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## EMERGING MARKETS HEDGE FUNDS SURGE TO BEGIN 2023

### *HFRI 500 Emerging Markets extends strong performance on inflation, rates; Crypto funds in Korea, China recover post-FTX collapse*

CHICAGO, (March 22, 2023) – Emerging Markets hedge funds surged to begin 2023, extending 4Q gains driven by rising U.S. rates and continuing generational inflation. The HFRI 500 Emerging Markets Index jumped +4.9 percent in January, with gains across Equity Hedge and Cryptocurrency exposures, 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.

EM hedge funds continued to navigate unprecedented uncertainty associated with the ongoing military conflict in Ukraine, with the HFRI EM: Russia/Eastern Europe Index falling -11.9 percent in December 2022, bringing the Full Year 2022 decline to -40.3 percent; the Index advanced +2.1 percent in January to begin 2023.

The investable HFRI 500 Fund Weighted Composite Index, which includes funds across all regions in both Emerging and Developed markets, posted a gain of +2.2 percent in January, led by the HFRI 500 Equity Hedge Index, which vaulted +3.7 percent, the second-strongest monthly gain since February 2021.

Total Emerging Markets hedge fund assets began the year at an estimated \$244.1 billion, an increase from Q3 2022, but still off the AUM record of \$276.4 billion at year-end 2021.

Regional Emerging Markets indices also posted gains to begin 2023, as the HFRI EM: Latin America Index surged +5.6 percent in January after posting a narrow gain of +0.35 percent for 2022,

while the HFRI EM: MENA Index posted a narrow gain of +0.2 percent in January, following a decline of -4.2 percent in 2022. The volatile HFRI EM: China Index jumped +7.0 percent in January after falling -19.3 percent in 2022.

Total capital invested in Asian hedge funds fell to \$125.3 billion to end 2022, 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) posted a strong recovery from the extreme volatility and historic dislocation as a result of the FTX exchange collapse, with the volatile HFR Cryptocurrency Index surging +22.4 percent in January; this gain after the Index plunged -54.0 percent in 2022.

“Extreme emerging market volatility continued to begin 2023, with Asian and Cryptocurrency exposures surging on early signs of moderating generational inflation and pace of US rate increases. Hedge funds focused on Emerging Markets and Asia have effectively navigated this unprecedented volatility in 2022, and have begun 2023 with strong strategic positioning,” stated Kenneth J. Heinz, President of HFR. “Trends of banking instability have now complemented the macroeconomic and geopolitical uncertainty, with EM managers continuing to position for the increased risk associated with a global recession, as well as strong recovery from cryptocurrency dislocations. Leading global institutions and investors seeking both capital preservation and opportunistic exposures to these trends are likely to increase exposures to specialized EM and Cryptocurrency hedge funds through mid-2023 as mechanisms to access these powerful market dynamics.”



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