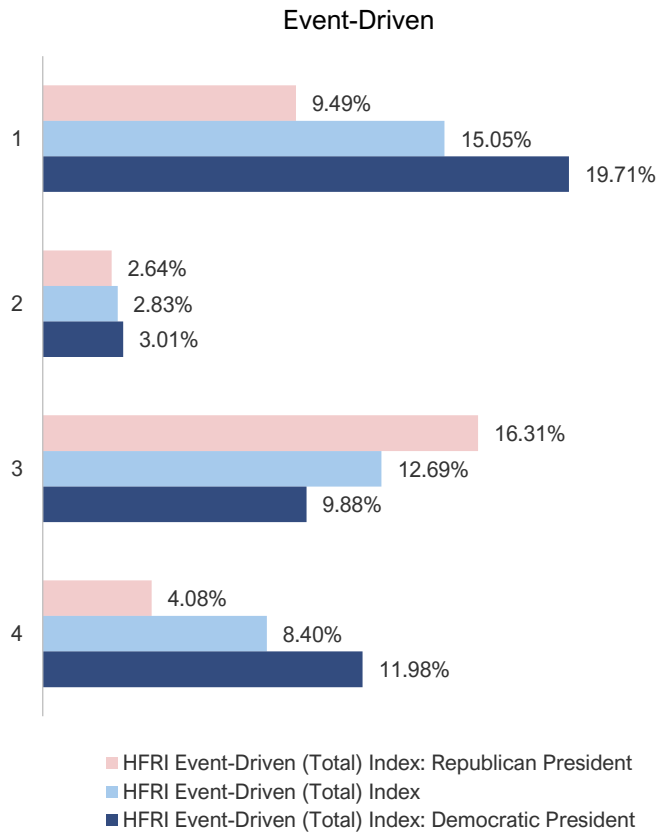


Hedge Fund Performance by Presidential Political Party Over Term Years

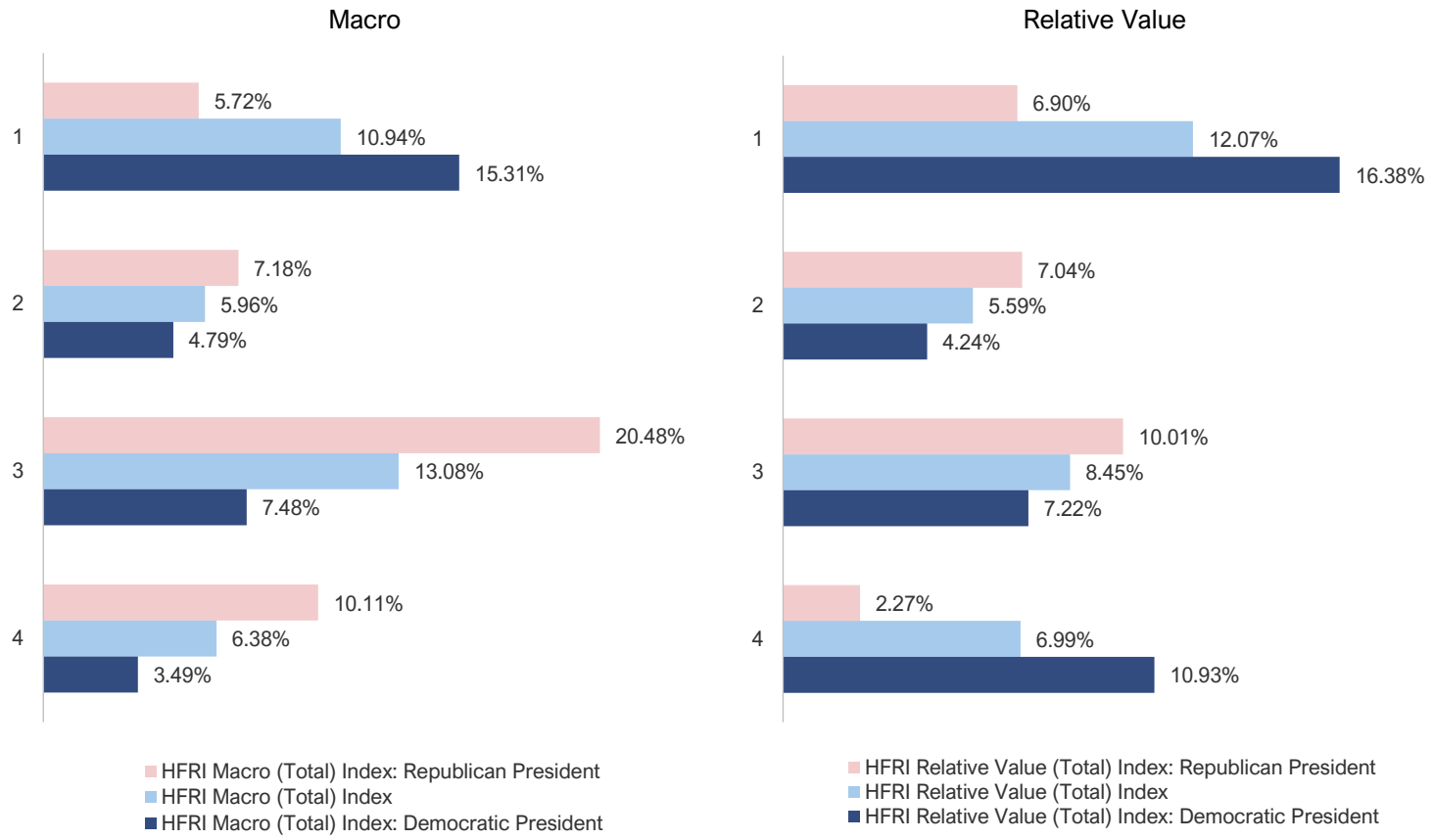


