



## Hedge Fund Industry Snapshot January 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](mailto:prime.advisory@citi.com)

[icg.citi.com](http://icg.citi.com)



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# Introduction: Highlights



## Performance, AUM & Flows

- Composite hedge fund performance, equal-weighted across funds, was up in December 2013 with performance ranging from +0.56% to +1.1%. Returns were on par previous month which experienced +0.55% to +1.05% over the same period. YTD hedge fund indices saw positive performance ranging from +6.7% to +9.6% compared to +4.4% to +6.7% for 2012.
- Hedge fund strategy wise, top performing strategies in December 2013 include Equity L/S at +1.67%, Distressed +1.34%, Multi Strategy +1.22%, Global Macro at +1.16%. The lowest performing strategies include Dedicated Short -1.33%, Equity Market Neutral +0.65%, Fixed Income Arbitrage at +0.71%.
- Hedge fund industry assets rose in December 2013 gaining +\$14.8 Billion for the month and finished the year with an overall increase +\$259 billion. December gains were attributed solely from performance which totaled +\$22.7 billion. For the month investors flows were net negative accounting for -\$7.9 billion
- Net negative investor flows of -\$7.9 billion for December 2013 marks only the third period of net negative flows since January 2013. December flows are lower than the mean monthly flows for 2013 which now stand at +\$5.6 billion. Dec 2012 net flows were -\$12.8 billion over the same period.

## Fund Profiles

- Across the subset of hedge funds reporting performance and AUM, the monthly / yearly median performance for large single funds (>\$500 million) was +1.0% / +11.0%, medium single funds (\$100–\$500 million) +1.1% / 12.3% and small single funds (<\$100 million) +0.4% / 13.3%.
- Liquidity terms remained consistent throughout the year. The most recent reporting shows minimal 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 (52%) required no lockup (43%) or less than 1 year lock up (9%).
- Large funds (>\$500 million AUM) hold an increasing larger portion of industry AUM (75%) compared to medium funds (\$100–\$500 million) at 20% and small funds (<\$100 million) holding only 6%.

## Leverage, Shorts and Futures Market Positioning

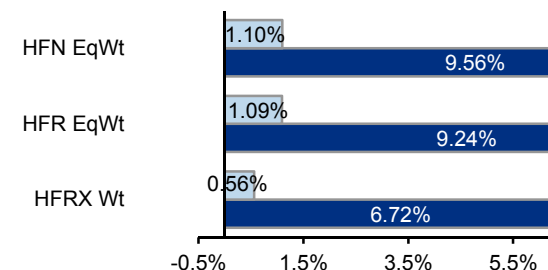
- On a global basis, we calculate gross leverage (as measured on a mean basis) at 2.01x in December 2013 versus 2.0x in November and 1.98x in October.
- Looking across gross leverage, the following strategies showed the highest uses of leverage: Multi Strategy (3.58x) Equity Market Neutral (3.3x), Global Macro (3.3x), and Convertible Arbitrage (3.07x).
- Citi US short flows data included in this month's report show continued interest in the Consumer Discretionary and Financials sectors. These sectors accounted for 34.4% of short executions and 30.4% of short covers in January vs. 31.09 % of short executions and 28.48 % of short covers in November 2013.
- December did not see significant shifts in large speculator net positioning with the only movement of note was a rebuilding in net long in the EuroFX contracts. Net positioning in S&P, Gold and 10 yr. Treasuries were little changed reflecting a relatively cautious start to 2014. The Fed has commenced the tapering in its pace of asset purchases as growth in developed economies progresses and the pace of growth in developing economies cool. Risk appetite continues to fluctuate as a result.

# Hedge Fund Industry: AUM, Performance



- Composite hedge fund performance, equal-weighted across funds, was up in December 2013 with performance ranging from +0.56% to +1.1%. Returns were on par with the previous month which experienced +0.55% to +1.05% over the same period. For 2013 hedge fund indices saw positive performance ranging from +6.7% to +9.6% compared to +4.4% to 6.7% for 2012.
- Global financial markets posted mixed gains in December, recovering intra-month, mid-December declines to conclude strong performance for both 4Q and FY 2013 as the US Federal Reserve began the process to reducing quantitative easing measures. Global equity markets were mixed, with US & European gains partially offset by mixed performance in Asia and Emerging Markets. Equity gains were led by the US as the outlook for the US economic recovery continued to improve with large cap Industrials leading December performance. European equities also posted gains, while Asian equities were mixed with gains in Japan, offset by declines in China, and Hong Kong. Despite the broad based gains, certain developed and emerging markets posted declines for the month, led by Turkey, Argentina, Italy & Brazil. Fixed income yields rose as the US Federal Reserve reduced monthly fixed income purchases, with the U.S. 10 Year bond yield closing the year above 3%, while the US curve flattened as yields rose more sharply in shorter dated issues.
- Hedge fund strategy wise, top performing strategies in December 2013 include Equity L/S at +1.67%, Distressed +1.34%, Multi Strategy +1.22%, Global Macro at +1.16%. The lowest performing strategies include Dedicated Short -1.33%, Equity Market Neutral +0.65%, Fixed Income Arbitrage at +0.71%.

## Industry Performance: Dec-13 / YTD

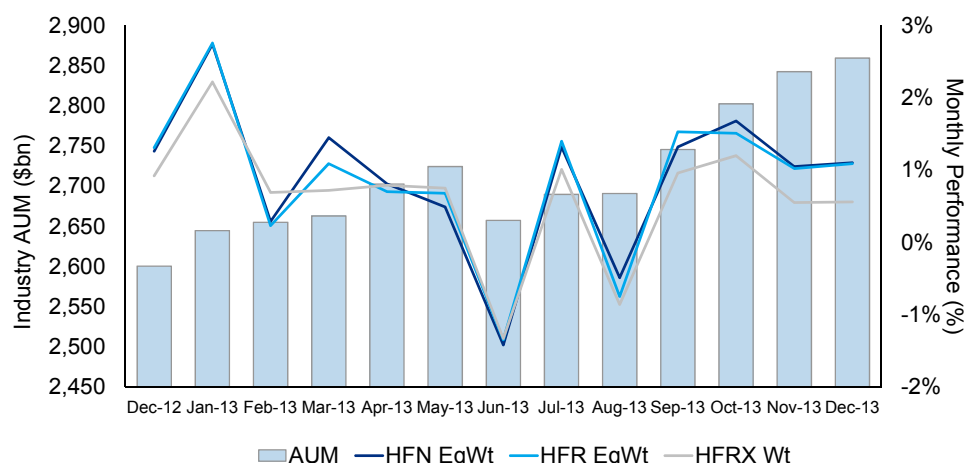


Source: HFR, eVestment|HFN.

## Note Pad

- MSCI World Index: +2.2%; +27.4% YTD
- MSCI EM Index: -1.4%; -2.3% YTD
- S&P 500: +2.5%; +32.4% YTD
- Citi US BIG Index: -0.5%; -2.6% YTD
- S&P GSCI: +1.9%; -1.2% YTD
- US Dollar Index: -0.8%; +0.3% YTD
- HFN Country Indices Dec-13/ YTD:
  - Brazil: -1.6% / -8.1%; Australia: +0.4% / +11.1%
  - China: +1.0% / +13.5%; Japan: +2.2% / +29.3%

## Monthly Industry AUM and Performance



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

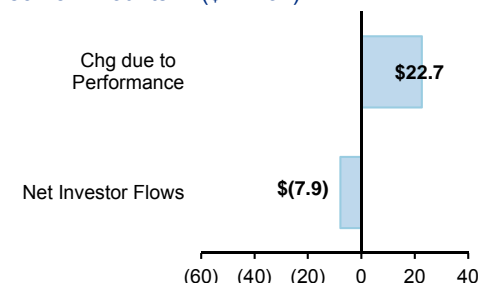
# Hedge Fund Industry: Change in Industry Assets



- Hedge fund industry assets rose in December 2013 gaining +\$14.8 Billion for the month and finished the year with an overall increase +\$259 billion. December gains were attributed solely from performance which totaled +\$22.7 billion. For the month investors flows were net negative accounting for -\$7.9 billion
- December performance gains exceeded the mean monthly gains for 2013 which stand at +\$16.0B. Overall, industry performance gains of +\$192.1 B for 2013 were far better than recent years as 2012 experienced gains of +\$116 B and 2011 saw a decrease in industry assets from -\$42 B in losses.
- Net negative investor flows of -\$7.9 billion for December 2013 marks only the third period of net negative flows since January 2013. December flows are lower than the mean monthly flows for 2013 which now stand at +\$5.6 billion. Dec 2012 net flows were -\$12.8 billion over the same period.
- Total industry AUM now stands at \$2.86 trillion for 2013, an increase of +8.1% from January 2013 and an overall increase of +14.2% from January 2012.

## Composition of Change in Assets

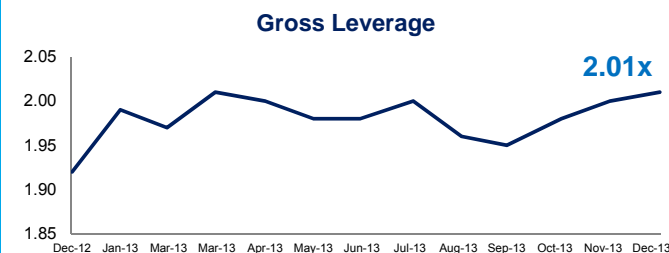
Dec-13 Amounts in (\$ Billion)



Source: HFR, eVestment|HFN.

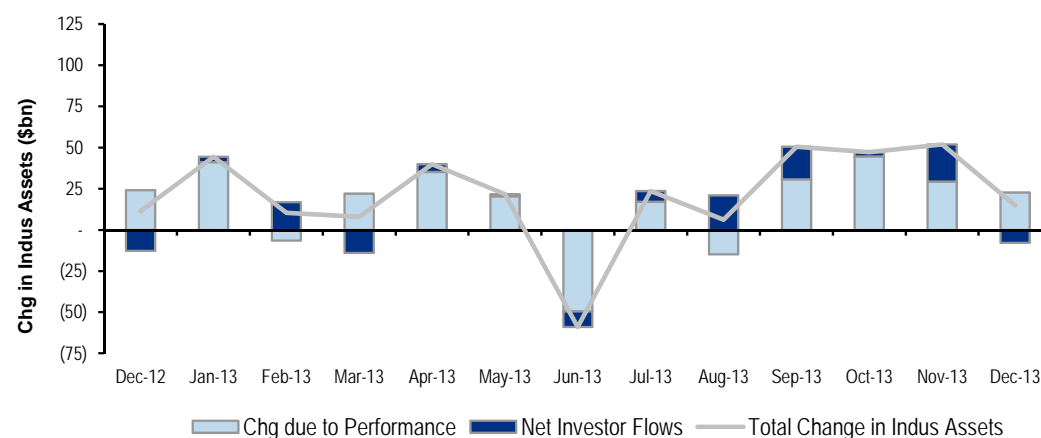
## Leverage Trends

The Citi Prime Finance calculation for gross leverage (as measured on a mean basis) 2.01x in December 2013.



