



Hedge Fund Industry Snapshot March 2014



Based on fund universe of 3,700

Citi Prime Finance | Market Commentary

Americas

New York: +800 773-2889

San Francisco: +415 617-8554

EMEA

EMEA: +44 0 207-986-0822

Asia Pac

Hong Kong: +852 2501-8356

Tokyo: +813 6270-3165

Singapore: +65 6432-1223

Australia: +612 8225-6424

prime.advisory@citi.com

icg.citi.com

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Monthly Highlights

Hedge Fund Industry Overview

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- Industry Flows

Hedge Fund Stats by Strategy

- Assets, Performance Dispersion, Daily Changes in Gross Leverage **NEW**

Global Investor Themes **NEW**

Red / Black Report

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- US Short Sales & Short Cover by Sector
- Equity Long/Short Sector Positioning **NEW**

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- Performance Commentary **NEW**
- Performance vs. Respective Benchmark(s)
- Hedge Fund Performance by Size
- Hedge Fund Performance by Age

Firm Disclaimers and Market Commentary Disclosures

Contacts

Performance, AUM & Flows

- Composite hedge fund performance, equal-weighted across funds, was up in February 2014 to the highest levels since Jan-13. Performance ranged from +1.59% to +2.03%. Returns were higher than the previous month which experienced -0.54% to -0.24% over the same period.
- Hedge fund strategy wise, top performing strategies in February 2014 include Event Driven at +2.63%, Distressed +2.61%, Equity Long/Short +2.54%, and Multi Strategy at +1.62%. The lowest performing strategies include Dedicated Short -4.24%, Equity Market Neutral +0.96%, and Fixed Income Arbitrage at +1.07%.
- Hedge fund industry assets rose significantly in February 2014 realizing an increase of +\$81.9 billion for the month after experiencing a decrease of \$13.1 billion in January. February gains were balanced across investor flows and performance which totaled \$41 billion respectively.
- Net positive investor flows of +\$40.9 billion for February 2014 is the largest inflow to hedge funds on record according to eVestment reporting. The most recent period of investor flows greater than \$30 billion occurred in Feb-12. YTD investor flows now stand at \$42.5 billion.

Fund Profiles

- Across the subset of hedge funds reporting performance and AUM, the monthly median performance for large single funds (>\$500 million) was +1.8%, medium single funds (\$100–\$500 million) +1.2% and small single funds (<\$100 million) +1.5%.
- Liquidity terms continued consistent patterns from previous periods, although there was an increase in the number of funds that only require 30 days or less for redemption notices; for Feb-14 66% of all funds in our universe fell into this category compared to 64% in Jan-14. Across the entire subset of reporting funds, the majority (54%) required no lockup (45%) or less than 1 year lock up (9%).
- Large funds (>\$500 million AUM) continue to hold the majority portion of industry AUM (75%) compared to medium funds (\$100–\$500 million) at 20% and small funds (<\$100 million) holding only 5%.

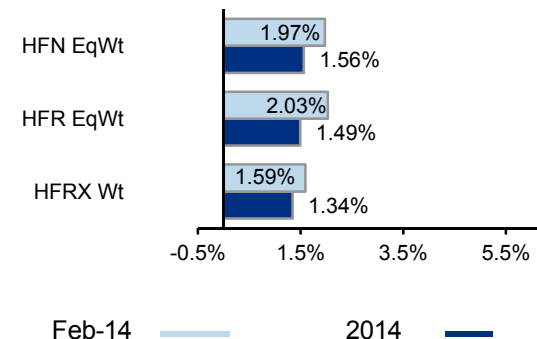
Leverage, Shorts and Futures Market Positioning

- On a global basis, we calculate gross leverage (as measured on a mean basis) at 2.12x in February 2014 versus 2.08x in January and 2.01x in December.
- Looking across gross leverage, the following strategies showed the highest uses of leverage: Global Macro (4.08x), Equity Market Neutral (4.01x), Multi Strategy (3.4x) and Convertible Arbitrage (3.38x).
- Citi US short flows data included in this month's report show continued interest in the Consumer and Information Technology sectors. These sectors accounted for 35.9% of short executions and 39.87% of short covers in February vs. 36.57% of short executions and 39.24% of short covers in January 2014.
- Large speculator net positioning didn't show much change in terms of underlying trends in the month of February compared to those of January. The CFTC Commitment of Traders report showed that the large speculators continued to build their net long position in the gold market over the course of the month pushing it to the largest it has been as a percentage of total open interest in a year. However, at the same time, net positioning in S&P, TY and EuroFX contracts continued to hold close to neutral awaiting inspiration from underlying economic data.

Hedge Fund Industry: AUM, Performance

- Composite hedge fund performance, equal-weighted across funds, was up in February 2014 to the highest levels since Jan-13. Performance ranged from +1.59% to +2.03%. Returns were higher than the previous month which experienced -0.54% to -0.24% over the same period.
- Global financial markets posted gains for February, despite increasing geopolitical tensions arising from secular unrest in Ukraine. Global equity markets posted broad-based gains recovering prior month declines, led by US Technology, Cyclical, Healthcare sectors. European and Asian equities also posted gains, with European gains led by France, Italy and the UK, while Asian gains were led by Hong Kong and Thailand. Despite these, Emerging Market equities across Latin America were mixed, and China and the Middle East posted. US and developed European yields were little changed against the prior month end, with bond yields measuring small declines in Italy and Spain. The US Dollar declined against most currencies, reversing much of the prior month's gains, falling sharply against the British Pound Sterling and Euro. The US dollar posted a late month gain against the Chinese RMB. Merger activity remained robust, led by Facebook's \$19 billion acquisition of WhatsApp.
- Hedge fund strategy wise, top performing strategies in February 2014 include Event Driven at +2.63%, Distressed +2.61%, Equity Long/Short +2.54%, and Multi Strategy at +1.62%. The lowest performing strategies include Dedicated Short -4.24%, Equity Market Neutral +0.96%, and Fixed Income Arbitrage at +1.07%.

