FOR IMMEDIATE RELEASE

Contacts:

HFR	MacMillan Communications	Hydra Strategy
Kenneth Heinz	Chris Sullivan	Henrietta Hirst
Chicago/312.658.0955	New York/212.473.4442	London/+44 (0) 7880 742 375
info@hfr.com @HFRInc @KennethJHeinz	chris@macmillancom.com	Henrietta.hirst@hydrastrategy.co.uk

EMERGING MARKETS HEDGE FUNDS BATTLE SURGING U.S. INFLATION, CURRENCY

Currency risk rises sharply with Rouble, Yuan positions: Emerging Markets hedge fund capital extends decline on Russia, inflation

CHICAGO, (September 15, 2022) – Emerging Markets hedge funds extended 2Q declines through August, with losses again driven by exposure to Russian assets as well as the acceleration of global inflation, rising U.S. interest rates and slowing economic growth. Tracking unprecedented volatility concurrent with the ongoing military conflict in Ukraine, after falling more than -50 percent through April, the HFRI EM: Russia/Eastern Europe Index surged +26.8 percent over the following three months, paring the YTD decline to -37.4 percent through mid-3Q. Russian assets had plunged in value as the stock exchange closed and the Rouble posted steep losses before regaining some of the losses as the Russian Stock Exchange partially reopened. In addition to these geopolitical risks, global inflationary pressures increased to generational highs and the U.S. Federal Reserve aggressively raised interest rates

After seven consecutive months of declines to start the year, the HFRI Emerging Markets (Total) Index posted its first monthly gain for 2022 in August, advancing +0.75 percent and paring the YTD decline to -12.5 percent, 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 declined -2.5 percent YTD through August, with gains in uncorrelated Macro and fixed income-based Relative Value Arbitrage strategies offset by declines in higher beta Equity Hedge exposures. The HFRI 500 Macro Index surged +14.6 percent YTD through August, while the HFRI 500

Equity Hedge Index declined -11.4 percent. Total Emerging Markets hedge fund assets declined to $249.7 billion in 2Q22, down nearly $27 billion from the year end 2021 AUM record of $276.4 billion.

While Russian-focused hedge funds plunged to begin 2022, other Emerging Markets regions posted moderate declines driven by surging global inflation and the U.S. Dollar. The HFRI EM: Latin America Index is essentially unchanged for the year, declining a modest -0.7 percent YTD through August, while the HFRI EM: MENA Index has fallen -3.7 percent, and the more volatile HFRI EM: China Index has plunged -19.6 percent. Total capital invested in Asian hedge funds fell to $130 billion in 2Q22, down from $138.8 billion to end 2021.

Hedge funds with high exposure to cryptocurrency across EM regions including Korea, Russia, China, and the Middle East (as well as Japan) have continued to navigate soaring volatility and steep declines, with the HFR Cryptocurrency Index plunging -45.1 percent YTD through August; this despite surging +18.6 percent in July 2022 and after the index vaulted +240.6 percent in 2021.

"Soaring global inflation and the surging U.S. Dollar, combined with unprecedented geopolitical and macroeconomic volatility, have resulted in EM volatility eclipsing records, with the volatility persisting and accelerating throughout the first eight months of 2022. Hedge funds focused on Emerging Markets have navigated these massive dislocations and powerful trends, tactically managing volatility, positive currency positions, and opportunistic equity, fixed income, and commodity exposures," stated Kenneth J. Heinz, President of HFR. "With global inflation accelerating and monetary response increasingly uncertain, EM managers continue to position for currency-driven volatility with increased risk of dislocations and interventions, as these powerful and fluid trends persist and evolve. Leading global institutions and investors looking to preserve capital and identify opportunities in EM and Cryptocurrency hedge funds are likely to drive capital growth and recovery into year end."

About HFR®

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 100 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.**

# # #