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## **INDIA, LATAM HEDGE FUNDS LEAD INDUSTRY GAINS AS FINANCIAL, GEOPOLITICAL RISKS SURGE**

***HFRI EM Russia/Eastern Europe surges in recent months, paring YTD decline; HFR Cryptocurrency Index up +17.9 percent YTD despite 3Q fall***

CHICAGO, (September 27, 2023) – Emerging Markets hedge funds extended gains through mid-2023 as managers navigated a complex and evolving paradigm of risks ranging widely and in a volatile manner between persistently high inflation and the potential impact of additional rate increases, to the possibility of a US recession and weakening consumer demand. Industry wide hedge fund performance was driven by EM and Cryptocurrency funds through mid-year as investors positioned for these risks, while Asian currency weakness accelerated with the Japanese Yen and Chinese Yuan falling to historic lows against the US Dollar. The HFRI EM: India Index surged +18.7 percent YTD through August, while the HFRI EM: Latin America Index jumped +14.5 percent YTD, 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.

Despite the military conflict following the Russian invasion of Ukraine continuing through its second year, hedge funds investing in Eastern Europe and Russia surged in recent months through unprecedented uncertainty and volatility, with the HFRI EM: Russia/Eastern Europe Index vaulting +20.6 percent from June through August. After declining -15.6 percent in the first five months of the year, the Index is now back into positive territory with a +1.9 percent YTD return through August; this following a steep performance decline of -40.3 percent in 2022.

The HFRI Emerging Markets (Total) Index, which covers all EM regions, advanced +5.2 percent YTD through August. The investable HFRI 500 Fund Weighted Composite Index, which consists of funds investing in both Emerging and Developed markets, gained +2.5 percent YTD through August, led by the HFRI 500 Equity Hedge Index, which jumped +4.2 percent YTD.

Total Emerging Markets and Asian hedge fund assets rose through mid-2023, with Emerging Markets increasing to estimated \$246.9 billion, while total capital invested in Asian hedge funds rose to \$127.2 billion to begin 3Q23.

In addition to India and Latin America, other Regional Emerging Markets indices also posted gains to begin 2023, with the HFRI EM: MENA Index gaining +3.9 percent YTD through August, while the volatile HFRI EM: China Index declined -1.4 percent YTD through August, this after falling -19.3 percent in 2022. The HFRI Japan Index posted a strong gain of +7.7 percent YTD through August as the Japanese Yen declined sharply against the US Dollar.

Hedge funds with high exposure to cryptocurrency across EM regions including Korea, Russia, China, the Middle East, as well as Japan have surged thus far in 2023, with the volatile HFR Cryptocurrency Index vaulting +17.9 percent YTD through August; this after plunging -54.0 percent in 2022.

“Surging financial and geopolitical risks continue to define EM hedge fund performance, with managers navigating fluid and volatile market cycles and rapidly shifting sentiment and volatility across equity, currency, commodity, and fixed income markets. Despite early summer declines from generational levels, US inflationary pressures continue to drive risks across EM markets, with prospects for additional rate increases simultaneous with a weakening economy presenting an unusually complex environment,” stated Kenneth J. Heinz, President of HFR. “Presenting additional EM risks, global fixed income and equities have seen correlations rise (similar to April 2022) accentuating the sensitivity of equity markets to increases in interest rates. Furthermore, while geopolitical risks remain elevated as a result of the Russian invasion of Ukraine, the potential for additional conflict in east Asian regions also represents risks of extreme dislocations and disruptions to industrial supply chains. Leading global institutions and investors seeking opportunistic access to these trends are likely to increase allocations to specialized EM and Cryptocurrency hedge funds through 2H23 which have demonstrated their strategy’s success and robustness through recent and ongoing volatility.”

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#### **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.**

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