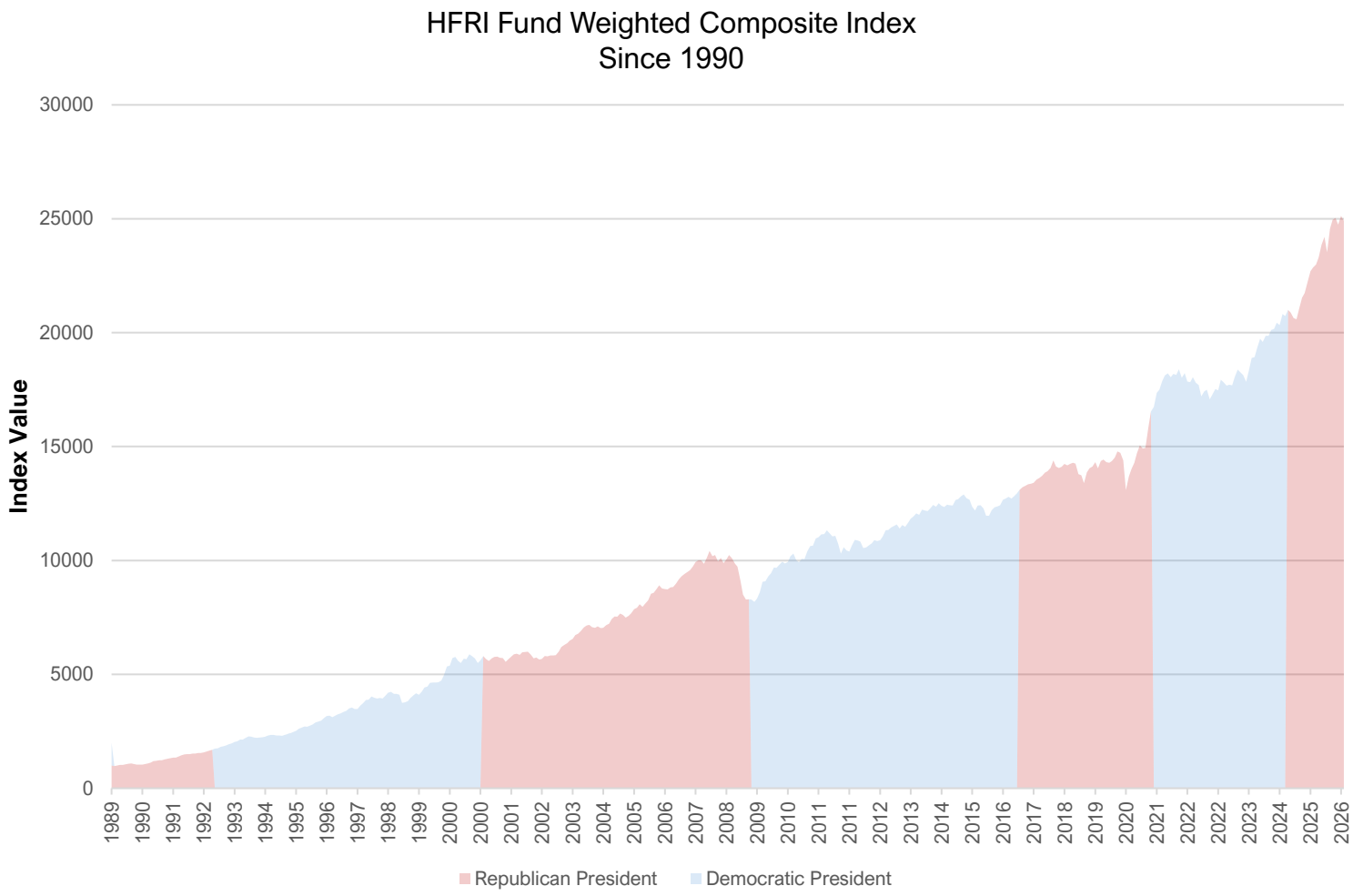
Hedge Fund Strategy Performance by Presidential Political Party Over Term Years





