



Hedge Fund Industry Snapshot February 2014



Based on fund universe of 5,200

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

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Performance, AUM & Flows

- Composite hedge fund performance, equal-weighted across funds, was down in January 2014 with performance ranging from -0.24% to +0.54%. Returns were lower than the previous month which experienced +0.56% to +1.1% over the same period.
- Hedge fund strategy wise, top performing strategies in January 2014 include Dedicated Short at +2.01%, Distressed +1.20%, Fixed Income Arbitrage +0.62%, and Convertible Arbitrage at +0.57. The lowest performing strategies include Emerging Markets -2.66%, Global Macro -0.81%, and Equity Long/ Short at -0.63%.
- According to eVestment|HFN, Hedge fund industry assets fell in January 2014 -\$14.2 billion for the month after experiencing +22.6 billion in growth in December. January losses were attributed solely from performance which totaled -\$14.5 billion. For the month, investors flows were net positive, however only accounted for +\$0.3 billion of net new flows.
- Net positive investor flows of +\$0.3 billion for January 2014 marks the first period of positive flows since November 2013. January flows were lower than the mean monthly flows for 2013 which stood at +\$5.6 billion. January 2013 net flows were +\$3.3 billion over the same period.

Fund Profiles

- Across the subset of hedge funds reporting performance and AUM, the monthly median performance for large single funds (>\$500 million) was -0.2%, medium single funds (\$100–\$500 million) -0.4% and small single funds (<\$100 million) -0.4%.
- Liquidity terms continued consistent patterns from recent reporting periods showing little changes to redemption notice periods with 64% of funds requiring 30 days or less notice for redemption. Across the entire subset of reporting funds, the majority (53%) required no lockup (43%) or less than 1 year lock up (10%).
- Increasingly, large funds (>\$500 million AUM) hold majority portion of industry AUM (75%) compared to medium funds (\$100–\$500 million) at 20% and small funds (<\$100 million) holding only 5%.

Leverage, Shorts and Futures Market Positioning

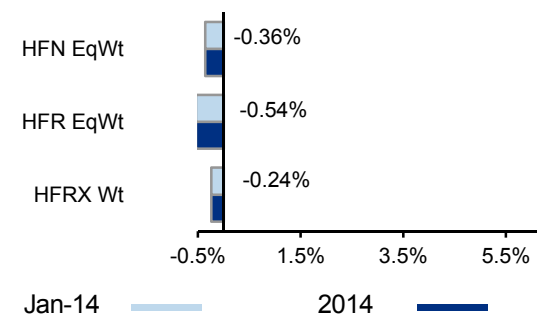
- On a global basis, we calculate gross leverage (as measured on a mean basis) at 2.08x in January 2014 versus 2.01x in December and 2.0x in November.
- Looking across gross leverage, the following strategies showed the highest uses of leverage: Global Macro (3.44x), Convertible Arbitrage (3.42x), Multi Strategy (3.37x), and Equity Market Neutral (2.96x).
- Citi US short flows data included in this month's report show continued interest in the Energy and Health Care sectors. These sectors accounted for 28.6% of short executions and 20.9% of short covers in January vs. 21.2% of short executions and 23.9% of short covers in December 2013.
- Looking at the CFTC Commitment of Traders report for January, we see that the large speculators rebuilt their net long position in the gold market, while reducing their positions in S&P, 10-Year Treasuries and the EuroFX. In each case in those markets the large speculator net exposure has moved back to close to neutral – leaving plenty of room for fresh positioning depending on the course of incoming economic data.

Hedge Fund Industry: AUM, Performance



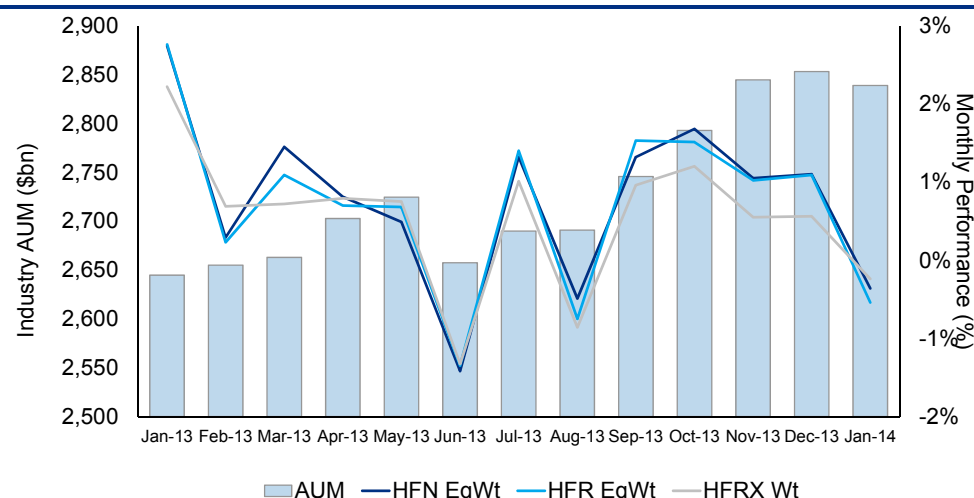
- Composite hedge fund performance, equal-weighted across funds, was down in January 2014 with performance ranging from -0.24% to +0.54%. Returns were lower than the previous month which experienced +0.56% to +1.1% over the same period.
- Global financial markets declined as volatility spiked in January, as Emerging Market currency weakness and further reduction of US Federal Reserve stimulus measures contributed to reduction in investor risk tolerance. Global equity markets posted broad based declines, with US declined led by large cap, Consumer Durables, Retail and Telecom sectors. Asian & European equities also declined, with Asian losses led by Japan & Hong Kong. Emerging Markets posted steep losses led by Brazil, Turkey and Mexico. Government bond yields declined as investors on the investor flight to quality, with US yields falling across all maturities as the curve flattened, European yields also fell across UK Gilts, German Bunds, France and Spain. Emerging markets currencies posted steep declines against the US dollar, led by the Argentine Peso and South African Rand; the US dollar gained against most currencies including the Euro, British Pound Sterling and Canadian Dollar.
- Hedge fund strategy wise, top performing strategies in January 2014 include Dedicated Short at +2.01%, Distressed +1.20%, Fixed Income Arbitrage +0.62%, and Convertible Arbitrage at +0.57. The lowest performing strategies include Emerging Markets -2.66%, Global Macro -0.81%, and Equity Long/ Short at -0.63%.

Industry Performance: Jan-14 / YTD



Source: HFR, eVestment|HFN.

Monthly Industry AUM and Performance



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

Note Pad

- MSCI World Index: -3.7%; -3.7% YTD
- MSCI EM Index: -6.5%; -6.5% YTD
- S&P 500: -3.5%; -3.5% YTD
- Citi US BIG Index: +1.4%; +1.4% YTD
- S&P GSCI: -1.6%; -1.6% YTD
- US Dollar Index: +1.5%; +1.5% YTD
- HFN Country Indices Jan -14 / YTD:
 - Brazil: -5.59% / -5.59%; Australia: +2.27% / +2.27%
 - China: -1.0% / -1.0%; Japan: -1.64% / -1.64%

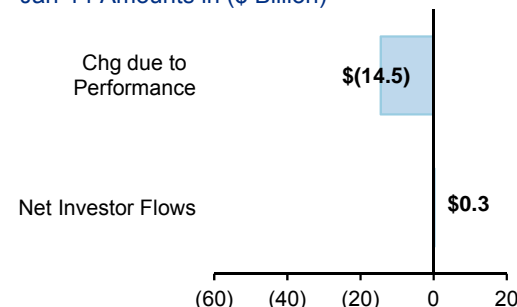
Hedge Fund Industry: Change in Industry Assets



- Hedge fund industry assets fell in January 2014 -\$14.2 billion for the month after experiencing +22.6 billion in growth in December. January losses were attributed solely from performance which totaled -\$14.5 billion. For the month, investors flows were net positive, however only accounted for +\$0.3 billion of net new flows.
- January performance losses were down from average monthly industry performance of 2013 which stood at +\$16.0B. Jan-14 industry performance stands in contrast to Jan-13 which experienced +\$41.1 billion in gains over the same period..
- Net positive investor flows of +\$0.3 billion for January 2014 marks the first period of positive flows since November 2013. January flows are lower than the mean monthly flows for 2013 which stood at +\$5.6 billion. January 2013 net flows were +\$3.3 billion over the same period.
- Total industry AUM now stands at \$2.84 trillion for 2013, a decrease of -0.5% from December 2013 and an overall increase of +13.2% from January 2013.

Composition of Change in Assets

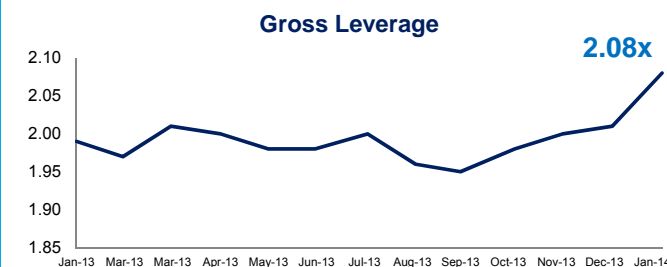
Jan-14 Amounts in (\$ Billion)



Source: HFR, eVestment|HFN.

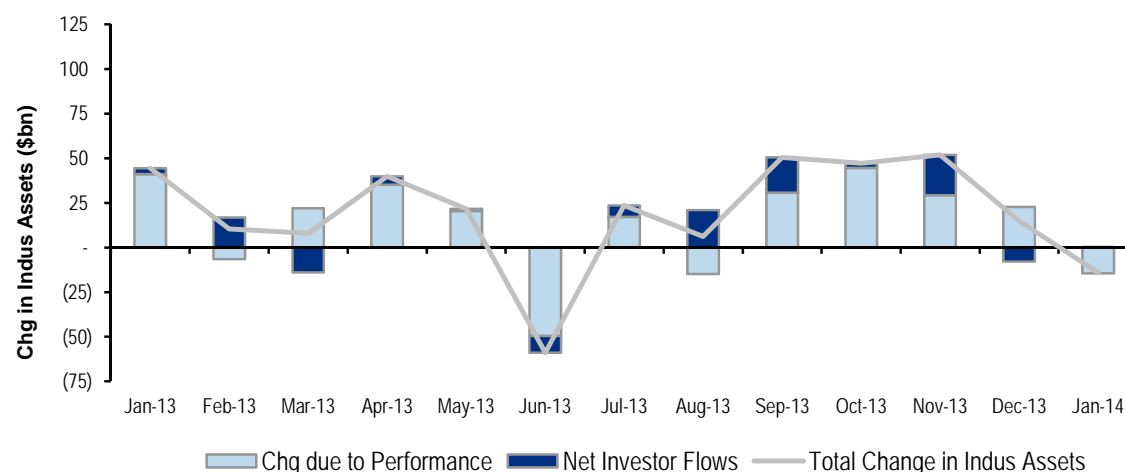
Leverage Trends

The Citi Prime Finance calculation for gross leverage (as measured on a mean basis) 2.08x in January 2014.