Industry Performance: Feb-14 / YTD

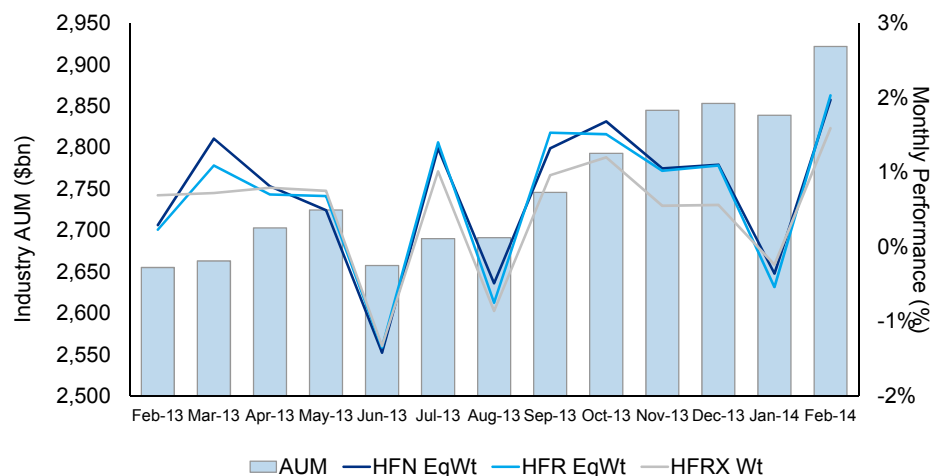


Source: HFR, eVestment|HFN.

Note Pad

- MSCI World Index: +5.1%; 1.4% YTD
- MSCI EM Index: +3.3%; -3.1% YTD
- S&P 500: +4.6%; +1.1% YTD
- Citi US BIG Index: +1.4%; +2.9% YTD
- S&P GSCI: +4.5%; +2.9% YTD
- US Dollar Index: -1.8%; -0.3% YTD
- HFN Country Indices Jan -14 / YTD:
 - Brazil: +2.84% / -3.36%; Australia: +0.08% / +2.24%
 - China: +2.32% / +0.96%; Japan: -1.79% / -3.59%

Monthly Industry AUM and Performance

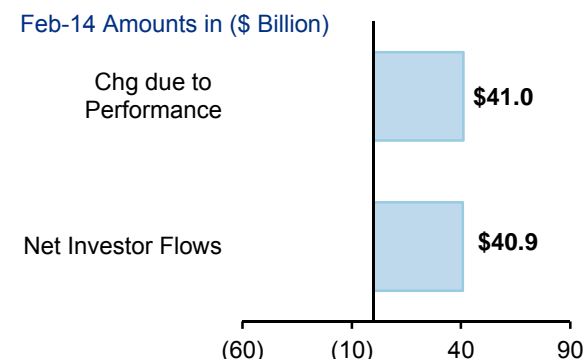


Source: eVestment|HFN; Hedge Fund Research, Inc., © 2014.

Hedge Fund Industry: Change in Industry Assets

- Hedge fund industry assets rose significantly in February 2014 realizing an increase of +\$81.9 billion for the month after experiencing a decrease of \$13.1 billion in January. February gains were balanced across investor flows and broad performance which each totaled \$41 billion. Total industry gains in February are the largest since 2008 and mark the largest single monthly gain since September 2009 which experienced an increase of \$78 billion in industry assets.
- February performance gains of \$41 billion were higher than the average monthly industry performance of 2013 which stood at +\$16.0 billion. Feb-14 industry performance stands in contrast to Jan-14 which experienced -\$14.8 billion over the same period.
- Net positive investor flows of +\$40.9 billion for February 2014 is the largest inflow to hedge funds on record according to eVestment reporting. The most recent period of investor flows greater than \$30 billion occurred in Feb-12. YTD investor flows now stand at \$42.5 billion.
- Total industry AUM now stands at \$2.92 trillion for 2013, an increase of 2.9% from Jan-14 and an overall increase of +10.1% from February 2013.

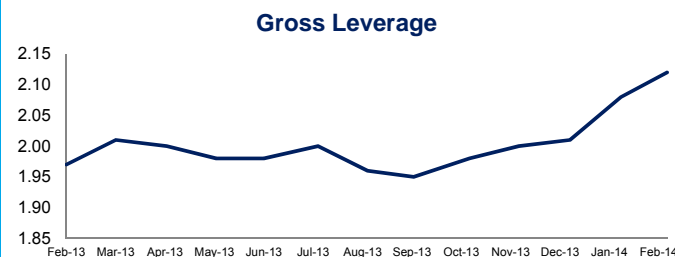
Composition of Change in Assets



Source: HFR, eVestment|HFN.

