Hedge Fund Industry Snapshot

April 2014

Citi Prime Finance | Market Commentary

Americas
New York: +800 773-2889
San Francisco: +415 617-8554

EMEA
EMEA: +44 0 207-986-0822

Asia Pac
Hong Kong: +852 2501-8356
Tokyo: +813 6270-3165

Singapore: +65 6432-1223
Australia: +612 8225-6424

prime.advisory@citi.com
icg.citi.com

Based on fund universe of 3,850

Table of Contents

Introduction: Highlights

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Performance, AUM & Flows

- Composite hedge fund performance, equal-weighted across funds, was down in March 2014. Performance ranged from -0.39% to -0.17%. Returns were lower than the previous month which experienced +1.34% to +1.59% over the same period.
- Hedge fund strategy wise, top performing strategies in March 2014 include Distressed at +0.63%, Fixed Income Arbitrage +0.58%, and Emerging Markets +0.29%. The lowest performing strategies include CTA / Managed Futures -1.38%, Dedicated Short -1.24% and Equity Long/Short -0.50%.
- Hedge fund industry assets rose in March 2014 realizing an increase of +$9.4 billion for the month after experiencing an increase of +$79.2 billion in February. March gains were attributed solely from investor flows totaling $16.2 billion. Total industry gains in March trail the mean monthly gain in assets throughout 2013 which averaged $21.2 billion.
- Net positive investor flows of +$16.2 billion for March 2014 marks the third consecutive month of net positive investors flows into the industry. Mar-14 flows exceed the average flows reported throughout 2013 which stood at $5.1 billion. YTD investor flows now stand at $53.billion.

Fund Profiles

- Across the subset of hedge funds reporting performance and AUM, the monthly median performance for large single funds (>$500 million) was -0.5%, medium single funds ($100–$500 million) -0.4% and small single funds (<$100 million) -0.4%.
- Liquidity terms continued consistent patterns from previous periods. The universe of funds that only require 30 days or less for redemption notices stood at 66%, consistent with trends throughout the previous 18 months. Across the entire subset of reporting funds, the majority (53%) required no lockup (43%) or less than 1 year lock up (10%).
- Large funds (>$500 million AUM) continue to hold the majority portion of industry AUM (75%) compared to medium funds ($100–$500 million) at 19% and small funds (<$100 million) holding only 6%.

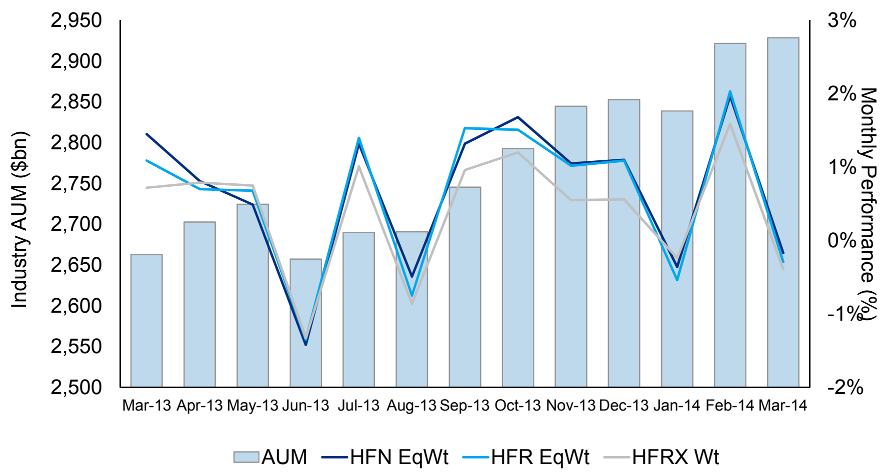
Leverage, Shorts and Futures Market Positioning

- On a global basis, we calculate gross leverage (as measured on a mean basis) at 2.13x in March 2014 versus 2.12x in February and 2.08x in January.
- Looking across gross leverage, the following strategies showed the highest uses of leverage: Equity Market Neutral (4.1x). Global Macro (3.73x) and Convertible Arbitrage (3.33x).
- Citi US short flows data included in this month's report show increased interest in the Information Technology and Financials sectors. These sectors accounted for 32.69% of short executions and 32.73% of short covers in March vs. 26.86% of short executions and 26.54% of short covers in February 2014.

Hedge Fund Industry: AUM, Performance

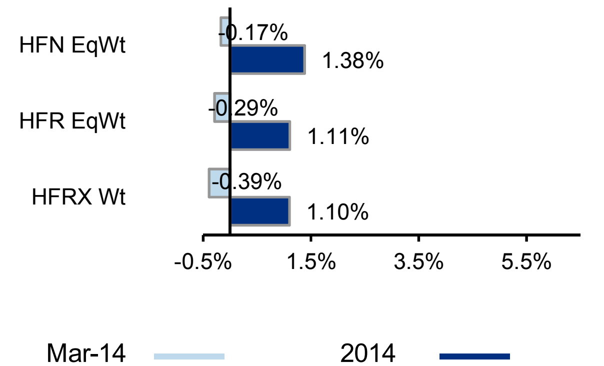
- Composite hedge fund performance, equal-weighted across funds, was down in March 2014. Performance ranged from -0.39% to -0.17%. Returns were lower than the previous month which experienced +1.34% to +1.59% over the same period.
- Global financial markets posted mixed performance for the month of March, as investors discounted the impact of rising geopolitical tension and economic sanctions surrounding the annexation of Crimea by Russia. Global equity markets also posted mixed performance as US equities pulled back from record valuation levels on continued tapering of stimulus measures by US Federal Reserve and mixed forward guidance by corporations. US sector gains were led by Energy and Financials which offset declines in small cap, Biotechnology and Healthcare. European equities were also mixed, with gains in Italy and Spain offset by declines in the UK, Germany and Russia. US yields rose slightly as high yield credit tightened and the yield curve flattened, with shorter dated yields rising relative to longer dated; yields declined in Italy and Spain. Energy and Metals commodities posted broad based declines led by Copper and Silver, while Agricultural commodities gained, led by corn and wheat.
- Hedge fund strategy wise, top performing strategies in March 2014 include Distressed at +0.63%, Fixed Income Arbitrage +0.58%, and Emerging Markets +0.29%. The lowest performing strategies include CTA / Managed Futures -1.38%, Dedicated Short -1.24% and Equity Long/Short -0.50%.

Monthly Industry AUM and Performance



Source: eVestment|HFN; Hedge Fund Research, Inc., © 2014.

Industry Performance: Mar-14 / YTD



Source: HFR, eVestment|HFN.

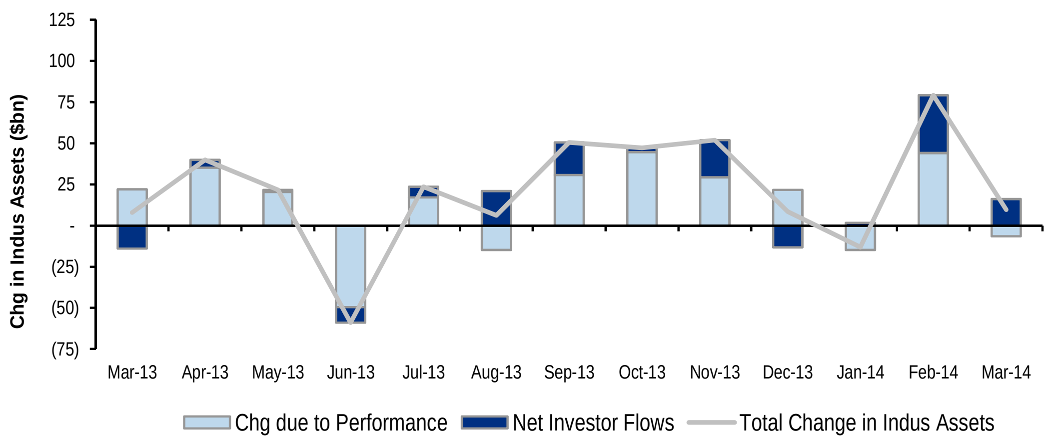
Note Pad

- MSCI World Index: +0.2%; 1.6% YTD
- MSCI EM Index: +3.1%; +3.3% YTD
- S&P 500: +0.8%; +2.0% YTD
- Citi US BIG Index: -0.2%; +2.7% YTD
- S&P GSCI: +0.1%; +3.0% YTD
- US Dollar Index: +0.4%; +0.1% YTD
- HFN Country Indices Mar -14 / YTD:
  - Brazil: +3.1% / -1.04%; Australia: +1.84% / +4.11%
  - China: -3.26% / -2.05%; Japan: -0.75% / -3.76%

Hedge Fund Industry: Change in Industry Assets

- Hedge fund industry assets rose in March 2014 realizing an increase of +$9.4 billion for the month after experiencing an increase of +$79.2 billion in February. March gains were attributed solely from investor flows totaling $16.2 billion. Total industry gains in March trail the mean monthly gain in assets throughout 2013 which averaged $21.2 billion.
- March performance losses of -$6.5 billion were lower than the average monthly industry performance gains of 2013 which stood at +$15.9 billion. Mar-14 industry performance stands in sharp contrast to Feb-14 which experienced +$49.9 billion over the same period.
- Net positive investor flows of +$16.2 billion for March 2014 marks the third consecutive month of net positive investors flows into the industry. Mar-14 flows exceed the average flows reported throughout 2013 which stood at $5.1 billion. YTD investor flows now stand at $53.billion.
- Total industry AUM now stands at $2.92 trillion, an increase of 3.1% from Jan-14 and an overall increase of +9.9% from March 2013.

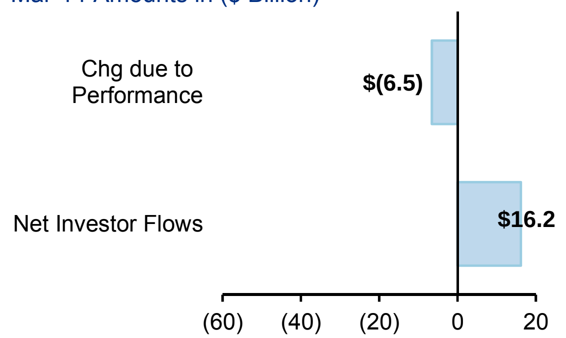
Monthly Change in Industry Assets and Composition



Source: eVestment; Hedge Fund Research, Inc., © 2014.

Composition of Change in Assets

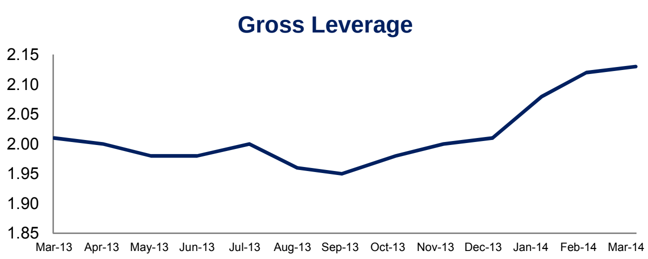
Mar-14 Amounts in ($ Billion)



Source: eVestment

Leverage Trends

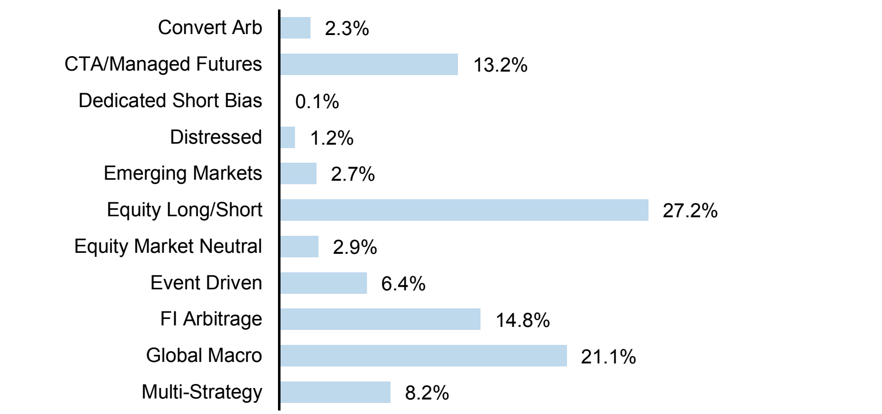
The Citi Prime Finance calculation for gross leverage (as measured on a mean basis) 2.13x in March 2014.