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

Monthly Change in Industry Assets and Composition



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

Regional Focus: The Netherlands

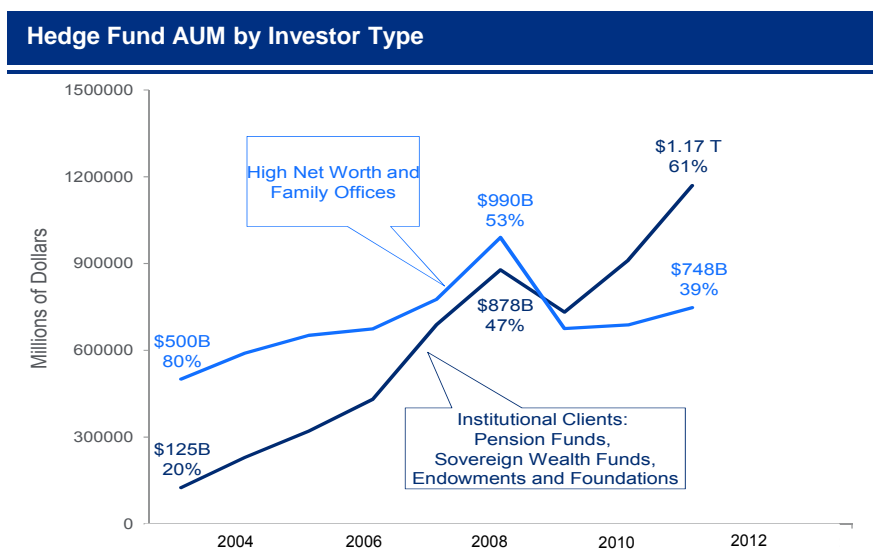
Recent travel to the Netherlands enabled the Capital Introductions team to meet with the bulk of local allocators, most of whom are institutional in nature and who form a concentrated group, numbering approximately a dozen. Dutch investors typically adopt a conservative approach towards their hedge fund investments, preferring the large, established, blue-chip managers. In terms of strategies, they will mostly contemplate strategies which they perceive as “all-weather”, citing Multi-Strategy and Global Macro as favourites and the core of their allocations. Investors in the Netherlands, unlike many other European geographies, are disinclined towards investments in UCITS which they frequently cited as being of a lesser quality in their estimation. Dutch investors are also keen to see willingness from their managers to engage in significant fee negotiations.

Highlights from Recent Events

- Our Asia Capital Introductions team hosted our 7th Annual Asia Capital Introduction Conference on Tuesday, January 14th in Grand Hyatt Hotel in Wanchai, Hong Kong. Throughout the day over 80 investors took part in 300 introductions to APAC based managers.
- Our US Capital Introductions team hosted 12 Prime Finance Clients for an Event Driven Forum on Wednesday, January 22nd in Manhattan. The event included a manager panel moderated by the Head of Citi’s Event Driven Desk in the Americas and resulted in over 325 introductions to Event Driven Managers.
- Our US Capital Introductions team hosted 3 Equity L/S Managers and 17 investors for a roundtable discussion on opportunities within the equities market in Philadelphia on January 10th

Investor Vertical: UK Family Offices

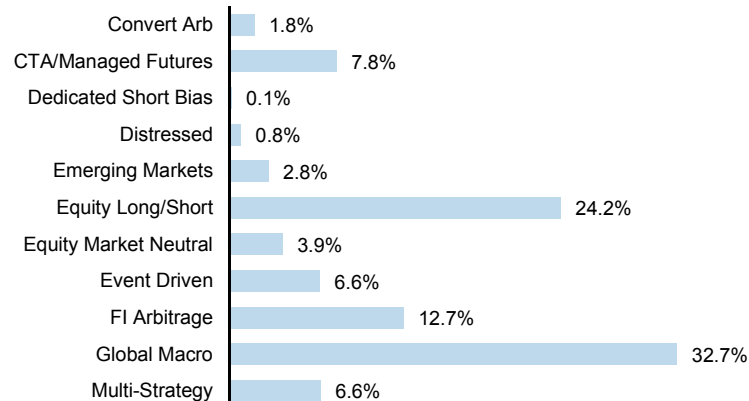
Family offices continue to be an important segment of the allocator base in the UK. Having recently engaged in a number of meetings with London-based family offices, these have been found to be varied in their approach and appetite for hedge fund investments. Some SFOs prefer to invest in emerging managers and allocate on a dynamic basis, whilst others, especially MFOs or SFOs with many beneficiaries or further removed from the source of wealth creation, are extremely conservative and adopt a “blue-chip only” approach. Strategies frequently cited as of interest to family offices are hybrid strategies such as direct lending and reg cap, as this investor base frequently has more tolerance for illiquidity. Macro remains a sought-after strategy with many invested in the larger names and looking to diversify their exposure.



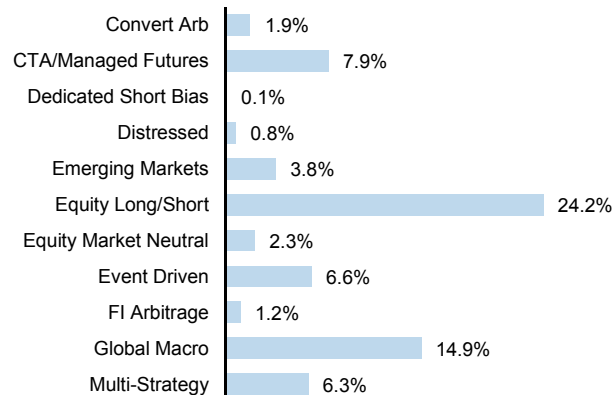
Hedge Fund Stats by Strategy



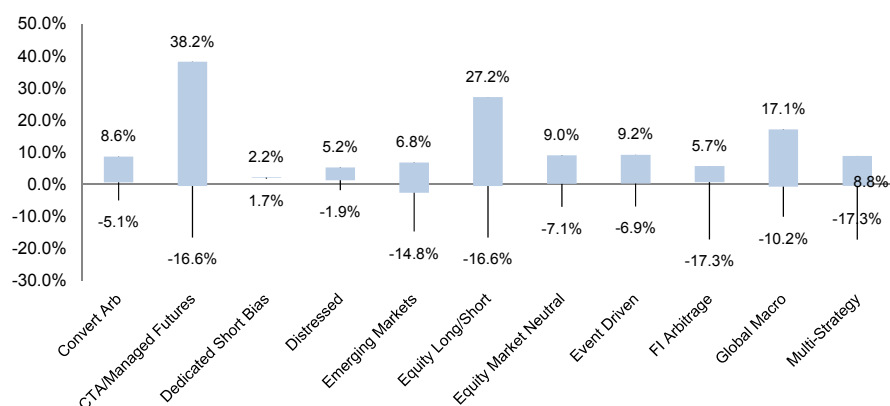
Hedge Fund Strategy Breakdown by Assets



Hedge Fund Strategy Breakdown by Number of Funds

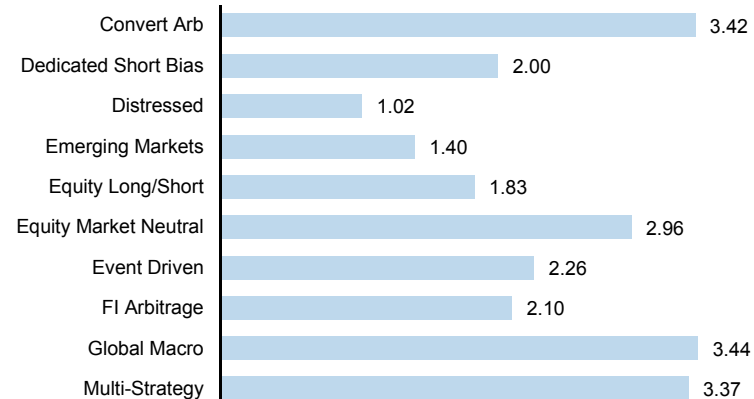


Hedge Fund Performance by Strategy



Hedge Fund Leverage Ratios by Strategy

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



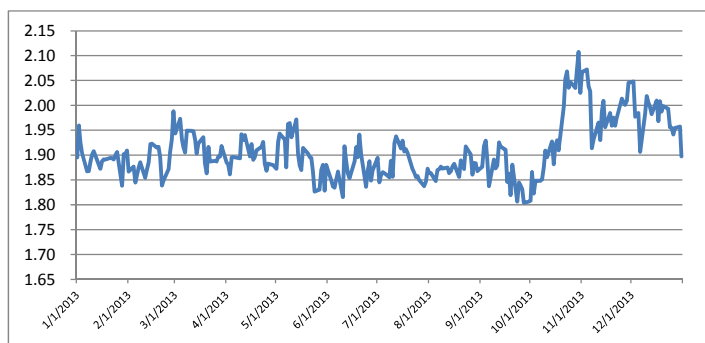
Source: Citi Prime Finance.

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.

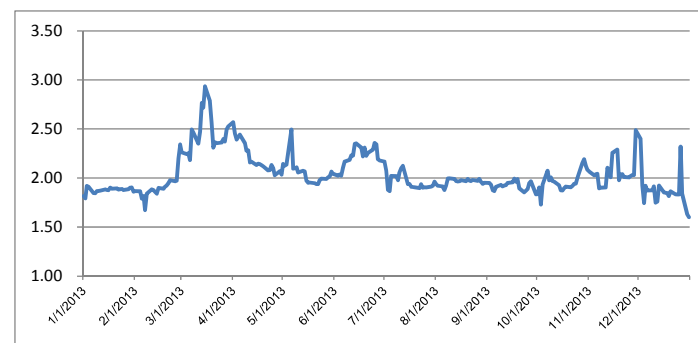
Daily Changes in Gross Hedge Fund Leverage



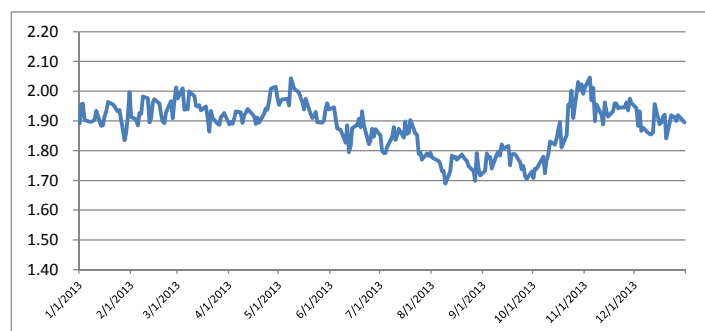
Gross Leverage – All funds



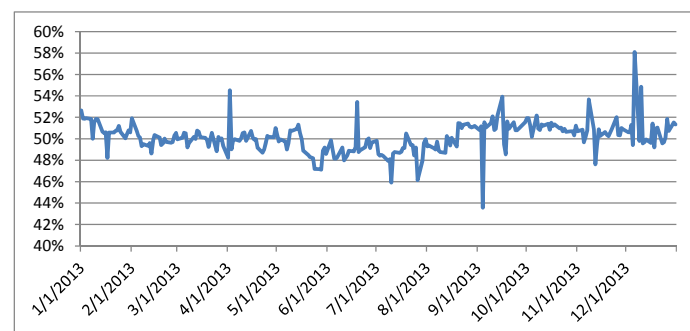
Global Macro



Equity L/S



Equity L/S Utilization



Source: Citi Prime Finance.

