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EMERGING MARKETS HEDGE FUND CAPITAL RISES LED BY AI, CRYPTOCURRENCY

HFRI EM Global lead 1Q performance gains, China surges in February; HFR Cryptocurrency Index extends surge, vaults +26% in early '24

CHICAGO, (March 25, 2024) – Emerging Markets hedge funds extended the year end surge into 2024, as investors position for falling inflation and interest rates, as well as an improving global economic outlook, with recent gains driven by exposure to developing AI and Cryptocurrency trends. The HFRI Emerging Markets: Global Index gained +3.5 percent YTD through February, while the HFRI EM: China Index surged +4.2 percent in February, 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 HFRI Japan Index leads all Asian-focused indices over the first two months of 2024, advancing +5.3 percent, while the HFRI EM: Russia/Eastern Europe Index added +2.6 percent. Following a performance surge of +33.8 percent in 2023, the HFRI EM: India Index gained +1.6 percent through February. Hedge funds with high exposure to cryptocurrency across EM regions including Korea, Russia, China, the Middle East, as well as Japan have surged recently, with the volatile HFR Cryptocurrency Index vaulting +25.6 YTD through February, this after surging +67.7 percent in 2023.

The HFRI Emerging Markets (Total) Index, which covers all EM regions, advanced +2.9 percent in February, while the HFRI Fund Weighted Composite Index®, which consists of funds investing in both Emerging and Developed markets, gained +2.3percent, led by the HFRI Equity Hedge (Total) Index, which jumped +3.1 percent.

Total Emerging Markets and Asian hedge fund assets increased to begin 2024, with Emerging Markets AUM estimated at \$247.0 billion, and total capital invested in Asian hedge funds at \$128.6 billion, both representing their highest capital levels since 2Q 2022.

Regional Emerging Markets indices have gained through early 2024 with the HFRI EM: MENA Index advancing +1.05 percent YTD through February, while the HFRI EM: Latin America Index posted a narrow gain of +0.3 percent YTD, this after surging +24.3 percent in 2023.

“Asian and Emerging markets hedge funds posted strong gains in 2023 and early 2024, driven by an improving global outlook and strong tailwind from Cryptocurrency and AI Technology exposures, extending the powerful risk-on sentiment driven by surprise declines in inflation and interest rates,” stated Kenneth J. Heinz, President of HFR. “These gains have occurred despite ongoing geopolitical risks, including potential for dislocations or disruptions in energy, commodity, and supply chain markets. Leading global institutions and investors seeking opportunistic access to these trends are likely to increase allocations to specialized EM and Cryptocurrency hedge funds throughout 2024 which have demonstrated their strategy’s success and robustness through recent and ongoing volatility.”

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