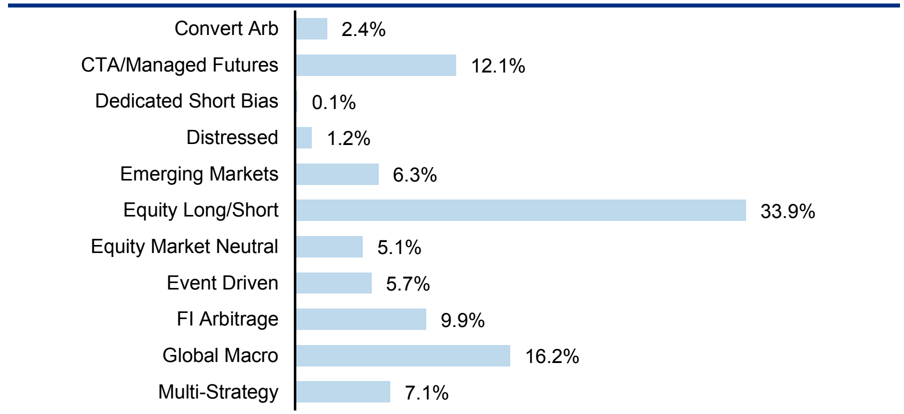
Gross Leverage (mean): defined as sum of (LMV + abs SMV) / Net Equity

Hedge Fund Stats by Strategy

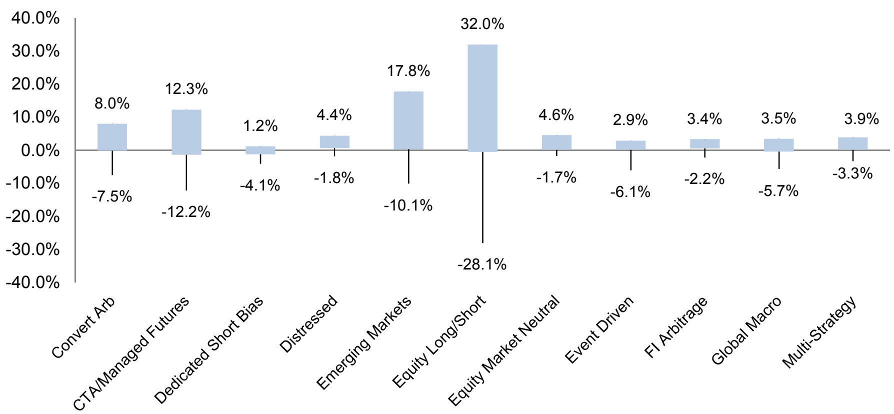
Hedge Fund Strategy Breakdown by Assets



Hedge Fund Strategy Breakdown by Number of Funds

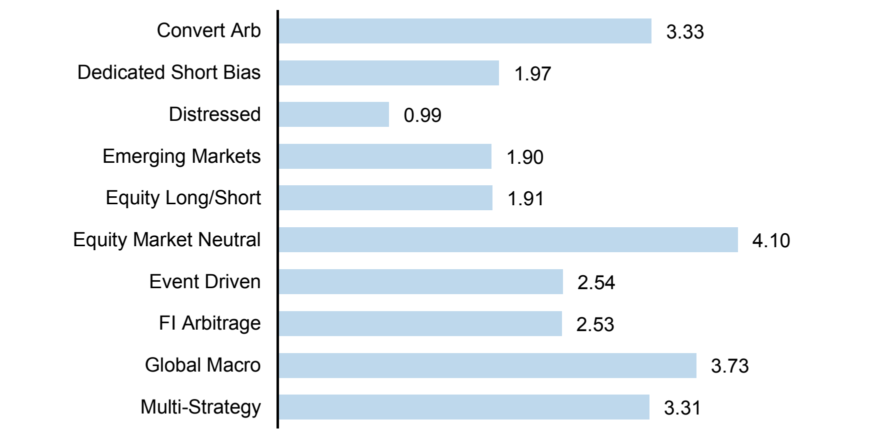


Hedge Fund Performance by Strategy



Hedge Fund Leverage Ratios by Strategy

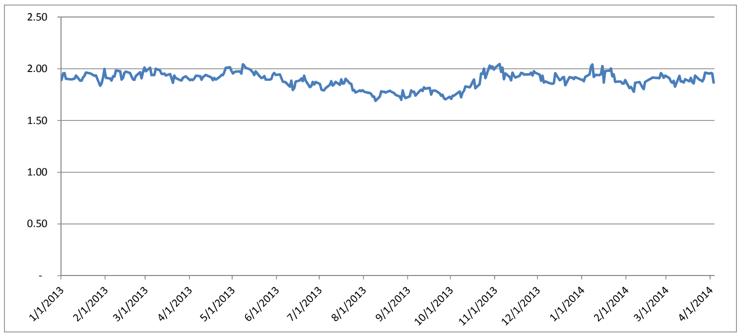
Gross Leverage (Mean): Defined as the sum of (LMV + abs SMV)/Net Equity



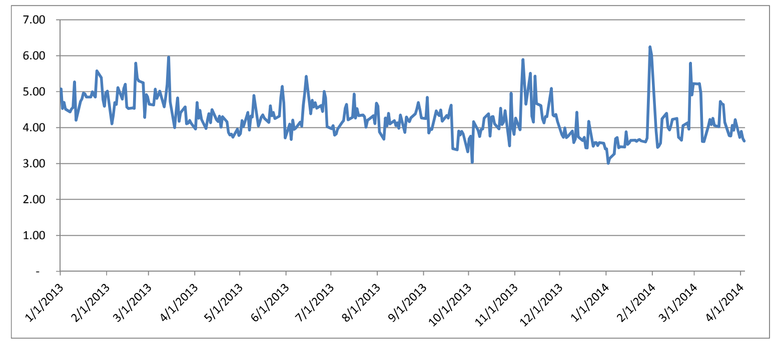
Source: Citi Prime Finance.
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. Asset and Strategy breakdowns update quarterly.

Daily Changes in Gross Leverage

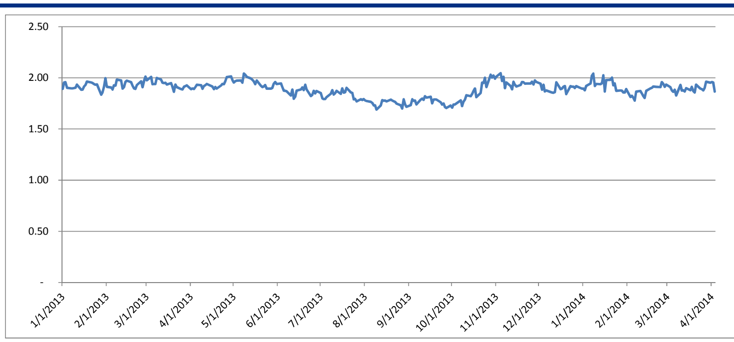
Gross Leverage – All funds



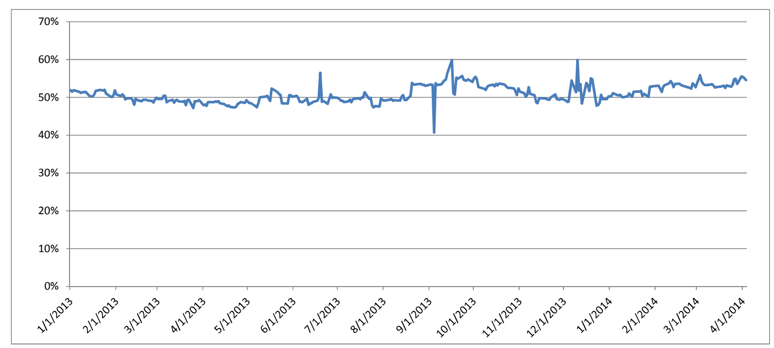
Global Macro



Equity L/S



Equity L/S Utilization



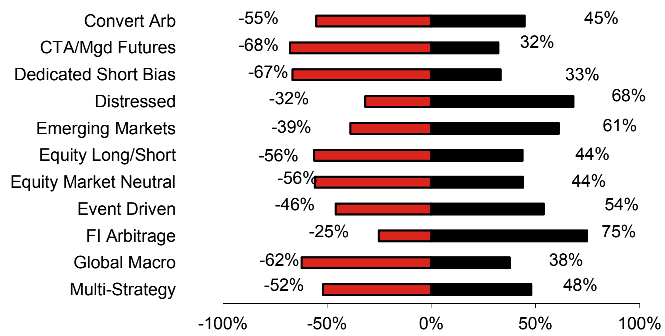
Source: Citi Prime Finance.

* Gross leverage derived from equity balances. Gross Leverage (mean): defined as sum of (LMV + abs SMV) / Net Equity

Hedge Fund Performance Trends: Red / Black Report

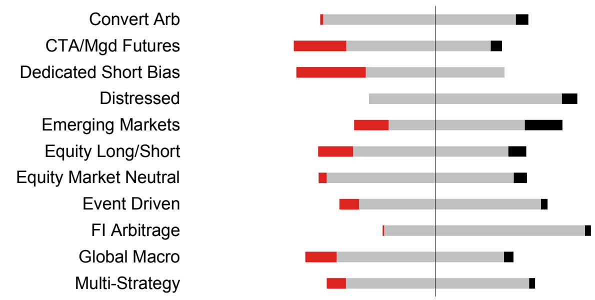
March 2014 – Percentage of Reporting Funds

Negative ( ) / Positive ( ) Performance



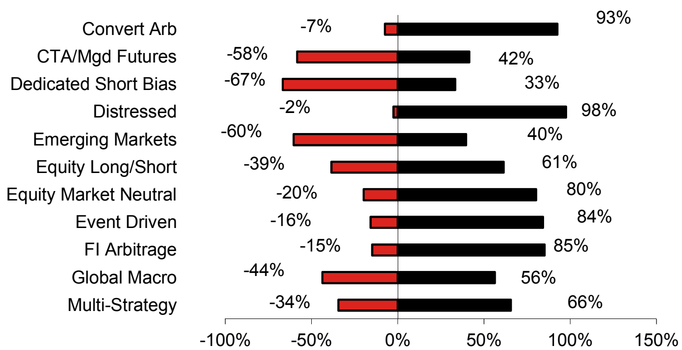
March 2014 – Percentage of Reporting Funds

Below -3% ( ) / between-3% / + 3% ( ) /Above +3% ( )



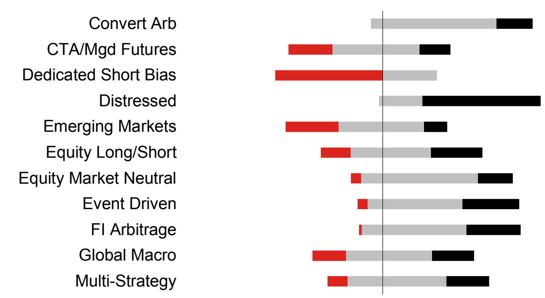
2014 – Percentage of Reporting Funds

Negative ( ) / Positive ( ) Performance



2014 – Percentage of Reporting Funds

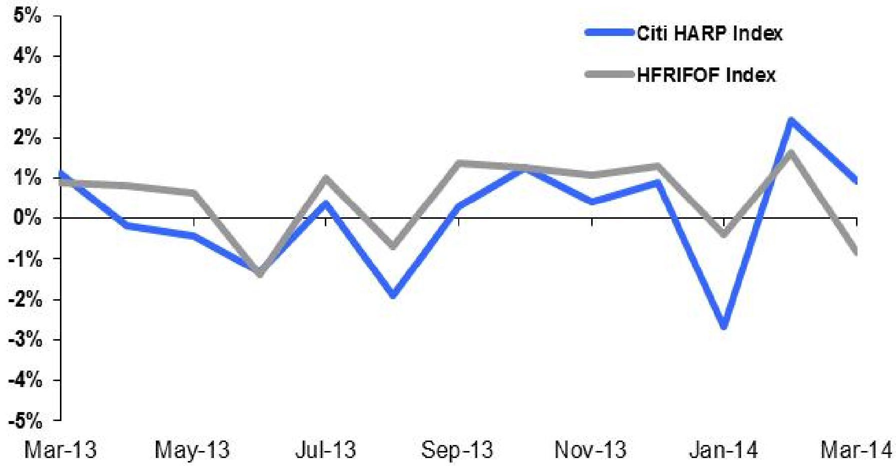
Below -3% ( ) / between-3% / + 3% ( ) /Above +3% ( )



Source: Citi Prime Finance.

