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## **HFRI CHINA, RUSSIA INDICES LEAD GAINS AS TRADE, GEOPOLITICAL UNCERTAINTY ACCELERATES**

*Falling Renminbi drives hedge fund performance as Shanghai Composite surges;  
Total Emerging Markets capital declines narrowly from record*

CHICAGO, (November 22, 2019) – Emerging Markets hedge funds extended industry-leading performance through October, with not only Chinese- but also Russia-focused hedge funds driving performance gains, 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.

Continuing many of the themes which have driven performance gains throughout 2019, Emerging Markets hedge funds continued to position for and trade through trade tariff tensions, the falling Chinese Renminbi, growing protests in Hong Kong, and interest rate cuts by the U.S. Federal Reserve.

EM hedge fund performance was led by the HFRI EM: China Index, which narrowly eclipsed the HFRI EM: Russia/Eastern Europe Index as the leading area of EM hedge fund performance YTD through October. The HFRI EM: China Index surged +14.7 percent YTD through October, with performance driven by a combination of gains in Chinese equities and the falling Chinese Renminbi, which fell to below 7 to the U.S. Dollar.

Similarly, the HFRI EM: Russia/Eastern Europe Index has jumped +14.2 percent for 2019, though this trails the surge in Russian equities, while the Rouble has gained against the US

dollar. By way of comparison, the HFRI Fund Weighted Composite Index<sup>®</sup>, the leading benchmark of global hedge performance inclusive of all strategies and regions, has gained +7.5 percent YTD through October, while the HFRI Emerging Markets (Total) Index advanced +8.4 percent.

Strong performance of EM hedge funds failed to extend the 2Q 2019 record level of total EM capital, with capital registering a modest decline to end 3Q at \$237.3 billion (*Chinese Renminbi: 1.67 trillion, Brazilian Real: 999 billion, Indian Rupee: 17.0 trillion, Russian Ruble: 15.1 trillion, Saudi Riyal: 890 billion*).

Other EM regions also continued to navigate the volatile currency and low global interest rate environment, as the HFRI EM: Latin America Index gained +7.9 percent YTD through October, while the HFRI EM: MENA Index trails the overall hedge fund industry despite returning +5.4 percent for the year. Hedge funds in developed Asia have posted gains in line the global hedge funds industry, with the HFRI Japan Index advancing +7.7 percent YTD.

Blockchain and Cryptocurrency exposures continued to exhibit a great deal of volatility; the HFR Blockchain Index has vaulted +47.5 percent YTD through October, although this is inclusive of a sharp decline of -33.7 percent in 3Q19. Risk Premia strategies have posted a wide dispersion of performance in 2019, with the HFR BSRP: Multi-Strategy Index surging +40.8 percent YTD through October, while the HFR BSRP: Commodity Index has declined -14.5 percent over the same time period.

“Emerging Markets hedge funds continue to lead industry-wide gains into year-end as trade and geopolitical risks continue to evolve and create new opportunities for specialized, multi-asset, long/short EM investing,” stated Kenneth J. Heinz, President of HFR. “Risks and volatility on the current equity, fixed income, commodity and currency markets are likely to not only persist but accelerate as a result of the contrast between low global interest rates and strong gains across EM equities. Investors are likely to expand allocations to EM hedge funds as a way to access these higher growth markets while hedging and mitigating the complex and dynamic risks.”

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