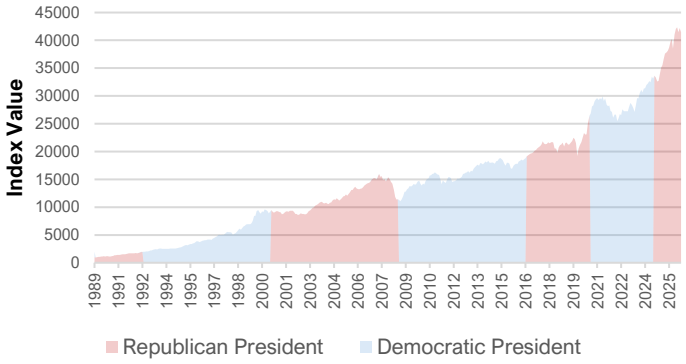
Hedge Fund Strategy Performance by Presidential Political Party Over Term Years



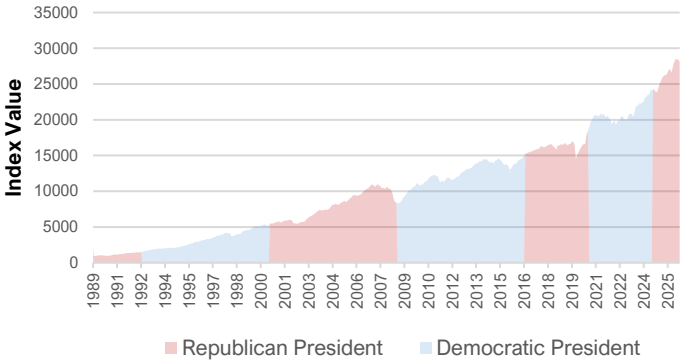


The data in the chart reflects monthly values.

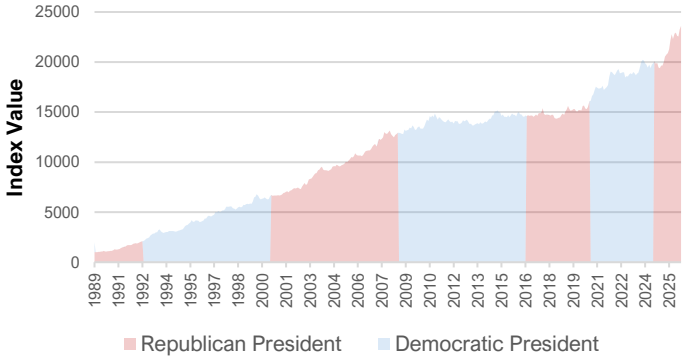
HFRI Equity Hedge (Total) Index
Since 1990



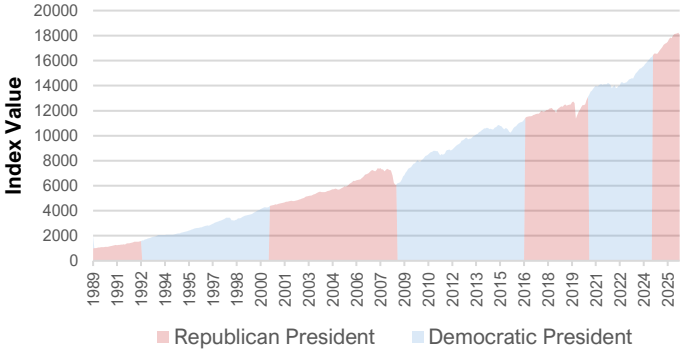
HFRI Event-Driven (Total) Index
Since 1990



