

HEDGE FUND PERFORMANCE

Monthly Summary Report

February 2014

Release Date: March 6, 2014

Activist Strategies Again Lead Hedge Fund Industry Performance in 2014

A rebound in risk appetite supported a variety of exposures in February, large macro strategies outperformed

Hedge Fund Performance through February 2014

Aggregate Performance	FEB	YTD 2014	Last 6mo	2013
Hedge Fund Aggregate	2.30%	1.86%	6.71%	8.84%
S&P 500 Total Return	4.57%	0.95%	15.07%	32.40%
Large Funds (>\$1b)	2.24%	1.81%	6.10%	7.65%
Mid-size Funds (<\$1b, >\$250m)	1.83%	1.36%	5.65%	8.67%
Small Funds (<\$250m)	2.39%	1.98%	6.88%	8.64%
Primary Markets	FEB	YTD 2014	Last 6mo	2013
Broad Multi-Market	2.65%	2.73%	6.02%	5.14%
Equity Strategies	2.59%	1.96%	9.03%	14.12%
Credit Strategies	1.71%	2.22%	5.28%	6.50%
Broad Financial Derivatives	1.51%	0.38%	2.09%	-0.68%
Commodity Strategies	1.48%	0.84%	0.71%	-2.60%
Volatility/Options Strategies	1.05%	1.25%	4.02%	4.71%
FX Strategies	-0.12%	-0.27%	-0.92%	-2.25%
Primary Strategy	FEB	YTD 2014	Last 6mo	2013
Event Driven - Activist	3.20%	3.91%	14.54%	18.13%
Distressed	3.18%	3.57%	8.76%	13.80%
Event Driven	2.99%	3.35%	9.11%	12.65%
Long/Short Equity	2.88%	1.94%	9.81%	15.75%
Directional Credit	2.74%	3.29%	6.04%	6.31%
Managed Futures	2.05%	1.18%	2.35%	-0.94%
Multi-Strategy	1.83%	1.59%	5.30%	6.16%
Convertible Arbitrage	1.49%	2.37%	4.40%	6.27%
Relative Value Credit	0.92%	1.87%	4.54%	5.44%
Macro	0.79%	0.74%	3.01%	2.53%
Market Neutral Equity	0.02%	0.29%	3.10%	6.65%
Sub-Sector Exposure	FEB	YTD 2014	Last 6mo	2013
Healthcare	6.58%	11.63%	23.23%	29.75%
Energy	3.56%	4.22%	11.25%	13.08%
Sm/micro Cap	3.44%	3.69%	12.28%	19.32%
Technology	1.36%	1.85%	7.98%	11.55%
Securitized - Mortgages	0.75%	1.87%	6.02%	10.10%
Financials	-0.25%	-1.06%	7.52%	18.21%
Regional Exposure	FEB	YTD 2014	Last 6mo	2013
Developed Markets	2.00%	2.14%	8.09%	12.96%
Emerging Europe	1.39%	-4.74%	1.07%	-0.05%
India	8.39%	4.78%	27.63%	-7.55%
Africa/Middle East	5.00%	6.03%	15.24%	20.70%
Emerging Markets	3.22%	0.59%	6.57%	5.88%
Brazil	2.74%	-2.75%	-0.36%	-3.91%
China	-0.49%	-1.92%	5.32%	15.91%
Japan	-2.81%	-4.53%	5.16%	33.87%
Approach	FEB	YTD 2014	Last 6mo	2013
Discretionary	2.73%	2.38%	8.19%	11.31%
Systematic	1.21%	0.12%	2.52%	1.66%

Updated Assets & Investor Flows through January 2014

Data in USD Billion	JAN	Last 3mo	FY 2013	Est. AUM
All Hedge Funds	(\$0.47)	\$8.88	\$61.66	\$2,839.98
Equity Strategies	\$9.27	\$19.96	\$15.50	\$909.16
Fixed Income/Credit	(\$4.66)	(\$1.33)	\$68.71	\$928.88
Commodities	(\$0.81)	(\$2.43)	(\$1.41)	\$74.01
Multi-Asset	(\$2.58)	(\$5.90)	(\$21.10)	\$981.50
Primary Strategy	JAN	Last 3mo	FY 2013	Est. AUM
Long/Short Equity	\$5.62	\$13.39	\$0.90	\$612.43
Event Driven	\$4.58	\$6.35	\$9.00	\$538.89
Broad Multi-Strategy	\$3.18	\$10.94	\$28.89	\$356.41
Distressed	\$0.89	\$1.31	\$5.49	\$239.00
Convertible Arbitrage	\$0.16	\$0.49	\$0.15	\$54.05
Market Neutral Equity	\$0.14	\$0.88	\$5.54	\$49.48
Directional Credit	\$0.12	\$0.73	\$25.09	\$111.12
MBS Strategies	(\$0.07)	(\$0.73)	(\$3.24)	\$85.99
Relative Value Credit	(\$3.06)	(\$0.96)	\$28.98	\$236.29
Managed Futures	(\$4.63)	(\$8.36)	(\$31.98)	\$132.27
Macro	(\$7.10)	(\$15.91)	(\$10.00)	\$204.21

- Hedge fund performance was strongly positive in February with average returns the highest since January 2012. The industry's diversity in January, and ability to capitalize on directional moves in February, has aggregate returns outpacing the S&P by nearly 100 basis points in 2014.
- Activist strategies are again at the top of hedge fund industry performance in 2014. The group followed a good showing in a declining market in January with the best of any primary strategy returns in February.
- Distressed funds posted their best returns in more than two years, since January 2012, and the broad event driven category has rewarded investors in 2014. Event driven strategies received the second highest level of new allocations to begin 2014, behind directional equity, and have returned 3.4% in the first two months.
- In the face of below average investor interest in Q4, and elevated redemptions in January, credit strategies posted solid returns in February and are among the better performers in 2014.
- Since monthly flows began to wane for the broad credit universe in October 2013, returns have been at an annualized pace of 14%, benefitting those who were not quick to redeem in the face of a potential rising rate environment.
- Macro strategies were positive in February, offsetting January's losses and bringing the group into positive territory for the year. Smaller managers were primarily to blame for macro funds' aggregate returns lagging the industry during the month. Average returns from macro strategies with greater than \$1 billion in AUM was 3.2% in February, actually near the top of the industry.
- Managed futures strategies appeared able to take advantage of strong upward price moves in commodities markets in February. The group's returns were their best since mid-2012. Negative returns from FX funds were not enough to hold the group down significantly, further indicating strong positive exposures to physical commodities across the group in February.
- Investors' worries over China's growth entering 2014 has hurt China-focused hedge funds for the second month in a row. Both China and Japan funds were among the industry leaders in 2013, but sit in negative territory this year.
- A bright spot in 2014 for emerging markets exposure has been Africa & Middle East. The universe was among the industry's best in 2013 and has begun 2014 in the same position.

COMPANY DESCRIPTION

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