



HEDGE FUND RESEARCH, INC.

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**INVESTORS RETURN TO ASIAN HEDGE FUNDS WITH  
FOCUS ON CURRENCY POLICY ADJUSTMENTS**

*Expectations for renminbi revaluation attract investment, hedging and speculation*

CHICAGO, (August 4, 2010) – Hedge fund investors developed a central focus on Chinese foreign exchange policy in 2Q10, as the Chinese central bank took steps toward increased flexibility of its currency policy. In anticipation of this, investors allocated over \$360 million in new capital to Asian hedge funds, reversing the net asset outflow in 1Q10, according to Hedge Fund Research, the leading global provider of information on the hedge fund industry. Total capital invested in Asian focused hedge funds declined to \$74.4 billion, as performance-based losses offset the impact of new investor capital.

Investors allocated broadly across hedge fund strategies and regions, with primary interest in Event Driven and Pan-Asian focus, including both Emerging and Developed Asian economies. Event Driven strategies, which focus on Distressed, Shareholder Activist, Merger Arbitrage and other Special Situations, received the majority of new investor capital. Equity Hedge and Macro funds also attracted new capital, the latter of which focus on global currency, commodity and interest rate positions. By geographic focus, investors shifted assets from dedicated Emerging Asia funds into funds focused on Japan and broadly across Pan-Asia.

While the dynamics of Asian funds generally mirrored the broader hedge fund industry, they also diverged in some respects. For example, Asian Equity Hedge funds experienced an increase of \$1.7 billion as a result of strong performance over 2Q10, a

sharp contrast to Equity Hedge funds globally, which experienced a performance based decline of \$23 billion in the quarter. Furthermore, Asian-focused Relative Value Arbitrage (RVA) funds experienced losses of \$2.6 billion as a result of performance, which contrasts to RVA funds globally which saw an increase of \$1.1 billion. Finally, Asian-focused funds employ higher levels of leverage than US and European funds, with the Asian region having the greatest percentage of funds employing between 2-5 and 5-10 times investment capital.

### **HFR Industry Summit coming to Asia**

Hedge Fund Research has also announced that it will host its ***HFR Industry Summit: Asia 2010*** in Hong Kong on September 16<sup>th</sup> & 17<sup>th</sup> at The Four Seasons Hong Kong. The HFR Industry Summit is the hedge fund industry's premier private investor engagement, hosted annually in Chicago and London. This will mark the event's inaugural appearance in Asia.

“Powerful trends continue to shape the growth and development of the Asian hedge fund industry, as global investors look to access the complex but superior growth dynamics in Asian financial markets,” said Kenneth Heinz, President of Hedge Fund Research, Inc. “Access to capital, banking stability, limitations on foreign investment into China, utilization of listed futures contract on the Chinese equity market and the prospect of modification to foreign exchange rate policy are some of the most central themes, not only to the Asian hedge fund industry growth, but to the global macro framework for investing across asset classes in coming years.”

### **About HFR**

**Hedge Fund Research, Inc. (HFR)** is the global leader in the alternative investment industry. Established in 1992, HFR specializes in the areas of indexation and analysis of hedge funds. HFR Database, the most 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 the industry's most detailed fund classification system, enabling granular and specific queries for relative performance measurement, peer group analysis and benchmarking. HFR produces over 100 indices of hedge fund performance ranging from industry-aggregate levels down to specific, niche areas of sub-strategy and regional investment focus. With performance dating back to 1990, the HFRI Fund Weighted Composite Index is the industry's most widely used standard benchmark of hedge fund performance globally. The HFR suite of Analysis Products leverages the 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 nuanced analysis. **For the hedge fund industry's leading investors and hedge fund managers, Hedge Fund Research is The Institutional Standard.**

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