

# HEDGE FUND PERFORMANCE

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Monthly Summary Report

September & Q3 2014

Release Date: October 8, 2014

# Managed Futures Excelled in a Difficult Q3, Activists Still Leaders of 2014



Credit funds posted elevated losses, industry posted its first negative quarter since Q2 2013

## Hedge Fund Performance through September 2014

Aggregate Performance	Sep	Q3 2014	YTD 2014	2013
Hedge Fund Aggregate	-0.74%	-0.48%	2.88%	10.36%
S&P 500 Total Return	-1.40%	1.13%	8.35%	32.40%
Large Funds (>\$1b)	-0.72%	-0.44%	3.11%	11.80%
Mid-size Funds (<\$1b, >\$250m)	-1.14%	-0.90%	2.45%	11.43%
Small Funds (<\$250m)	-0.42%	-0.08%	3.27%	11.08%

Primary Markets	Sep	Q3 2014	YTD 2014	2013
Broad Financial Derivatives	2.92%	4.49%	5.34%	1.61%
FX Strategies	1.57%	2.45%	2.13%	-0.81%
Broad Multi-Market	0.42%	0.88%	2.97%	6.12%
Volatility/Options Strategies	-0.76%	-1.41%	1.47%	5.40%
Broad Capital Structure	-1.25%	-1.48%	3.01%	13.79%
Equity Strategies	-1.64%	-1.33%	2.47%	15.89%
Commodity Strategies	-1.87%	-3.19%	0.82%	-3.02%
Credit Strategies	-1.83%	-2.08%	1.93%	8.10%

Primary Strategy	Sep	Q3 2014	YTD 2014	2013
Managed Futures	2.12%	3.49%	4.27%	1.08%
Macro	0.49%	0.64%	2.93%	1.65%
Convertible Arbitrage	0.43%	-0.03%	4.04%	14.15%
Distressed	-0.59%	-1.02%	4.57%	13.76%
Multi-Strategy	-0.63%	-0.29%	1.85%	8.12%
Event Driven	-1.00%	-1.65%	3.24%	14.91%
Event Driven - Activist	-1.17%	-1.03%	5.15%	19.20%
Long/Short Equity	-1.71%	-1.27%	2.57%	16.66%
Market Neutral Equity	-1.72%	-1.98%	-0.27%	7.73%
Relative Value Credit	-2.19%	-2.07%	1.63%	6.88%
Directional Credit	-2.31%	-2.50%	1.93%	8.47%

Sub-Sector Exposure	Sep	Q3 2014	YTD 2014	2013
Securitized - Multi Sector	0.78%	1.53%	10.60%	14.01%
Technology	0.20%	0.40%	0.51%	14.41%
Energy	0.02%	-1.11%	10.81%	31.83%
Securitized - Mortgages	-0.70%	0.21%	6.66%	10.49%
Healthcare	-0.77%	0.59%	8.90%	28.06%
Financials	-1.82%	-2.17%	0.47%	21.01%

Regional Exposure	Sep	Q3 2014	YTD 2014	2013
Emerging Markets	-3.27%	-1.95%	1.43%	6.49%
Developed Markets	-1.46%	-1.59%	2.79%	13.84%
Japan	0.12%	0.31%	0.43%	27.65%
Africa/Middle East	-1.34%	2.39%	7.32%	19.17%
India	-1.75%	5.24%	39.88%	-7.01%
China	-2.23%	1.94%	0.15%	17.51%
Russia	-2.61%	-8.77%	-18.66%	-0.26%
Emerging Europe	-3.40%	-8.10%	-9.04%	2.50%
Brazil	-10.56%	-7.86%	-3.25%	-11.57%

Approach	Sep	Q3 2014	YTD 2014	2013
Systematic	1.40%	1.89%	4.00%	5.41%
Discretionary	-1.66%	-1.68%	2.17%	13.72%