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

## Monthly Change in Industry Assets and Composition

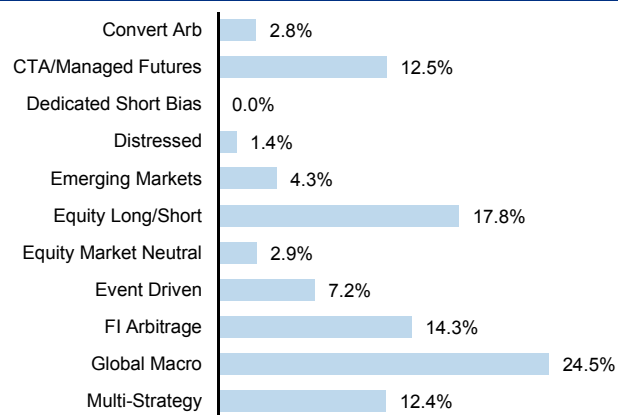


Source: eVestment|HFN; Hedge Fund Research, Inc., © 2014.

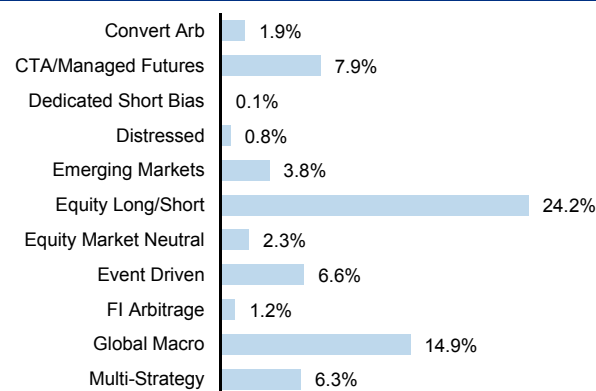
# Hedge Fund Stats by Strategy



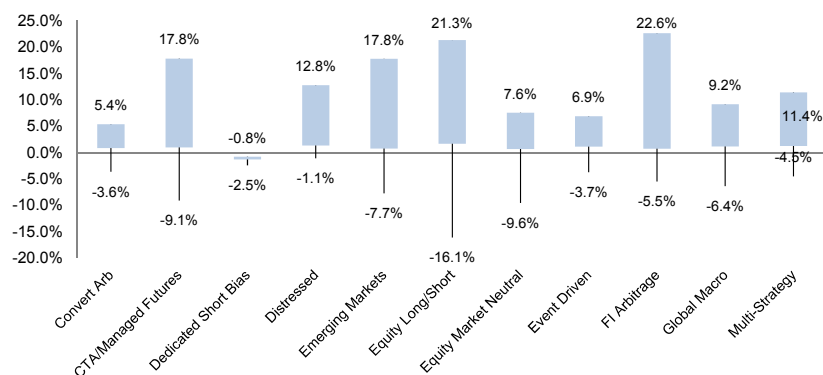
## Hedge Fund Strategy Breakdown by Assets



## Hedge Fund Strategy Breakdown by Number of Funds

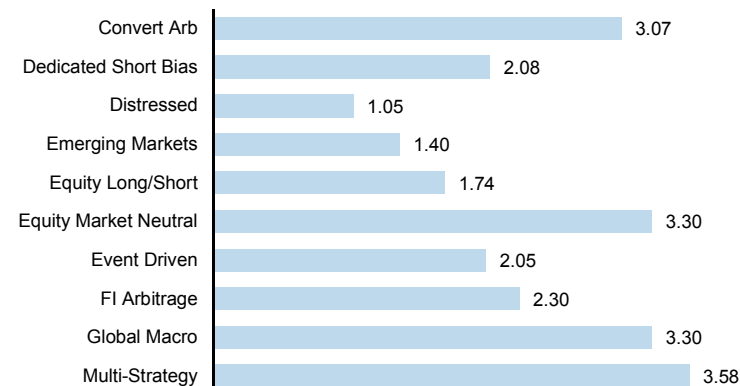


## Hedge Fund Performance by Strategy



## Hedge Fund Leverage Ratios by Strategy

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



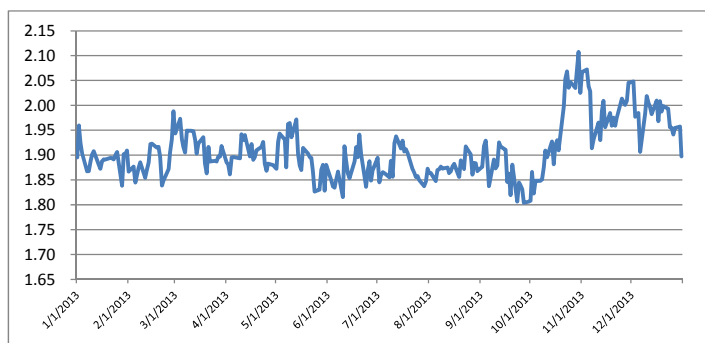
Source: Citi Prime Finance.

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

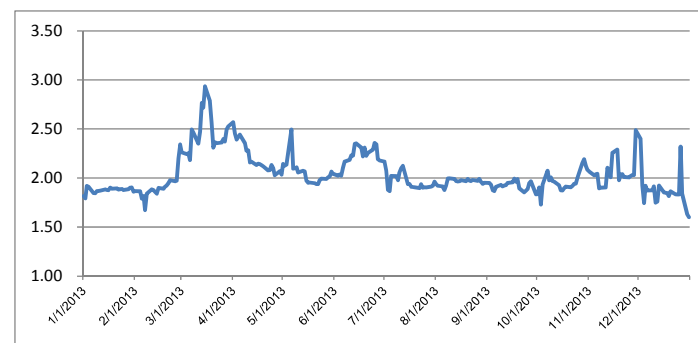
# Daily Changes in Gross Hedge Fund Leverage



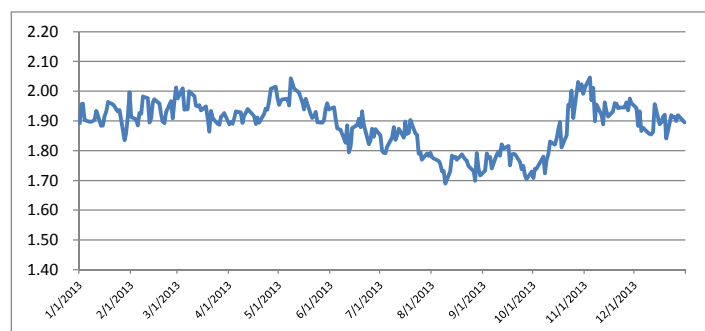
## Gross Leverage – All funds



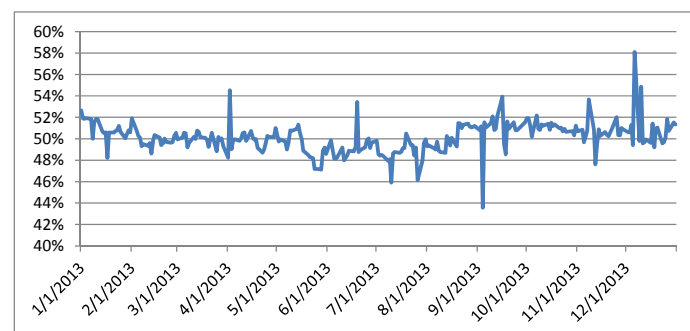
## Global Macro



## Equity L/S



## Equity L/S Utilization



Source: Citi Prime Finance.

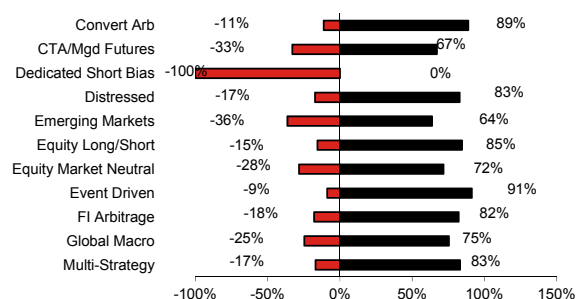
Gross leverage derived from equity balances. Gross Leverage (mean): defined as  $\text{sum of (LMV + abs SMV)} / \text{Net Equity}$

# Hedge Fund Performance Trends: Red / Black Report



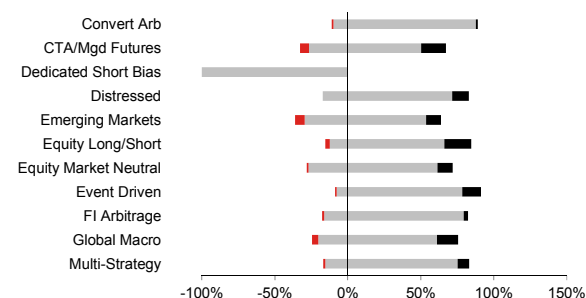
## December 2013 – Percentage of Reporting Funds

Negative ( — ) / Positive ( — ) Performance



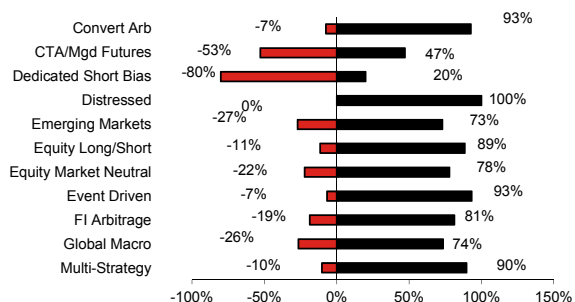
## December 2013 – Percentage of Reporting Funds