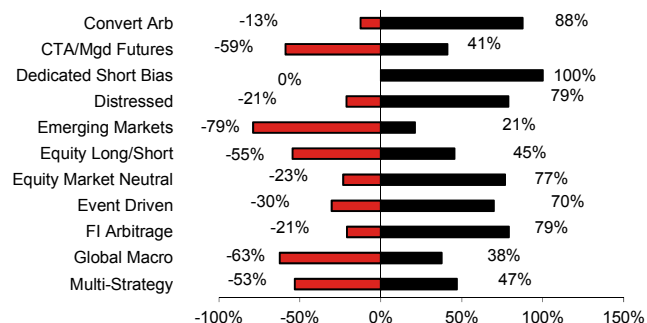
Gross leverage derived from equity balances. Gross Leverage (mean): defined as $\text{sum of (LMV + abs SMV)} / \text{Net Equity}$

Hedge Fund Performance Trends: Red / Black Report



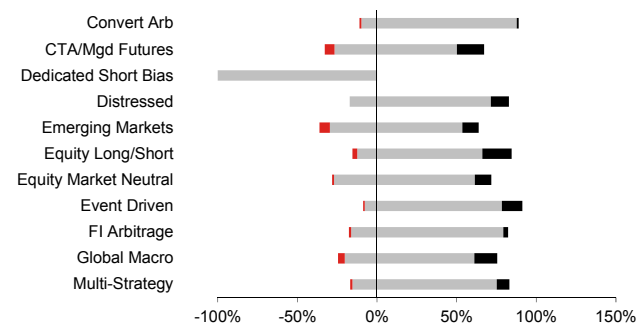
January 2014 – Percentage of Reporting Funds

Negative (—) / Positive (—) Performance



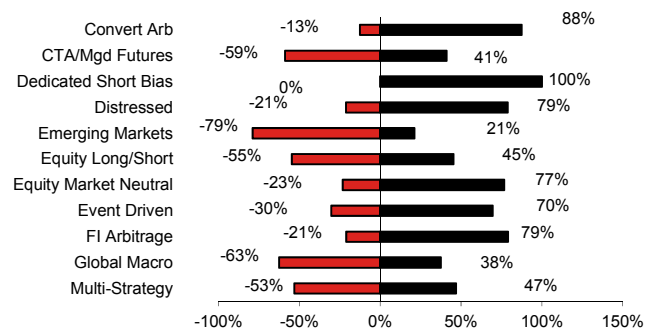
January 2014 – Percentage of Reporting Funds

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



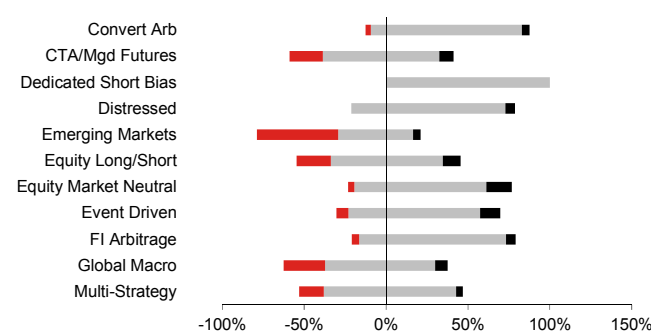
2014 – Percentage of Reporting Funds

Negative (—) / Positive (—) Performance



2014 – Percentage of Reporting Funds

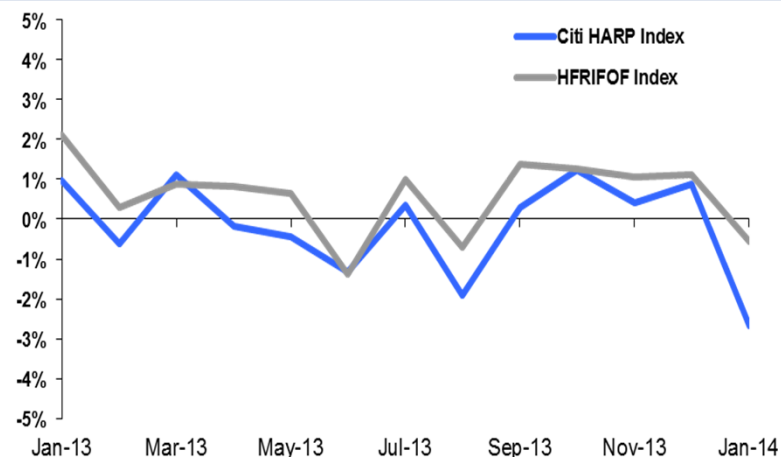
Below -3% (—) / between -3% / + 3% (—) / Above +3% (—)



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

	Jan-14	Dec-13	Jan-13	YTD-14
Citi Harp	-2.67%	0.87%	0.97%	-2.67%
HFRIFOF	-0.57%	1.11%	2.13%	-0.57%

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
Annualised Return	0.77%	8.72%
Annualised Volatility	4.23%	3.09%
Sharpe Ratio	0.11	2.72
Correlation	85%	-

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.

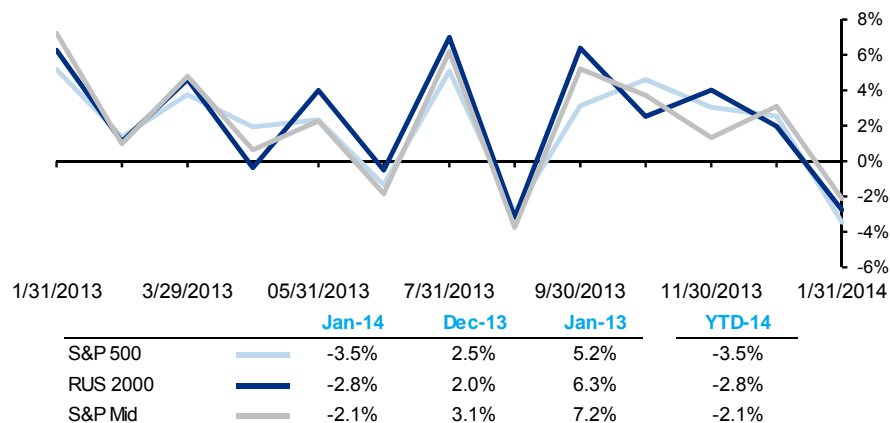
The Index contains weighted components. The components are a money market component and various index components. Each index component represents a class of asset in which the hedge fund sector is assumed to invest: bond, commodity, equity and foreign exchange.

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.

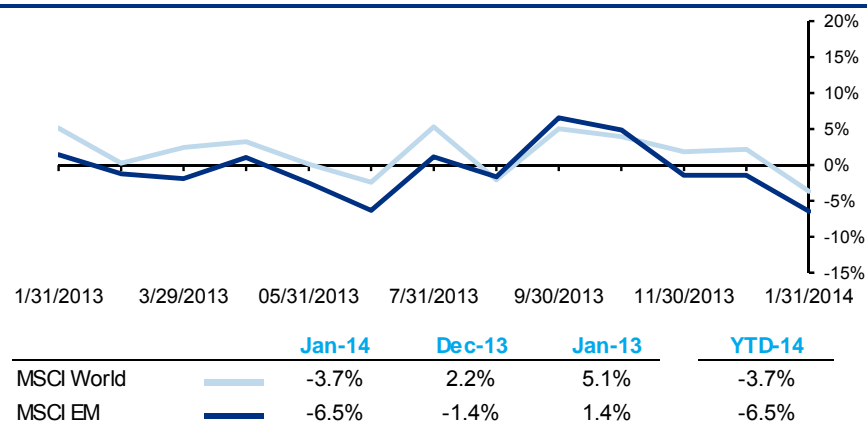
Market Performance



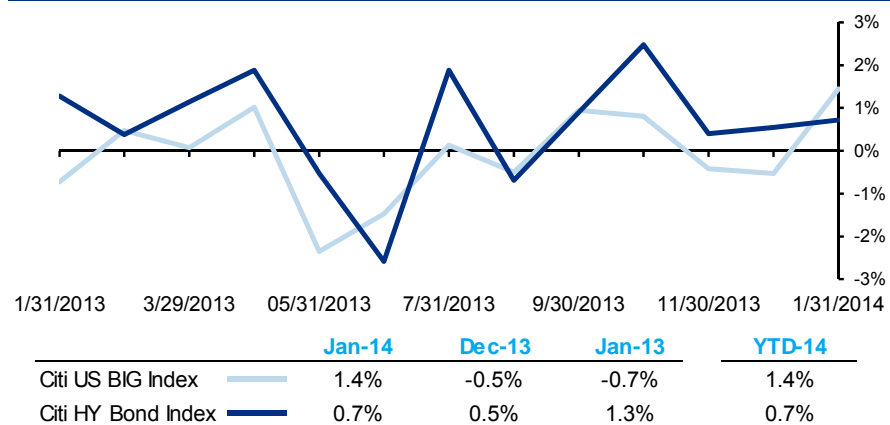
US Equities (Large Cap vs. Small Cap)



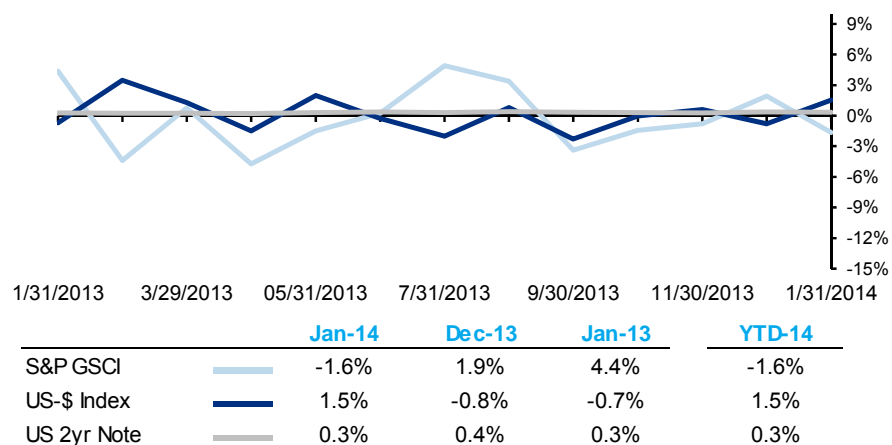
Global Equities (Developed vs. Emerging)



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



Commodities (US\$ Performance)

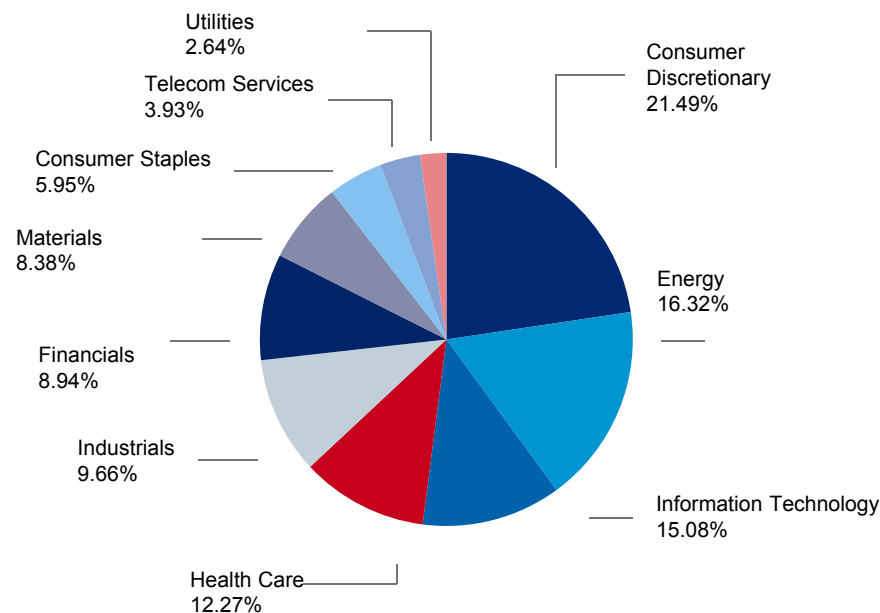


Source: Citi Prime Finance; FactSet; Citigroup Index LLC.