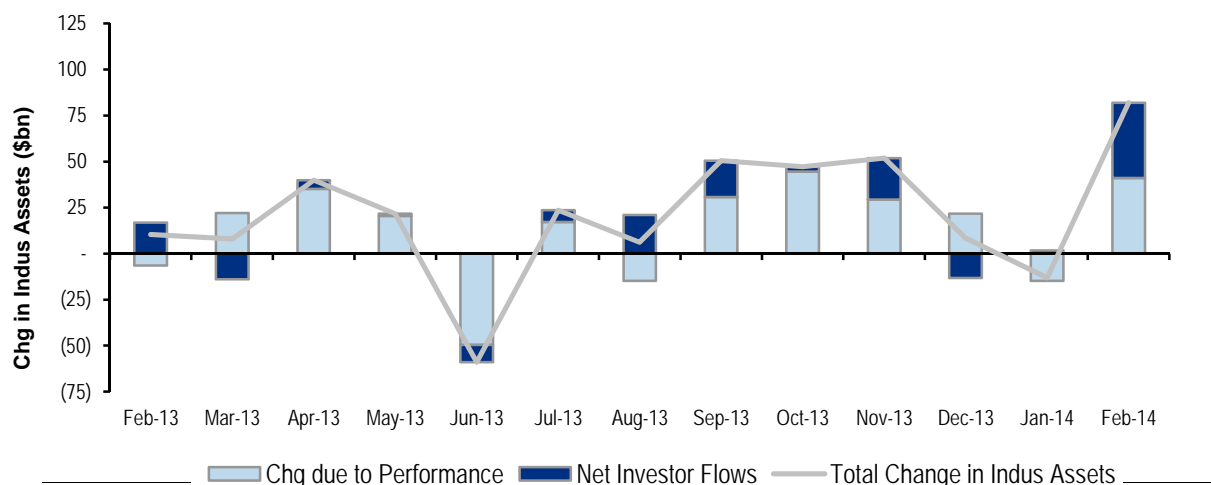
Leverage Trends

The Citi Prime Finance calculation for gross leverage (as measured on a mean basis) 2.12x in February 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.

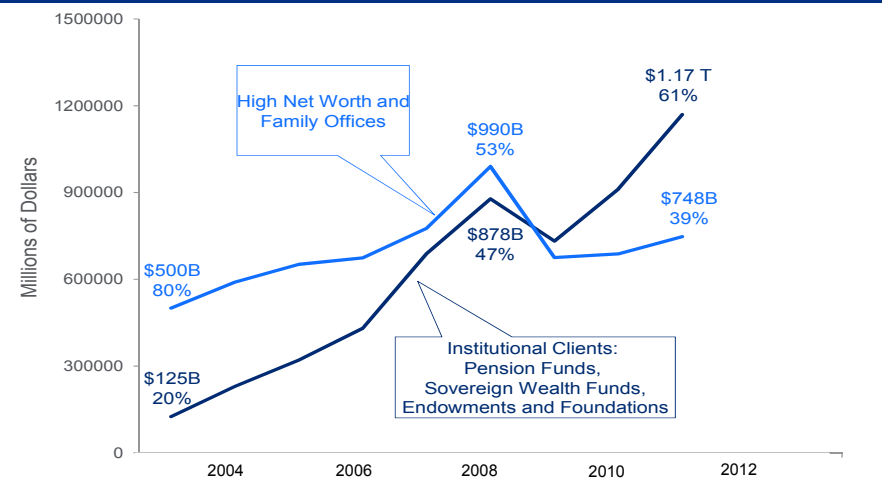
Regional Focus: US East Coast

Recent first quarter activity in both Boston and the Mid-Atlantic regions have included over 30 meetings and discussions with significant institutional investors, representing the bulk of portfolios that invest in hedge funds. The range of investors across the asset manager universe included Fund of Hedge Funds, Private Banks, Multi-Family Offices. Throughout the quarter we have also engaged with a significant amount of asset owners as well, including Pensions and Endowments and Foundations. Overall, the region continues to show a preference towards alpha generating strategies with an alignment of the size of manager assets correlating to the appropriate investor segment. In terms of strategies, fundamental equity, especially those that utilize Event Driven themes resonate as a predominate focus throughout the region. We have noticed some family offices becoming active with investing in less liquid, non-correlated alternatives. Some investors on the East Coast have expressed concerns towards managers that are extending their product breadth, while a portion of the asset manager segment (Multi-Family Offices, FoHF's) are expressing an uptick in interest around '40 Act Liquid Alternatives. As has been consistent throughout the past year, Hedge Fund fee compression is still an on-going issue throughout the region.

Highlights from Recent Events

- On Tuesday, February 25th, US Capital Introductions hosted a Strategy Spotlight Breakfast to discuss Japanese Markets in New York City. Japan focused Hedge Fund managers, Allocators and Citi Strategists came together to discuss the opportunity set in the market and what to expect in the coming year. Below are some of the key themes that were a result of the discussion:
- Abenomics has been successful thus far with monetary and fiscal stimulus, however, the third arrow, structural reform, is slow and yet very crucial for the economic growth to achieve the annual inflation target of 2%. Part of the third arrow includes needed improvements in the governance of companies. Independent directors will be required and encourage better governance. Activist managers in Japan are expected to play increased role to improve corporate governance.
- Local institutional investors, particularly public pension funds, are expected to take more risks (i.e. domestic equity exposures), which is expected to bring more liquidity and trading activities to the local market.
- From the end of 2012 through 2013, Macro managers benefitted from shorting yen and long-biased managers through market directionality. In 2014, it is expected that market inefficiencies will be captured by alpha generating managers, making it an interesting year for Hedge Fund managers.

