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## EMERGING MARKETS HEDGE FUND CAPITAL EXTENDS RECORD AS GLOBAL GROWTH ACCELERATES

*HFRI India, China Indices lead EM gains as Renminbi surges;  
First inflows to EM hedge funds since 2Q15*

CHICAGO, (August 29, 2017) – Total capital managed by Emerging Markets hedge funds increased to a record level for the fourth consecutive quarter through mid-year 2017, as a synchronized improvement in global growth and increased investor risk tolerance continued to drive gains across regional equity markets.

Emerging Markets (EM) hedge fund capital increased to \$213.3 billion (1.42 trillion RMB, 672 billion Brazilian Real, 13.6 trillion Indian Rupee, 11.3 trillion Russian Ruble, and 800 billion Saudi Real), according to the latest *HFR Emerging Markets Hedge Fund Industry Report*, released today by HFR<sup>®</sup>, the established global leader in the indexation, analysis and research of the global hedge fund industry. Investors allocated new capital to EM hedge funds for the first time since 2Q15, with EM funds receiving \$800 million in net new inflows, while overall EM capital increased by \$7.5 billion in the quarter. As previously reported by HFR, total hedge fund assets globally increased to \$3.1 trillion at the end of 2Q, while the HFRI Fund Weighted Composite Index<sup>®</sup> gained +4.8 percent through July, driven by a YTD gain of +12.6 percent in the HFRI Emerging Markets (Total) Index.

Hedge funds investing in India and China led YTD EM performance, with the HFRI EM: India Index surging +3.6 percent in July, vaulting its YTD return +25.5 percent, which tops the gain of Indian equities by over 300 basis points. Similarly, Chinese hedge funds have produced

strong performance with the HFRI EM: China Index advancing +3.5 percent in July and +19.3 percent YTD, beating the Shanghai Composite Index by nearly 1400 basis points YTD. Total hedge fund capital invested in Emerging Asia-focused hedge funds increased to \$52.5 billion.

Hedge funds investing in the Middle East surged +1.2 percent in July, bringing the YTD returns of the HFRI EM: MENA Index to +9.6 percent. Meanwhile, MENA-focused hedge funds saw their assets grow to nearly \$5.0 billion, managed by approximately 50 regionally-focused funds.

Hedge funds investing in Latin America and Russia both extended strong 2016 gains into mid-year 2017, with the HFRI EM: Latin America Index climbing +10.7 percent through July, following a return of +27.2 percent in 2016. Hedge funds investing in Russia/Eastern Europe gained +2.3 percent in July, moving its YTD return +1.6 percent YTD, which trails other EM and global regions thus far for the year. Total capital invested in Russian/Eastern European funds declined slightly to \$28.9 billion, while capital invested in LATAM-focused funds increased slightly to \$6.6 billion.

“Inflows returned to EM hedge funds after eight quarters of outflows as investor risk tolerance increased, driven by outstanding performance and regional equity market outperformance concentrated in Emerging Asia,” stated Kenneth J. Heinz, President of HFR. “Ongoing regional equity and currency market adjustments, including the recent surge in the Renminbi, to active and fluid negotiations of trade agreements are likely to contribute to increased opportunities for specialized EM hedge funds. Investors are likely to benefit from funds with hedged positions across various asset classes, through dislocations and mean reversions in 2H17.”

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