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EMERGING MARKETS HEDGE FUND ASSETS ECLIPSE RECORD AS CRYPTOCURRENCIES SURGE

***Record capital reached on first quarterly inflows since 2Q19;
HFRI Emerging Markets China Index surges 15 percent YTD, set for 4Q spike***

CHICAGO, (November 25, 2020) – Emerging Markets (EM) hedge funds, particularly those investing in China, extended YTD gains into 4Q20 as EM hedge fund capital reached a new record, driven by gains in EM regional equity markets and surging cryptocurrencies.

The HFRI Emerging Markets (Total) Index gained +1.7 percent through October, while the HFRI Emerging Markets: China Index has vaulted +14.9 percent over the first ten months of 2020, as both indices positioned for the strong continuation of gains through November, 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 Emerging Markets hedge fund assets increased to a record of \$251.7 billion to end 3Q, an increase of \$7.3 billion over the prior quarter (Chinese Renminbi: 1.66 trillion, Brazilian Real: 1.4 trillion, Indian Rupee: 18.6 trillion, Russian Ruble: 19 trillion, Saudi Real: 944 billion).

While EM hedge fund performance in 2020 has been led by the HFRI Emerging Markets: China Index, other EM regions posted strong performance in 3Q. The HFRI EM: MENA Index advanced +4.7 percent in 3Q20, though the index has declined -2.75 percent YTD through October, which tops the decline of Middle East equities by nearly 1000 basis points. Hedge funds across EM regions including Korea, Russia, China and the Middle East (as well as Japan) have become increasingly active in

cryptocurrency trading, with the HFR Cryptocurrency Index vaulting +31.3 percent in 3Q20 and +67.4 percent YTD 2020 through October, with returns set to increase further through the mid-4Q.

The HFRI EM: Russia/Eastern Europe Index advanced +3,8 percent in 3Q, though the index has declined -9.5 percent YTD through October, which tops the steep decline of Russian equities by over 2100 basis points. Similarly, the HFRI EM: Latin America Index was essentially flat for 3Q (-0.1 percent), though the index has declined -20.9 percent YTD through October, topping the YTD decline of the Bovespa by over 2200 basis points.

The investable HFRI 500 Fund Weighted Composite Index gained +3.6 percent in 3Q20, which followed a surge of +8.1 percent in 2Q, to bring the YTD return to +1.1 percent through October.

Total capital invested in Asian hedge funds increased to \$120.5 billion (Chinese RMB 0.8 trillion, Japanese Yen 12.6 trillion, Korean Won 134 trillion, Indian Rupee 9 trillion) to end 3Q, while the HFRI Japan Index surged +8.2 percent in 3Q, bringing the YTD return to +3.8 percent through October.

“Emerging Markets hedge funds gained in 3Q, with China-focused funds extending strong YTD performance, while other EM regions pared YTD losses from commodity and regional equity market exposures. Hedge funds across both EM and Japan have increased exposure to cryptocurrencies, contributing to recent gains and are likely to drive performance in 4Q as Bitcoin has surged to a near-record high,” stated Kenneth J. Heinz, President of HFR. “Leading global institutions and investors increased exposures to EM hedge funds, positioning for continuation of powerful and favorable EM and cryptocurrency trends into 2020.”

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