Hedge Fund AUM by Investor Type

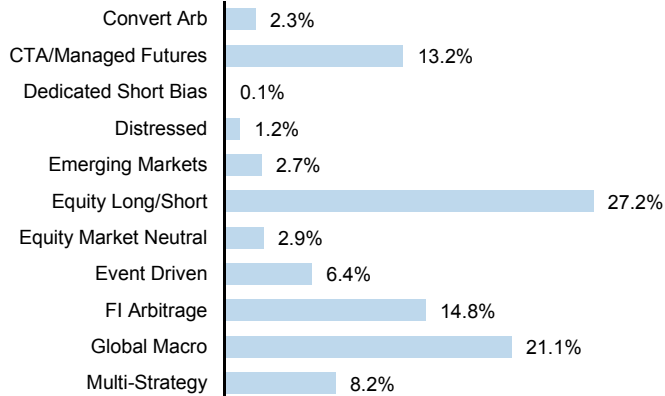


Source: Citi Prime Finance analysis based on HFR data

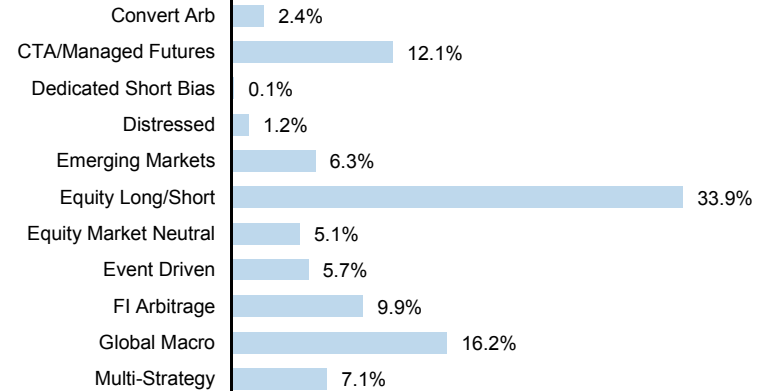
Hedge Fund Stats by Strategy



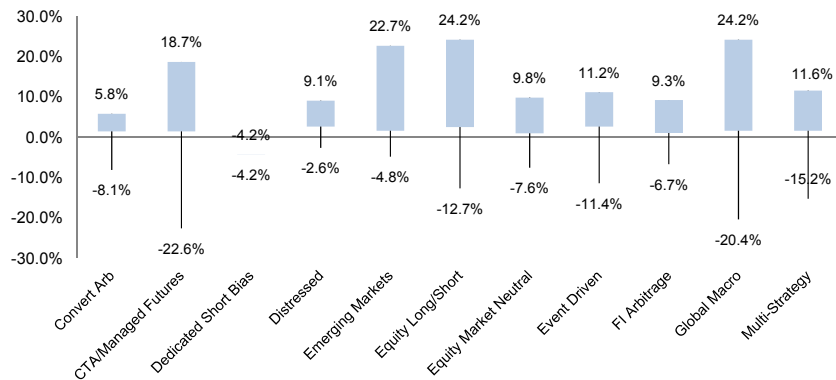
Hedge Fund Strategy Breakdown by Assets



Hedge Fund Strategy Breakdown by Number of Funds

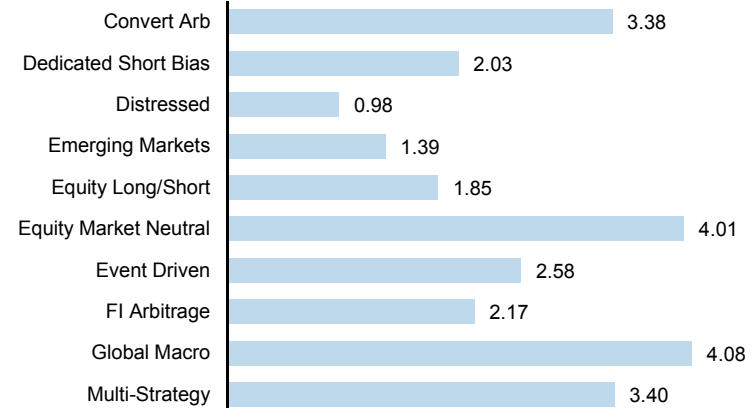


Hedge Fund Performance by Strategy



Hedge Fund Leverage Ratios by Strategy

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



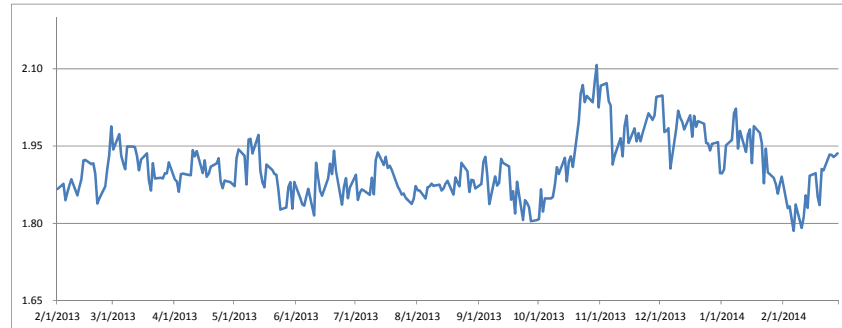
Source: Citi Prime Finance.

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.

