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## HFRI EMERGING MARKETS INDEX POSTS WORST MONTHLY LOSS SINCE 2016

### *HFRI Latin America Index surges in volatile October; EM hedge funds on pace for worst calendar year since 2011*

CHICAGO, (November 28, 2018) – Emerging Markets hedge funds extended their losses from the first half of 2018 through 3Q and October, as global and EM regional equities, currencies and hedge funds all posted sharp declines, according to the latest release of the *HFR Emerging Markets Industry Report*, released today by HFR<sup>®</sup>, the established global leader in the indexation, analysis and research of the global hedge fund industry.

The HFRI Emerging Markets (Total) Index fell -3.7 percent in October, bringing the YTD return to -10.7 percent, on pace for the worst calendar year of performance since declining -14.0 percent in 2011. October also marked the eighth monthly decline in the first 10 months of 2018.

The HFRI Fund Weighted Composite Index<sup>®</sup>, which includes hedge funds globally of all strategies and regional investment focus areas, also posted a sharp decline of -3.15 percent in October, lowering the YTD return to -1.9 percent through October.

Investors redeemed \$3.1 billion from Emerging Market hedge funds in 3Q18, the largest quarterly redemption since 1Q 2009. Total EM hedge fund capital fell by \$4.0 billion in 3Q18 to \$227.1 billion (RMB: 1.58 trillion, Brazilian Real: 883 billion, Indian Rupee: 16.1 trillion, Russian Rouble: 15.3 trillion, Saudi Real: 852 billion).

Latin America-focused hedge funds led global hedge fund performance with a sharp, negatively-correlated gain in October, with the HFRI EM: Latin America Index surging +5.2 percent. Despite the strong performance month, hedge fund capital invested in funds focused on Latin America declined to \$5.5 billion through 3Q18.

EM hedge fund performance for 2018 through October has been led by the HFRI EM: MENA Index, despite the Index posting a decline of -2.5 percent YTD. In early 3Q18, MENA-focused hedge funds had been defensively positioned and largely insulated from the intense volatility as a result of the plunge in the Turkish Lira, though this was overwhelmed by both developed and EM regional equity market weakness in recent months.

Chinese hedge funds also posted the worst monthly decline since January 2016 in October, with the HFRI EM: China Index falling -7.75 percent, bringing down YTD performance to -17.0 percent. Despite the magnitude of the decline, the Index still tops the decline of the Shanghai Composite Index by over 350 basis points. Total hedge fund capital managed by funds focused in Emerging Asia fell to \$52.9 billion, representing a YTD AUM decline of \$2 billion.

The HFRI EM: Russia/Eastern Europe Index decline in October was more narrow than the other emerging markets, although the Index still fell by -1.9 percent for the month, bringing YTD performance to -2.9 percent. The decline falls slightly below the performance of Russian equities YTD through October. Total hedge fund capital managed by funds focused on Russia/Eastern Europe fell to \$28.4 billion.

“After navigating the falling Emerging Markets currency weakness in early 3Q, volatility in EM hedge funds spiked in recent months as regional equity market losses in both emerging and developed markets accelerated,” stated Kenneth J. Heinz, President of HFR. “As a result of this volatility spike and performance declines, investors withdrew the largest amount of capital since 2009 despite a negatively-correlated gain in Latin American-focused funds, coupled with more moderate declines in the MENA and Russia/Eastern Europe regions. Regional EM equity market developments, including ongoing Brexit and US trade negotiations, are expected to remain both volatile and fluid through year end, with regionally specialized EM hedge funds positioning to generate performance both long and short from the opportunities and volatility.”

**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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