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



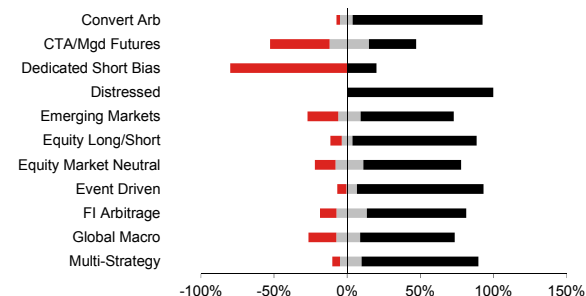
## 2013 – Percentage of Reporting Funds

Negative ( — ) / Positive ( — ) Performance



## 2013 – Percentage of Reporting Funds

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

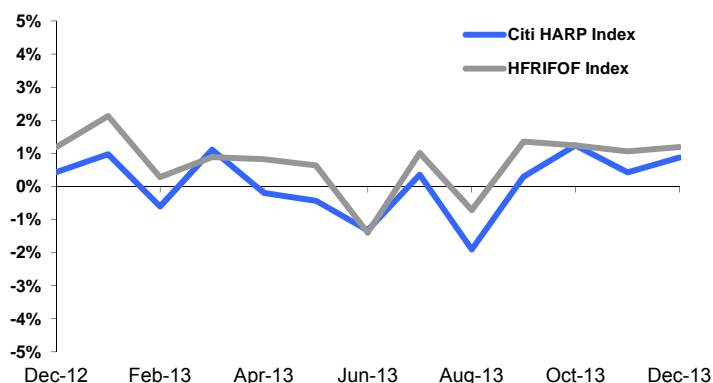




# Citi Liquid Hedge Fund Replicator (HARP)



Citi HARP Index vs. Benchmark (monthly rolling)



Annualized Performance

Last 12-Month	Citi HARP Index	HFRIFO
Annualized Return	0.77%	8.79%
Annualized Volatility	3.44%	3.28%
Sharpe Ratio	0.14	2.59
Correlation	86%	-

	Dec-13	Nov-13	Dec-12	YTD-13
Citi Harp	0.87%	0.42%	0.43%	0.77%
HFRIFO	1.19%	1.06%	1.19%	8.79%

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.

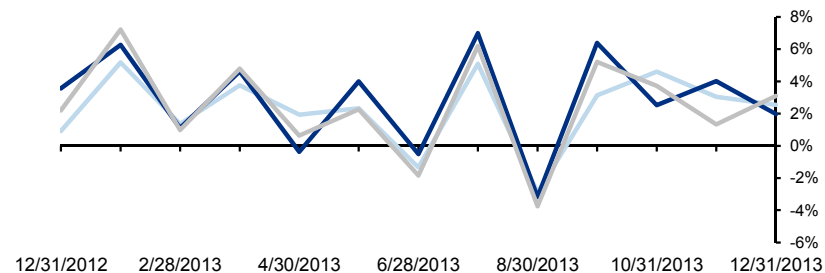
The Index contains weighted components. The components are a money market component and various index components. Each index component represents a class of asset in which the hedge fund sector is assumed to invest: bond, commodity, equity and foreign exchange.

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

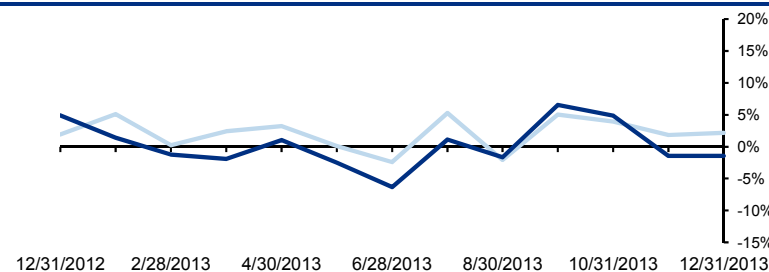


## US Equities (Large Cap vs. Small Cap)



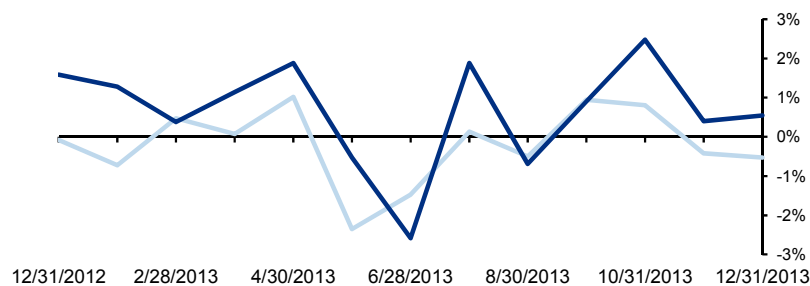
		Dec-13	Nov-13	Dec-12	YTD-13
S&P 500		2.5%	3.0%	0.9%	32.4%
RUS 2000		2.0%	4.0%	3.6%	38.8%
S&P Mid		3.1%	1.3%	2.2%	33.5%

## Global Equities (Developed vs. Emerging)



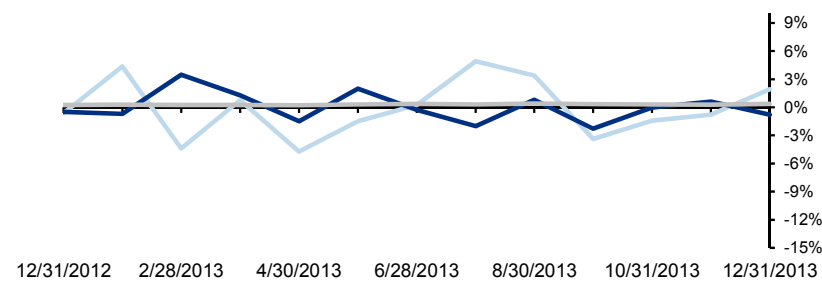
		Dec-13	Nov-13	Dec-12	YTD-13
MSCI World		2.2%	1.8%	1.9%	27.4%
MSCI EM		-1.4%	-1.5%	4.9%	-2.3%

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



		Dec-13	Nov-13	Dec-12	YTD-13
Citi US BIG Index		-0.5%	-0.4%	-0.1%	-2.6%
Citi HY Bond Index		0.5%	0.4%	1.6%	7.2%

## Commodities (US\$ Performance)



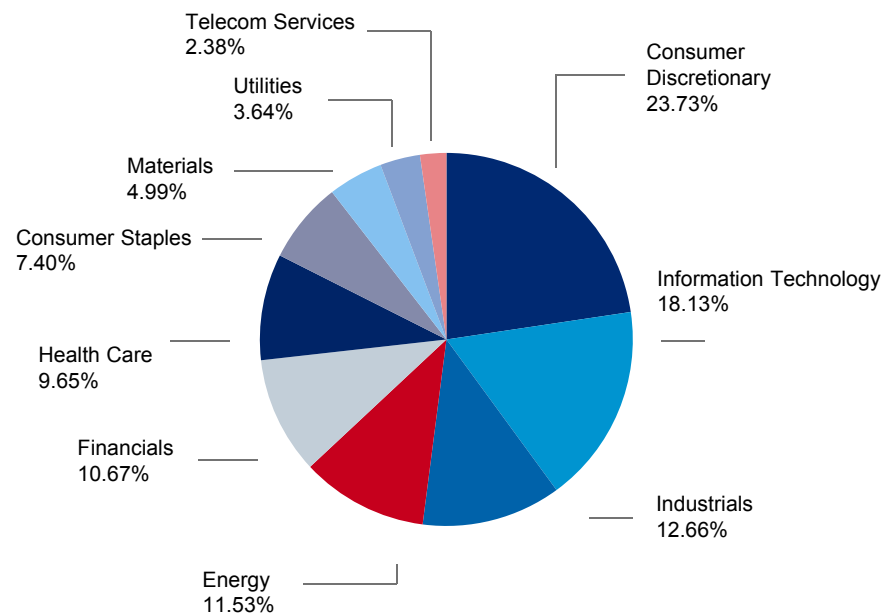
		Dec-13	Nov-13	Dec-12	YTD-13
S&P GSCI		1.9%	-0.8%	-0.6%	-1.2%
US-\$ Index		-0.8%	0.6%	-0.5%	0.3%
US 2yr Note		0.4%	0.3%	0.2%	3.6%

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

# US Securities Lending Sector Short Flows

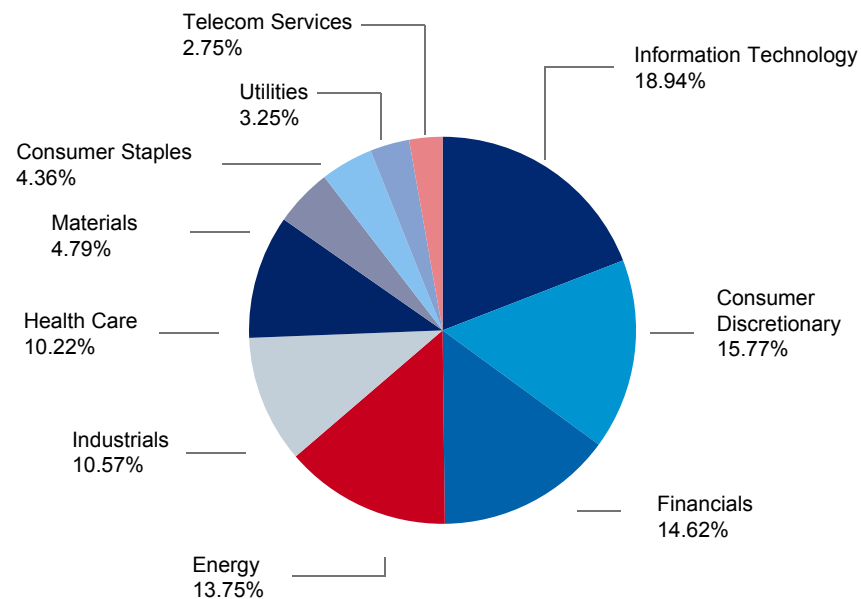


## Short Sale Executions



Sector Short Flows	% Short Execution	% Previous Month Short Execution	% Change From Previous Month
Consumer Discretionary	23.73	21.34	11.2
Information Technology	18.13	18.63	-2.68
Industrials	12.66	11.82	7.11
Energy	11.53	13.15	-12.32
Financials	10.67	9.75	9.44
Health Care	9.65	9.71	-0.62
Consumer Staples	7.40	5.11	44.81
Materials	4.99	5.44	-8.27
Utilities	3.64	5.43	-32.97
Telecom Services	2.38	2.86	-16.78

## Short Cover Executions



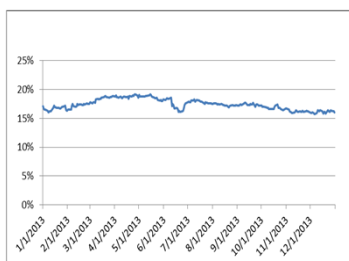
Sector Short Flows	% Cover Execution	% Previous Month Short Cover	% Change From Previous Month
Information Technology	18.94	14.45	31.07
Consumer Discretionary	15.77	18.18	-13.26
Financials	14.62	10.30	41.94
Energy	13.75	13.87	-0.87
Industrials	10.57	14.49	-27.05
Health Care	10.22	15.03	-32
Materials	4.79	6.34	-24.45
Consumer Staples	4.36	5.37	-18.81
Utilities	3.25	2.96	9.8
Telecom Services	2.75	2.51	9.56