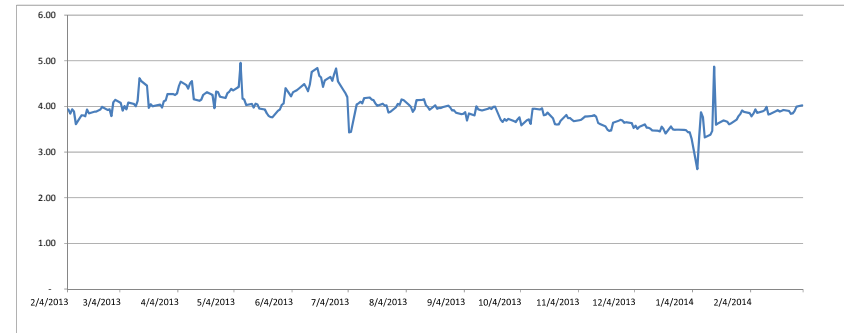
Daily Changes in Gross Hedge Fund Leverage



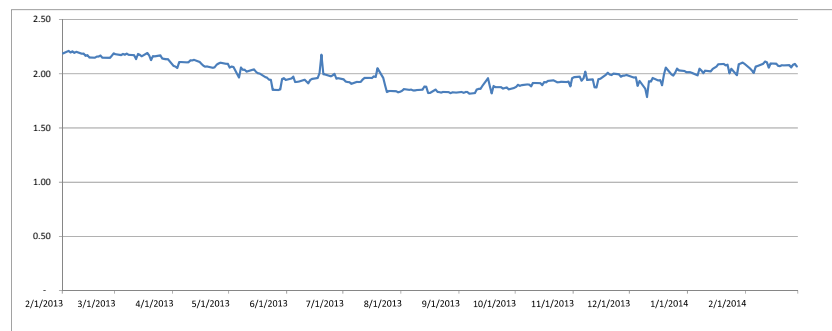
Gross Leverage – All funds



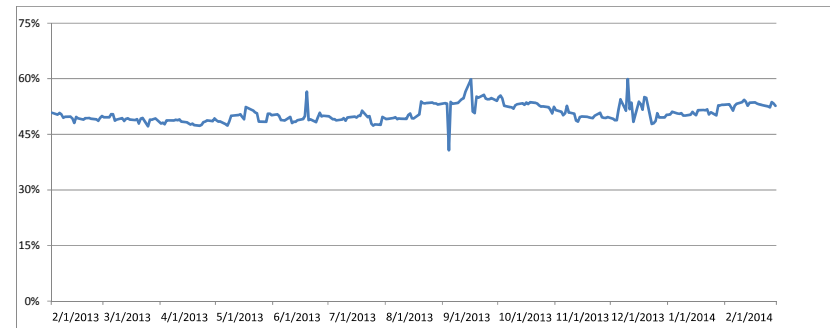
Global Macro



Equity L/S



Equity L/S Utilization



Source: Citi Prime Finance.

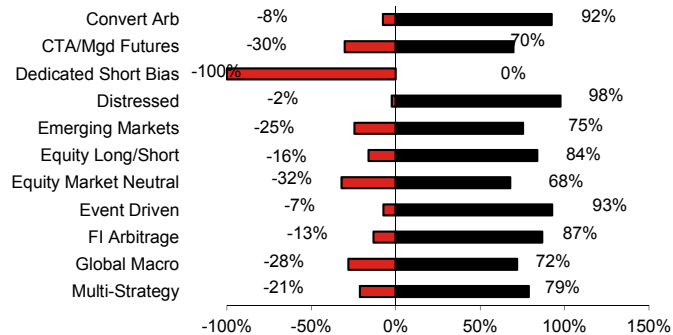
Gross leverage derived from equity balances. Gross Leverage (mean): defined as $\text{sum of (LMV + abs SMV)} / \text{Net Equity}$

Hedge Fund Performance Trends: Red / Black Report



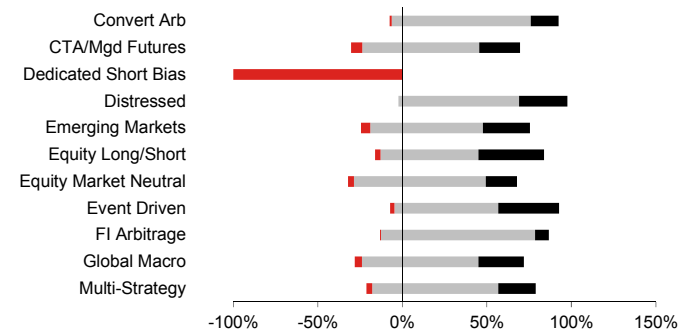
February 2014 – Percentage of Reporting Funds

Negative (—) / Positive (—) Performance



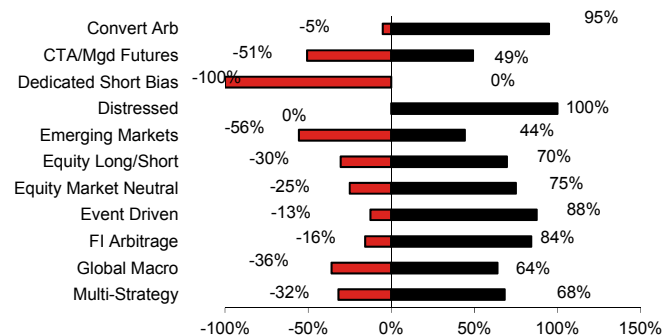
February 2014 – Percentage of Reporting Funds