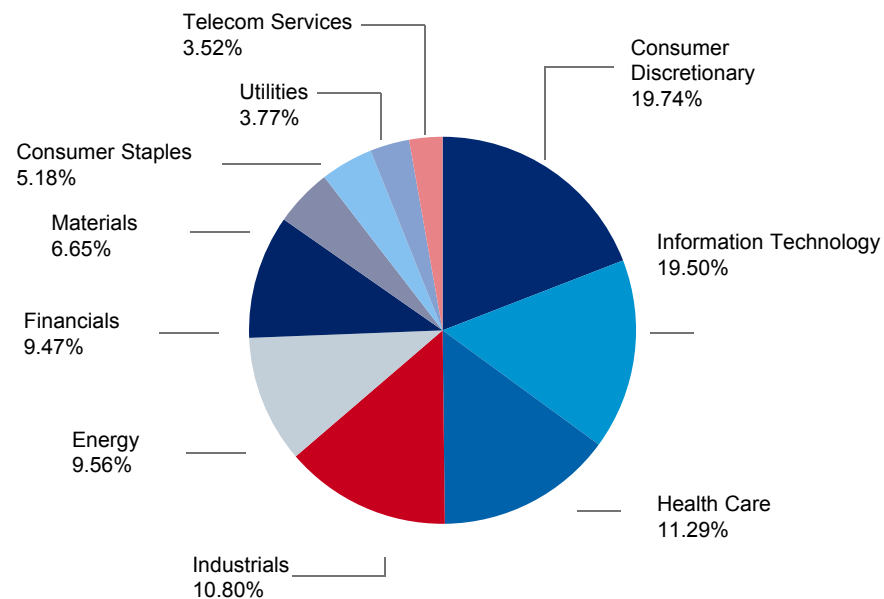
US Securities Lending Sector Short Flows



Short Sale Executions



Short Cover Executions



Sector Short Flows	% Short Execution	% Previous Month Short Execution	% Change From Previous Month
Consumer Discretionary	21.49	23.73	-9.44
Energy	16.32	11.53	41.54
Information Technology	15.08	18.13	-16.82
Health Care	12.27	9.65	27.15
Industrials	9.66	12.66	-23.7
Financials	8.94	10.67	-16.21
Materials	8.38	4.99	67.94
Consumer Staples	5.95	7.40	-19.59
Telecom Services	3.93	2.38	65.13
Utilities	2.64	3.64	-27.47

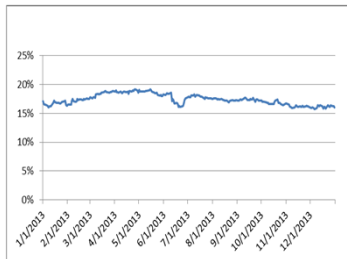
Sector Short Flows	% Cover Execution	% Previous Month Short Cover	% Change From Previous Month
Consumer Discretionary	19.74	15.77	25.17
Information Technology	19.50	18.94	2.96
Health Care	11.29	10.22	10.47
Industrials	10.80	10.57	2.18
Energy	9.56	13.75	-30.47
Financials	9.47	14.62	-35.23
Materials	6.65	4.79	38.83
Consumer Staples	5.18	4.36	18.81
Utilities	3.77	3.25	16
Telecom Services	3.52	2.75	28

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

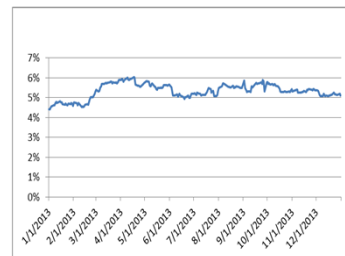
Equity Long / Short Hedge Fund Sector Positioning



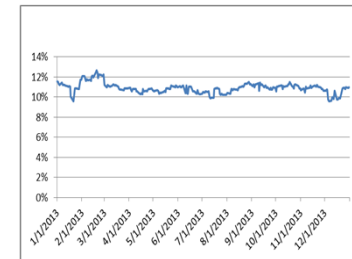
Consumer Discretionary



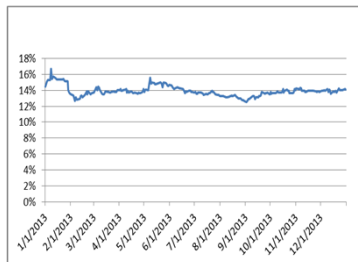
Consumer Staples



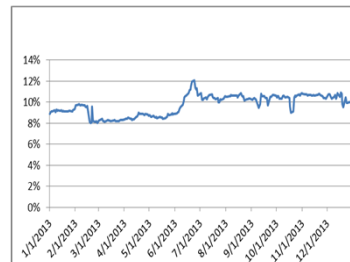
Energy



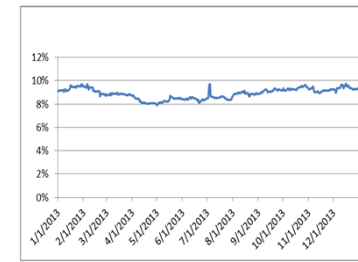
Financials



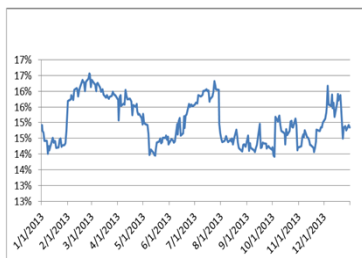
Health Care



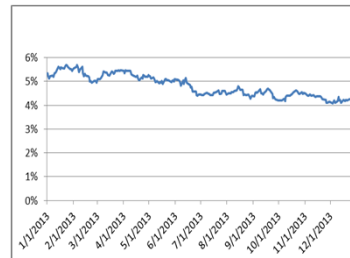
Industrials



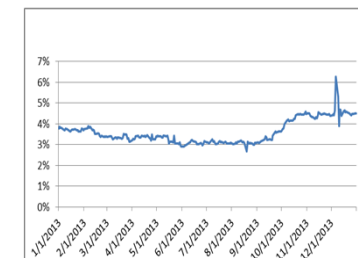
Information Technology



Materials



Telecom

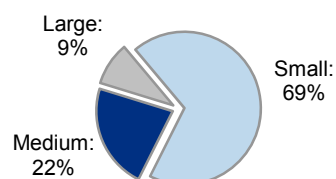


Source: Gross equity long and short positions aggregated by sector are taken as a percent of total gross equity longs and shorts

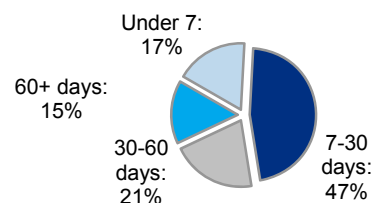
Hedge Fund (Fund Level) Profiles



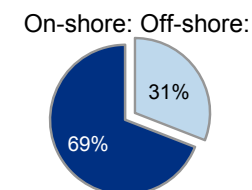
By Fund Size—No. of Funds



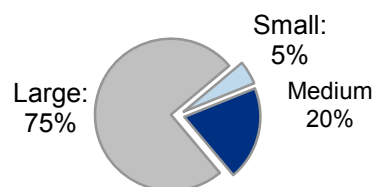
Redemption Notice Period



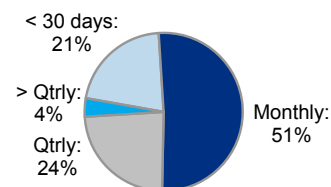
On-shore/Off-shore



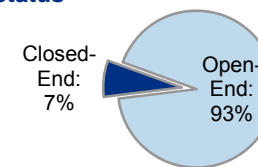
By Fund Size—\$ AUM



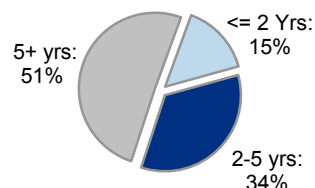
Redemption Frequency



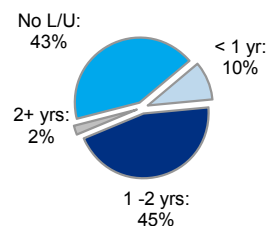
Legal Status



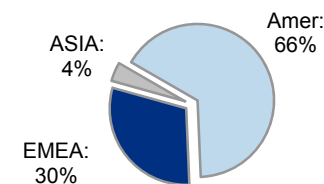
By Fund Age—No. of Funds



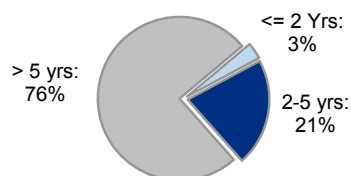
Lock-Up



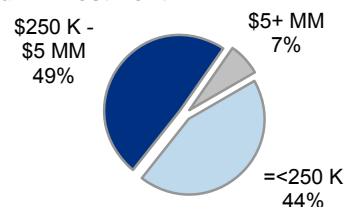
Domicile (by \$ AUM)



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	15%	\$1,863	-0.2%	-0.2%	73%	94%	1-2 yrs / 76%	7-30 days / 69%	Monthly / 56%
4-8 yrs	28%	\$2,053	0.2%	0.2%	71%	66%	1-2 yrs / 79%	60+ days / 31%	Monthly / 40%
Over 8 yrs	57%	\$2,634	-0.4%	-0.4%	67%	71%	1-2 yrs / 41%	7-30 days / 32%	Monthly / 47%
Total	100%	\$2,277	-0.2%	-0.2%	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	20%	\$211	-0.5%	-0.5%	73%	84%	1-2 yrs / 75%	7-30 days / 52%	Under 30 / 51%
4-8 yrs	16%	\$230	0.2%	0.2%	70%	73%	1-2 yrs / 66%	7-30 days / 41%	Monthly / 49%
Over 8 yrs	64%	\$226	-0.6%	-0.6%	72%	65%	No / 52%	7-30 days / 48%	Under 30 / 57%
Total	100%	\$225	-0.4%	-0.4%	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	32%	\$26	-0.4%	-0.4%	89%	79%	1-2 yrs / 71%	7-30 days / 32%	Monthly / 44%
4-8 yrs	30%	\$34	-0.3%	-0.3%	66%	78%	1-2 yrs / 63%	7-30 days / 43%	Monthly / 52%
Over 8 yrs	38%	\$36	0.8%	15.8%	69%	65%	No / 42%	7-30 days / 55%	Monthly / 54%
Total	100%	\$32	-0.4%	-0.4%	69%	73%	1-2 yrs / 46%	7-30 days / 50%	Monthly / 52%