Citi Liquid Hedge Fund Replicator (HARP)

Citi HARP Index vs. Benchmark (monthly rolling)



Citi HARP is a liquid investable index, which aims at approximating the performance of the hedge fund sector

	Mar-14	Feb-14	Mar-13	YTD-14
Citi Harp	0.93%	2.41%	1.11%	0.61%
HFRIFOF	-0.84%	1.63%	0.89%	0.38%

Source: Citi and Hedge Fund Research, Inc., © www.hedgefundresearch.com
HFRIFOF Index is the HFRI Funds of Funds Composite Index

Annualized Performance: Last 12-Month	Citi HARP Index	HFRIFOF
Ann. Return	-0.10%	5.85%
Ann. Vol	4.92%	3.56%
Sharpe Ratio	-0.08	1.56
Correlation	68%	

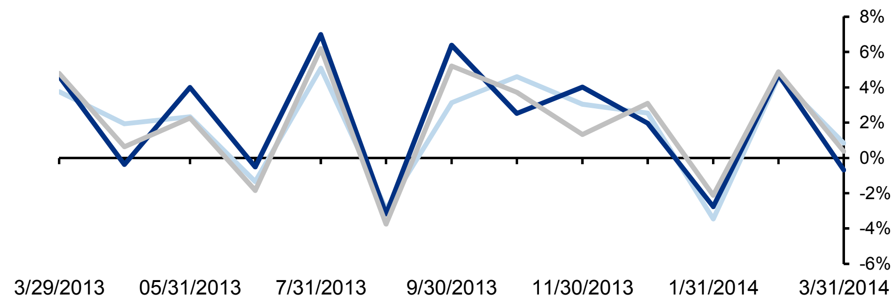
The purpose of the Index is to approximate in broad terms the performance of the hedge fund sector by achieving a similarity between the pattern of the returns of the Index and the pattern of the returns of a Benchmark - the HFRI Fund of Funds Composite Index.

The Index contains weighted components. The components are a money market component and various index components. Each index component represents a class of asset in which the hedge fund sector is assumed to invest: bond, commodity, equity and foreign exchange.

The weighting within the Index of each component is determined monthly. Every month, a multiple linear regression algorithm is used to identify the appropriate weighting.

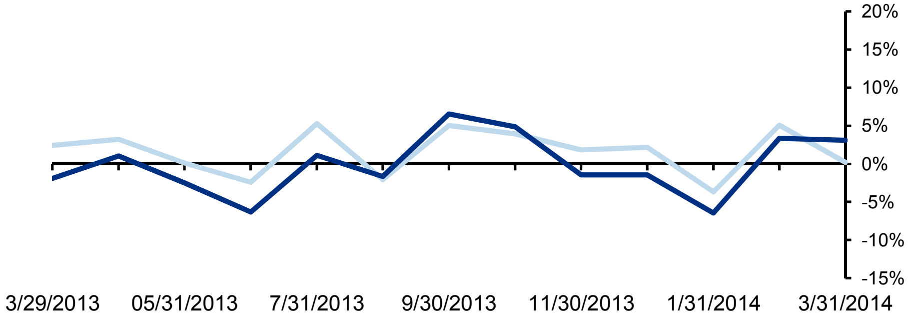
Market Performance

US Equities (Large Cap vs. Small Cap)



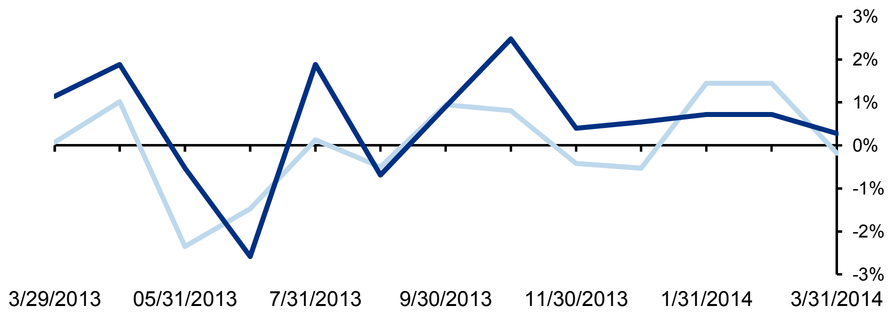
		Mar-14	Feb-14	Mar-13	YTD-14
S&P 500		0.8%	4.6%	3.8%	2.0%
RUS 2000		-0.7%	4.7%	4.6%	1.3%
S&P Mid		0.4%	4.9%	4.8%	3.1%

Global Equities (Developed vs. Emerging)



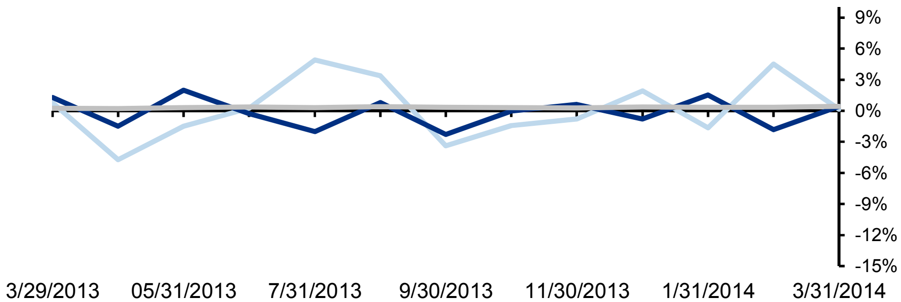
		Mar-14	Feb-14	Mar-13	YTD-14
MSCI World		0.2%	5.1%	2.4%	1.6%
MSCI EM		3.1%	3.3%	-1.9%	0.0%

Fixed Income (High-Grade vs. High-Yield)



		Mar-14	Feb-14	Mar-13	YTD-14
Citi US BIG Index		-0.2%	1.4%	0.1%	2.7%
Citi HY Bond Index		0.3%	0.7%	1.1%	1.7%

Commodities (US$ Performance)

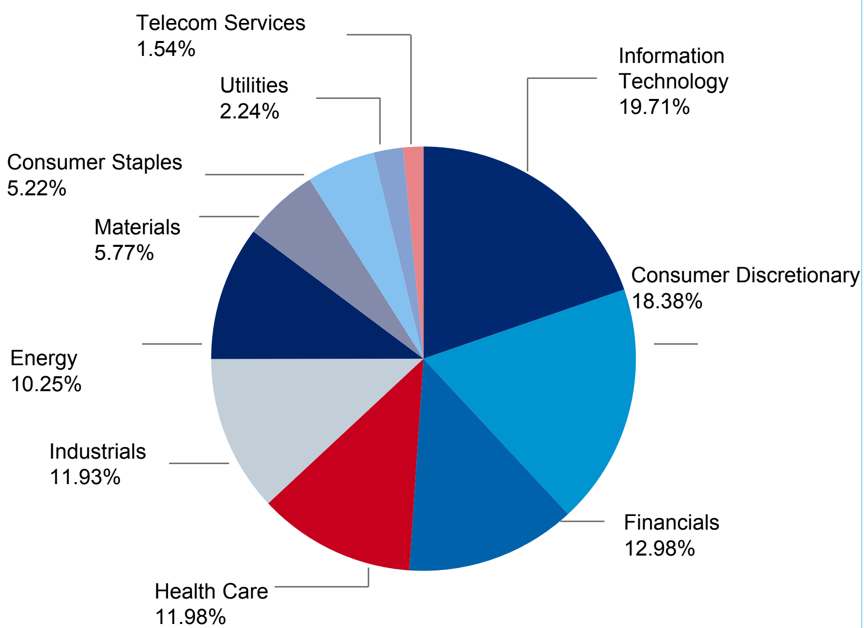


		Mar-14	Feb-14	Mar-13	YTD-14
S&P GSCI		0.1%	4.5%	0.8%	3.0%
US-$ Index		0.4%	-1.8%	1.3%	0.1%
US 2yr Note		0.4%	0.3%	0.2%	1.1%

Source: Citi Prime Finance; FactSet; Citigroup Index LLC.

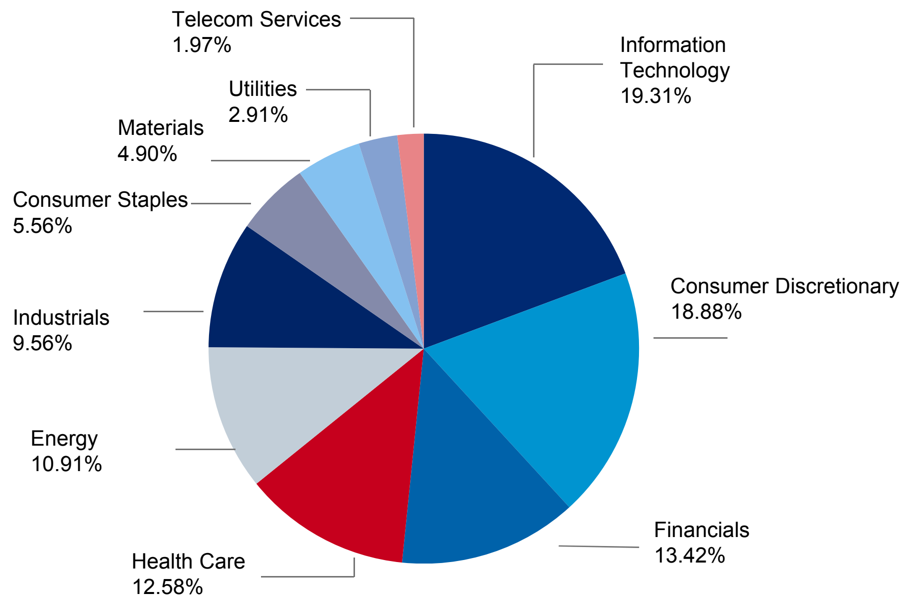
US Securities Lending Sector Short Flows

Short Sale Executions



Sector Short Flows	% Short Execution	% Previous Month Short Execution	% Change From Previous Month
Information Technology	19.71	15.69	25.62
Consumer Discretionary	18.38	20.21	-9.05
Financials	12.98	11.17	16.2
Health Care	11.98	13.06	-8.27
Industrials	11.93	12.38	-3.63
Energy	10.25	11.63	-11.87
Materials	5.77	5.55	3.96
Consumer Staples	5.22	5.50	-5.09
Utilities	2.24	2.89	-22.49
Telecom Services	1.54	1.91	-19.37

Short Cover Executions

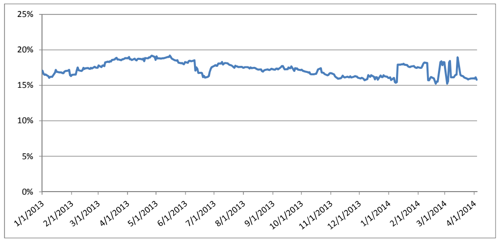


Sector Short Flows	% Cover Execution	% Previous Month Short Cover	% Change From Previous Month
Information Technology	19.31	16.22	19.05
Consumer Discretionary	18.88	20.37	-7.31
Financials	13.42	10.32	30.04
Health Care	12.58	13.14	-4.26
Energy	10.91	13.16	-17.1
Industrials	9.56	10.76	-11.15
Consumer Staples	5.56	5.37	3.54
Materials	4.90	4.67	4.93
Utilities	2.91	3.08	-5.52
Telecom Services	1.97	2.92	-32.53

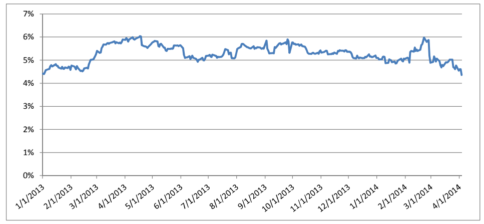
Source: S&P (GICS); Citi US Securities Lending. Executions of shorts and short covers settled at Citi Prime Finance based on Market Value.

