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## HFRI CHINA INDEX POSTS STEEP DECLINE AS EQUITIES, RENMINBI LOSSES ACCELERATE

*Worst monthly performance for Chinese hedge funds since January 2016;  
Renminbi hits low of near 7 to US\$ as Shanghai Composite plunges*

CHICAGO, (November 16, 2018) – Chinese hedge funds posted sharp declines in October as both global equities and the Renminbi fell. The HFRI Emerging Markets: China Index lost -7.76 percent in October, the steepest monthly decline since retreating -9.9 percent in January 2016, and brought down the YTD 2018 return to -16.96 percent, putting it on pace for the worst annual performance since falling -31.3 percent in 2008.

Losses were much more muted for Japanese hedge funds in October, with the HFRI Japan Index losing -1.5 percent for the month, dropping the YTD return to -2.3 percent, although this tops the decline of the Nikkei 225 by 120 basis points.

Total Asian hedge fund capital fell to \$118.6 billion in 3Q18 (823 billion RMB, 13.4 trillion Japanese Yen ¥, 8.5 trillion Indian Rupee, 133 trillion Korean Won), a quarterly decline of \$2.5 billion, according to the latest release of the *HFR Asian Hedge Fund Industry Report*, released today by HFR<sup>®</sup>, the established global leader in the indexation, analysis and research of the global hedge fund industry. Total Asian hedge fund capital had reached a record of \$123 billion in 1Q18.

Despite the steep losses for the HFRI China Index in October, the decline still tops the YTD decline of the Shanghai Composite Index by nearly 430 basis points. Other Asian hedge

fund indices also experienced sharp declines, with the volatile HFRI Emerging Markets: India Index falling -27.5 percent YTD, though losses were more concentrated in September, when the Index fell -11.6 percent, rather than in October, when it lost -5.8 percent. The YTD performance for the HFRI EM: India Index is also on pace for the worst annual decline since losing -36.0 percent in 2011.

Top strategy areas of Asian-located hedge funds included both uncorrelated Macro and fixed income-based Relative Value Arbitrage, with these posting gains of +1.1 and +1.5 percent, respectively, YTD through October. Cryptocurrency exposure also detracted from Asian hedge fund performance, with the HFR Cryptocurrency Index dropping -8.3 percent in October.

“Continuing the trends which started in 2Q, accelerating losses across Chinese equities, currency and cryptocurrency contributed to the worst performance month for the HFRI China Index since January 2016”, stated Kenneth J. Heinz, President of HFR. “Through the middle of the fourth quarter, asset implied and realized volatility remains extremely high, with oscillating patterns of steep losses and sharp recoveries dominating an increasingly volatile trading environment. Asian hedge fund capital has eroded modestly as a result of losses and risk, but investors continue to perceive Asian hedge funds as a defensive position, allowing them to access the opportunities created by this intense volatility but with more muted or limited downside risk,” Heinz said.

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