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EMERGING MARKETS HEDGE FUND ASSETS EXTEND RECORD AS EXPECTATIONS FOR GLOBAL GROWTH RISE

HFRI Emerging Markets China Index surges over 26% to lead industry regions; Inflation, Cryptocurrencies drive Macro positioning as HFR Cryptocurrency Index extends spike into 2021

CHICAGO, (February 26, 2021) – Emerging Markets (EM) hedge funds, led by funds investing in China, surged in 4Q to extend FY 2020 gains 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 +12.7 percent for 2020, led by the HFRI Emerging Markets: China Index, which surged +26.3 percent, as both indices positioned for the strong continuation of gains into 2021 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 \$256.6 billion to end 2020 (*Chinese Renminbi: 1.66 trillion, Brazilian Real: 1.4 trillion, Indian Rupee: 18.7 trillion, Russian Ruble: 19.2 trillion, Saudi Real: 962 billion*), an increase of nearly \$5.0 billion over the prior quarter.

While EM hedge fund performance was led by the HFRI Emerging Markets: China Index for FY 2020, several other EM regions posted strong performance as well, recovering from large 1Q20 declines. The HFRI EM: MENA Index gained +6.1 percent in 4Q20, recovering from the significant 1Q losses to end the year with a +2.5 percent return, and topping the narrow decline of Middle East equities. 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 surging nearly +200.0 percent in 2020 as many currencies reached record levels.

The HFRI EM: Russia/Eastern Europe Index also surged +13.5 percent in 4Q bringing the FY 2020 return to +6.2 percent, which tops the steep decline of Russian equities by over 1650 basis points. The HFRI EM: Latin America Index spiked +13.0 percent in 4Q, which pared the YTD decline to -9.2 percent; the Index topped the 2020 decline of the Bovespa by over 1100 basis points.

The investable HFRI 500 Fund Weighted Composite Index gained +9.6 percent in 4Q20, bringing the FY 2020 gain to +10.5 percent.

Total capital invested in Asian hedge funds increased to \$125.9 billion (*Chinese RMB 0.8 trillion, Japanese Yen 13.4 trillion, Korean Won 140.9 trillion, Indian Rupee 9.2 trillion*) to end 2020, while the HFRI Japan Index surged +5.9 percent in 4Q, bringing the FY return to +11.5 percent.

“Emerging Markets hedge funds performance and capital surged into 2021 with gains driven by optimism regarding vaccinations globally and improving prospects for a conclusion of the coronavirus pandemic quarantine, while expectations for both economic growth and inflation continued to increase. Once again, hedge funds across both EM and Japan have increased exposure to cryptocurrencies, contributing to record gains as cryptocurrencies surged to new records,” stated Kenneth J. Heinz, President of HFR. “Leading global institutions and investors continue to increase exposures to EM and Cryptocurrency hedge funds, positioning for continuation of powerful and favorable EM and cryptocurrency trends throughout 2021.”

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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 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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