Equity Long / Short Hedge Fund Sector Positioning

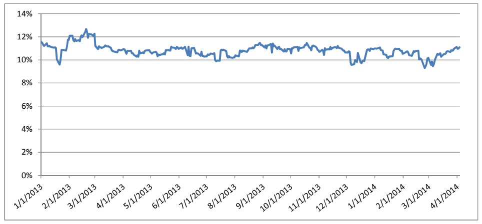
Consumer Discretionary



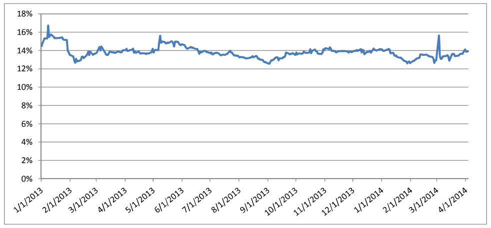
Consumer Staples



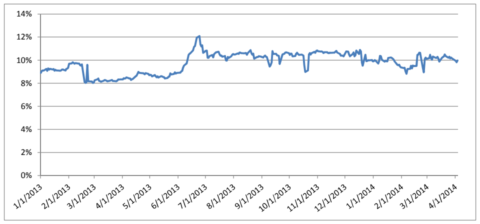
Energy



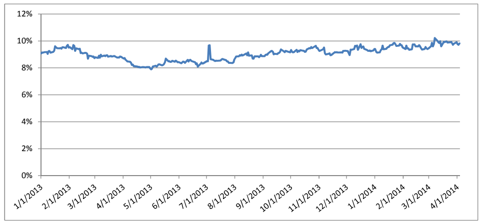
Financials



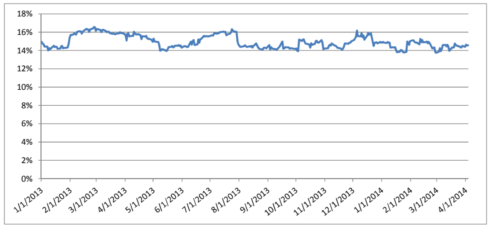
Health Care



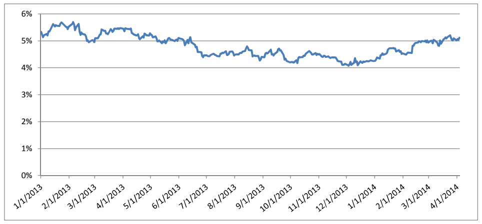
Industrials



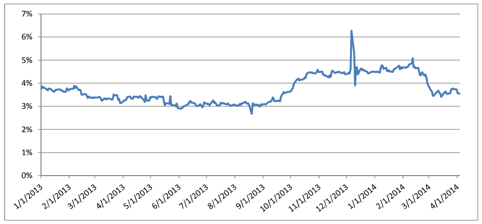
Information Technology



Materials



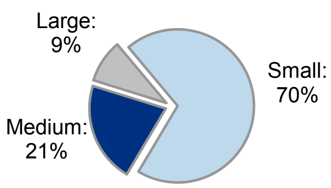
Telecommunications Services



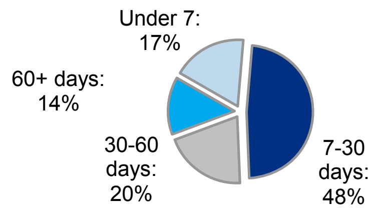
Source: Gross equity long and short positions aggregated by sector are taken as a percent of total gross equity longs and shorts

Hedge Fund (Fund Level) Profiles

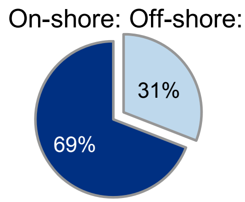
By Fund Size—No. of Funds



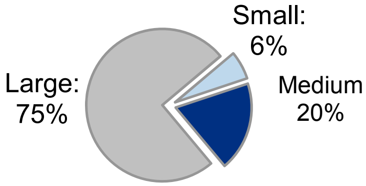
Redemption Notice Period



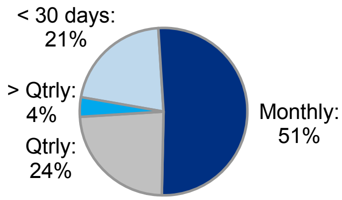
On-shore/Off-shore



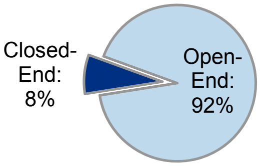
By Fund Size—$ AUM



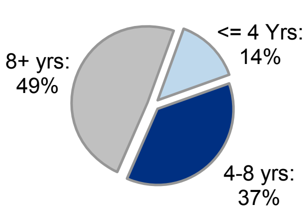
Redemption Frequency



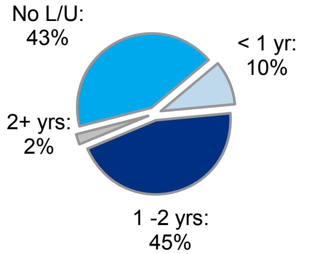
Legal Status



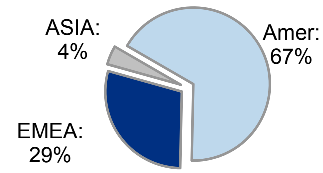
By Fund Age—No. of Funds



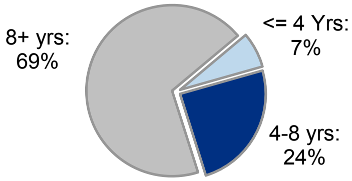
Lock-Up



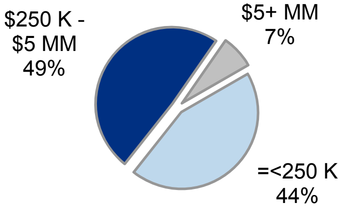
Domicile (by $ AUM)



By Fund Age—$ AUM



Minimum Investment



Source: Citi Prime Finance.
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period.

Hedge Fund (Fund Level) Profiles

Hedge Funds: Large (>$500 Million)

Hedge Fund Age	% of Total	Median AUM ($MM)	Median Monthly Perform	Median YTD Perform	Domicile: Americas Region	Off-Shore	Preferred Lock-Up / % of Total	Preferred Redemption Notice/ % of Total	Preferred Redemption Frequency/ % of Total
Under 4 yrs	8%	$1,680	0.1%	1.8%	73%	94%	1-2 yrs / 76%	7-30 days / 69%	Monthly / 56%
4-8 yrs	32%	$1,715	-0.3%	1.7%	71%	66%	1-2 yrs / 79%	60+ days / 31%	Monthly / 40%
Over 8 yrs	60%	$2,583	-0.7%	1.5%	67%	71%	1-2 yrs / 41%	7-30 days / 32%	Monthly / 47%
Total	100%	$2,139	-0.5%	1.0%	69%	73%	1-2 years / 51%	7-30 days / 34%	Monthly / 48%

Hedge Funds: Medium ($100–$500 Million)

Hedge Fund Age	% of Total	Median AUM ($MM)	Median Monthly Perform	Median YTD Perform	Domicile: Americas Region	Off-Shore	Preferred Lock-Up / % of Total	Preferred Redemption Notice/ % of Total	Preferred Redemption Frequency/ % of Total
Under 4 yrs	7%	$227	0.1%	1.1%	73%	84%	1-2 yrs / 75%	7-30 days / 52%	Under 30 / 51%
4-8 yrs	38%	$226	-0.3%	1.2%	70%	73%	1-2 yrs / 66%	7-30 days / 41%	Monthly / 49%
Over 8 yrs	65%	$231	-0.6%	0.4%	72%	65%	No / 52%	7-30 days / 48%	Under 30 / 57%
Total	100%	$230	-0.4%	0.8%	72%	68%	No / 44%	7-30 days / 46%	Monthly / 52%

Hedge Funds: Small (<$100 Million)

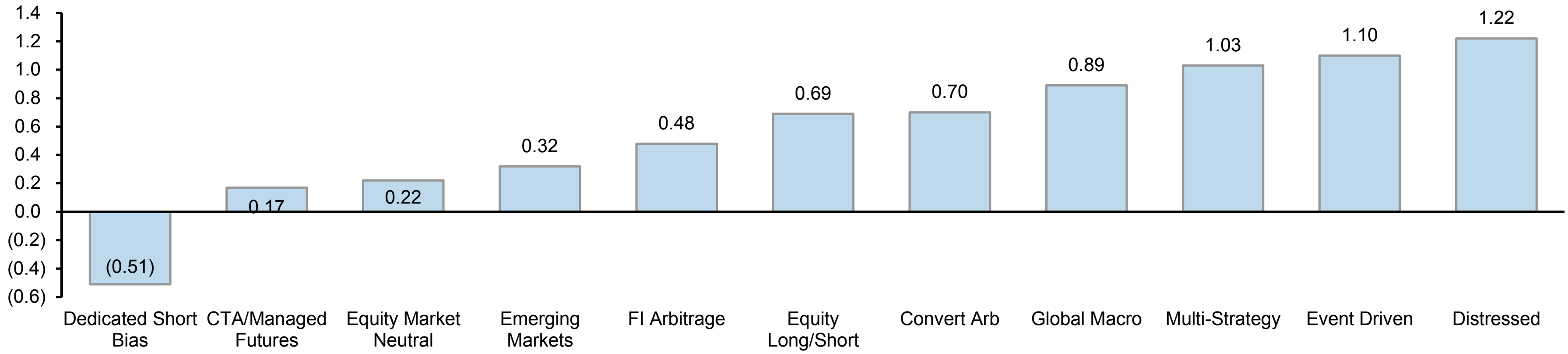
Hedge Fund Age	% of Total	Median AUM ($MM)	Median Monthly Perform	Median YTD Perform	Domicile: Americas Region	Off-Shore	Preferred Lock-Up / % of Total	Preferred Redemption Notice/ % of Total	Preferred Redemption Frequency/ % of Total
Under 4 yrs	15%	$29	-0.4%	1.0%	89%	79%	1-2 yrs / 71%	7-30 days / 32%	Monthly / 44%
4-8 yrs	41%	$34	-0.2%	1.3%	66%	78%	1-2 yrs / 63%	7-30 days / 43%	Monthly / 52%
Over 8 yrs	44%	$37	-0.7%	0.8%	69%	65%	No / 42%	7-30 days / 55%	Monthly / 54%
Total	100%	$34	-0.4%	1.0%	69%	73%	1-2 yrs / 46%	7-30 days / 50%	Monthly / 52%

Source: Citi Prime Finance.