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



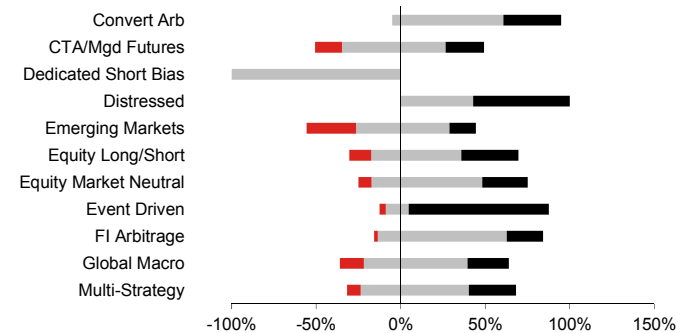
2014 – Percentage of Reporting Funds

Negative (—) / Positive (—) Performance



2014 – Percentage of Reporting Funds

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

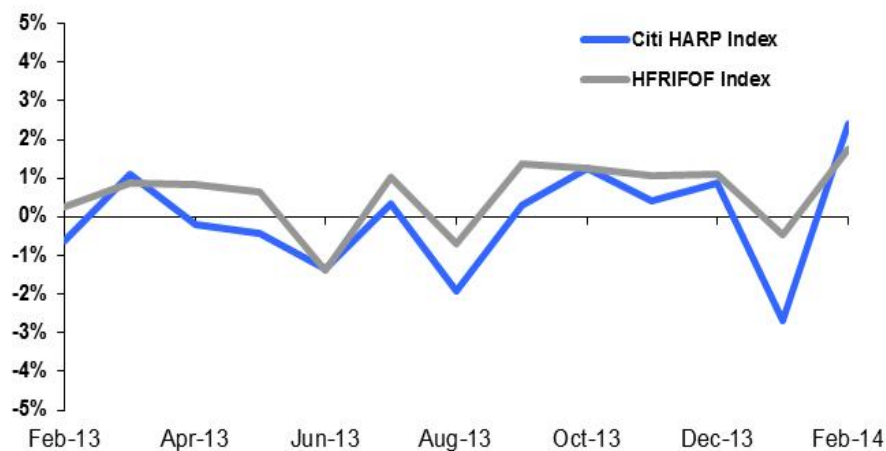


Source: Citi Prime Finance.

Citi Liquid Hedge Fund Replicator (HARP)



Citi HARP Index vs. Benchmark (monthly rolling)



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

	Feb-14	Jan-14	Feb-13	YTD-14
Citi Harp	2.41%	-2.67%	-0.60%	-0.32%
HFRIFOF	1.75%	-0.45%	0.28%	1.29%

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

Annualized Performance: Last 12-Month	Citi HARP Index	HFRIFOF
Ann. Return	0.08%	7.53%
Ann. Vol	4.96%	3.29%
Sharpe Ratio	-0.04	2.20
Correlation	86%	

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.

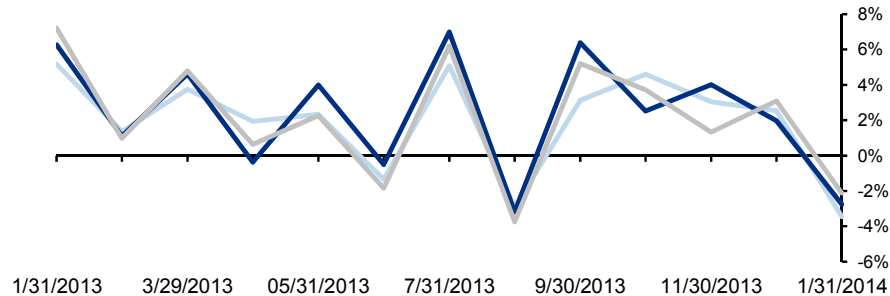
The Index contains weighted components. The components are a money market component and various index components. Each index component represents a class of asset in which the hedge fund sector is assumed to invest: bond, commodity, equity and foreign exchange.

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

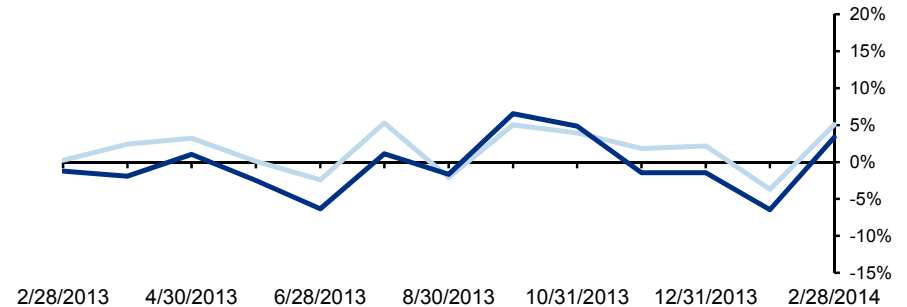


US Equities (Large Cap vs. Small Cap)



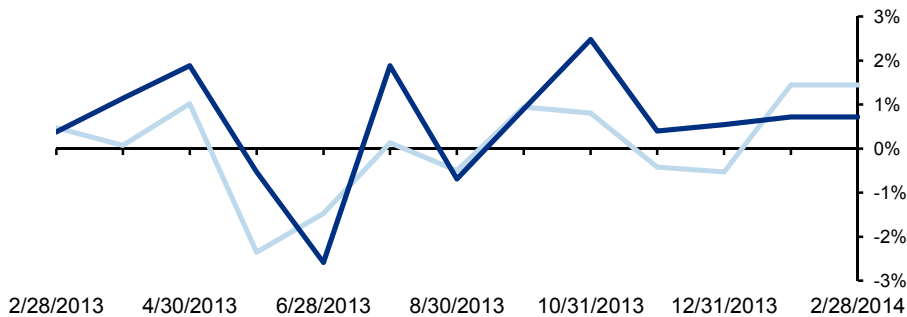
		Feb-14	Jan-14	Feb-13	YTD-14
S&P 500		4.6%	-3.5%	1.4%	1.1%
RUS 2000		4.7%	-2.8%	1.1%	1.9%
S&P Mid		4.9%	-2.1%	1.0%	2.8%

Global Equities (Developed vs. Emerging)