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

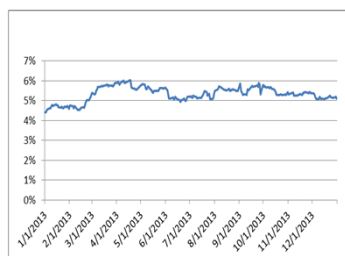
# Equity Long / Short Hedge Fund Sector Positioning



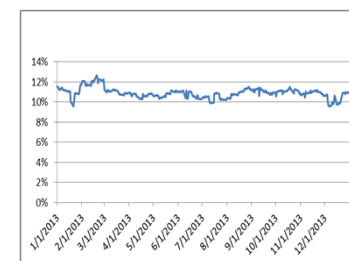
## Consumer Discretionary



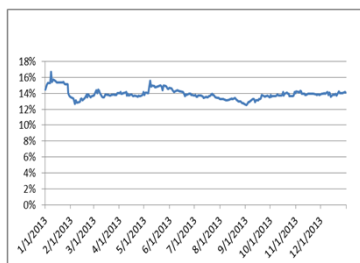
## Consumer Staples



## Energy



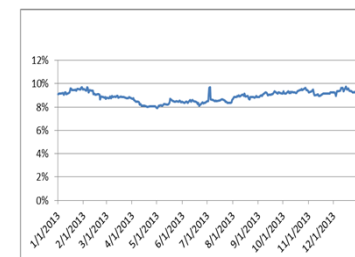
## Financials



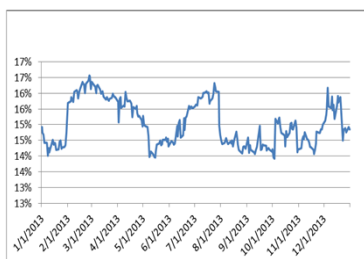
## Health Care



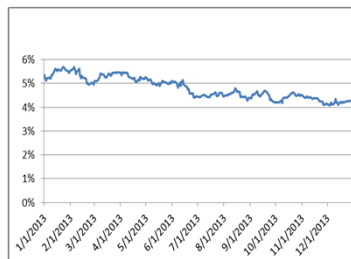
## Industrials



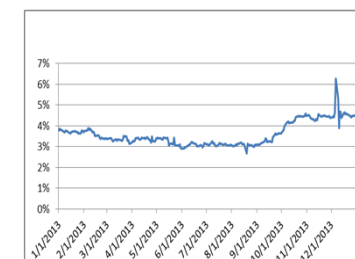
## Information Technology



## Materials



## Telecom

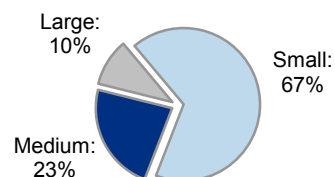


Source: Gross equity long and short positions aggregated by sector are taken as a percent of total gross equity longs and shorts

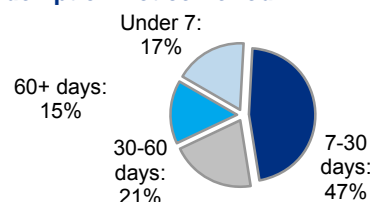
# Hedge Fund (Fund Level) Profiles



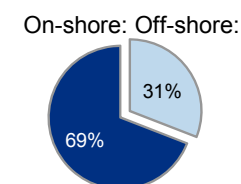
**By Fund Size—No. of Funds**



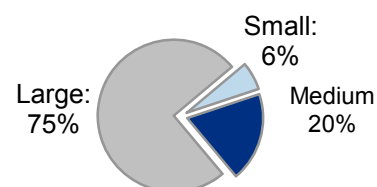
**Redemption Notice Period**



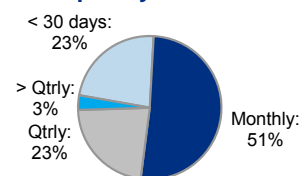
**On-shore/Off-shore**



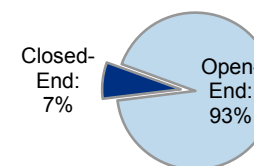
**By Fund Size—\$ AUM**



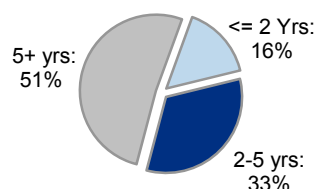
**Redemption Frequency**



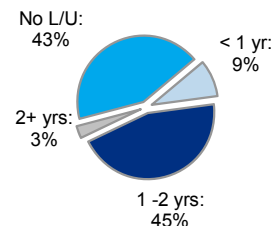
**Legal Status**



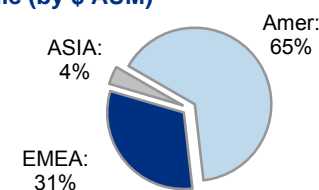
**By Fund Age—No. of Funds**



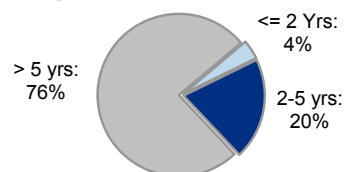
**Lock-Up**



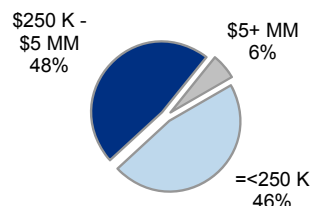
**Domicile (by \$ AUM)**



**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 2 yrs	4%	\$1,064	1.1%	8.4%	73%	95%	1-2 yrs / 76%	7-30 days / 69%	Monthly / 56%
2-5 yrs	19%	\$1,431	0.4%	11.5%	71%	66%	1-2 yrs / 79%	60+ days / 31%	Monthly / 40%
Over 5 yrs	77%	\$2,258	1.3%	10.8%	67%	71%	1-2 yrs / 41%	7-30 days / 32%	Monthly / 47%
<b>Total</b>	<b>100%</b>	<b>\$2,138</b>	<b>1.0%</b>	<b>11.0%</b>	<b>69%</b>	<b>73%</b>	<b>1-2 years / 51%</b>	<b>7-30 days / 34%</b>	<b>Monthly / 48%</b>

## 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 2 yrs	4%	\$240	1.5%	18.2%	73%	84%	1-2 yrs / 75%	7-30 days / 52%	Under 30 / 51%
2-5 yrs	24%	\$230	1.0%	12.8%	70%	73%	1-2 yrs / 66%	7-30 days / 41%	Monthly / 49%
Over 5 yrs	72%	\$227	1.2%	11.5%	72%	65%	No / 52%	7-30 days / 48%	Under 30 / 57%
<b>Total</b>	<b>100%</b>	<b>\$228</b>	<b>1.1%</b>	<b>12.3%</b>	<b>72%</b>	<b>68%</b>	<b>No / 44%</b>	<b>7-30 days / 46%</b>	<b>Monthly / 52%</b>

## 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 2 yrs	12%	\$29	0.6%	12.1%	89%	79%	1-2 yrs / 71%	7-30 days / 32%	Monthly / 44%
2-5 yrs	18%	\$31	1.0%	12.5%	66%	78%	1-2 yrs / 63%	7-30 days / 43%	Monthly / 52%
Over 5 yrs	70%	\$38	0.8%	15.8%	69%	65%	No / 42%	7-30 days / 55%	Monthly / 54%
<b>Total</b>	<b>100%</b>	<b>\$35</b>	<b>1.4%</b>	<b>13.3%</b>	<b>69%</b>	<b>73%</b>	<b>1-2 yrs / 46%</b>	<b>7-30 days / 50%</b>	<b>Monthly / 52%</b>

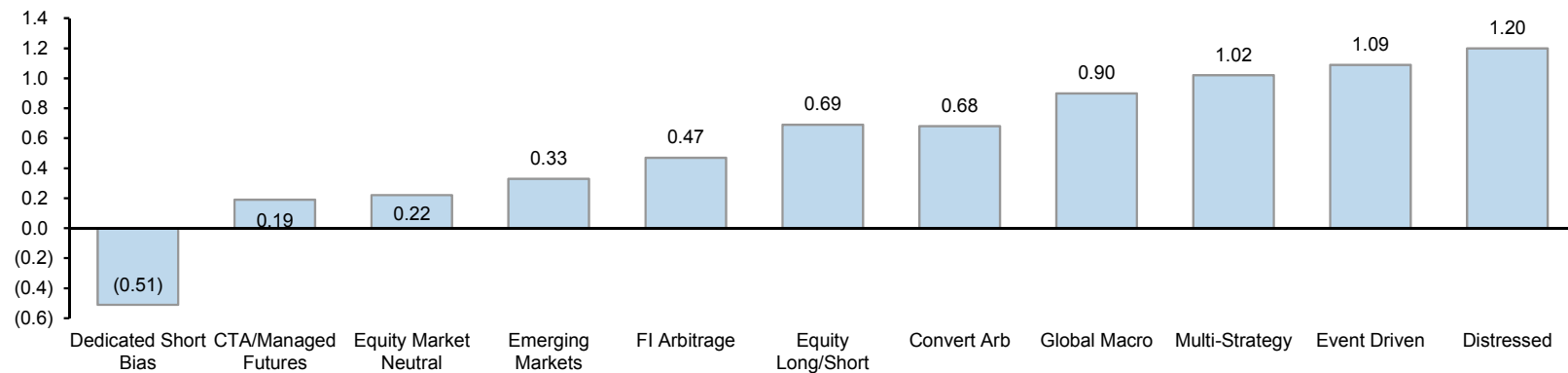
Source: Citi Prime Finance.

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.

