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EMERGING ASIA, RUSSIA LEAD EMERGING MARKETS HEDGE FUNDS THROUGH GLOBAL REOPENING

Cryptocurrency hedge funds manage volatility spike; HFRI Emerging Markets Indices top regional equity benchmarks

CHICAGO, (August 27, 2021) – Emerging Markets (EM) hedge funds, led by funds investing in India, Russia, China, and the Middle East extended strong gains through mid-year 2021 as EM hedge fund capital eclipsed another record, with performance again topping gains in EM regional equity markets and complemented by volatile cryptocurrencies.

The HFRI Emerging Markets (Total) Index has returned +8.1 percent YTD 2021 through July, led by the HFRI Emerging Markets: India Index, which surged +33.3 percent, while the HFRI Emerging Markets: Russia/Eastern Europe Index vaulted +16.3 percent YTD, 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. The investable HFRI 500 Fund Weighted Composite Index, which includes funds across all regions in both Emerging and Developed markets, has gained +8.8 percent YTD 2021 through July.

Total Emerging Markets hedge fund assets increased to a record of \$273.7 billion to end 2Q21, representing an increase of \$8.87 billion over the prior quarter and \$17.0 billion since year end 2020.

While EM hedge fund performance was led by India and Russia, other EM regions also posted strong performance. The HFRI MENA Index jumped +11.0 percent through July while the HFRI EM: China Index added +7.0 percent YTD 2021, topping the performance of the Chinese equities. The HFRI

EM: Latin America Index posted a modest gain of +1.1 percent YTD through July, though still topping the moderate decline of Brazilian equities.

Hedge funds across EM regions including Korea, Russia, China, and the Middle East (as well as Japan) have become increasingly active in cryptocurrency trading. Despite recent volatility, the HFR Cryptocurrency Index has surged +174 percent YTD 2021 through July, though paring gains in recent months as many currencies fell sharply from record highs.

Total capital invested in Asian hedge funds increased to a new record of \$138.5 billion to end 2Q21, representing an increase of \$5.9 billion over the prior quarter and \$12.6 billion since year end 2020.

“Emerging Markets hedge funds performance and capital extended to 2021 surge as the global economy reopening progressed through mid-year, albeit with complications from new virus variants. Inflationary pressures remain present across both EM and developed markets, with EM hedge fund performance topping the performance of most respective EM regions. Once again, hedge funds across both EM and Japan have continued to increased exposure to cryptocurrencies, mirroring expansion of consumer adoption and usage of cryptocurrencies in EM regions,” stated Kenneth J. Heinz, President of HFR. “Leading global institutions and investors extended their increases exposures to EM and Cryptocurrency hedge funds, positioning for continuation of powerful and favorable EM and cryptocurrency trends through 2H21.”

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