HFRI Macro (Total) Index
Since 1990



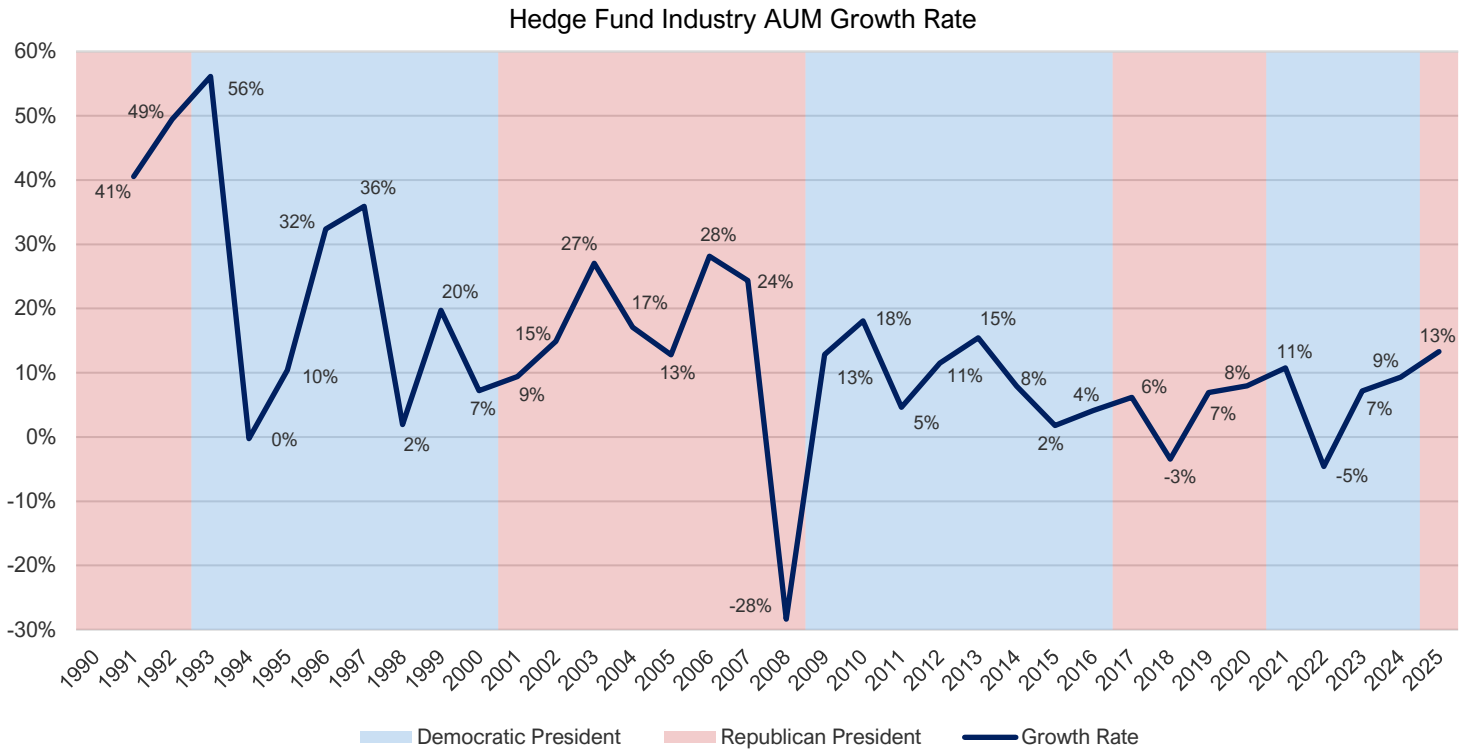
HFRI Relative Value (Total) Index
Since 1990



The data in the charts reflect monthly values.

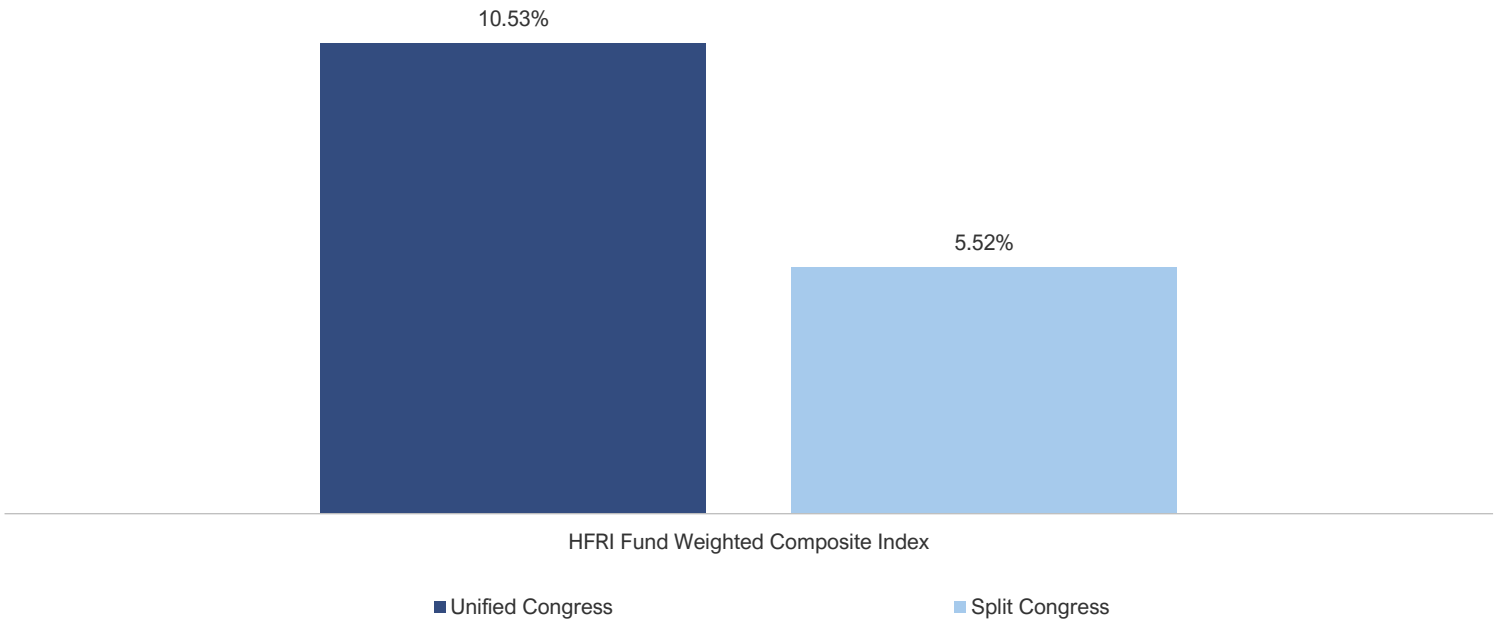
Hedge Fund Industry Asset Growth Rate by Presidential Political Party

Hedge fund capital has grown at an average annual rate of +14.0 percent from 1990-2025. Assets have historically increased at +15.1 percent on average under Republican presidents and +13.1 percent under Democratic presidents.