## Updated Assets & Investor Flows through August 2014

Data in USD Billion	AUG	Last 3mo	YTD	2013	Est. AUM
All Hedge Funds	\$11.38	\$19.92	\$113.48	\$61.66	\$3,062.68
Equity Strategies	\$5.34	\$19.36	\$76.41	\$15.50	\$1,015.17
Fixed Income/Credit	\$6.08	\$6.37	\$30.24	\$68.71	\$986.16
Commodities	\$0.10	\$0.89	(\$1.04)	(\$1.41)	\$75.73
Multi-Asset	(\$0.04)	(\$5.55)	\$10.12	(\$21.10)	\$1,039.13

Primary Strategy	AUG	Last 3mo	YTD	2013	Est. AUM
Event Driven	\$4.08	\$12.40	\$42.82	\$9.00	\$585.00
Broad Multi-Strategy	\$3.14	\$6.37	\$36.54	\$28.89	\$402.23
MBS Strategies	\$2.59	\$1.12	\$1.81	(\$3.24)	\$92.12
Directional Credit	\$2.57	(\$1.91)	\$2.10	\$25.09	\$127.10
Long/Short Equity	\$1.65	\$9.41	\$40.19	\$0.90	\$682.15
Relative Value Credit	\$0.83	\$2.48	\$10.93	\$28.98	\$250.32
Distressed	\$0.45	\$2.58	\$7.09	\$5.49	\$248.22
Macro	\$0.04	(\$6.10)	(\$5.17)	(\$10.00)	\$230.53
Convertible Arbitrage	(\$0.15)	\$0.10	\$1.89	\$0.15	\$56.33
Market Neutral Equity	(\$0.30)	\$0.12	\$3.18	\$5.54	\$52.16
Managed Futures	(\$0.53)	(\$5.00)	(\$24.83)	(\$31.98)	\$123.09

- Hedge funds declined an average of 0.72% in September, but outpaced the S&P during a difficult month. The industry ended Q3 down 0.46% and is up 2.89% through the first nine months of 2014.
- Having faced persistent redemptions over the last two years, managed futures funds had an excellent September, returning an average of 2.07%. The strategy was by far the best performer in Q3 and sits behind only distressed and activist strategies as industry leaders in 2014. Recent returns come as a relief for a strategy which returned nearly 900bps less than the industry in 2013 and has faced outflows of \$25 billion this year.
- Macro strategies were positive in September, returning 0.49% for the month and 0.64% in Q3, in what should be considered a successful quarter for the group. Prior to Q3, the universe had underperformed directional equity strategies in each of the last eight consecutive quarters.
- Event driven funds, where investors have allocated more assets than any other segment of the industry in 2014, declined in September and were down in Q3, -1.04% and -1.72%, respectively. The group remains positive for 2014, outperforming long/short equity, multi-strategy and both directional and relative value credit.
- Activist funds posted declines in September, however several funds had large gains which offset losses from many others. As a result, aggregate losses were more muted than expected given equity market declines. The group remains the best performing strategy of 2014.
- Credit strategies had their largest aggregate decline since the heart of the financial crisis, October 2008, when the group declined more than 5%. September's losses were not nearly as large, -1.83%, but highlight the group's exposure to Europe, where losses were elevated, and to higher yielding credits in the U.S. and globally.
- Distressed strategies weathered credit market declines fairly well, falling only 0.59% in September. The group was down for Q3, but YTD returns of 4.57% have distressed among the leading strategies for 2014.
- September was not a good month for emerging markets with losses more than twice that of developed markets. Declines from funds investing in Brazil were significant, their largest since September 2011. India-focused fund losses were muted and those with high exposure to the country remain the best performing subset of the hedge fund industry.
- Reported exposure data indicates the industry's gross market exposure remains near a two year lows. Long exposure increased slightly in September, but a general reduction in long exposures that began in August was responsible for the decline in gross exposures during Q3.

## COMPANY DESCRIPTION

eVestment provides a flexible suite of easy-to-use, cloud-based solutions to help global investors and their consultants select investment managers, enable asset managers to successfully market their funds worldwide and assist clients to identify and capitalize on global investment trends.

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