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EMERGING MARKETS HEDGE FUNDS EXTEND GAINS AS TRADE TENSIONS RISE

***HFRI Russia, Latin America lead global industry performance;
Emerging Markets hedge fund capital extends record***

CHICAGO, (August 22, 2019) – Emerging Markets hedge funds posted industry-leading gains through mid-2019, navigating rising trade tariff tensions, the falling Chinese Renminbi, growing protests in Hong Kong, and interest rate cuts by the U.S. Federal Reserve and other central banks. Strong advances across all EM regions drove total EM hedge fund capital to end 2Q at a record level of \$239.3 billion, as reported today with the releases of the *HFR Asian Hedge Fund Industry Report* and the *HFR Emerging Markets Hedge Fund Industry Report* from HFR[®], the established global leader in the indexation, analysis and research of the global hedge fund industry.

EM hedge fund performance was led by the HFRI EM: Russia/Eastern Europe Index, which surged +15.9 percent YTD through July, topping all global hedge fund strategy indices for 2019. By way of comparison, the HFRI Fund Weighted Composite Index[®], the leading benchmark of global hedge fund performance inclusive of all strategies and regions, gained +7.8 percent YTD through July, registering the strongest start to a calendar year since 2009, while the HFRI Emerging Markets (Total) Index advanced +8.6 percent over the first seven months of 2019.

Strong performance of EM hedge funds extended the prior quarter's record level of total EM capital to end 2Q at \$239.3 billion (*Chinese Renminbi: 1.68 trillion, Brazilian Real: 969 billion, Indian Rupee: 17.1 trillion, Russian Ruble: 16.0 trillion, Saudi Real: 897 billion*), an increase of \$5.3 billion from 1Q.

Other EM regions also successfully navigated the volatile currency and fixed income trading environment, as the HFRI EM: Latin America Index surged +14.5 percent YTD through July, while the HFRI EM: China Index advanced +13.0 percent. Hedge fund focused on the Middle East, as well as those focused on developed Asia have also gained on the year, with the HFRI EM: MENA Index advancing +5.5 percent, and the HFRI Japan Index adding +4.7 percent YTD.

Blockchain, Cryptocurrency and Currency exposures also contributed to gains across EM and Asian hedge funds through July, despite a recent pullback. The HFR Blockchain Index surged +64.4 percent YTD through July, inclusive of a -17.2 percent decline in July. Risk Premia Currency strategies also advanced through the recent volatility with the HFR BSRP: Currency Index vaulting +9.3 percent YTD through July, as the Chinese Renminbi fell to below 7 to the U.S. Dollar. The HFR Bank Systematic Risk Premia Currency Carry Index surged +11.0 percent in July, increasing its YTD return to +22.0 percent. Similarly, the HFR Bank Systematic Risk Premia Currency Volatility Index has jumped +12.4 percent YTD.

“Emerging Markets hedge funds led industry-wide gains through mid-year as already-elevated EM risks across currency, equity and fixed income surged higher through mid-2019, and as the Chinese Renminbi fell, the US lowered interest rates and global economic growth turned mixed across both Emerging and Developed Markets,” stated Kenneth J. Heinz, President of HFR. “Hedge fund managers and investors are now positioning for a W-shaped macroeconomic trading environment, with elevated realized volatility and shifting risk-on/off sentiment driving dislocations across asset classes, creating long, short and non-directional tactical trading opportunities. Anticipating a continuation and possible acceleration of the currency devaluation sentiment, funds which are able to adjust exposures quickly are likely to lead industry performance and attract investor capital in 2H19.”

About HFR®

HFR (Hedge Fund Research, Inc.) is the global leader in the alternative investment industry, specializing in the indexation and analysis of hedge funds. Established in 1992, HFR produces the HFRI, HFRX and HFRU Indices, the industry's most widely used benchmarks of global hedge fund performance. HFR calculates over 100 indices of hedge fund performance ranging from industry-aggregate levels down to specific, niche areas of sub-strategy and regional investment focus. HFR Database, a comprehensive resource available for hedge fund investors, includes fund-level detail on historical performance and assets, as well as firm characteristics on both the broadest and most influential hedge fund managers. HFR has developed a detailed fund classification system, enabling granular and specific queries for relative performance measurement, peer group analysis and benchmarking. The HFR suite of analysis products leverages HFR Database to provide detailed, current, comprehensive and relevant aggregate reference points on all facets of the hedge fund industry. HFR also offers consulting services for clients seeking customized top-level or more sophisticated analysis. For the hedge fund industry's leading investors and hedge fund managers, **Hedge Fund Research is The Institutional Standard.**

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