Annual AUM growth is calculated from the natural logarithms of HFR's annual hedge fund industry AUM estimates for the years 1990-2025.

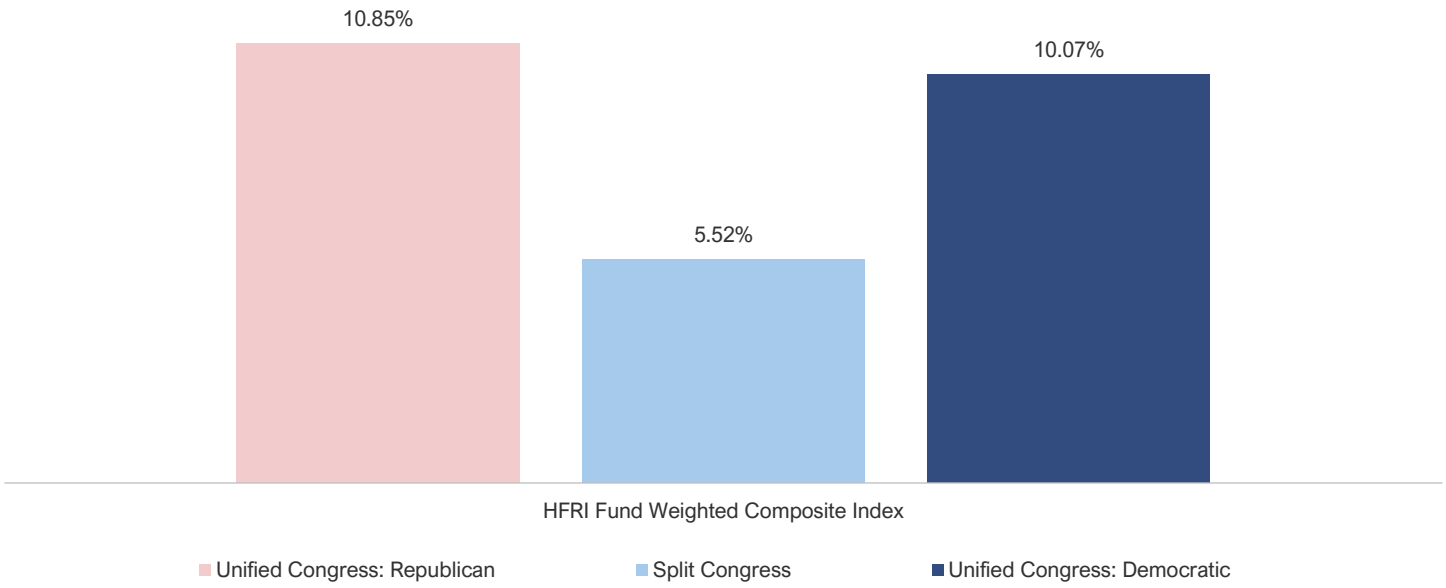
Hedge Fund Industry Performance by Congressional Composition, Unified vs. Split Congress



Unified Congress: When the same party controls both the U.S. Senate and the U.S. House of Representatives, regardless of the president's party.

Split Congress: When different parties control the U.S. Senate and the U.S. House of Representatives, regardless of the president's party.

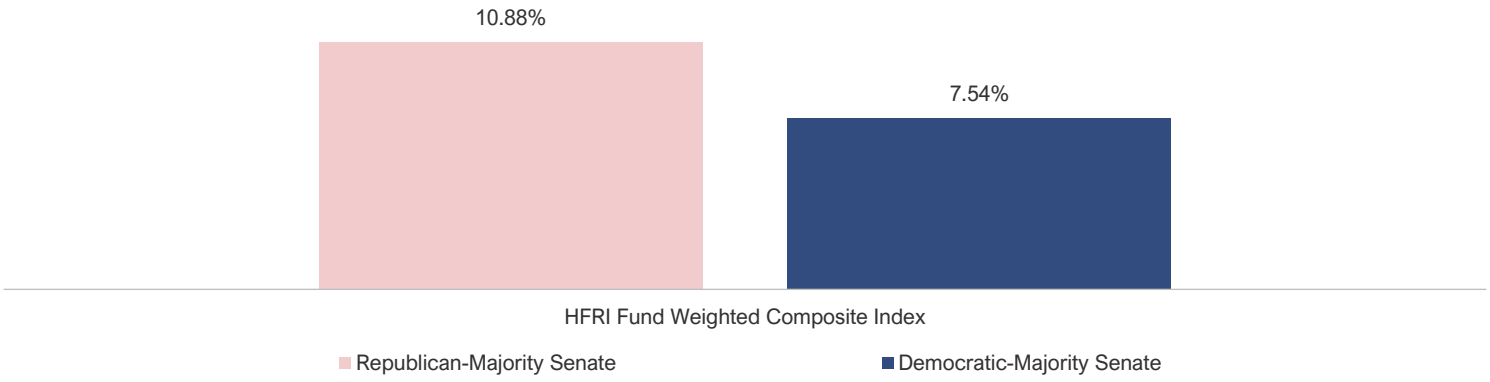
Hedge Fund Industry Performance by Congressional Political Majority
Unified vs. Split Congress



