FOR IMMEDIATE RELEASE

Contacts:

Hedge Fund Research, Inc.	MacMillan Communications	Hydra Strategy
Kenneth Heinz	Chris Sullivan	Henrietta Hirst
Chicago/312.658.0955	New York/212.473.4442	London/+44 (0) 7880 742 375
info@hfr.com @HFRInc @KennethJHeinz	chris@macmillancom.com	Henrietta.hirst@hydrastrategy.co.uk

EMERGING MARKETS HEDGE FUNDS NAVIGATE CORONAVIRUS-DRIVEN VOLATILITY

HFRI China, Japan Indices fall to begin year;
India, Middle East hedge funds advance as equities, interest rates decline;
HFR Cryptocurrency Index builds on 2019 performance surge

CHICAGO, (February 28, 2020) – Hedge funds investing in Emerging Markets and developed Asian regions began 2020 with a surge in realized asset volatility driven by the spreading coronavirus, which has contributed to steep losses across regional equity and energy commodity markets, while also driving sharp increases in fixed income and gold prices on investor flight to quality.

The HFRI Emerging Markets: China Index declined -3.0 percent in January. Similarly, the HFRI Japan Index fell -1.1 percent for the month, though topping the decline of the Nikkei 225 Index. The Shanghai Composite Index also fell -2.4 percent in January, then posted a steep decline of -8.0 percent to begin February but has since recovered the intra-month decline into month-end, 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 hedge fund capital invested in Emerging Markets increased to a record of $248.3 billion (*Chinese Renminbi: 1.75 trillion, Brazilian Real: 1.1 trillion, Indian Rupee: 17.8 trillion, Russian Ruble: 16.2 trillion, Saudi Real: 931 billion*) billion to begin 2020, topping the previous record of $239.3 billion set in 2Q19.

Other regional Emerging Markets posted gains to begin 2020, led by the HFRI India Index, which surged +2.9 percent in January, and the HFRI MENA Index, which advanced +1.5 percent. While energy commodities and regional equity markets most effected by the virus contagion have posted sharp declines and increases in volatility, the corresponding flight to quality has driven gains across gold, fixed income and certain currency markets. The HFRI EM: Russia/Eastern Europe Index posted a narrow gain of +0.2 percent in January. Overall, Emerging Markets began 2020 with a January decline of -0.65 percent for the HFRI Emerging Markets (Total) Index.

Total hedge fund capital invested in Emerging Markets increased by over $26.0 billion in 2019, driven primarily by performance-based gains of +11.8 percent for the HFRI Emerging Markets (Total) Index. Despite this, EM hedge funds experienced a narrow investor outflow of $610 million in 4Q19.

The HFR Cryptocurrency Index surged +52.5 percent in January, following a gain of +26.0 percent in 2019. Bank Systematic Risk Premia strategies were led the HFR BSRP Multi-Asset Index which gained +43.6 percent in 2019 and +5.9 percent in January.

"Volatility has surged across asset classes to begin the year, as the contagion of the coronavirus spread from China into other Emerging and Developed markets impacting both global supply chain infrastructure systems as well as reducing aggregate demand as a result of uncertainty," stated Kenneth J. Heinz, President of HFR. "As this volatility spike has accelerated, panic and capitulations by investors have created asset dislocations which have created unique and expanded long/short and multi-asset opportunities for specialized Emerging Markets and Asian hedge funds. With near-term uncertainty extremely high at present, these funds are likely to attract institutional investors that are interested in both portfolio protection from future volatility increases, as well as strategies that can navigate the current equity environment."

Follow HFR on Twitter: @**HFRInc**

Follow HFR on Weibo: @**HFRAsia**

Follow Ken Heinz on Twitter: **@KennethJHeinz**

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.**

# # #