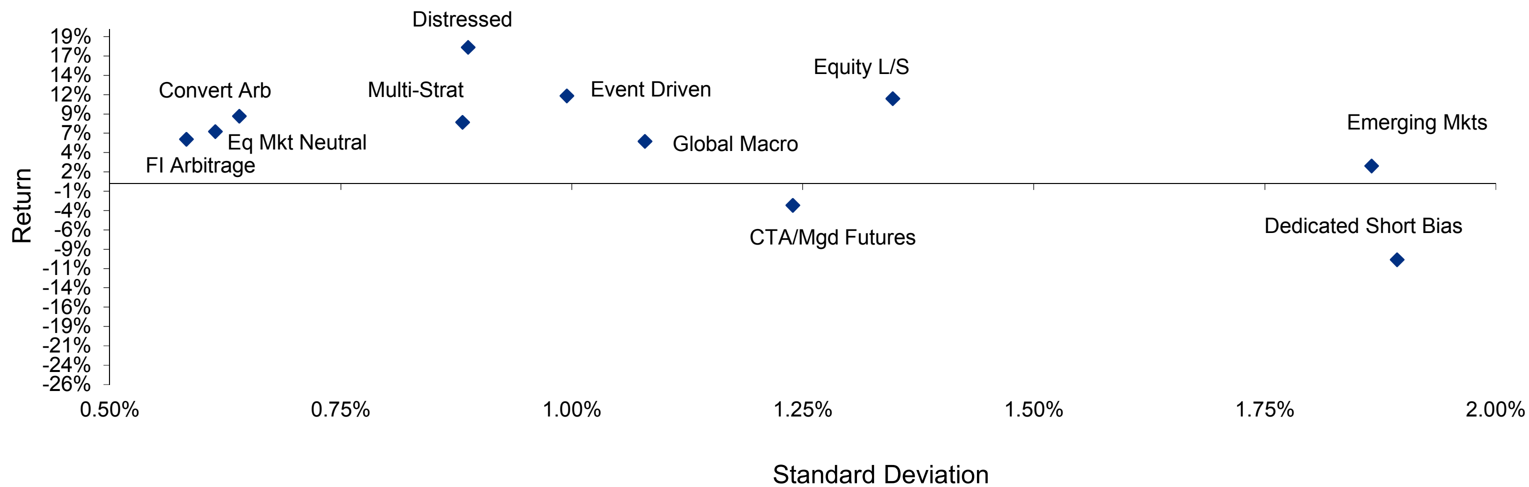
Note: Domiciles, lock-up and redemption metrics updated quarterly. Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. Median YTD performance is calculated from funds reporting for all underlying periods. “n/m” = Not Meaningful.

Risk and Return Metrics

Sharpe Ratios (Oct-04 - Mar-14)



Source: Credit Suisse Tremont.



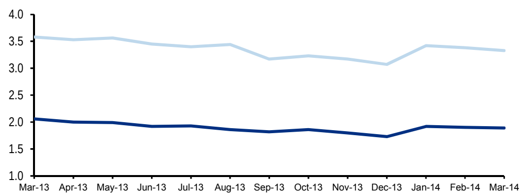
Source: Citi Prime Finance.

Convertible Arbitrage

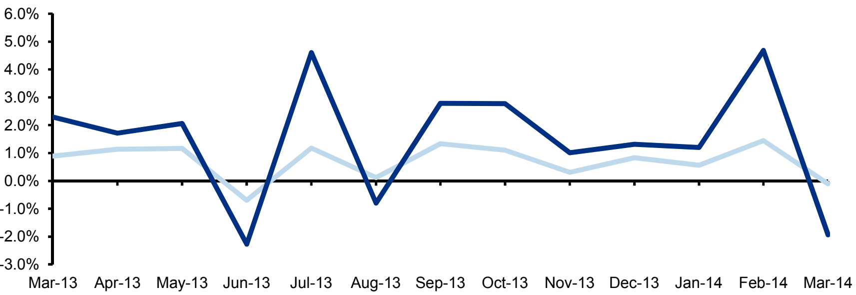
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	**0.6%**	**1.5%**	**-0.1%**										**1.9%**

Performance Commentary

- Convertible arbitrage funds posted their first negative month since June-13 with average category returns of -0.1%. Larger managers underperformed smaller managers, on average by 30-60 bps.
- Globally, investors redeemed -$30mm in flows from convertible arbitrage managers in March, bringing YTD net flows to only +$13mm. Gross leverage remains in the 3.3x-3.4x range.



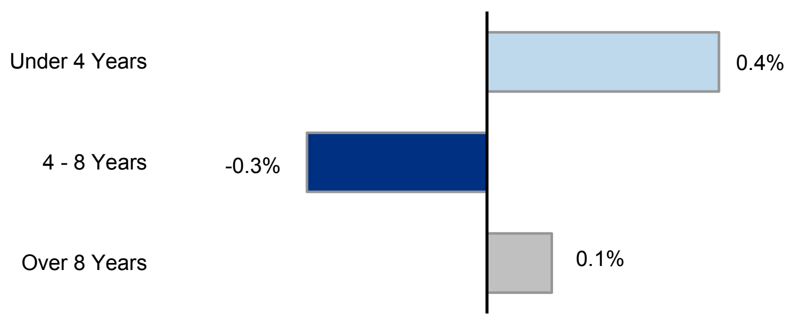
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



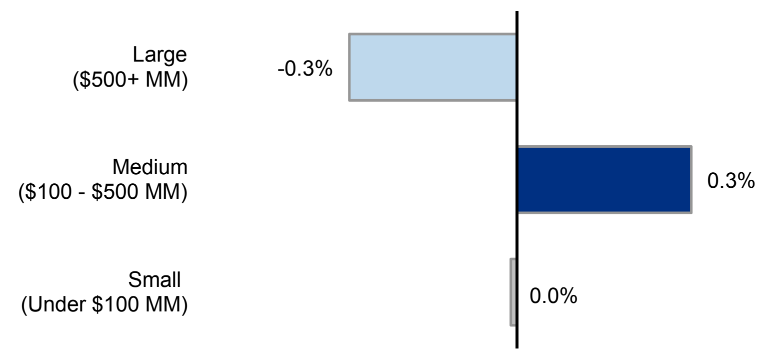
	March -14	February -14	March -13	YTD-14
Convert Arb	-0.1%	1.5%	0.9%	1.9%
CWB ETF	-1.9%	4.7%	2.3%	3.9%

Source: Citi Prime Finance; FactSet.

Hedge Fund Performance by Age[1]



Hedge Fund Performance by Size[1]

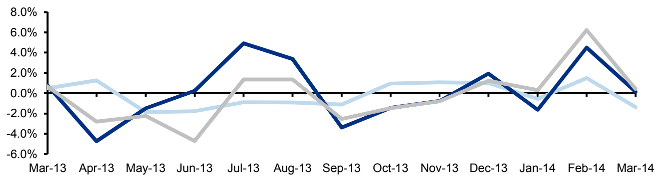


Source: Citi Prime Finance and eVestment
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period.
1. Universe and sample sizes may be small.

CTA/Managed Futures

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	-0.6%	1.5%	-1.4%										-0.5%

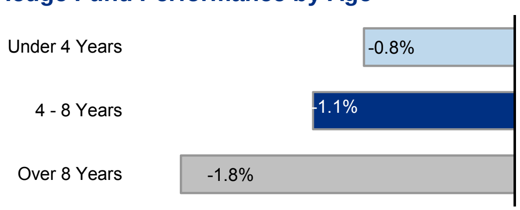
Hedge Fund Performance vs. Benchmark



	March -14	February -14	March -13	YTD-14
CTA/Mgd Futures	-1.4%	1.5%	0.5%	-0.5%
S&P GSCI Commodity (SPGSC	0.1%	4.5%	0.8%	3.0%
DJ-UBS Commodity (DJAGK)	0.4%	6.2%	0.7%	6.9%

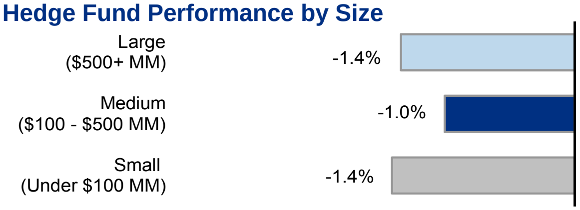
Source: Citi Prime Finance; FactSet.

Hedge Fund Performance by Age



Source: Citi Prime Finance.

Hedge Fund Performance by Size



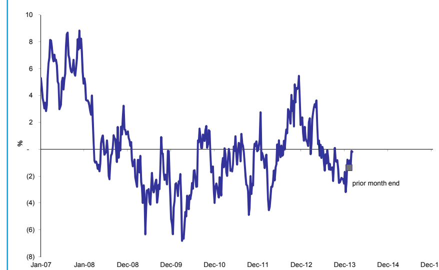
Source: Citi Prime Finance.

Large Speculator Positions: CFTC Commitment Of Traders (Futures & Options) Report Net of Longs Less Shorts as Percent of Total Open Positions

Combined S&P/Weighted Mini S&P Contracts

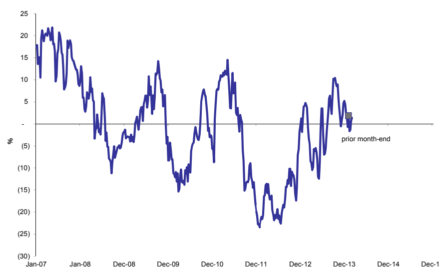
Last Update: 2/25/14 -0.2%

US 10-Year Treasury Futures



Last Update: 2/25/14 -0.2%

EuroFX Futures



Last Update: 2/25/14 +1.4%

Gold Futures

Last Update: 2/25/14 +11.1%

Source: CFTC, Bloomberg, Citi Futures Perspective.

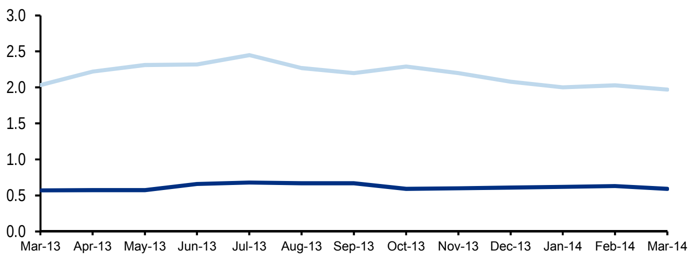
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period.
1. Universe and sample sizes may be small.

Dedicated Short Bias

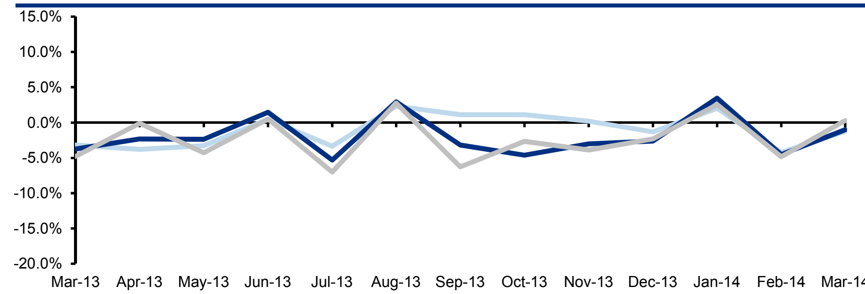
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	**2.0%**	**-4.2%**	**-1.2%**										**-3.5%**

Performance Commentary

- Dedicated Short Bias funds posted negative returns in March as broad category returns were -1.2% bringing YTD performance to -3.5%. Gross leverage which peaked in July at 2.5x, has fallen to a 14 month low as short sellers continue to struggle to find conviction in the current market cycle.