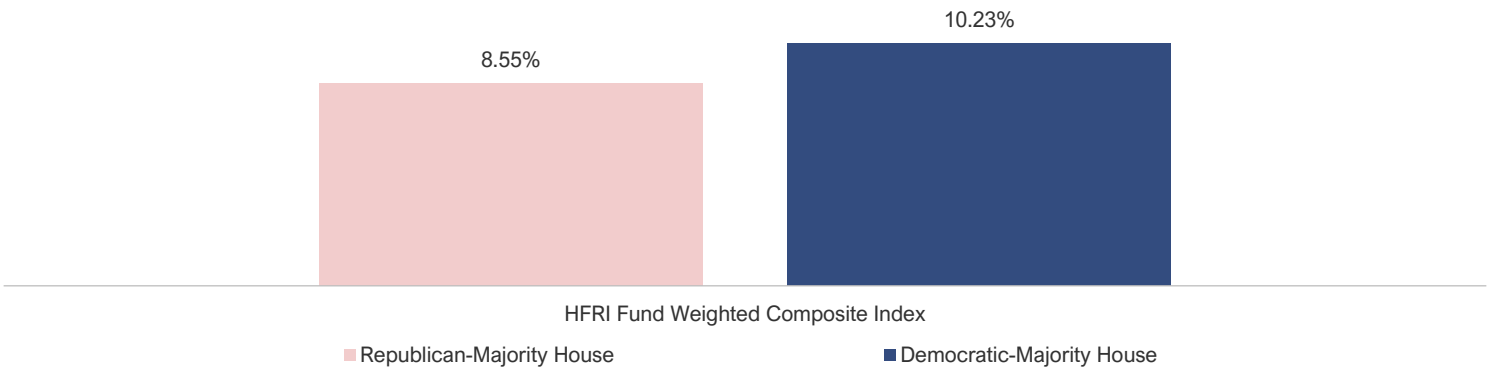
Unified government: When the same political party holds the presidency and controls both the U.S. Senate and the House of Representatives.

Divided government: When the political party holding the presidency does not control one or both chambers of Congress.

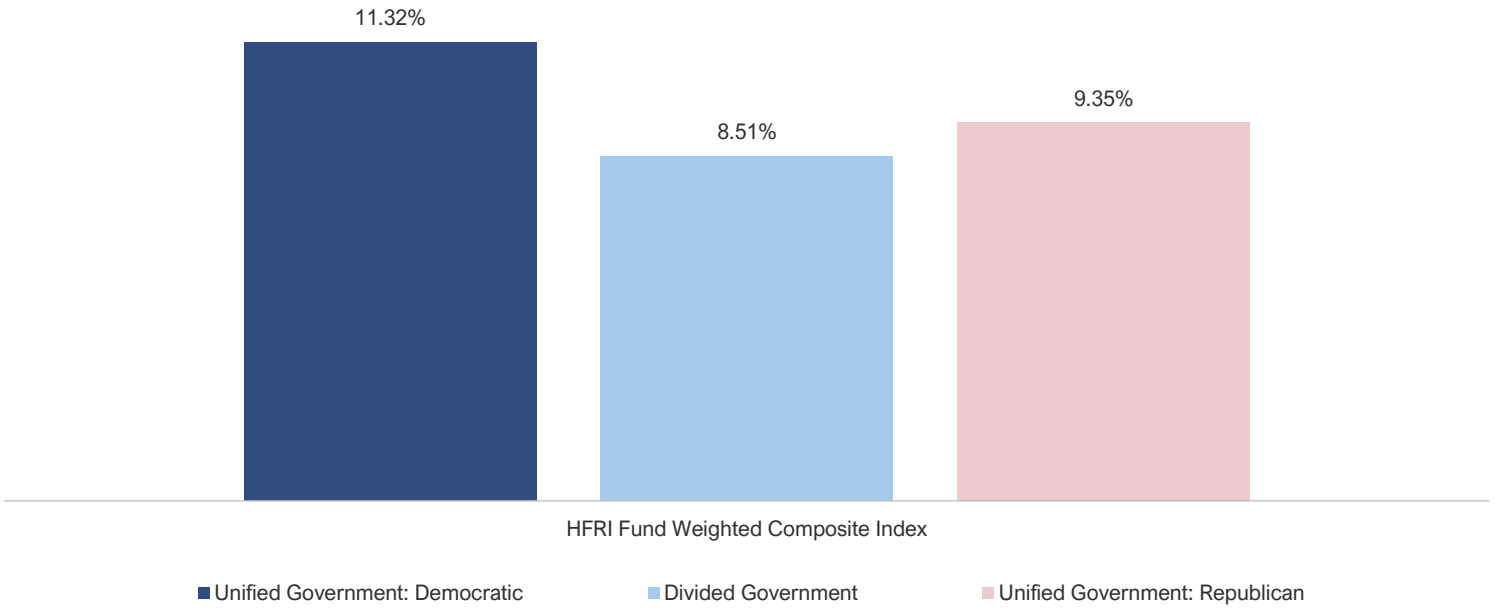
Hedge Fund Industry Performance by Senate Political Majority



