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EMERGING MARKETS HEDGE FUNDS POST SHARP DECLINES TO BEGIN MARCH AS MILITARY CONFLICT IN IRAN ESCALATES

Cryptocurrency exposures fall on Bitcoin correction; EM, Asian hedge fund industry AUM rise to record to begin 2026

CHICAGO, (March 18, 2026) – Emerging Markets hedge funds posted steep declines through the first two weeks of March as oil prices surged over 40 percent, driven by the rapid escalation of the military conflict in Iran. Financial market volatility surged with sharp declines across regional EM equities, as the HFRX Emerging Markets Index fell -5.7 percent MTD through March 16. Prior to the March decline, the overall HFRI Emerging Markets (Total) Index gained +5.6 percent in the first two months of 2026, 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 Emerging Markets (Total) Index, which covers all EM regions, surged +18.35 percent in 2025, the strongest annual gain since 2017, leading the HFRI Fund Weighted Composite Index® (FWC), which is comprised of globally based hedge funds investing in both Emerging and Developed markets. The HFRI FWC Index advanced +12.4 percent in 2025, with strategy performance led by the directional HFRI Equity Hedge (Total) Index, which has surged +16.9 percent in 2025.

Prior to the March decline, the HFRI MENA Index had gained +8.3 percent in the first two months of 2026, this after surging +25.0 percent in 2025. The HFRI EM: China Index gained +5.0 percent YTD 2026 through February after gaining +18.7 percent in 2025, while the HFRI Latin America Index

added +6.6 percent over the first two months of 2026, following a +15.9 percent return in 2025. The HFRI Japan Index surged +10.0 percent YTD 2026 through February after gaining +19.2 percent in 2025.

Asian and EM Hedge funds with high exposure to cryptocurrency across EM regions including Korea, Russia, China, and the Middle East navigated the sharp correction and volatility, which has continued into 1Q26. The volatile HFR Cryptocurrency Index fell -12.4 percent YTD 2026 through February after advancing +13.4 percent in a volatile 2025. As [announced previously](#), HFR launched an expanded strategy classification system for hedge funds and alternative investment products focused on the Cryptocurrency and Blockchain space, with the introduction of 11 innovative, sophisticated and specialized sub-strategies earlier this year.

Total capital invested in Emerging Markets hedge funds increased to a near record level to begin 2026 with an estimated \$276.0 billion AUM, while total estimated capital invested in Asian hedge funds increased to a second consecutive record level, beginning 2026 at an estimated \$144.6 billion AUM.

“Global financial market volatility experienced a historic spike as oil prices surged in March and the military conflict in Iran escalated rapidly, with Emerging Markets hedge funds declining sharply through mid-March, paring strong gains from early 2026 and historic 2025 performance. Through this volatility, nearly every asset is trading based on the latest price of oil, meaning, right now, we’re all oil traders,” stated Kenneth J. Heinz, President of HFR. “EM hedge funds have navigated significant dislocations in early March, with the outcome of the military conflict and the end to the halt in commercial traffic through the Strait of Hormuz all highly uncertain at present. Significant shifts in equities, interest rates, energy, commodities and currencies are all highly contingent on these outcomes. With these developments, we have entered a historic and unprecedented volatility paradigm with likely dislocations, possibly positive and negative, as fluid events unfold. Asian and EM hedge fund managers remain positioned for volatility and reversals by keeping portfolio exposures tactical, flexible and opportunistic as these risks and volatility continue to evolve.”

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HFR 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 500 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, **HFR is The Institutional Standard.**

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