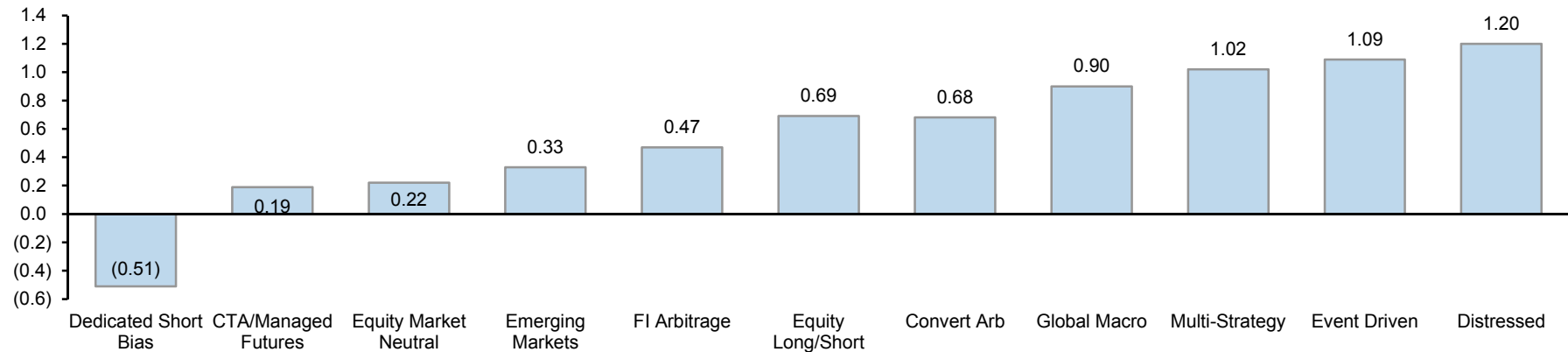
Source: Citi Prime Finance.

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.

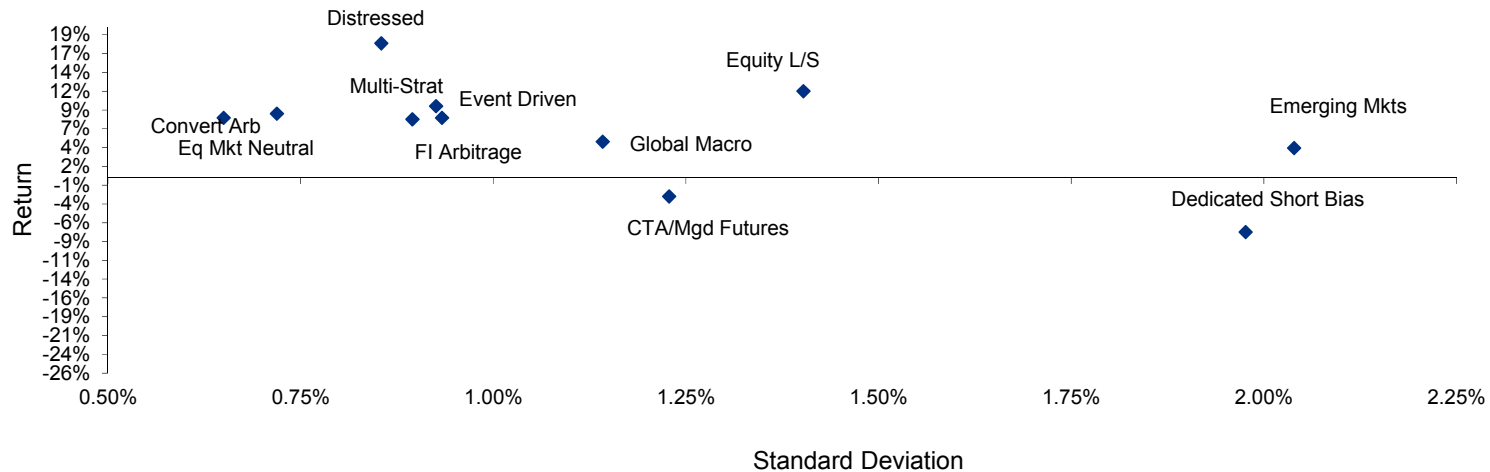
Risk and Return Metrics



Sharpe Ratios (Oct-04 - Jan-14)



Source: Credit Suisse Tremont.



Source: Citi Prime Finance.

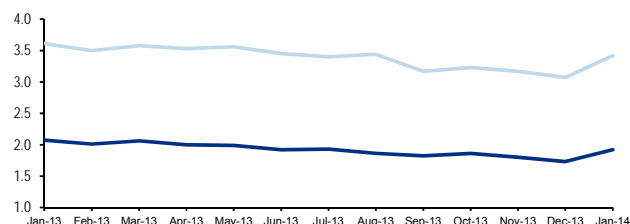
Convertible Arbitrage



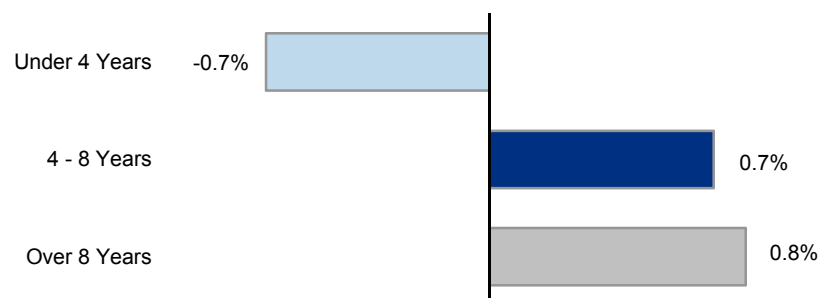
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.6%												0.6%

Performance Commentary

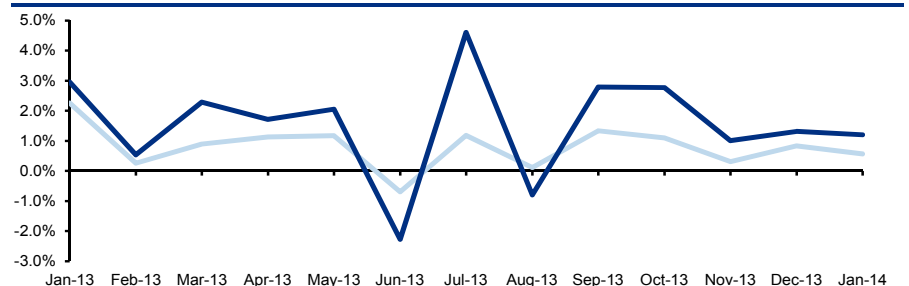
- Convertible arbitrage managers posted another positive month in January returning +0.6% after finishing 2013 at +10.3%. Gross leverage has increased from the end of last year, standing at 3.42x as of end January.



Hedge Fund Performance by Age¹



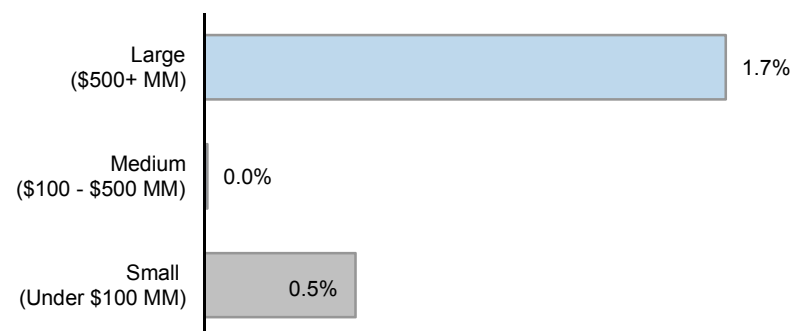
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	January -14	December -13	January -13	YTD-14
Convert Arb	0.6%	0.8%	2.3%	0.6%
CWB ETF	1.2%	1.3%	3.0%	1.2%

Source: Citi Prime Finance; FactSet.

Hedge Fund Performance by Size¹



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.

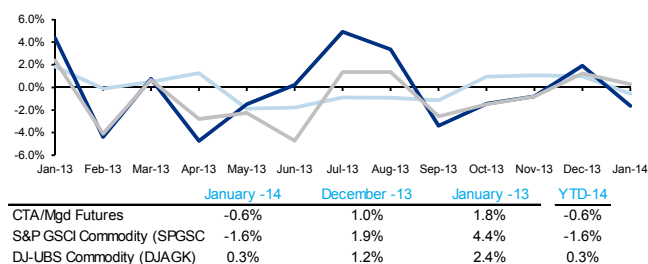
1. Universe and sample sizes may be small.

CTA/Managed Futures



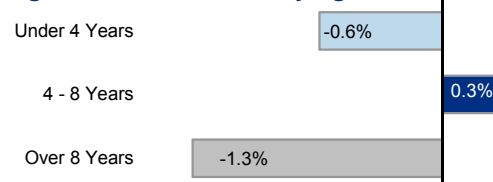
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	-0.6%												-0.6%

Hedge Fund Performance vs. Benchmark



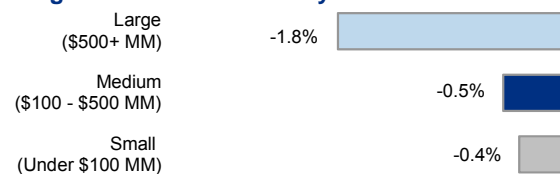
Source: Citi Prime Finance; FactSet.

Hedge Fund Performance by Age



Source: Citi Prime Finance.

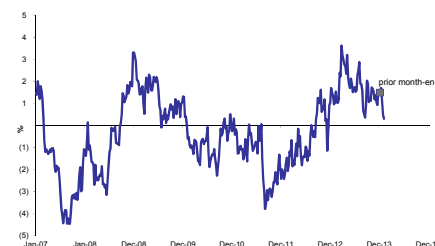
Hedge Fund Performance by Size



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



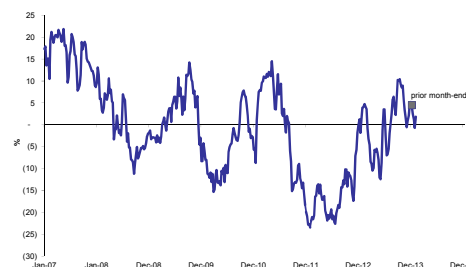
Last Update: 1/28/14 +0.3%

US 10-Year Treasury Futures



Last Update: 1/28/14 -1.4%

EuroFX Futures



Last Update: 1/28/14 +1.8%

Gold Futures



Last Update: 1/28/14 +7.4%

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.