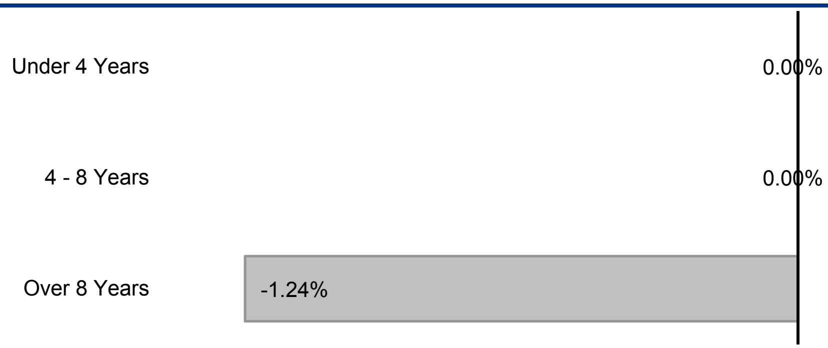
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	March -14	February -14	March -13	YTD-14
Ded Short Bias	-1.2%	-4.2%	-3.2%	-3.5%
S&P Short ETF (SH)	-1.0%	-4.5%	-3.8%	-2.1%
Rus 2000 Short ETF (RWM)	0.3%	-4.9%	-4.8%	-2.0%

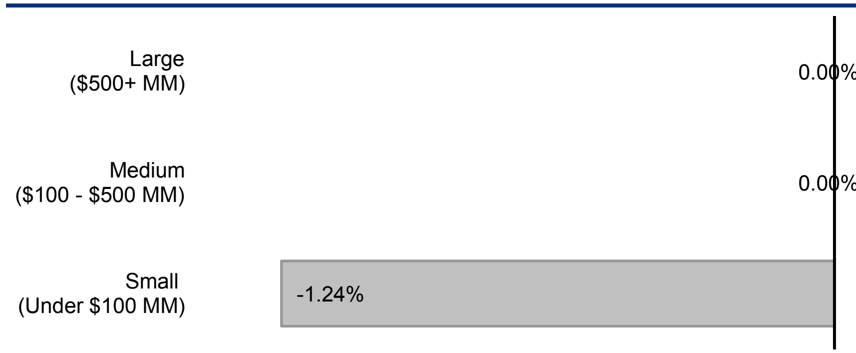
Source: Citi Prime Finance; FactSet.

Hedge Fund Performance by Age[1]



Source: Citi Prime Finance and eVestment.

Hedge Fund Performance by Size[1]



Source: Citi Prime Finance.

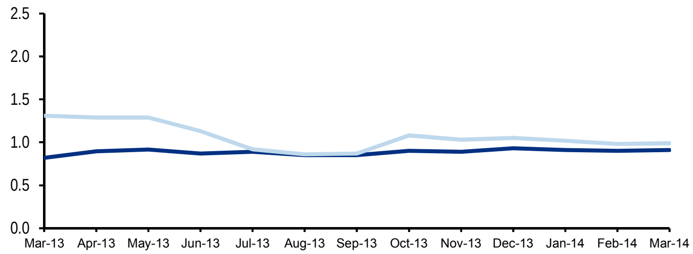
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period.
1. Universe and sample sizes may be small.

Distressed

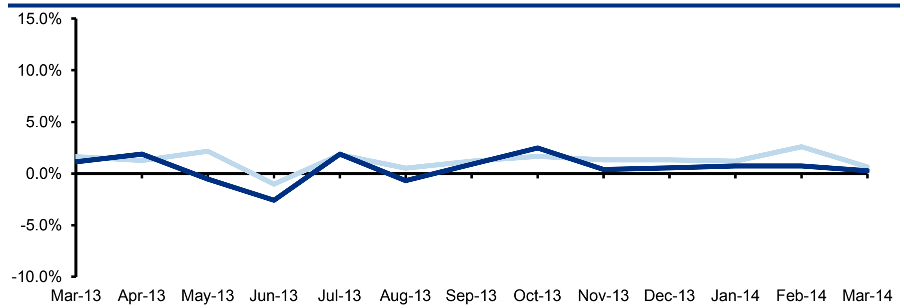
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	1.2%	2.6%	0.6%										4.4%

Performance Commentary

- Distressed managers posted continued positive performance in March and outperformed the Citi HY Bond index by 30 bps. As a category, distressed funds underperformed the trailing twelve month mean by 40 bps. Within the category smaller funds (< $100mm) outperformed larger funds. Gross leverage remains in the 0.9x – 1.0x range.



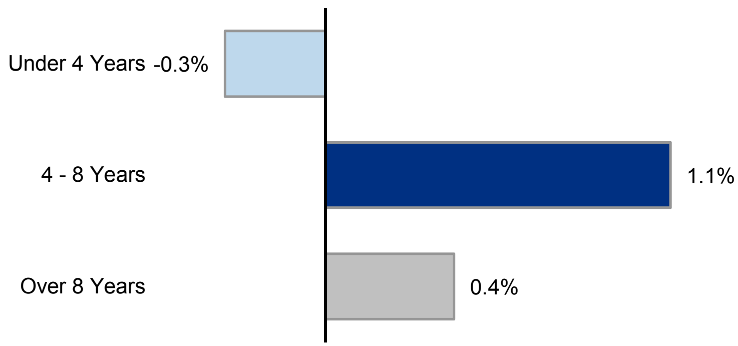
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	March -14	February -14	March -13	YTD-14
Distressed	0.6%	2.6%	1.6%	4.4%
Citi HY Bond Index	0.3%	0.7%	1.1%	1.7%

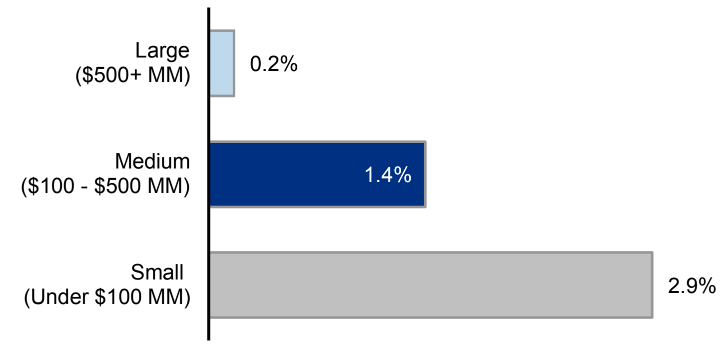
Source: Citi Prime Finance; Citigroup Index LLC; Altman-NYU Salomon Center.

Hedge Fund Performance by Age[1]



Source: Citi Prime Finance and eVestment.

Hedge Fund Performance by Size[1]



Source: Citi Prime Finance.

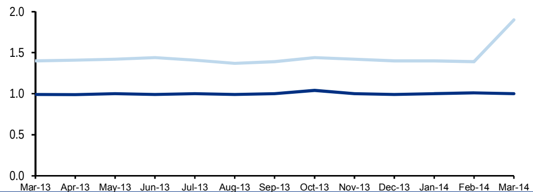
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period.
1. Universe and sample sizes may be small.

Emerging Markets

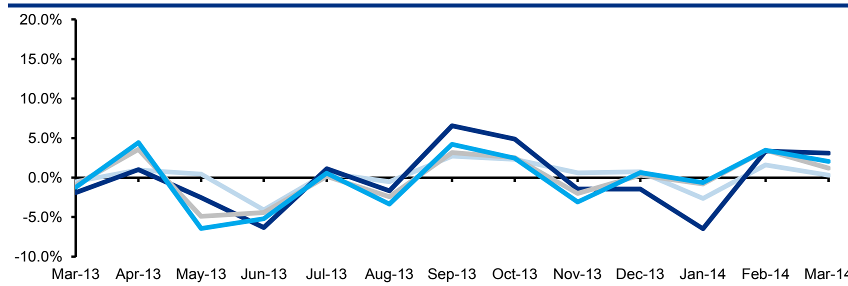
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	**-2.7%**	**1.6%**	**0.3%**										**-0.8%**

Performance Commentary

- Emerging markets focused funds returned +0.3% in March yet trailed the yet trailed the broad based benchmark indices from 90 - 280 bps. Regionally, Brazilian-focused funds outperformed the broader category returning +3.1% in March. Younger vintage, EM-focused funds outperformed the broader category by an average of 90 bps. Investors redeemed -\$0.82 billion from EM funds in Mar-14. Gross leverage moved higher in March 2014 in the 1.8x-1.9x level range, the highest levels seen in over 24 months.



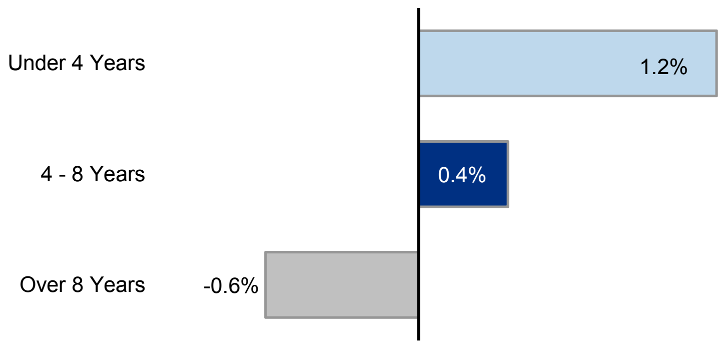
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	March -14	February -14	March -13	YTD-14
Emerging Mkts	0.3%	1.6%	-0.5%	-0.8%
MSCI EM	3.1%	3.3%	-1.9%	0.0%
JPM EMBIG Core ETF (EMB)	1.2%	3.4%	-0.9%	3.8%
DB EM Liquid ETF (PCY)	2.0%	3.5%	-1.2%	4.9%

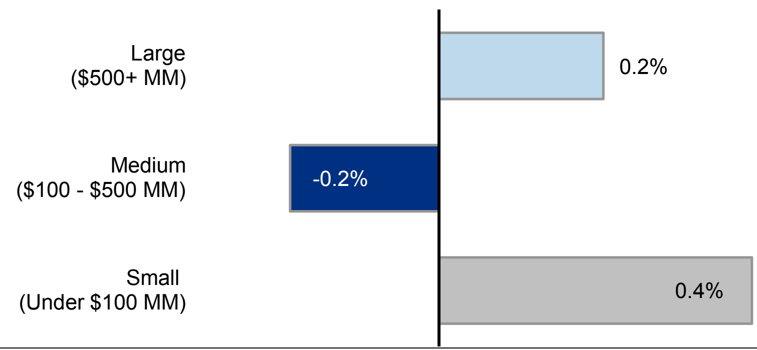
Source: Citi Prime Finance; Citigroup Index LLC; Altman-NYU Salomon Center.

Hedge Fund Performance by Age[1]



Source: Citi Prime Finance. And eVestment

Hedge Fund Performance by Size[1]



Source: Citi Prime Finance.

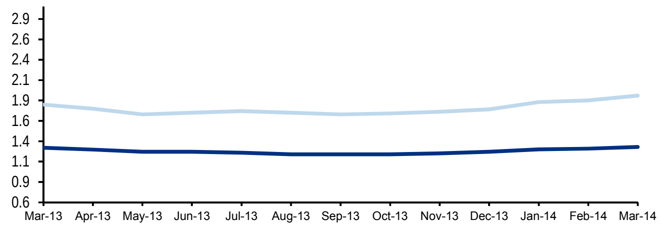
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period.
1. Universe and sample sizes may be small.

Equity Long/Short

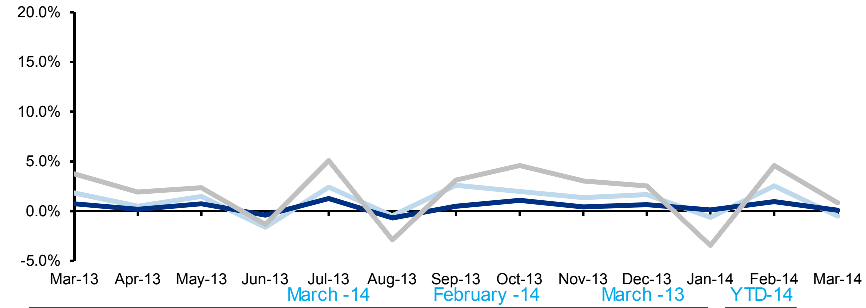
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	**-0.6%**	**2.5%**	**-0.5%**										**1.4%**

Performance Commentary

- Even as performance turned negative after a strong returns in February, Investors continue to allocate capital to Equity L/S funds as this category realized +$8 billion of net inflows in March. Funds specializing in Technology, Healthcare, Energy and Basic Materials led Equity Hedge performance in the first quarter, as the HFRI Technology and Healthcare Index gained +6.3% and the Energy/Basic Materials Index gained +5.2%. Gross leverage increased to 1.9x from 1.85x from Feb-14.



