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Contacts:

Hedge Fund Research, Inc.

Kenneth Heinz

Chicago/312.658.0955

info@hfr.com



[@HFRInc](https://twitter.com/HFRInc)

[@KennethJHeinz](https://twitter.com/KennethJHeinz)

MacMillan Communications

Chris Sullivan

New York/212.473.4442

chris@macmillancom.com

Hydra Strategy

Henrietta Hirst

London/+44 (0) 7880 742 375

Henrietta.hirst@hydrastrategy.co.uk

EMERGING MARKETS HEDGE FUNDS SURGE AS EQUITIES GAIN THROUGH GLOBAL PANDEMIC

*Regional equities, currency & cryptocurrencies drive performance;
HFRI China Index vaults over 13 percent YTD 2020*

CHICAGO, (August 27, 2020) – Emerging Markets and Asian hedge funds surged in 2Q 2020, recovering from steep losses experienced in late 1Q, with many indices posting gains for YTD 2020 through July. The HFRI China Index gained +6.8 return in July, which followed a +14.5 percent in 2Q, the best quarterly performance since 1Q 2019, to bring YTD performance to +13.1 percent, as reported today with the release 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.

Hedge fund capital invested in Emerging Markets also surged concurrent with the record performance gains, ending 2Q at \$244.4 billion (Chinese Renminbi: 1.55 trillion, Brazilian Real: 1.24 trillion, Indian Rupee: 16.6 trillion, Russian Ruble: 16.9 trillion, Saudi Real: 842 billion), an increase of nearly \$13 billion from the prior quarter. Hedge fund capital invested in Asian markets also increased to \$115.5 billion (Chinese Renminbi: 798 billion, Indian Rupee: 8.57 trillion, Japanese Yen 12.28 trillion, Korean Won 1.09 trillion).

The HFRI Emerging Markets (Total) Index advanced +12.8 percent in 2Q, the strongest quarterly gain since 4Q 2001, followed by a +4.5 percent gain in July, bringing YTD performance to essentially flat for the year. Hedge funds across all EM regions posted similar strong gains in 2Q, with the HFRI EM: Russia/ Eastern Europe Index surging +15.1 percent, while the HFRI EM: Latin America Index advanced +13.6 percent and the HFRI EM: MENA Index added +4.9 percent in the quarter. Through July, hedge

funds investing in Russia have outperformed Russian equities by 1700 bps while LatAm-focused funds have outperformed LatAm equities by 1400 bps.

The HFRI Fund Weighted Composite Index[®], the global benchmark for funds investing across all regions and strategies, has gained +12.3 percent over the last four months (April – July), nearly recovering the entire 1Q decline of -11.6 percent. Similarly, the investable HFRI 500 Fund Weighted Composite Index has gained +10.8 percent over the last four months (April – July), bringing YTD performance to a narrow decline of -0.2 percent. The HFRI Asia w/Japan Index gained +2.9 percent in July to increase the YTD return to +0.9 percent.

Currency-focused strategies have produced strong gains through the pandemic, driven by recent declines in the U.S. dollar against both EM and developed currencies, with the HFRI Currency Index gaining +6.2 percent YTD through July.

Cryptocurrency-focused hedge funds have also surged in recent months, with cryptocurrency exposure contributing to recent gains in EM-focused funds. The HFR Blockchain Index surged +26.8 percent in July, bringing YTD performance to +47.8 percent, while the HFR Cryptocurrency Index jumped +30.6 in July, bringing YTD performance to +51.4 percent.

“Emerging Markets hedge funds have navigated the pandemic volatility in recent months, with gains across regional equities, currencies and commodities narrowing or entirely offsetting early 2020 losses as the coronavirus pandemic was beginning its impact on the global economy,” stated Kenneth J. Heinz, President of HFR. “The macro and geopolitical environment has shifted and evolved into the second half of the year, with ongoing risk continuing, associated with the global pandemic, as well as with regard to global stimulus and recovery efforts, ongoing trade tensions and the uncertainty of the U.S. election. EM & Asian hedge funds that are positioned for this fluid environment and which have demonstrated performance generation in recent months are likely to lead industry performance and attract institutional investors.”

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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.**