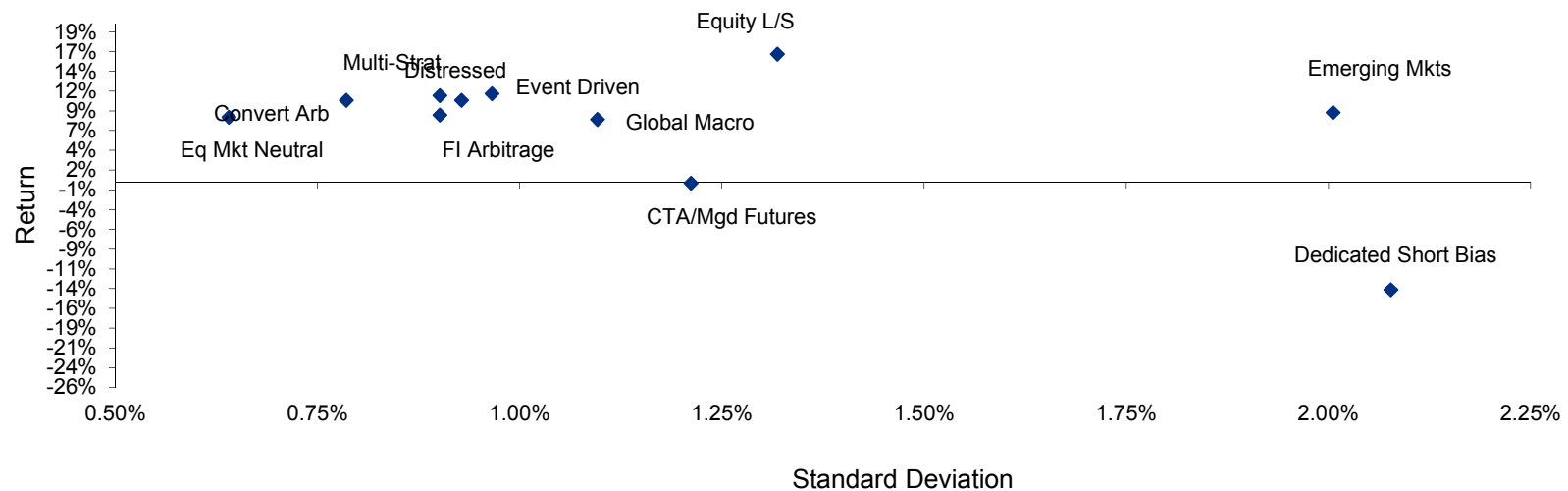
# Risk and Return Metrics



## Sharpe Ratios (Oct-04 - Dec-13)



Source: Credit Suisse Tremont.



Source: Citi Prime Finance.

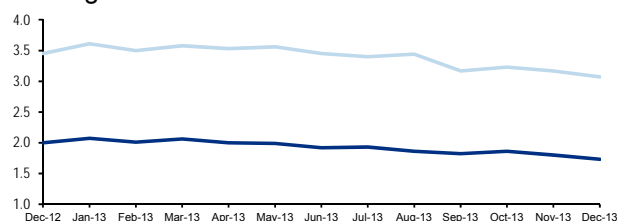
# Convertible Arbitrage



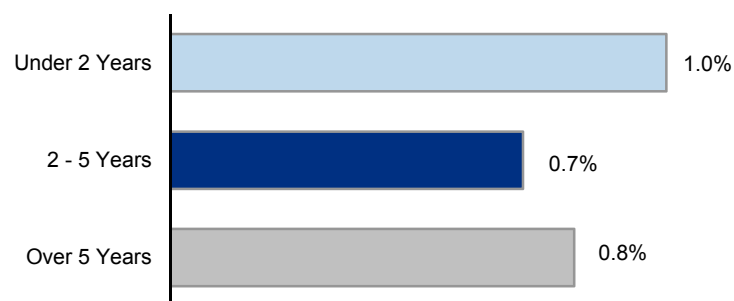
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	2.3%	0.3%	0.9%	1.1%	1.2%	-0.7%	1.2%	0.1%	1.3%	1.1%	0.3%	0.8%	10.3%

## Performance Commentary

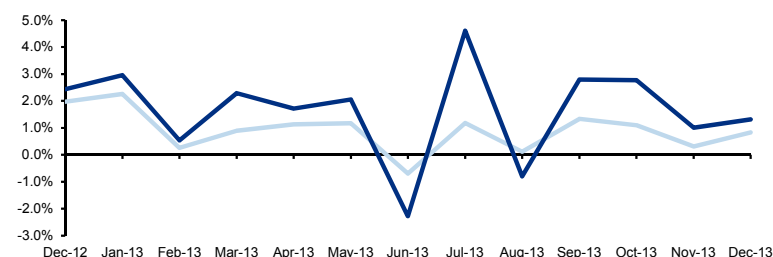
- With the backdrop of more robust new converts issuance throughout 2013, convertible arbitrage managers posted another positive month in December returning +0.8% and finishing the year at +10.3%. Full year performance was down from 2012 which saw performance gains of +11.6%. Gross leverage is down from the start of the year, settling in the 3-3.2x range.



## Hedge Fund Performance by Age<sup>1</sup>

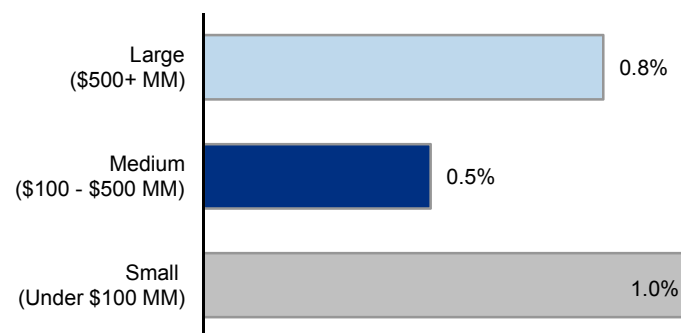


## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	December -13	November -13	December-12	YTD-13
Convert Arb	0.8%	0.3%	2.0%	10.3%
CWB ETF	1.3%	1.0%	2.4%	23.4%

## Hedge Fund Performance by Size<sup>1</sup>



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.

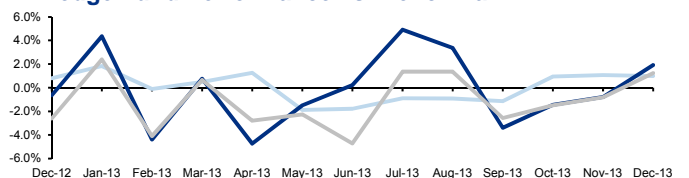


# CTA/Managed Futures



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	1.8%	-0.1%	0.5%	1.3%	-1.9%	-1.8%	-0.9%	-0.9%	-1.1%	0.9%	1.1%	1.0%	-0.2%

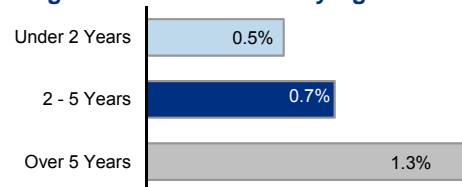
## Hedge Fund Performance vs. Benchmark



	December -13	November -13	December -12	YTD-13
CTA/Mgd Futures	1.0%	1.1%	0.8%	-0.2%
S&P GSCI Commodity (SPGSC)	1.9%	-0.8%	-0.6%	-1.9%
DJ-UBS Commodity (DJAGK)	1.2%	-0.8%	-2.6%	-13.7%

Source: Citi Prime Finance; FactSet.

## Hedge Fund Performance by Age



Source: Citi Prime Finance.

## Hedge Fund Performance by Size



Source: Citi Prime Finance.

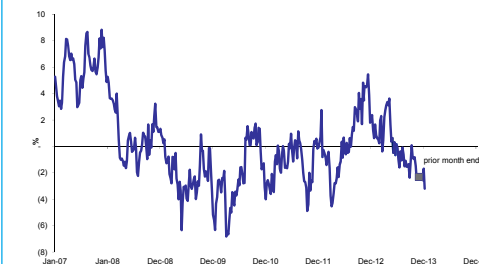
## Large Speculator Positions: CFTC Commitment Of Traders (Futures & Options) Report Net of Longs Less Shorts as Percent of Total Open Positions

### Combined S&P/Weighted Mini S&P Contracts



Last Update: 12/31/13 +1.5%

### US 10-Year Treasury Futures



Last Update: 12/31/13 -3.2%

### EuroFX Futures



Last Update: 12/31/13 +4.4%

Source: CFTC, Bloomberg, Citi Futures Perspective.

### Gold Futures



Last Update: 12/31/13 +4.6%

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.

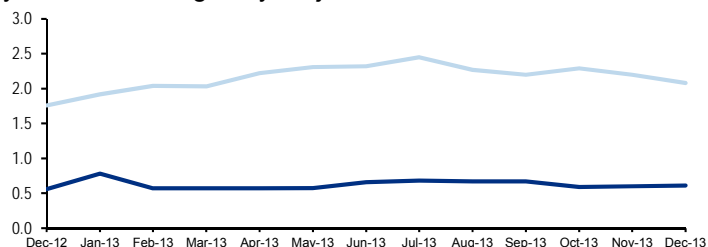
# Dedicated Short Bias



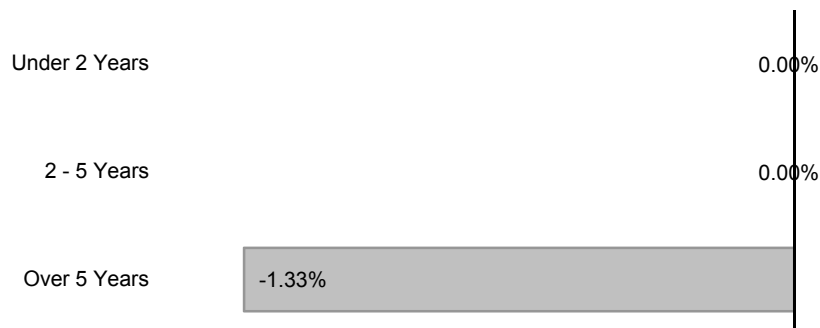
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	-5.0%	0.5%	-3.2%	-3.8%	-3.3%	0.5%	-3.4%	2.3%	1.1%	1.1%	0.2%	-1.3%	-13.6%

## Performance Commentary

- Dedicated Short Bias funds continued to post disappointing results in December as broad based returns were -1.3% and full year performance came in at -13.6%. For the year however, these funds had success outperforming their benchmarks as the S&P Short ETF returned -26.7% and RWM returned -33.1%. Gross leverage peaked in July at 2.5x finishing the year just above 2.0x.



## Hedge Fund Performance by Age<sup>1</sup>

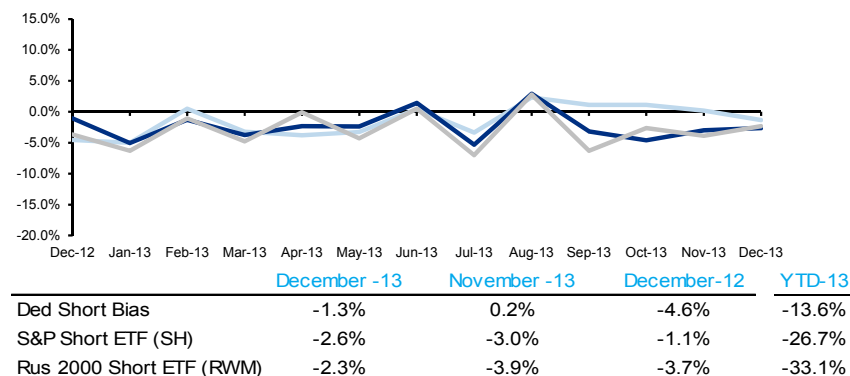


Source: Citi Prime Finance.