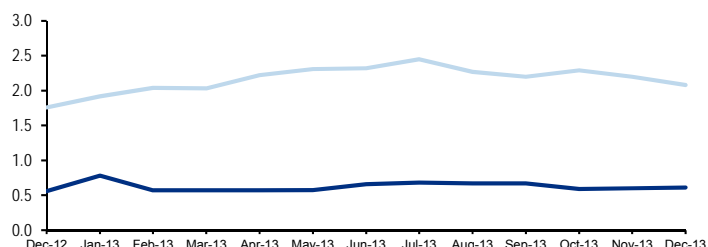
Dedicated Short Bias



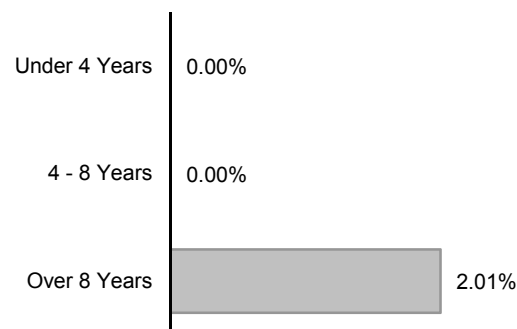
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	2.0%												2.0%

Performance Commentary

- Dedicated Short Bias funds posted strong returns in January as broad based returns were +2.0% compared to full year 2013 performance at -13.6%. Gross leverage which peaked in July at 2.5x, has leveled off to the 2.0x – 2.2x range over the last several months.



Hedge Fund Performance by Age¹

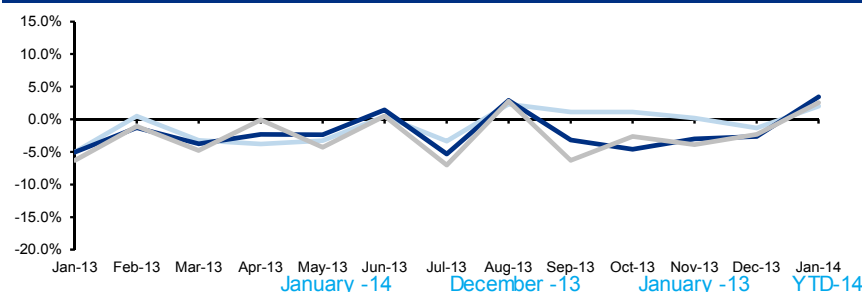


Source: Citi Prime Finance.

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.

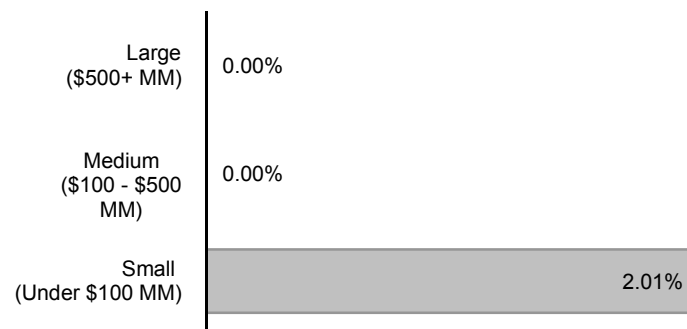
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



Ded Short Bias	2.0%	-1.3%	-5.0%	2.0%
S&P Short ETF (SH)	3.4%	-2.6%	-5.1%	3.4%
Rus 2000 Short ETF (RWM)	2.5%	-2.3%	-6.3%	2.5%

Source: Citi Prime Finance; FactSet.

Hedge Fund Performance by Size¹



Source: Citi Prime Finance.

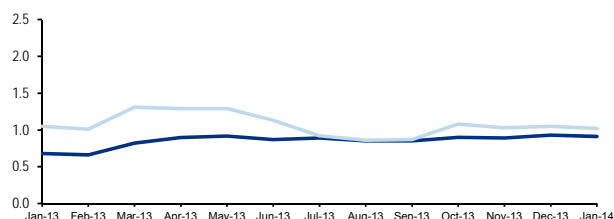
Distressed



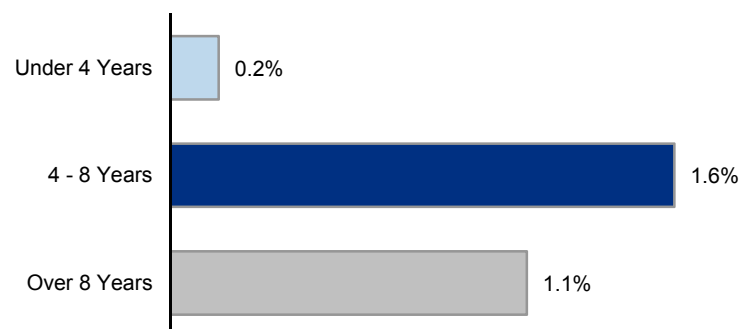
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	1.2%												1.2%

Performance Commentary

- Distressed managers posted continued positive performance in January and outperformed the Citi HY Bond index by 50 bps. Managers benefited from various restructuring activity mainly concentrated across the basic materials, communications and consumer sectors. As a category, Distressed funds trailed only Dedicated Short funds in January. Gross leverage remains in the 1.0x – 1.1x range.



Hedge Fund Performance by Age¹

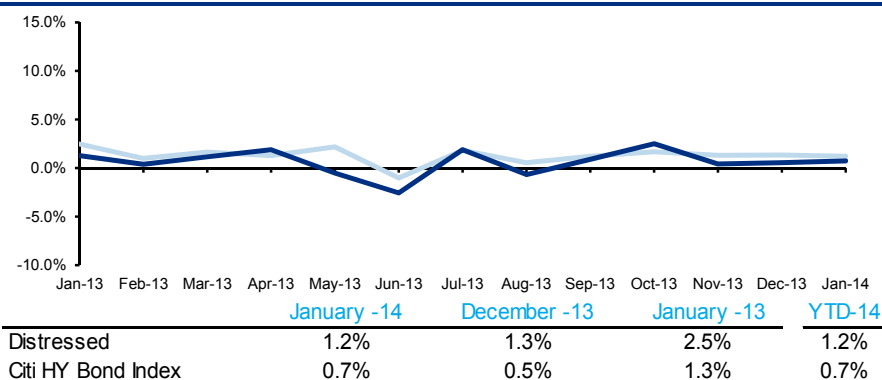


Source: Citi Prime Finance.

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

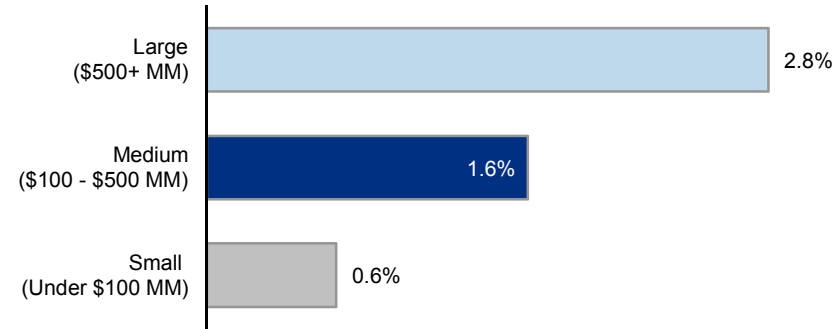
1. Universe and sample sizes may be small.

Hedge Fund Performance vs. Benchmark (Monthly, LTM)



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

Hedge Fund Performance by Size¹



Source: Citi Prime Finance.

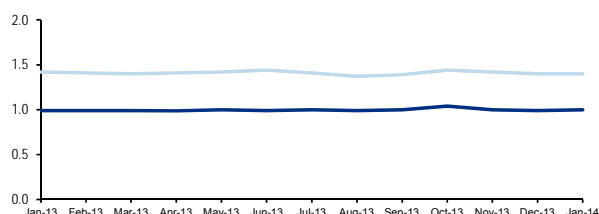
Emerging Markets



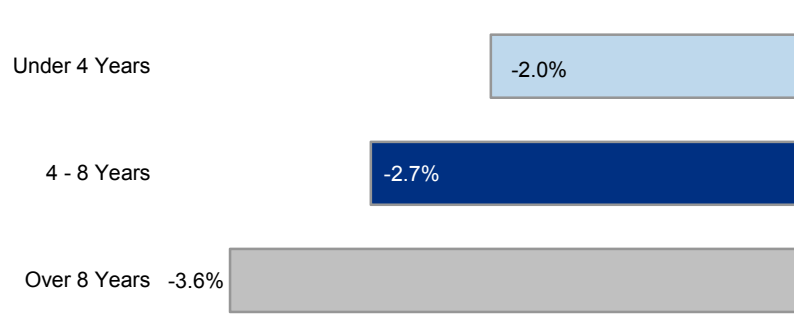
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	-2.7%												-2.7%

Performance Commentary

- In line with the decline of developed markets equities, emerging markets focused hedge funds finished the month in negative territory. Regionally, LatAm and Russian based funds experienced the most difficulty. Smaller, older vintage EM focused funds trailed the broad category average fund, while the average large (> \$500 MM) fund returned +0.4%. Gross leverage remains in the 1.35x - 1.4x range.



Hedge Fund Performance by Age¹

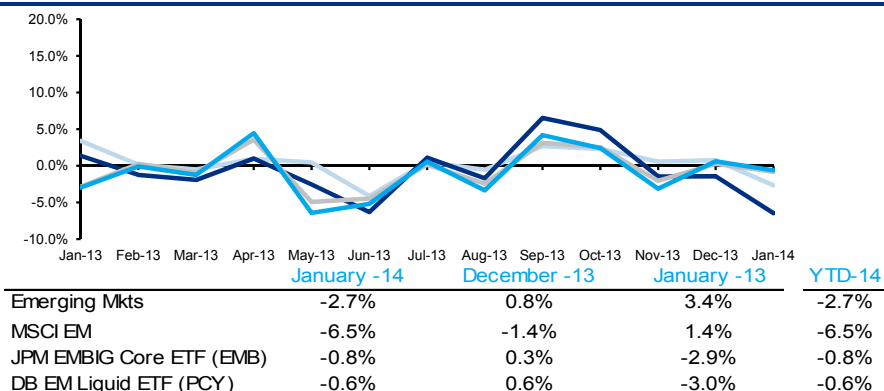


Source: Citi Prime Finance.

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

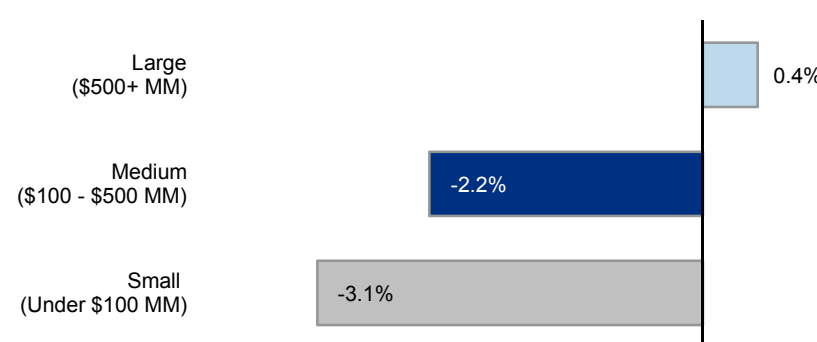
1. Universe and sample sizes may be small.