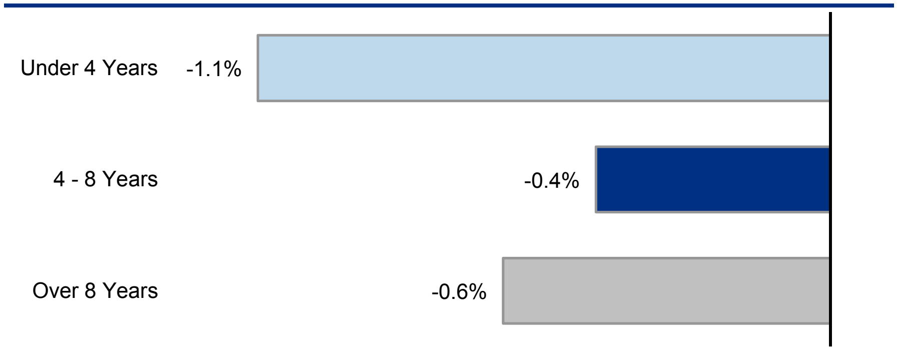
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	March -14	February -14	March -13	YTD-14
Eq Long/Short	-0.5%	2.5%	1.8%	1.4%
Eq Mkt Neutral	0.1%	1.0%	0.7%	1.2%
S&P 500	0.8%	4.6%	3.8%	2.0%

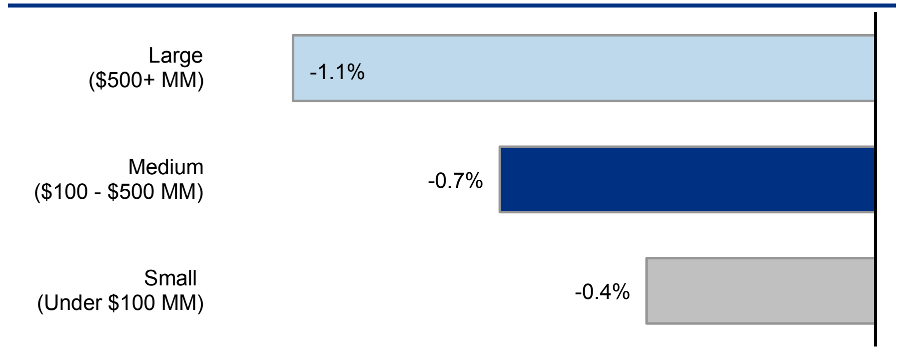
Source: Citi Prime Finance; FactSet.

Hedge Fund Performance by Age[1]



Source: Citi Prime Finance and eVestment.

Hedge Fund Performance by Size[1]



Source: Citi Prime Finance.

Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period.
1. Universe and sample sizes may be small.

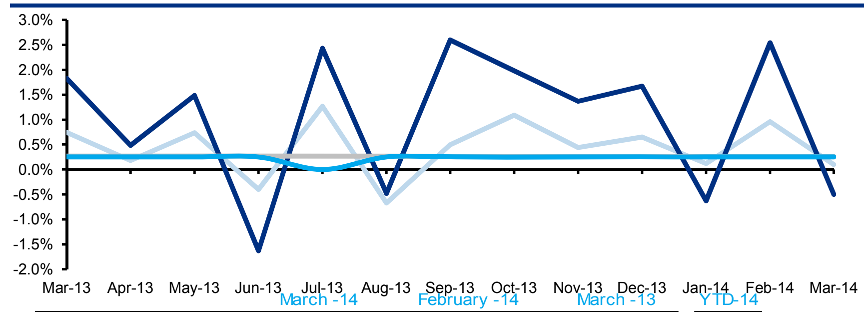
Equity Market Neutral

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	**0.1%**	**1.0%**	**0.1%**										**1.2%**

Performance Commentary

- Equity Market Neutral funds finished the month positive territory at +0.1.0%. Larger funds (> $500 MM) underperformed smaller funds within the strategy by a broad margin. Broadly, Equity M/N funds were inline with benchmarks for Mar-14 and YTD performance.
- Globally, investors allocated $42mm in net new flows to Equity Market Neutral managers in Mar-14, less than the $140mm allocated the previous month.

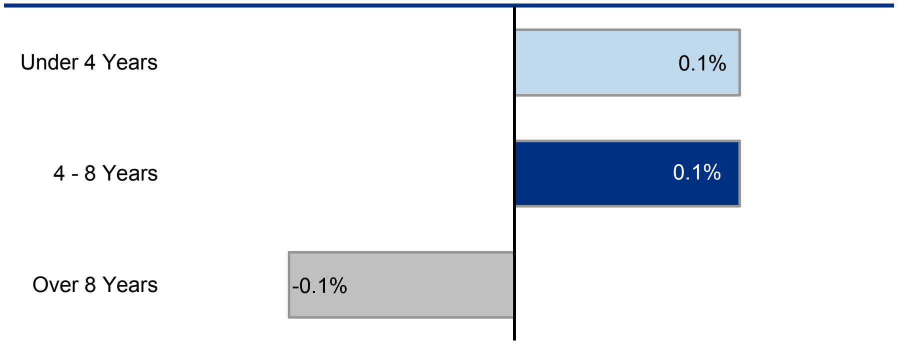
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	March -14	February -14	March -13	YTD-14
Eq Mkt Neutral	0.1%	1.0%	0.7%	1.2%
Eq Long/Short	-0.5%	2.5%	1.8%	1.4%
LIBOR + 300 bps	0.3%	0.3%	0.3%	0.8%
US T-Bill + 300 bps	0.3%	0.3%	0.3%	0.8%

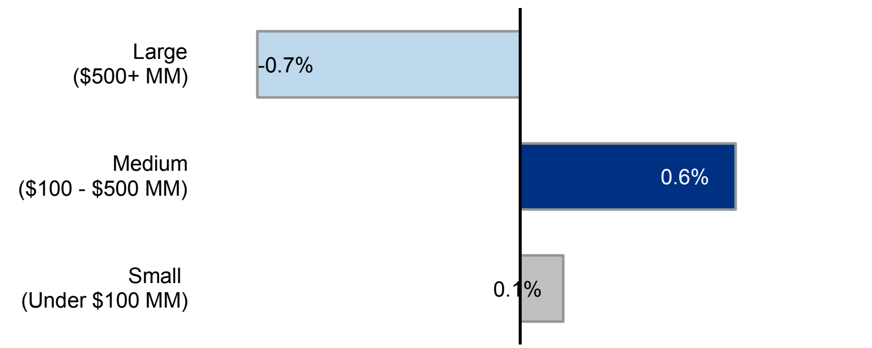
Source: Citi Prime Finance; FactSet.

Hedge Fund Performance by Age[1]



Source: Citi Prime Finance and eVestment and HFR

Hedge Fund Performance by Size[1]



Source: Citi Prime Finance.

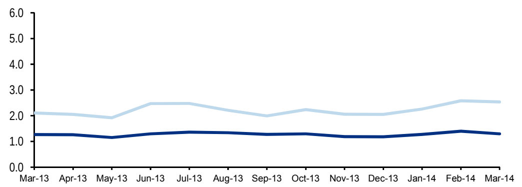
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period.
1. Universe and sample sizes may be small.

Event Driven

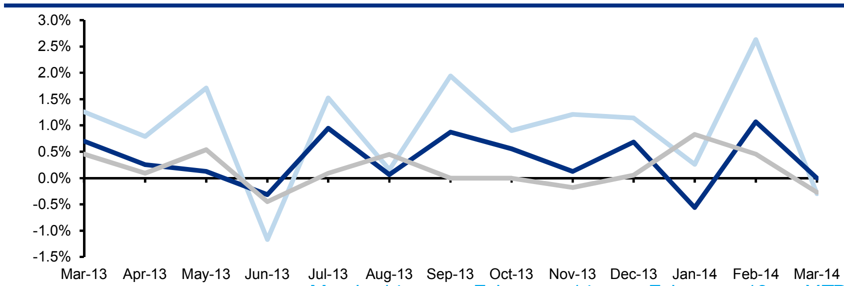
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.3%	2.6%	-0.3%										2.6%

Performance Commentary

- After strong performance in February, Event-driven funds had a narrow decline in March as the HFRI Event-driven Index returned -0.1%, however is still in positive territory for the quarter at +2.0%. Distressed (+0.6%) and credit-focused (+0.2%) funds had positive results in March.
- Capital flows for Event-driven funds increased again this month to $17.4 billion, up from $12.1 last month. Gross leverage remains in the 2.5x – 2.6x range.



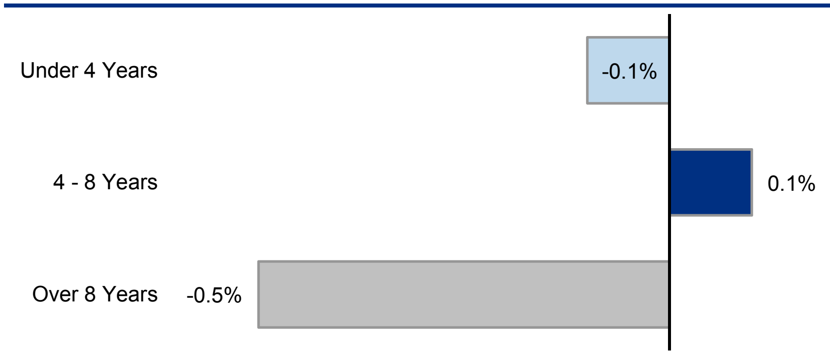
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	March -14	February -14	February -13	YTD-14
Event Driven	-0.3%	2.6%	1.3%	2.6%
The Merger Fund (MERFX)	0.0%	1.1%	0.7%	0.5%
AQR Div Arb Fund (ADANX)	-0.3%	0.5%	0.5%	1.0%

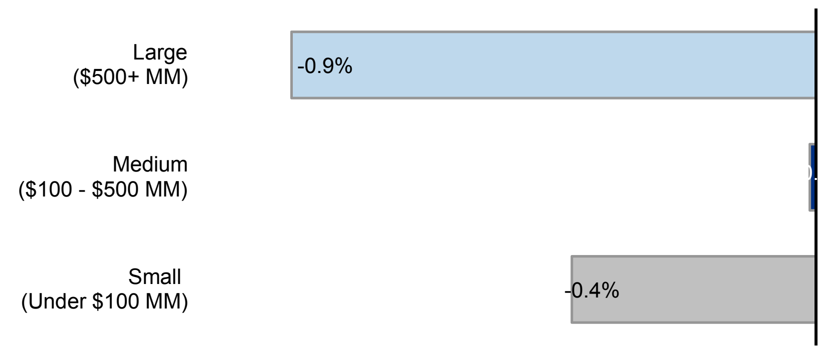
Source: Citi Prime Finance; FactSet.

Hedge Fund Performance by Age[1]



Source: Citi Prime Finance and eVestment and HFR

Hedge Fund Performance by Size[1]



Source: Citi Prime Finance.

Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period.
1. Universe and sample sizes may be small.

