CHINESE HEDGE FUNDS LEAD EMERGING MARKET CAPITAL TO RECORD

Currency, Blockchain gains complement regional equity beta; Powerful investor risk-on sentiment tops trade war volatility

CHICAGO, (May 31, 2019) – Chinese hedge funds have posted record gains into mid-2019, dominating the risk-on sentiment-fueled surge of Emerging Markets performance that has led the industry through mid-year, 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.

The HFRI China Index vaulted +16.1 percent YTD through April, leading all hedge fund strategy and regional indices globally, as powerful investor risk-on sentiment overwhelmed the volatility associated with fluid and ongoing trade tariff negotiations. The HFRI Fund Weighted Composite Index®, the leading benchmark of global hedge fund performance inclusive of all strategies and regions, jumped +7.1 percent YTD through April, registering the strongest start to a calendar year since 2006.

Emerging Markets hedge fund performance across all regions has been strong, with powerful leadership from Chinese funds complemented by Russia/Eastern Europe, Latin America and MENA regions. The HFRI EM: Russia/Eastern Europe Index has advanced +8.5 percent YTD, including +2.6 percent in April, while the HFRI EM: Latin America Index...
advanced +6.4 percent. Middle East-focused hedge funds have also shown strong performance thus far in 2019, as the HFRI EM: MENA Index has surged +7.1 percent YTD, including +2.7 percent in April. Developed Asian hedge funds also gained through mid-2019, with the HFRI Japan Index advancing +3.3 percent YTD.

Strong performance of EM hedge funds drove total EM hedge fund capital to a record level to conclude 1Q19, increasing $12 billion from the prior quarter level of $221.9 billion and narrowly surpassing the previous record set in 1Q18. Total EM hedge fund capital rose to $233.94 billion (Chinese Renminbi: 1.61 trillion, Brazilian Real: 926 billion, Indian Rupee: 16.3 trillion, Russian Ruble: 15.2 trillion, Saudi Real: 877 billion.) topping the record of $233.87 billion from 1Q18. China-focused EM hedge fund capital surged by nearly 10 percent in 1Q19, rising to $53.3 billion.

Blockchain, Cryptocurrency and Currency exposures also contributed to gains across EM and Asian hedge funds through mid-2019. The HFR Blockchain Index surged +25.4 percent YTD through April, with expectations for an acceleration of the performance surge through May. Risk Premia Currency index sub-strategy exposure also posted strong gains as trade tariff related volatility spiked, US interest rates declined, and the Chinese Renminbi weakened. The HFR Bank Systematic Risk Premia Currency Index has gained +6.5 percent YTD, led by a the HFR Bank Systematic Risk Premia Currency Multi-Style Index, which has surged +17.2 percent thus far in 2019, inclusive of a +8.4 percent gain in April. Similarly, the HFR Bank Systematic Risk Premia Currency Volatility Index has jumped +13.4 percent YTD.

“Powerful performance gains throughout early 2019 drove Emerging Markets hedge funds capital to a record level, as risk-on, recovery sentiment prevailed despite fluid risks associated with ongoing trade tariff negotiations. China-focused hedge funds posted the strongest calendar year start since 2015 despite these risks, as regional equity markets surged and the renminbi weakened,” stated Kenneth J. Heinz, President of HFR. “The current trade tariff volatility and tension between rapidly oscillating risk-off and risk-on sentiment is likely to dominate financial markets over the intermediate term, but as we have seen throughout early 2019, this pattern has and is expected to continue to generate opportunities as well as risks. Funds which are able to navigate this fluid environment are likely to lead both Asian and global industry performance and growth in 2019.”
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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