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EMERGING MARKETS HEDGE FUNDS FIND OPPORTUNITIES IN PANDEMIC, COMMODITY DISLOCATIONS

HFRI Emerging Markets Index rises in April after March swoon; Volatile Cryptocurrency, India, China exposures lead surge

CHICAGO, (May 29, 2020) – Emerging Markets hedge funds continued to navigate a volatile path through the global coronavirus pandemic, posting steep losses in March followed by a strong surge in April and a recovery extending deep into 2Q20. The HFRI Emerging Markets (Total) Index gained +5.4 percent in April, partially recovering from the decline of -12.4 percent in March; the Index has declined -10.2 percent YTD through April after gaining +11.8 percent in 2019, as reported today with the releases 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.

Total capital invested in EM hedge funds declined from their record level in 1Q as financial markets volatility spiked and investor risk tolerance posted a historic decline, with total capital falling to \$232 billion (Chinese Renminbi: 1.65 trillion, Brazilian Real: 1.2 trillion, Indian Rupee: 17.5 trillion, Russian Ruble: 16.4 trillion, Saudi Real: 875 billion) declining from the record of \$248.3 billion where the category began 2020.

The HFRI China Index advanced +4.8 percent in April, partially recovering from the March decline of -6.45 percent. The Index has declined -3.0 percent YTD through April, topping the decline of -6.2 percent for Chinese equities. Similarly, but in an even more volatile manner, the HFRI India Index gained +13.8 percent in April after falling -30.7 percent in March.

In addition to sharp swings in regional equity and fixed income markets as a result of the coronavirus pandemic, EM hedge funds also traded through historic volatility in commodity markets, including Oil output production negotiations and an unprecedented settlement of the Oil futures contract at which delivery prices fell into negative territory.

The HFRI MENA Index advanced +4.6 percent in April after falling -9.7 percent in March, while the HFRI Russia/Eastern Europe Index gained +3.5 percent in April after declining -15.9 percent in March. Latin American hedge funds experienced a similar performance path, gaining +4.7 percent in April after dropping -24.3 percent in March. Globally, hedge funds investing in Energy and Basic Materials (HFRI EH: Energy/Basic Materials Index) surged +14.5 percent in April after losing -10.6 percent in March; the Index has posted a narrow gain of +0.8 percent YTD through April.

Blockchain and Cryptocurrencies also experienced intense volatility through early 2020, with the HFR Cryptocurrency Index surging +19.5 percent in April following a decline of -26.2 percent in March; the Index has gained +13.3 percent YTD, following a +24.0 percent return in 2019.

“Coronavirus-driven pandemic volatility, which began in early 2020, accelerated and expanded through April to encompass not only regional Emerging Market equity and fixed income markets, but also commodity and currency markets, including volatile cryptocurrency markets,” stated Kenneth J. Heinz, President of HFR. “EM hedge funds have tactically and effectively navigated these historic dislocations, mitigating volatility through the March declines while positioning for the recovery across EM assets, commodities and currencies/cryptocurrencies in April and extending into mid-2020. Funds which have demonstrated performance generation through 1Q are likely to lead industry performance in coming quarters.”

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