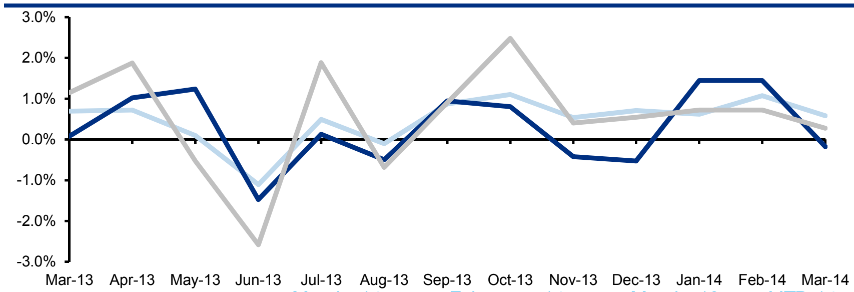
FI Arbitrage

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	**0.6%**	**1.1%**	**0.6%**										**2.3%**

Performance Commentary

- FI Arbitrage funds continued their strong start for the year and added +0.6% in March and outperformed the benchmark indices by 30 – 80 bps. Within the category, smaller funds outperformed larger funds by 30-40bps. Looking across the HFRI Fixed Income RV indices, all sub strategies posted gains in March: Sovereign Index gained +1.1% while the Asset Backed Index gained +1.3%. And the Yield Alternative Index gained +1.0% .
- Investors continued to allocate new capital to credit strategies as +$1.6 billion in net new flows were allocated in March bringing Q1 totals to +$9.6 billion.

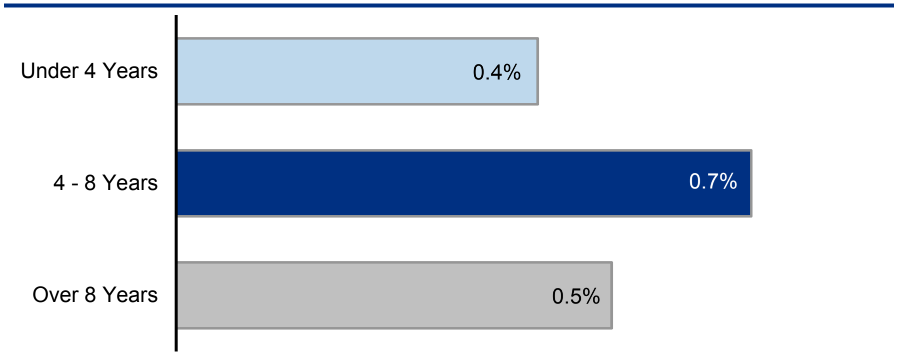
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	March -14	February -14	March -13	YTD-14
FI Arbitrage	0.6%	1.1%	0.7%	2.3%
Citi US BIG Index	-0.2%	1.4%	0.1%	2.7%
Citi HY Bond Index	0.3%	0.7%	1.1%	1.7%

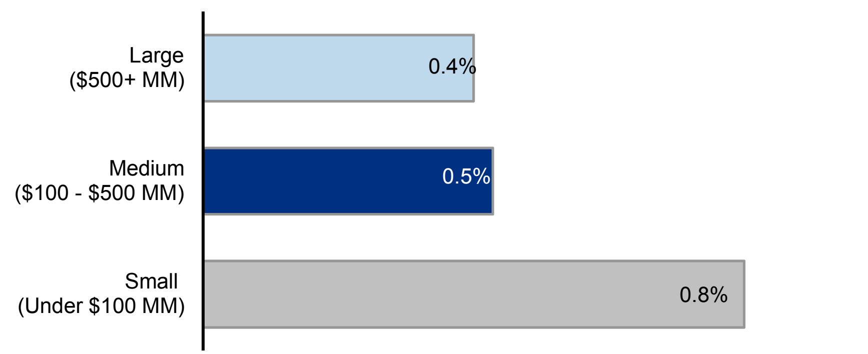
Source: Citi Prime Finance; Citigroup Index LLC.

Hedge Fund Performance by Age[1]



Source: Citi Prime Finance, eVestment, HFR

Hedge Fund Performance by Size[1]



Source: Citi Prime Finance.

Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period.
1. Universe and sample sizes may be small.

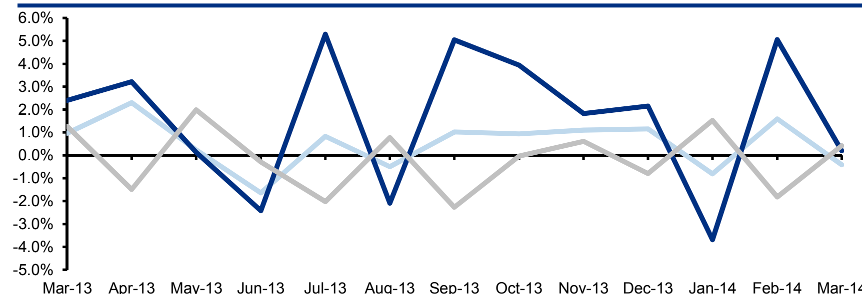
Global Macro

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	**-0.8%**	**1.6%**	**-0.4%**										**0.4%**

Performance Commentary

- Global Macro hedge fund strategies fell on average -0.4% in Mar-14 trailing the benchmark indices. Within the category, younger vintage funds outperformed older funds by 50 – 100 bps. Performance dispersion for the universe of managers reporting performance ranged from -5.7% to + 3.3%.
- Global Macro managers experienced net outflows in March of -$2.8 billion bringing Q1 outflows to -$4.9 billion, which followed net outflows in Q4 2013. In the last twelve months, investors have removed nearly $13 billion.

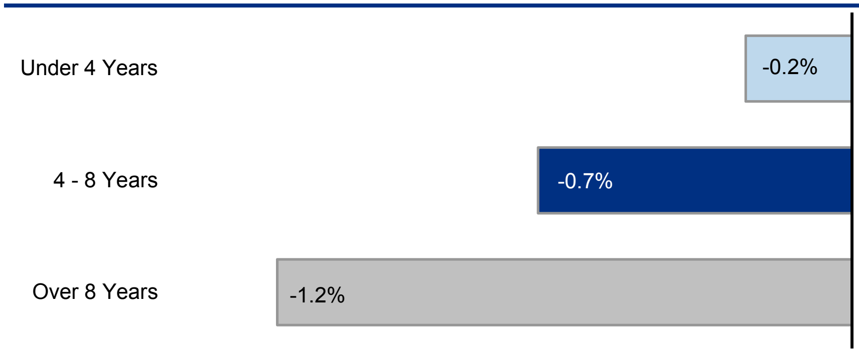
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	March -14	February -14	March -13	YTD-14
Global Macro	-0.4%	1.6%	1.0%	0.4%
MSCI World	0.2%	5.1%	2.4%	1.6%
US$-Index	0.4%	-1.8%	1.3%	0.1%

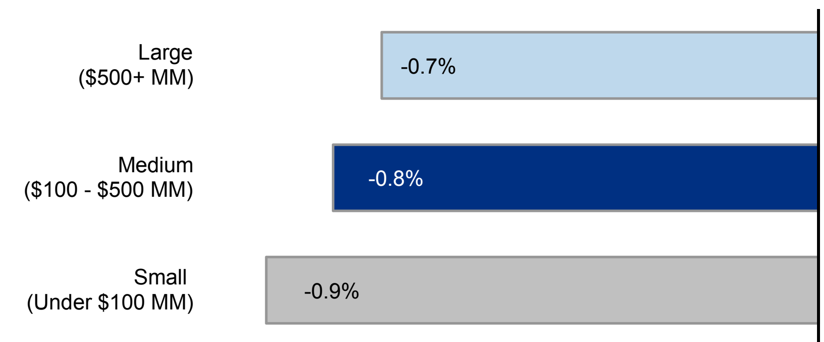
Source: Citi Prime Finance; FactSet.

Hedge Fund Performance by Age[1]



Source: Citi Prime Finance, eVestment, HFR

Hedge Fund Performance by Size[1]



Source: Citi Prime Finance.

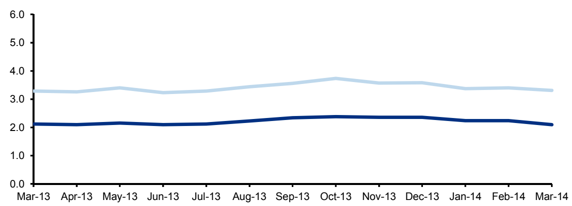
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period.
1. Universe and sample sizes may be small.

Multi-Strategy

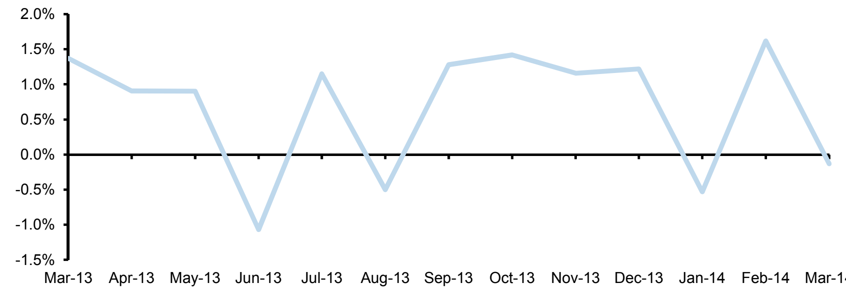
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	**-0.5%**	**1.6%**	**-0.1%**										**1.0%**

Performance Commentary

- Multi-Strategy funds posted flat results for March with dispersion ranging from -3.3% to +3.9% across the sample of mangers reporting monthly performance. Across subcategories, larger funds older vintage funds outperformed younger funds by 60bps. Globally, investors allocated $8.4 billion in net new flows to Multi-Strategy managers in Mar-14 bringing YTD totals to $19.3 billion Gross leverage remains in the 3.3x-3.4x range throughout the month.



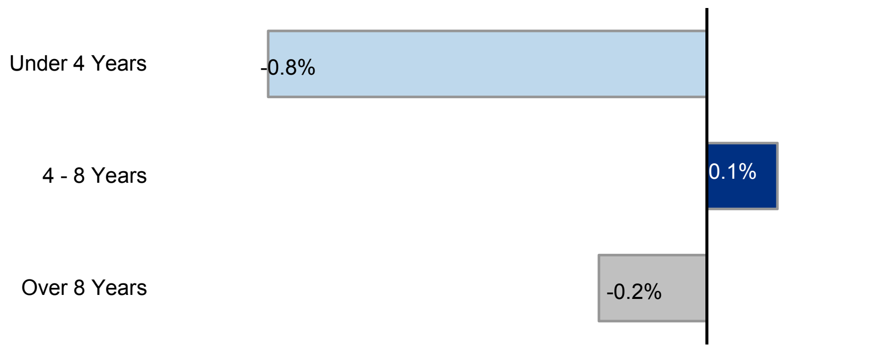
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	March -14	February -14	February -13	YTD-14
Multi-Strategy	-0.1%	1.6%	1.4%	1.0%

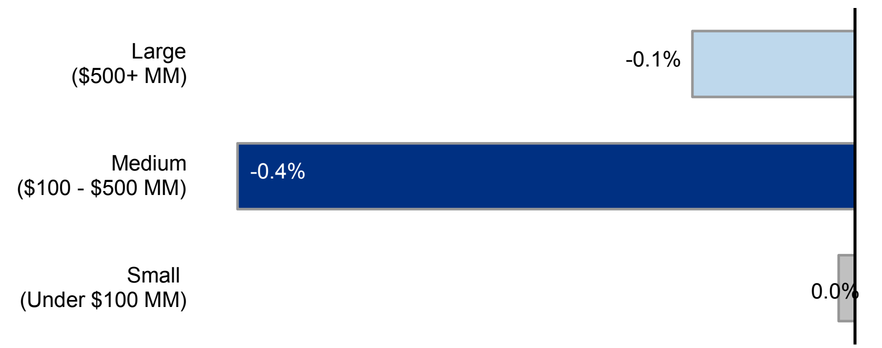
Source: Citi Prime Finance.

Hedge Fund Performance by Age[1]



Source: Citi Prime Finance eVestment.

Hedge Fund Performance by Size[1]



Source: Citi Prime Finance.

Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period.
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For further information, please contact our Global Business Advisory team:

prime.advisory@citi.com