Hedge Fund Industry Performance by House of Representatives Political Majority



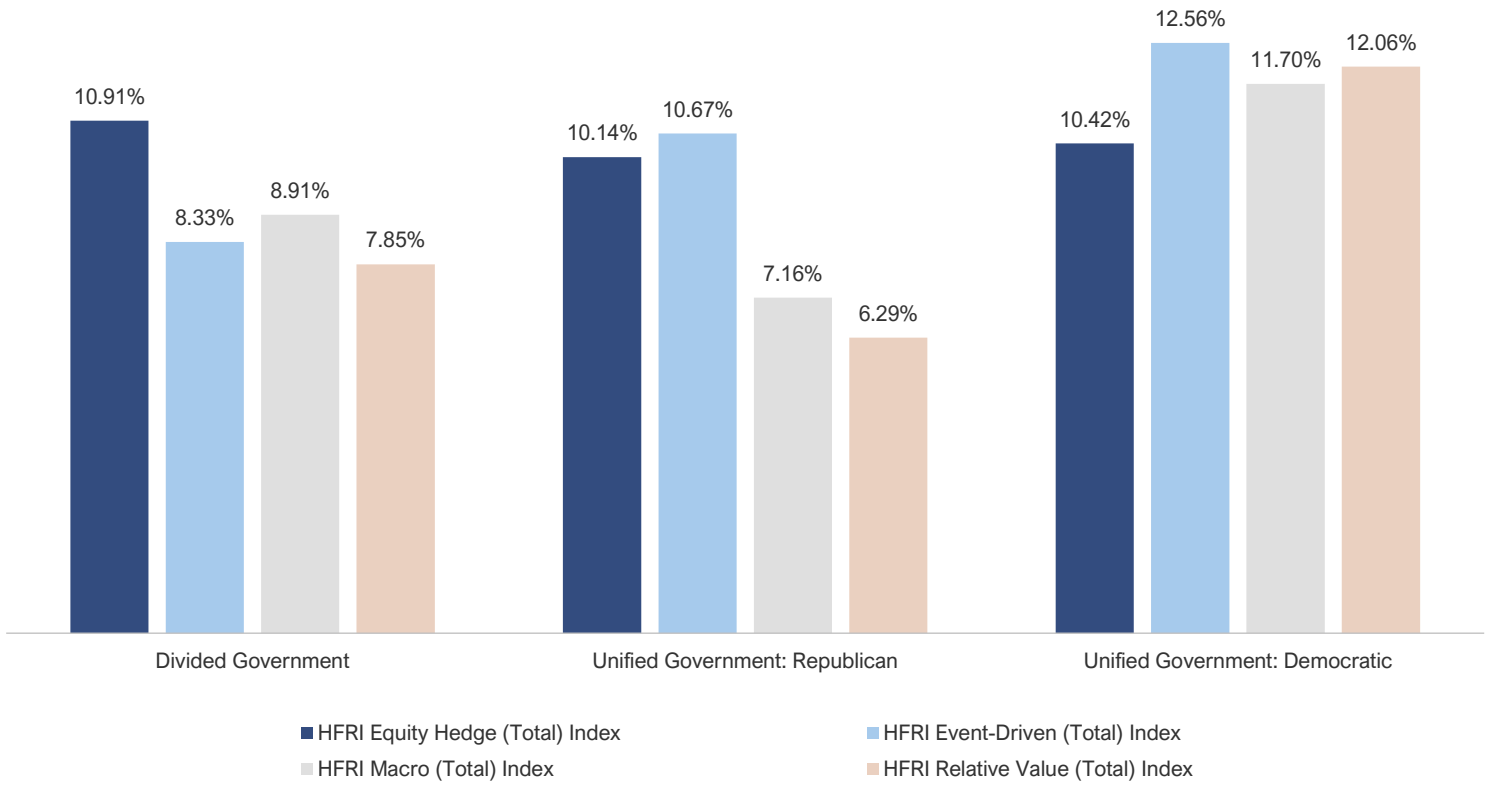
Hedge Fund Industry Performance
by Unified vs. Divided Government Status



Unified government: When the same political party holds the presidency and controls both the U.S. Senate and the House of Representatives.