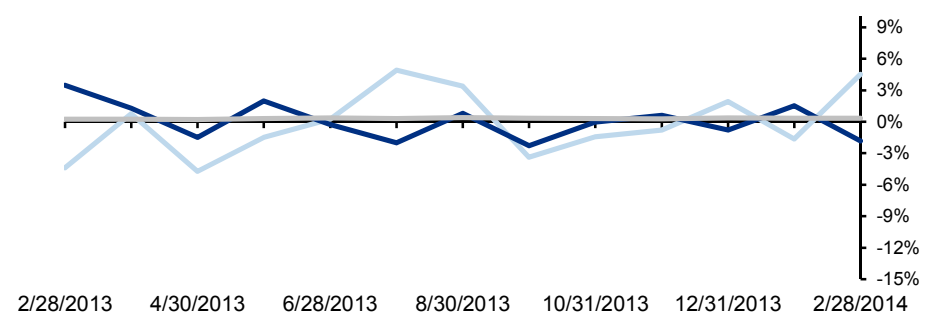
		Feb-14	Jan-14	Feb-13	YTD-14
MSCI World		5.1%	-3.7%	0.2%	1.4%
MSCI EM		3.3%	-6.5%	-1.2%	-3.1%

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



		Feb-14	Jan-14	Feb-13	YTD-14
Citi US BIG Index		1.4%	1.4%	0.5%	2.9%
Citi HY Bond Index		0.7%	0.7%	0.4%	1.4%

Commodities (US\$ Performance)



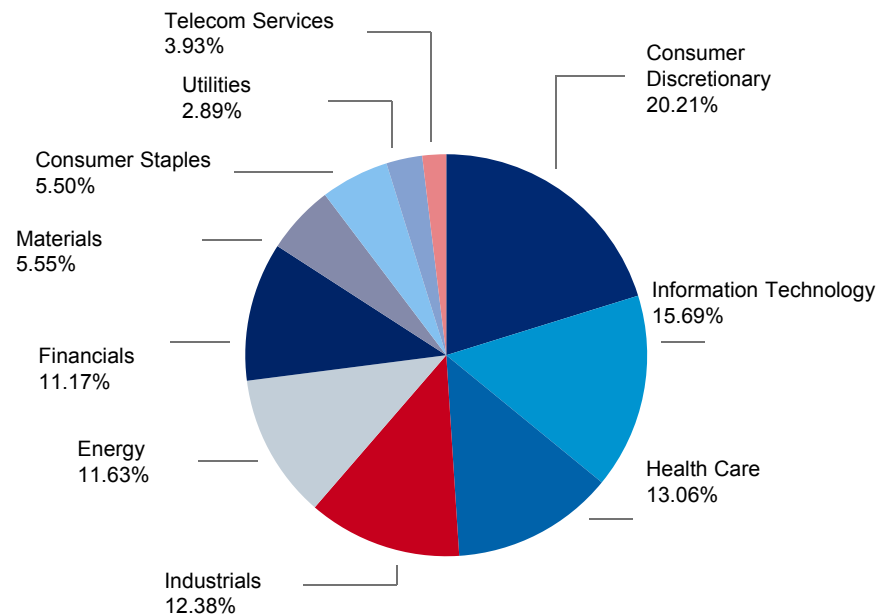
		Feb-14	Jan-14	Feb-13	YTD-14
S&P GSCI		4.5%	-1.6%	-4.4%	2.9%
US-\$ Index		-1.8%	1.5%	3.5%	-0.3%
US 2yr Note		0.3%	0.3%	0.2%	0.7%

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

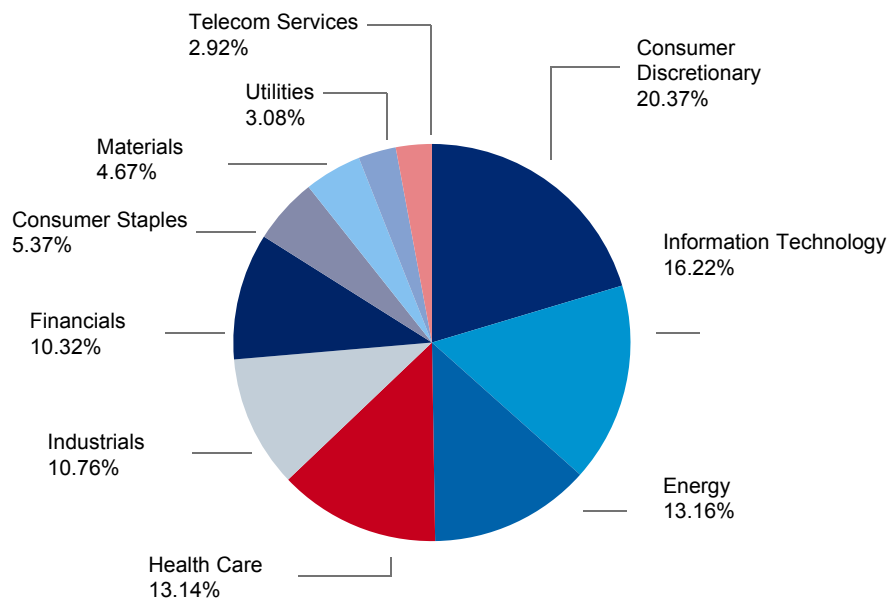
US Securities Lending Sector Short Flows



Short Sale Executions



Short Cover Executions



Sector Short Flows	% Short Execution	% Previous Month Short Execution	% Change From Previous Month
Consumer Discretionary	20.21	21.49	-5.96
Information Technology	15.69	15.08	4.05
Health Care	13.06	12.27	6.44
Industrials	12.38	9.66	28.16
Energy	11.63	16.32	-28.74
Financials	11.17	8.94	24.94
Materials	5.55	8.38	-33.77
Consumer Staples	5.50	5.95	-7.56
Utilities	2.89	2.64	9.47
Telecom Services	1.91	3.93	-51.4