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

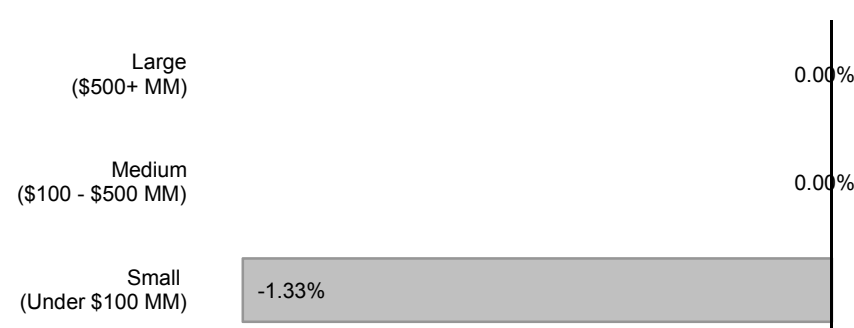
1. Universe and sample sizes may be small.

## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



Source: Citi Prime Finance; FactSet.

## Hedge Fund Performance by Size<sup>1</sup>



Source: Citi Prime Finance.

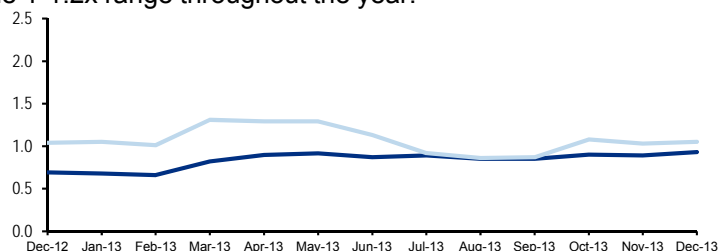
# Distressed



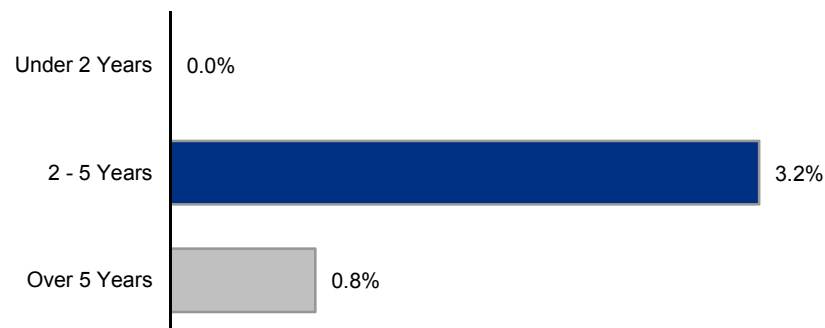
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	2.5%	1.0%	1.6%	1.3%	2.2%	-1.0%	1.8%	0.5%	1.2%	1.7%	1.3%	1.3%	16.4%

## Performance Commentary

- Distressed managers posted positive performance in December given the recent tailwinds of rising valuations. For 2013, performance was strong with only one month in negative territory and full year gains of +16.4%. As a category, distressed funds trailed only Equity Long/Short and outperformed the Citi HY Bond index. Gross leverage remained in the 1-1.2x range throughout the year.



## Hedge Fund Performance by Age<sup>1</sup>

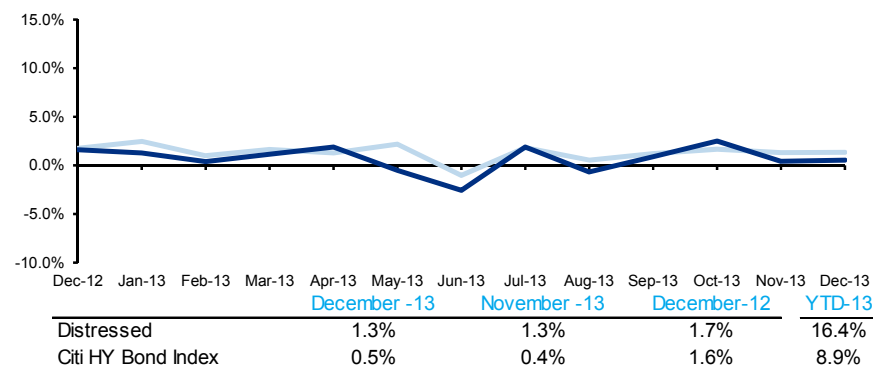


Source: Citi Prime Finance.

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

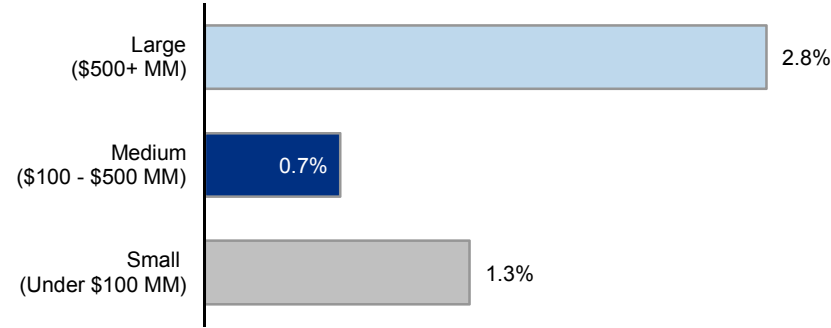
1. Universe and sample sizes may be small.

## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



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

## Hedge Fund Performance by Size<sup>1</sup>



Source: Citi Prime Finance.

# Emerging Markets

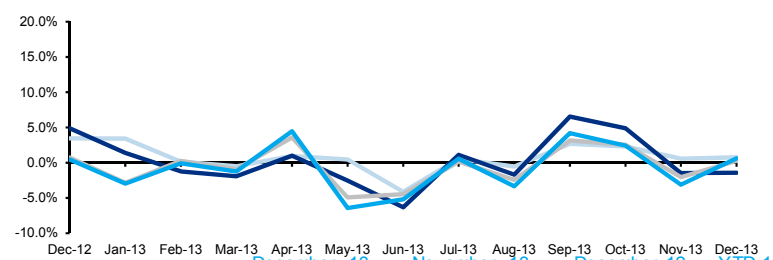


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	3.4%	0.1%	-0.5%	1.0%	0.5%	-4.1%	0.5%	-0.5%	2.7%	2.3%	0.6%	0.8%	6.7%

## Performance Commentary

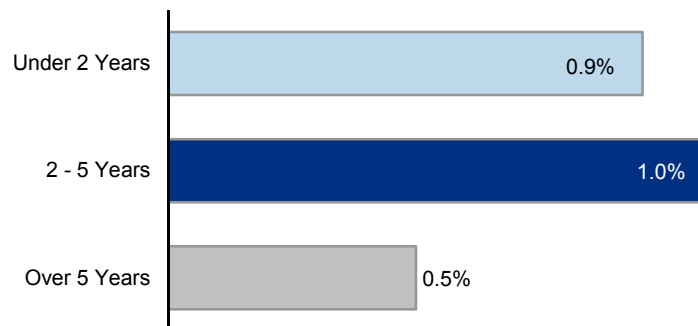
- Despite facing headwinds throughout the year and in spite of the resurgence of developed markets equities, emerging markets focused hedge funds finished the year in positive territory. For the year, performance finished at +6.7% easily outperforming the benchmarks including MSCI EM which returned +2.5%. Broad based EM focused hedge fund performance was down from 2012 which experienced +11.4% for the year.

## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



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

## Hedge Fund Performance by Age<sup>1</sup>

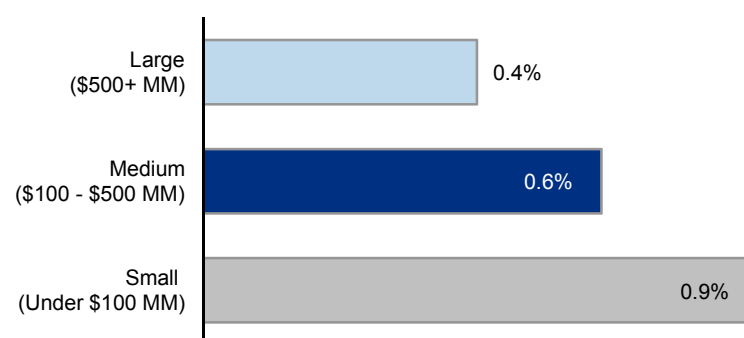


Source: Citi Prime Finance.

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 Size<sup>1</sup>



Source: Citi Prime Finance.

# Equity Long/Short

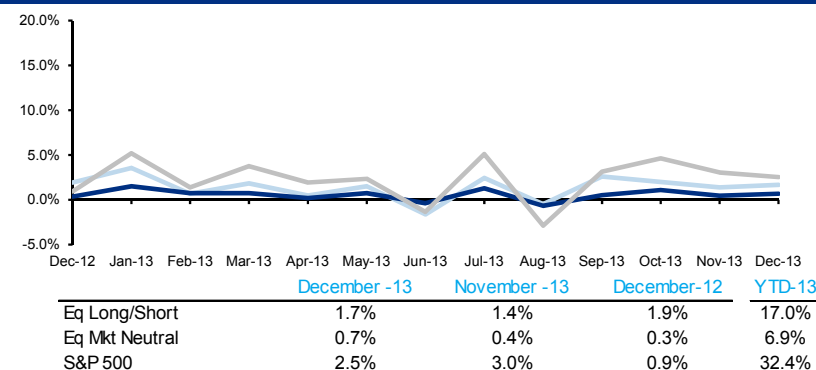


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	3.5%	0.7%	1.8%	0.5%	1.5%	-1.6%	2.4%	-0.5%	2.6%	2.0%	1.4%	1.7%	17.0%

## Performance Commentary

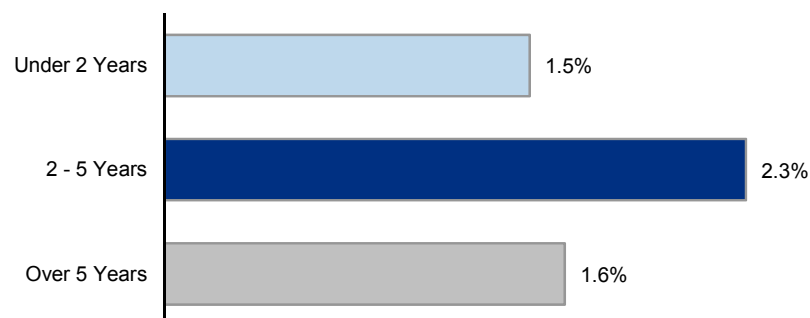
- Equity market performance was mixed around the world in December, with US and European gains getting partially offset by weakness in Asian and emerging markets such as China, Turkey and Brazil. European equity gains were led by British, German and Dutch markets. In Asia, advances in the Japanese, Taiwanese and Indian equity markets were offset by market declines in Shanghai, Hong Kong. US equity markets rallied to conclude December as the outlook for a US economic recovery continued to improve. Large cap industrials led US equity market performance during the month, followed by the semiconductors, telecommunications and energy sectors.
- Equity Long/Short funds finished the year in positive territory at +17.0% experiencing only two down months in 2013. Performance trailed the benchmarks as the S&P 500 returned +32.4% for the year. For 2013, Equity Long / Short funds in aggregate doubled their performance from 2012 which saw a net return of +8.5% for the year.

## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



Source: Citi Prime Finance; FactSet.

## Hedge Fund Performance by Age<sup>1</sup>

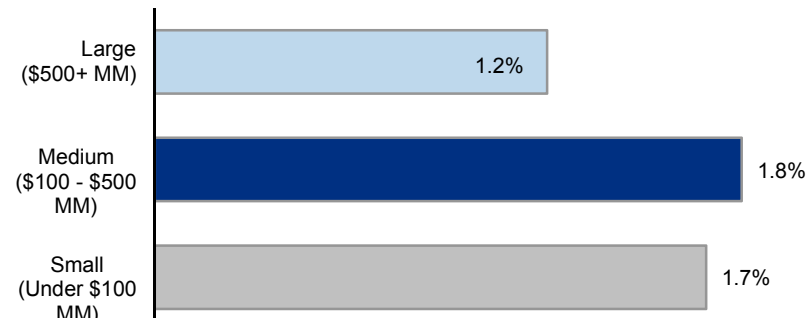


Source: Citi Prime Finance.

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 Size<sup>1</sup>



Source: Citi Prime Finance.

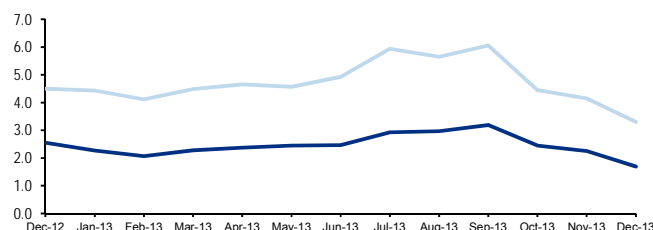
# Equity Market Neutral



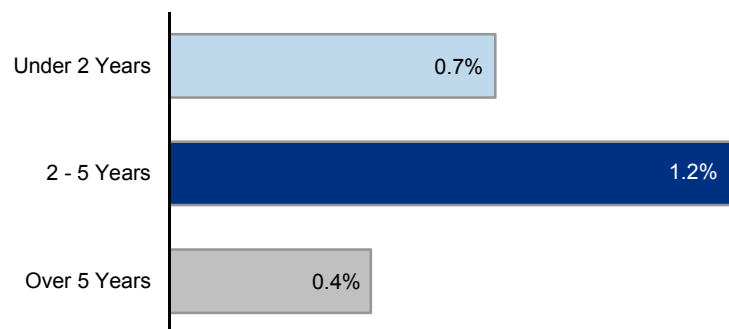
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	1.5%	0.7%	0.7%	0.2%	0.7%	-0.4%	1.3%	-0.7%	0.5%	1.1%	0.4%	0.7%	6.9%

## Performance Commentary

- Equity Market Neutral funds finished 2013 in positive territory at +6.9% after only experiencing one down month throughout the year. Broadly, Equity M/N funds outperformed the benchmarks for the year and beat 2012 returns which were +3.3% over the same period. Overall, equity market neutral funds pulled back gross leverage which peaked in Sept. and closed the year at 3.3x.



## Hedge Fund Performance by Age<sup>1</sup>

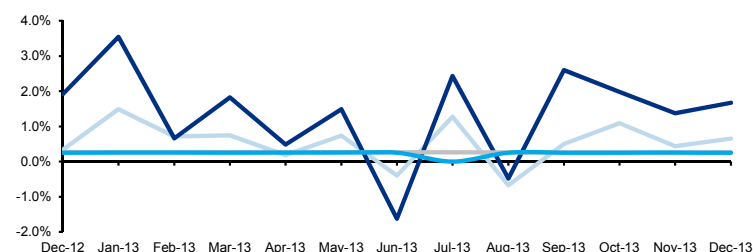


Source: Citi Prime Finance.

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.

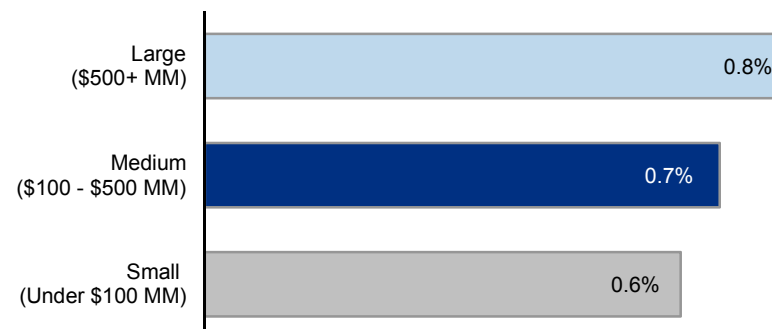
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	December -13	November -13	December-12	YTD-13
Eq Mkt Neutral	0.7%	0.4%	0.3%	6.9%
Eq Long/Short	1.7%	1.4%	1.9%	17.0%
LIBOR + 300 bps	0.3%	0.3%	0.3%	3.5%
US T-Bill + 300 bps	0.3%	0.3%	0.3%	3.1%

Source: Citi Prime Finance; FactSet.

## Hedge Fund Performance by Size<sup>1</sup>



Source: Citi Prime Finance.

# Event Driven

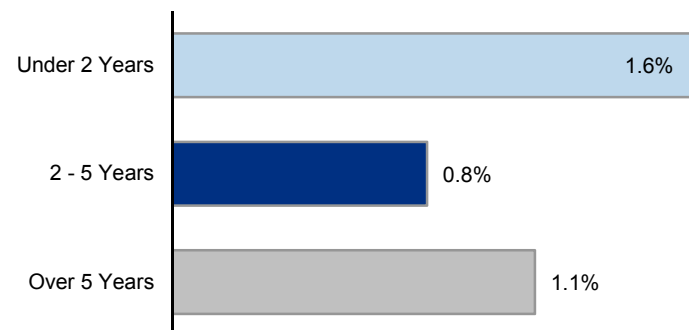


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	1.8%	-0.2%	1.3%	0.8%	1.7%	-1.2%	1.5%	0.2%	1.9%	0.9%	1.2%	1.1%	11.6%

## Performance Commentary

- December was an overall dynamic environment for shareholder activism, strategic M&A and other corporate transactions. Positive performance was driven by managers employing activist, special situations and distressed sub-strategies, especially within the industrial, cyclical and communications sectors. According to HFR, hedge funds focusing on equity activism and special situations led all event-driven sub-strategies in both December and for 2013.
- Event Driven managers ended 2013 with another strong month and finished the year at +11.6%. Many monthly performance in 2013 stood at +0.9% with these funds experiencing only two down months. Event Driven managers outperformed the benchmarks as MERX and ADANX returned +5.1% and +2.0% respectively. Event Driven performance for 2013 exceeded 2012 which experienced +7.3% for the year.

## Hedge Fund Performance by Age<sup>1</sup>

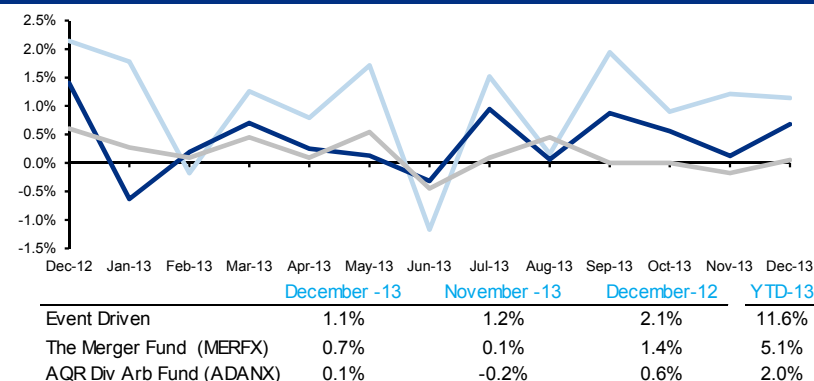


Source: Citi Prime Finance.

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

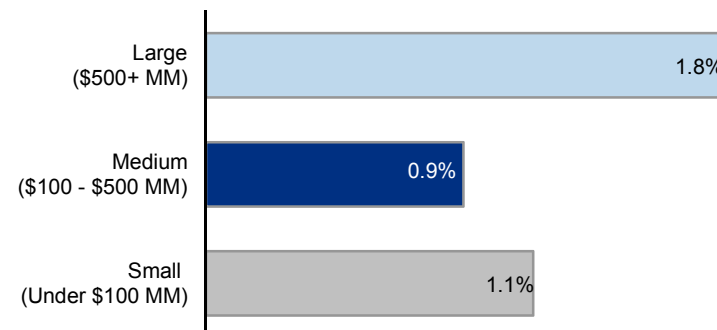
1. Universe and sample sizes may be small.

## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



Source: Citi Prime Finance; FactSet.

