HFRI CHINA INDEX DOMINATES SHANGHAI COMPOSITE

HFRI Japan Index posts best gain since 2013;
Asian hedge funds begin 2018 near record asset level

CHICAGO, (February 14, 2018) – Asian hedge funds posted strong gains in 2017, with the HFRI China Index topping the Shanghai Composite Index by the widest margin in a calendar year since Index inception in 2008, according to the latest HFR Asian Hedge Fund Industry Report, released today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry.

The HFRI China Index gained +31.1 percent in 2017 versus +6.6 percent for the Shanghai Composite. That strong outperformance carried over into January 2018, as the HFRI China Index vaulted +7.3 percent, versus the +5.3 percent return of the Shanghai Composite. By way of comparison, the HFRI Fund Weighted Composite Index®, which includes hedge fund strategies across all regions, returned +8.6 percent for 2017 and +2.8 percent in January.

Total Asian hedge fund assets increased through year-end to US$122.2 billion (774 billion RMB, 13.28 trillion JPY, 7.85 trillion Indian Rupee), trailing only the record of US$126 billion set in 2Q 2015.

The volatile HFRI India Index surged +37.1 percent in 2017, the strongest gain since gaining +42.7 percent in 2014, topping the BSE Sensex 30 Index by over 900 basis points. However, the HFRI India Index declined -2.2 percent in January to begin 2018. Indian hedge
funds also topped the broad-based Index of all EM hedge funds in 2017, as the HFRI Emerging Markets (Total) Index gained +19.5 percent last year.

Similarly, the HFRI Japan Index gained +16.7 percent in 2017, the best annual gain since the Index gained +29.6 percent in 2013; the Index added +3.0 percent in January 2018. These gains for Japanese-focused hedge funds were in-line with strong gains for the Nikkei 225 Index, which gained +19.1 percent in 2017.

Asian-located hedge funds gained +19.1 percent in 2017, led by Event-Driven and Equity Hedge strategies, which include Shareholder Activist, Distressed and Quantitative Equity funds. Asian-located Event-Driven funds vaulted +23.8 percent in 2017, while Asian-located Equity Hedge funds jumped +23.6 percent for the year. In January, the strong performance of Asian-located Equity Hedge funds continued, as these added +4.2 percent, although Fixed Income-based Relative Value Arbitrage funds led all Asian-located strategies for the month by gaining +7.6 percent. Globally, the HFRI Equity Hedge (Total) Index gained +13.3 percent in 2017, while the HFRI Event-Driven (Total) Index advanced +7.6 percent.

“2017 and early 2018 has been a historic time for the Asian hedge fund industry, with the story not only involving strong performance across China, India and Japan, but significant outperformance of Chinese regional equity markets for the HFRI China Index,” stated Kenneth J. Heinz, President of HFR. “A combination of factors contributed to this outperformance including security selection and tactical exposure adjustment, as well as positions across non-equity exposures including currency, commodity, fixed income and event-driven situations. Recent gains in renminbi, increasing US interest rates and inflation, ongoing trade negotiations and volatile but receding geopolitical tensions are all likely to drive opportunities in Asian hedge funds in 2018.”

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