Hedge Fund Performance vs. Benchmark (Monthly, LTM)



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

Hedge Fund Performance by Size¹



Source: Citi Prime Finance.

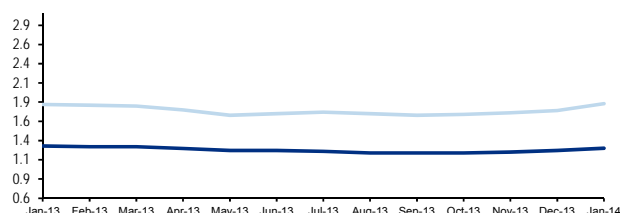
Equity Long/Short



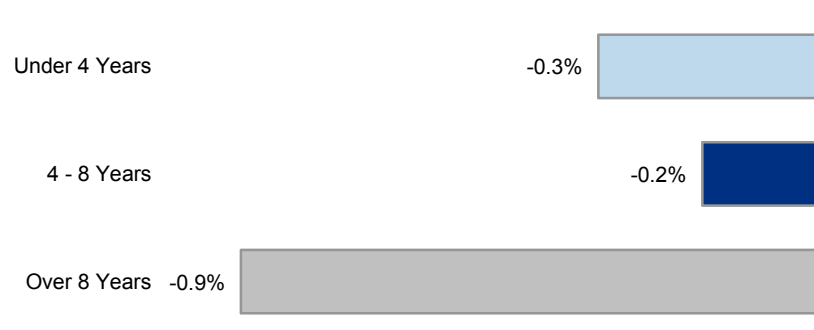
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	-0.6%												-0.6%

Performance Commentary

- Equity Long/Short funds finished January in negative territory at -0.6%, yet outperformed the S&P 500 by 290 bps. Larger Equity L/S funds (> \$500MM) outperformed smaller funds returning -0.2% for Jan-14. However, within Equity L/S sub strategies on average, Technology-focused and Energy-focused managers reported positive performance in January. Consistent with recent periods gross leverage remains in the 1.8x - 1.83x range.



Hedge Fund Performance by Age¹

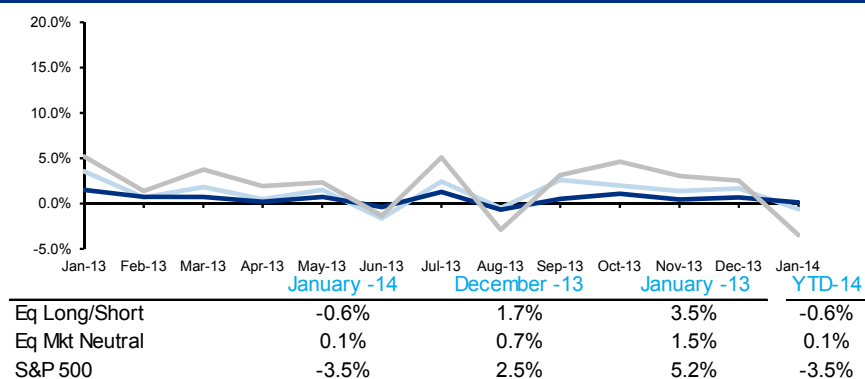


Source: Citi Prime Finance.

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

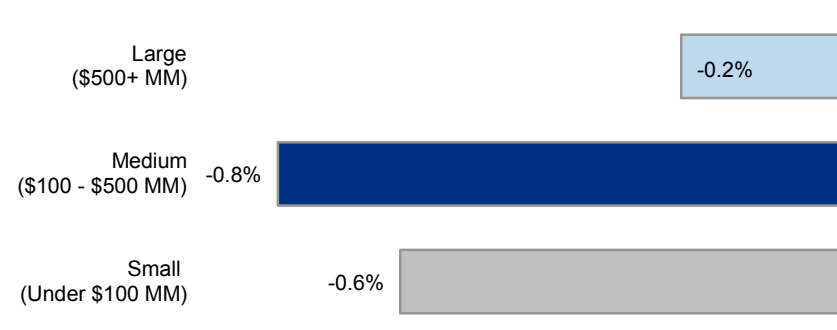
1. Universe and sample sizes may be small.

Hedge Fund Performance vs. Benchmark (Monthly, LTM)



Source: Citi Prime Finance; FactSet.

Hedge Fund Performance by Size¹



Source: Citi Prime Finance.

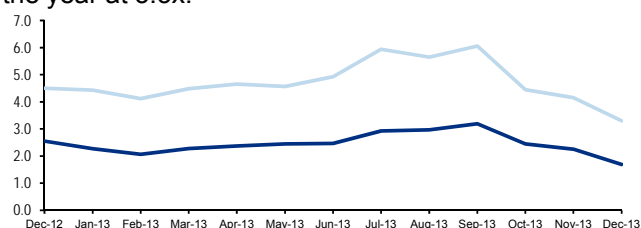
Equity Market Neutral



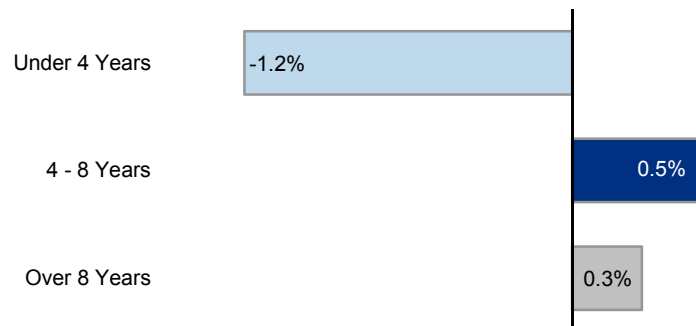
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.1%												0.1%

Performance Commentary

- Equity Market Neutral funds continued the performance gains experienced in 2013 finishing the month in positive territory at +0.1%. Smaller funds (under \$100 MM) outperformed larger funds within the strategy reversing the trend from year end. Broadly, Equity M/N funds underperformed the benchmarks for Jan-14. Overall, equity market neutral funds pulled back gross leverage which peaked in Sept. and closed the year at 3.3x.



Hedge Fund Performance by Age¹

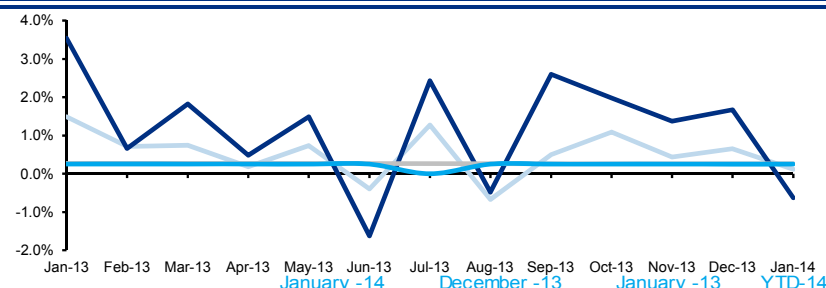


Source: Citi Prime Finance.

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.

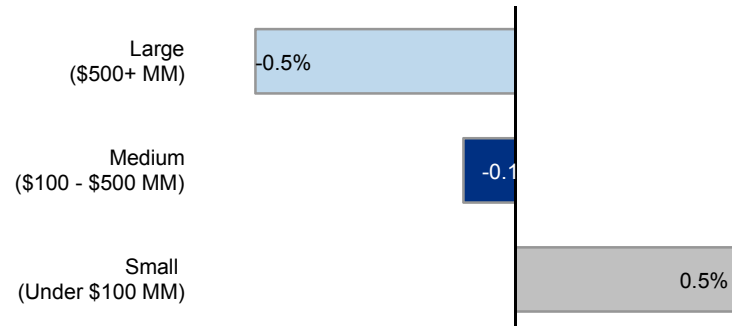
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	January -14	December -13	January -13	YTD-14
Eq Mkt Neutral	0.1%	0.7%	1.5%	0.1%
Eq Long/Short	-0.6%	1.7%	3.5%	-0.6%
LIBOR + 300 bps	0.3%	0.3%	0.3%	0.3%
US T-Bill + 300 bps	0.3%	0.3%	0.3%	0.3%

Source: Citi Prime Finance; FactSet.

Hedge Fund Performance by Size¹



Source: Citi Prime Finance.

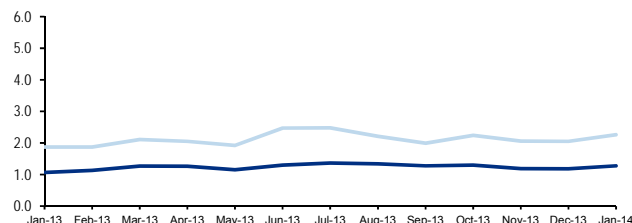
Event Driven



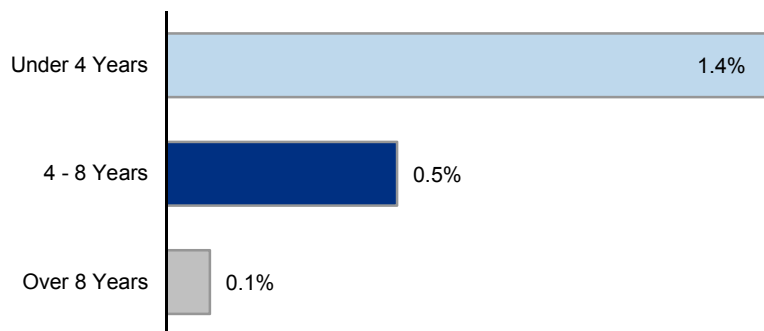
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.3%												0.3%

Performance Commentary

- Event Driven managers posted +0.3% in January extending 2013 gains. Within the category, special situation funds performed exceptionally well with the largest funds returning +0.6%. Event Driven funds outperformed the benchmark MERX yet trailed ADANX by 50 bps. Gross Leverage increased into the 2.2x range for the first time since 3Q13.



Hedge Fund Performance by Age¹

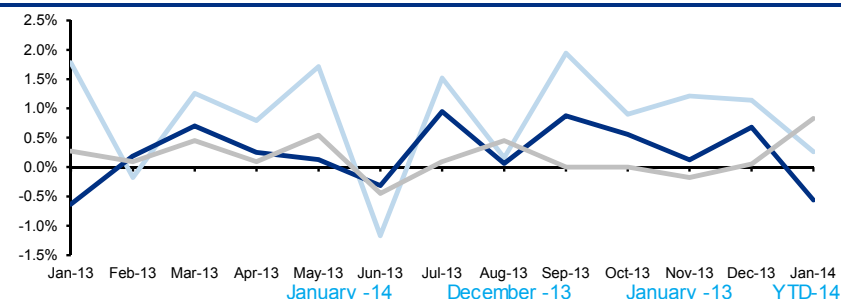


Source: Citi Prime Finance.