Divided government: When the political party holding the presidency does not control one or both chambers of Congress.

Hedge Fund Strategy Performance
by Divided vs. Unified Government Status



Term Definitions

Unified government: When the same party holds the presidency and controls both the U.S. Senate and the U.S. House of Representatives.

Divided government: When the party holding the presidency does not control one or both chambers of Congress.

Unified Congress: When the same party controls both the U.S. Senate and the U.S. House of Representatives, regardless of the president's party.

Split Congress: When different parties control the U.S. Senate and the U.S. House of Representatives, regardless of the president's party.

Classification note: Congressional classifications reflect party control of the two legislative chambers only. Government classifications reflect party control of the presidency and both legislative chambers.

Methodology

Slides 3, 7-12, 16-20

Monthly returns are grouped according to the annual classifications for presidential party, congressional control, and unified or divided government. Each calendar year is assigned a single classification for each measure, which is applied to all available monthly returns within that year. Changes occurring within a calendar year are not separately reflected.

In presidential inauguration years, the incoming administration's party is applied to the entire calendar year, including January. For example, all 12 months of 2025 are classified as Republican presidential months, despite the inauguration occurring later in January. For 2001 and 2002, the Senate is classified as Democratic and the House of Representatives as Republican throughout both calendar years.

For each category, the annualized geometric return is calculated using all qualifying monthly observations, including observations from nonconsecutive periods.

Monthly returns are compounded together and annualized using the following formula:

$$R_{\text{annualized}} = \left[\prod_{t=1}^{N}(1 + r_t)\right]^{12/N} - 1$$

where r_t is the monthly return and N is the total number of qualifying monthly observations.

Presidential-party and congressional-control classifications are based on “Party Government Since 1857,” published by History, Art & Archives, U.S. House of Representatives.

Year	President Party	Term Year	Senate	House of Representatives	Unified (U) or Split (S) Congress	Unified Congress Party	Unified (U) or Divided (S) Government	Unified Government Party
1990	Republican	2	Democratic	Democratic	U	U-Democratic	S	S
1991	Republican	3	Democratic	Democratic	U	U-Democratic	S	S
1992	Republican	4	Democratic	Democratic	U	U-Democratic	S	S
1993	Democratic	1	Democratic	Democratic	U	U-Democratic	U	U-Democratic
1994	Democratic	2	Democratic	Democratic	U	U-Democratic	U	U-Democratic
1995	Democratic	3	Republican	Republican	U	U-Republican	S	S
1996	Democratic	4	Republican	Republican	U	U-Republican	S	S
1997	Democratic	1	Republican	Republican	U	U-Republican	S	S
1998	Democratic	2	Republican	Republican	U	U-Republican	S	S
1999	Democratic	3	Republican	Republican	U	U-Republican	S	S
2000	Democratic	4	Republican	Republican	U	U-Republican	S	S
2001	Republican	1	Democratic	Republican	S	S	S	S
2002	Republican	2	Democratic	Republican	S	S	S	S
2003	Republican	3	Republican	Republican	U	U-Republican	U	U-Republican
2004	Republican	4	Republican	Republican	U	U-Republican	U	U-Republican
2005	Republican	1	Republican	Republican	U	U-Republican	U	U-Republican
2006	Republican	2	Republican	Republican	U	U-Republican	U	U-Republican
2007	Republican	3	Democratic	Democratic	U	U-Democratic	S	S
2008	Republican	4	Democratic	Democratic	U	U-Democratic	S	S
2009	Democratic	1	Democratic	Democratic	U	U-Democratic	U	U-Democratic
2010	Democratic	2	Democratic	Democratic	U	U-Democratic	U	U-Democratic
2011	Democratic	3	Democratic	Republican	S	S	S	S
2012	Democratic	4	Democratic	Republican	S	S	S	S
2013	Democratic	1	Democratic	Republican	S	S	S	S
2014	Democratic	2	Democratic	Republican	S	S	S	S
2015	Democratic	3	Republican	Republican	U	U-Republican	S	S
2016	Democratic	4	Republican	Republican	U	U-Republican	S	S
2017	Republican	1	Republican	Republican	U	U-Republican	U	U-Republican
2018	Republican	2	Republican	Republican	U	U-Republican	U	U-Republican
2019	Republican	3	Republican	Democratic	S	S	S	S
2020	Republican	4	Republican	Democratic	S	S	S	S
2021	Democratic	1	Democratic	Democratic	U	U-Democratic	U	U-Democratic
2022	Democratic	2	Democratic	Democratic	U	U-Democratic	U	U-Democratic
2023	Democratic	3	Democratic	Republican	S	S	S	S
2024	Democratic	4	Democratic	Republican	S	S	S	S
2025	Republican	1	Republican	Republican	U	U-Republican	U	U-Republican
2026	Republican	2	Republican	Republican	U	U-Republican	U	U-Republican

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