## Hedge Fund Performance by Size<sup>1</sup>



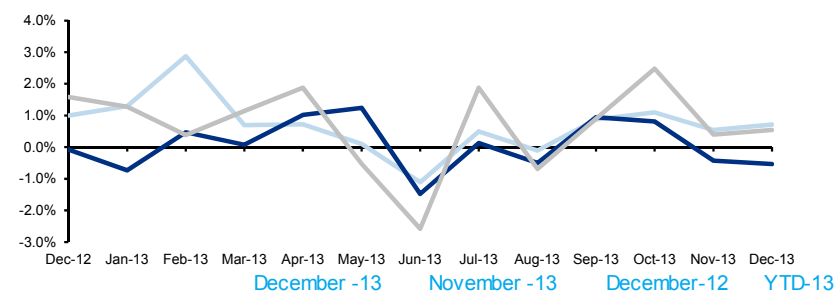
Source: Citi Prime Finance.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	1.3%	2.9%	0.7%	0.7%	0.1%	-1.1%	0.5%	-0.1%	0.9%	1.1%	0.5%	0.7%	8.5%

## Performance Commentary

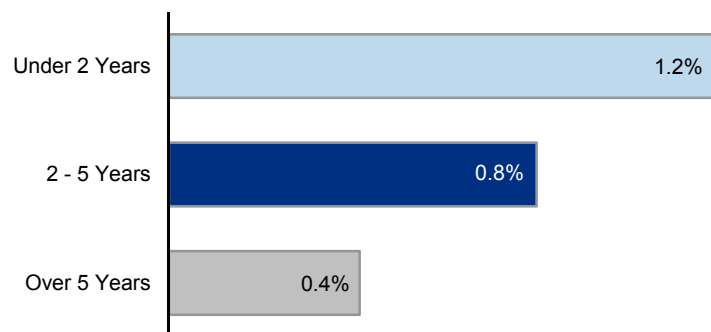
- Fixed income yields generally increased worldwide following the Fed's announcement to reduce its quantitative easing program's monthly purchases by \$10 billion. In the US, 10-Year Treasury yields finished the year above 3%, while the US yield curve flattened overall, with the yields for shorter-dated issues rising more sharply than those for longer-dated issues. Increases in European bond yields were led by cheapening UK Gilts and German Bunds.
- Fixed Income Arbitrage funds finished the year in positive territory at +8.5% experiencing one down month in 2013. Performance trailed the benchmarks as Citi's HY and US BIG bond indices returned +8.9% and 12.0% respectively. 2013 FI Arbitrage performance was off from 2012 which returned +11.6% for the year.

## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



Source: Citi Prime Finance; Citigroup Index LLC.

## Hedge Fund Performance by Age<sup>1</sup>

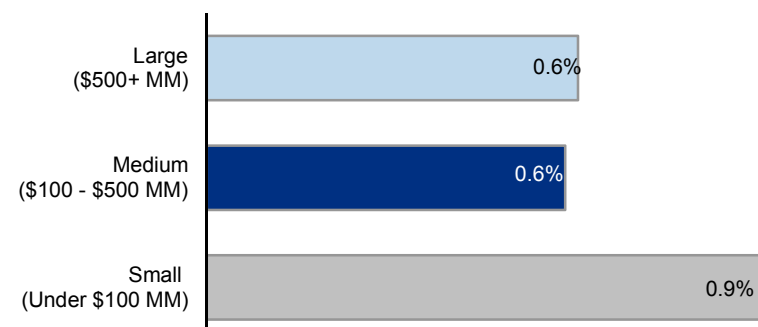


Source: Citi Prime Finance.

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 Size<sup>1</sup>



Source: Citi Prime Finance.

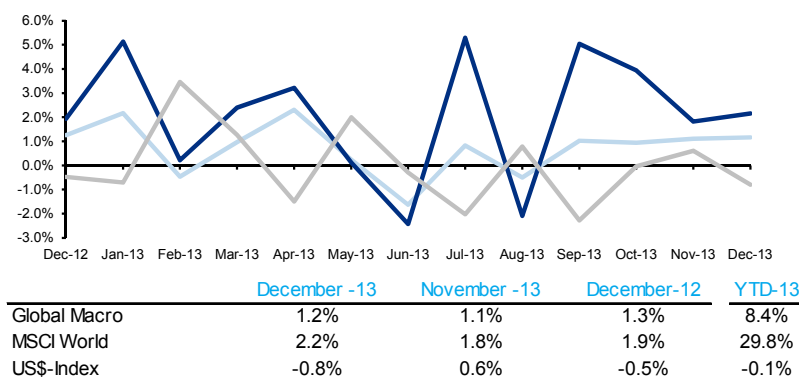


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	2.2%	-0.5%	1.0%	2.3%	0.2%	-1.6%	0.8%	-0.5%	1.0%	0.9%	1.1%	1.2%	8.4%

## Performance Commentary

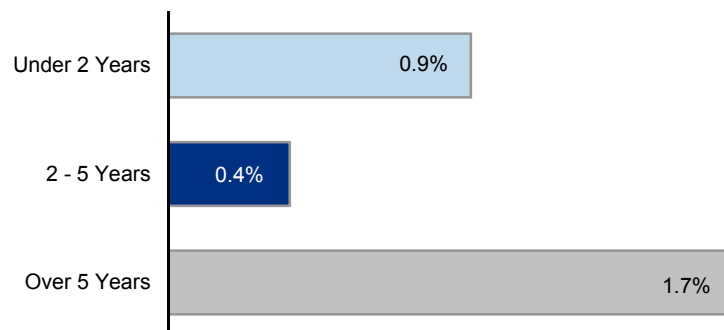
- Looking across thematic, macro trends, the US Dollar recorded mixed performance in December, gaining against the Japanese Yen, Argentine Peso offset by declines against the Euro, British Pound. Energy commodities rallied during the month with crude oil and natural gas prices leading, while metals were more mixed with gold and silver prices declining into yearend. Agricultural commodities were mixed too as cotton prices rose but sugar and wheat prices fell.
- In the global macro space, hedge fund managers collectively achieved a fourth consecutive month of positive performance. With the year end improvements across systematic CTA, discretionary commodity, energy, currency and thematic multi-strategies performance for 2013 finished at +8.4%. This stands in contrast to a challenging previous year for Global Macro managers in which they collectively returned +2.1% in 2012.

## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



Source: Citi Prime Finance; FactSet.

## Hedge Fund Performance by Age<sup>1</sup>

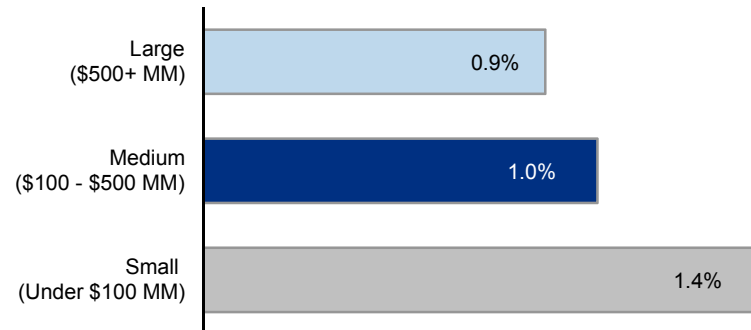


Source: Citi Prime Finance.

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 Size<sup>1</sup>



Source: Citi Prime Finance.

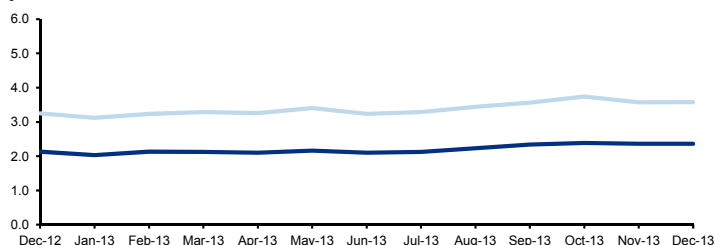
# Multi-Strategy



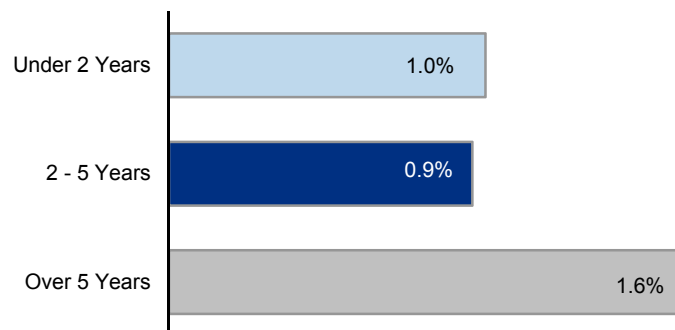
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	2.2%	0.4%	1.4%	0.9%	0.9%	-1.1%	1.1%	-0.5%	1.3%	1.4%	1.2%	1.2%	10.9%

## Performance Commentary

- Multi Strategy funds posted positive results for December and finished 2013 in positive territory at +10.9%. Performance dispersion for the month ranged from -4.5% to +11.4% across the universe of managers reporting compared to -27.7% to +8.8% for Nov-13. Gross leverage remains flat at 3.5x having stayed in range from 3.1x-3.6x throughout the year.



## Hedge Fund Performance by Age<sup>1</sup>

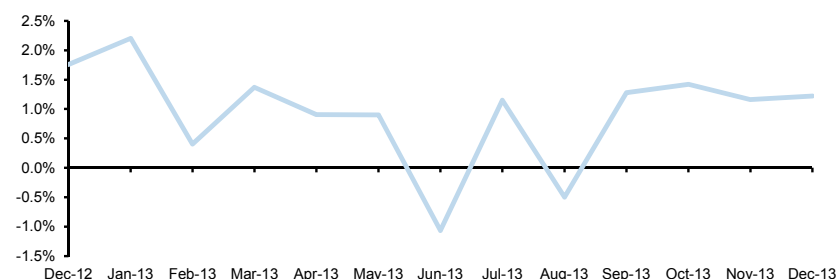


Source: Citi Prime Finance.

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.

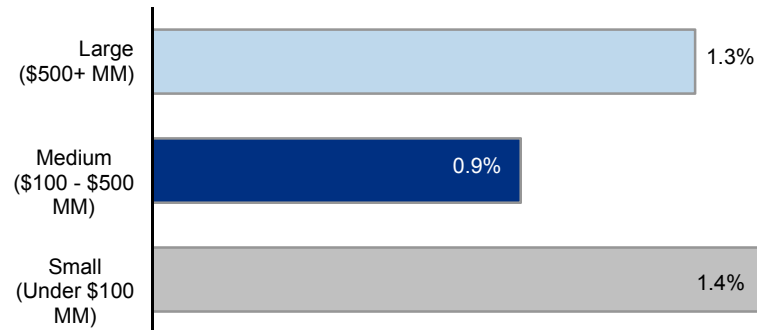
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	December -13	November -13	December -12	YTD-13
Multi-Strategy	1.2%	1.2%	1.8%	10.9%

Source: Citi Prime Finance.

## Hedge Fund Performance by Size<sup>1</sup>



Source: Citi Prime Finance.

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For further information, please contact our Global Business Advisory team:

[prime.advisory@citi.com](mailto:prime.advisory@citi.com)