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.

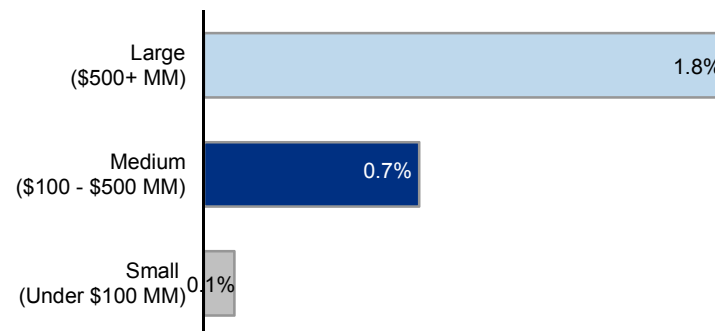
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	January -14	December -13	January -13	YTD-14
Event Driven	0.3%	1.1%	1.8%	0.3%
The Merger Fund (MERFX)	-0.6%	0.7%	-0.6%	-0.6%
AQR Div Arb Fund (ADANX)	0.8%	0.1%	0.3%	0.8%

Source: Citi Prime Finance; FactSet.

Hedge Fund Performance by Size¹



Source: Citi Prime Finance.

FI Arbitrage

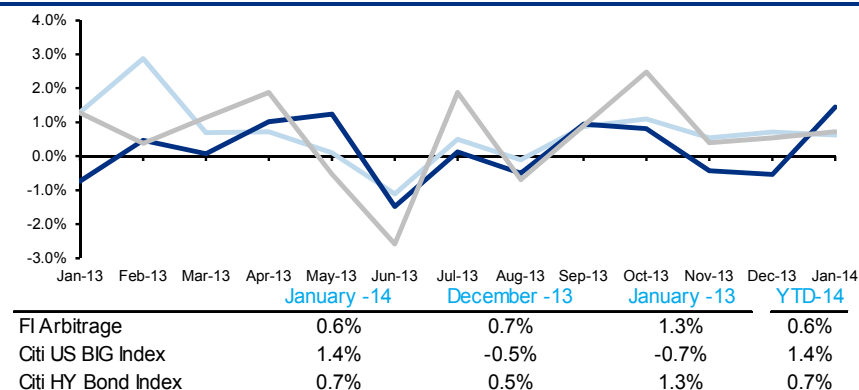


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.6%												0.6%

Performance Commentary

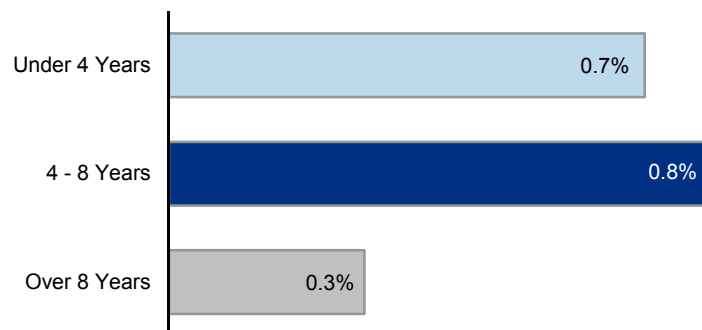
- Fixed income yields generally increased worldwide following the Fed's announcement to reduce its quantitative easing program's monthly purchases by \$10 billion. Increases in European bond yields were led by cheapening UK Gilts and German Bunds.
- FI Arbitrage funds experienced strong performance in January across all sub-strategies as fixed income assets responded to a flight to quality. Relative Value Fixed Income funds were the strongest performing sub strategies lead by Sovereign Rate funds. Broad category performance trailed the benchmarks as Citi's HY and US BIG bond indices returned +0.7% and +1.4% respectively.

Hedge Fund Performance vs. Benchmark (Monthly, LTM)



Source: Citi Prime Finance; Citigroup Index LLC.

Hedge Fund Performance by Age¹

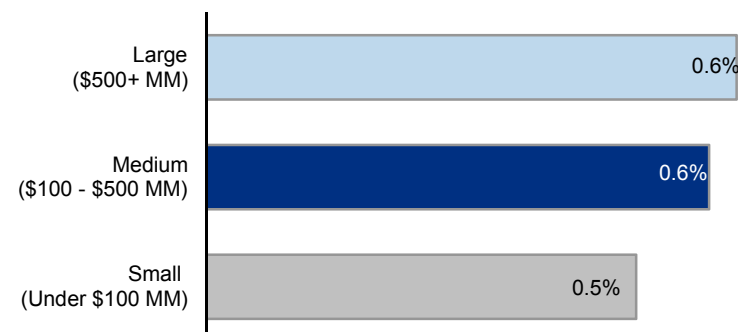


Source: Citi Prime Finance.

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.

Hedge Fund Performance by Size¹



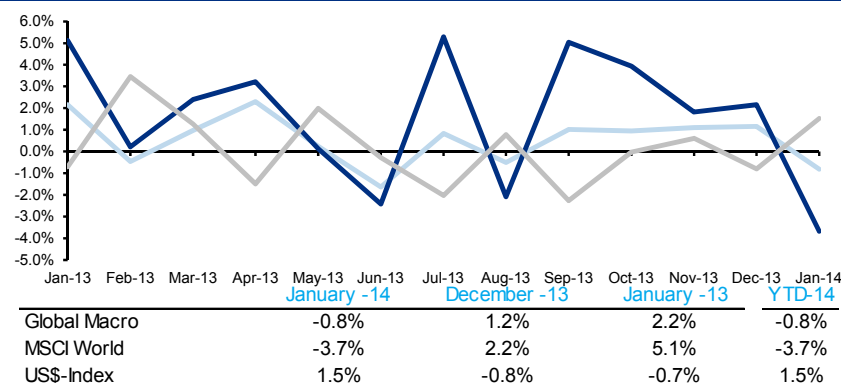
Source: Citi Prime Finance.

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

Performance Commentary

- The US Dollar gained against most currencies in January as the Fed reduced its large-scale asset purchases by \$10 billion per month, especially against emerging market currencies. The Argentine Peso and the South African Rand recorded the steepest declines against the Dollar during the month. The Dollar also gained against the Euro, Canadian Dollar and Pound Sterling. The Yen however, finished the month strengthening against the Dollar. In the commodities space, activity was mixed as copper, wheat, sugar, aluminum and oil prices declined, while gold, coffee, cocoa, natural gas and cattle prices appreciated
- In the global macro space, hedge fund managers collectively posted negative returns end Jan-14 down -0.8%, significantly trailing the US Dollar Index but outperforming the MSCI World by 290 bps. Overall category performance dispersion was wide with performance ranging from -17.3% to +8.8%.

Hedge Fund Performance vs. Benchmark (Monthly, LTM)



Source: Citi Prime Finance; FactSet.

Hedge Fund Performance by Age¹

Under 4 Years	-1.0%
4 - 8 Years	-0.5%
Over 8 Years	-1.0%

Hedge Fund Performance by Size¹

Large (\$500+ MM)	-0.8%
Medium (\$100 - \$500 MM)	-1.1%
Small (Under \$100 MM)	-0.7%

Source: Citi Prime Finance.

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.

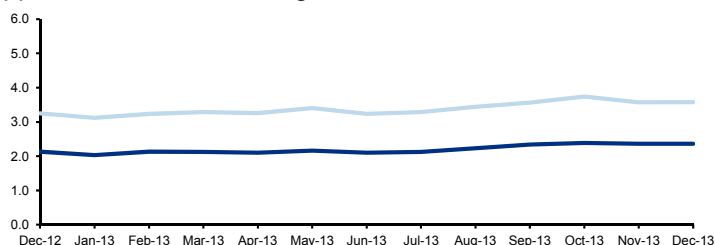
Multi-Strategy



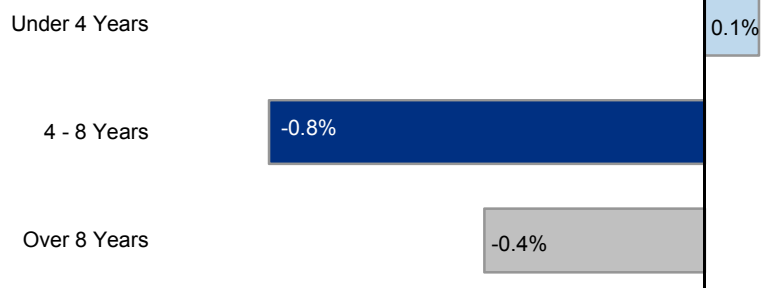
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	-0.5%												-0.5%

Performance Commentary

- Multi Strategy funds posted negative results for January with dispersion ranging from +8.8% to -17.31% across the sample of managers reporting monthly performance. Across sub categories, smaller funds significantly underperformed larger funds with average returns of -0.2%. Multi Strategy funds pulled back risk in January as gross leverage dropped to 3.37x after having finished 2013 at 3.6x.



Hedge Fund Performance by Age¹

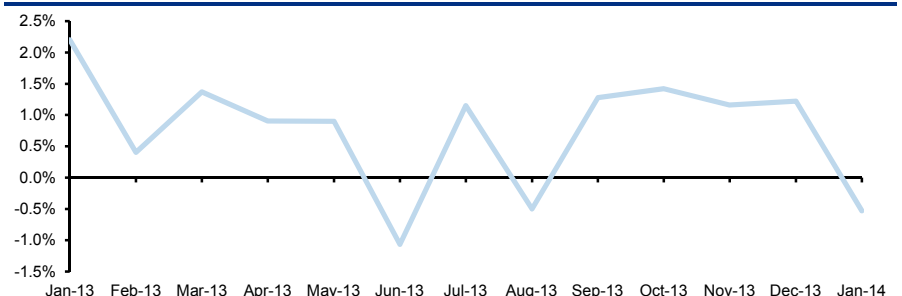


Source: Citi Prime Finance.

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.

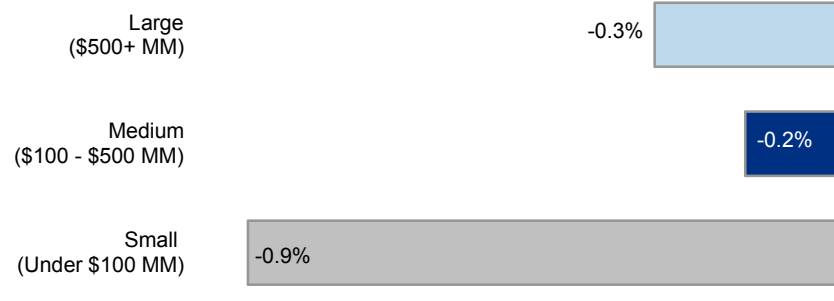
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	January -14	December -13	January -13	YTD-14
Multi-Strategy	-0.5%	1.2%	2.2%	-0.5%

Source: Citi Prime Finance.

Hedge Fund Performance by Size¹



Source: Citi Prime Finance.

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