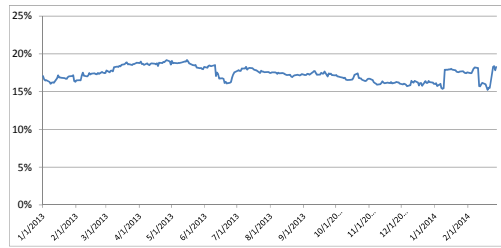
Sector Short Flows	% Cover Execution Short Cover	% Previous Month Short Cover	% Change From Previous Month
Consumer Discretionary	20.37	19.74	3.19
Information Technology	16.22	19.50	-16.82
Energy	13.16	9.56	37.66
Health Care	13.14	11.29	16.39
Industrials	10.76	10.80	-0.37
Financials	10.32	9.47	8.98
Consumer Staples	5.37	5.18	3.67
Materials	4.67	6.65	-29.77
Utilities	3.08	3.77	-18.3
Telecom Services	2.92	3.52	-17.05

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

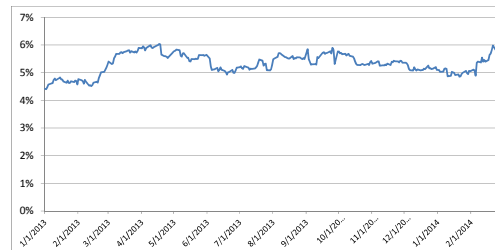
Equity Long / Short Hedge Fund Sector Positioning



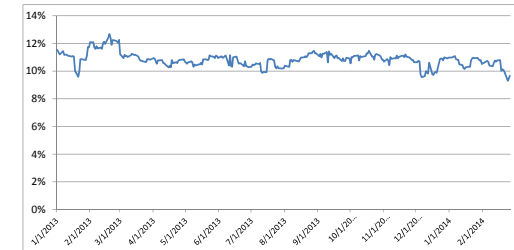
Consumer Discretionary



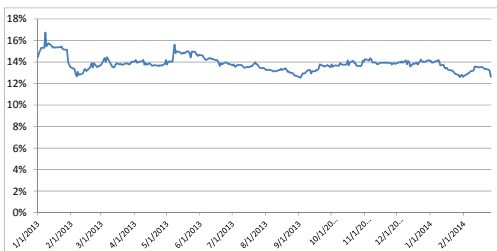
Consumer Staples



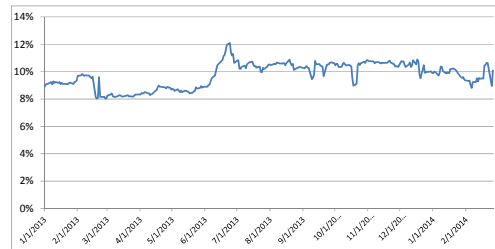
Energy



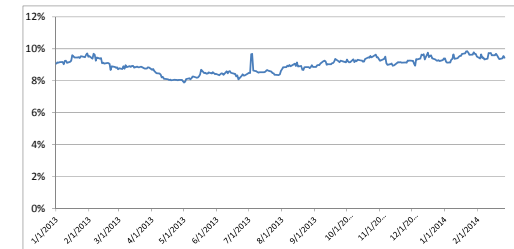
Financials



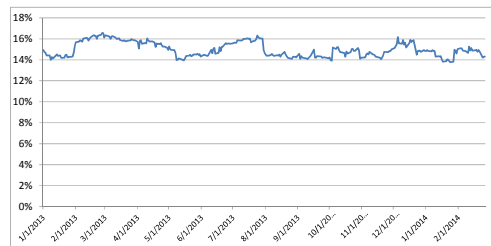
Health Care



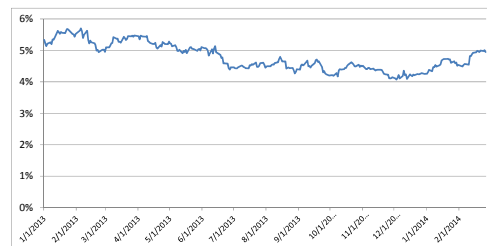
Industrials



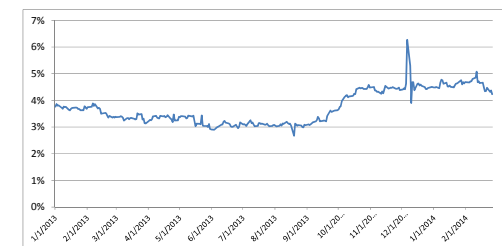
Information Technology



Materials



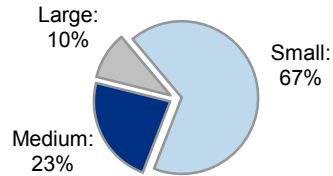
Telecom



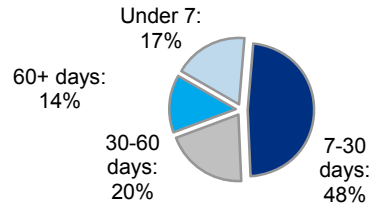
Source: Gross equity long and short positions aggregated by sector are taken as a percent of total gross equity longs and shorts

Hedge Fund (Fund Level) Profiles

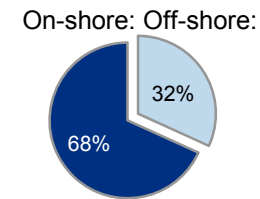
By Fund Size—No. of Funds



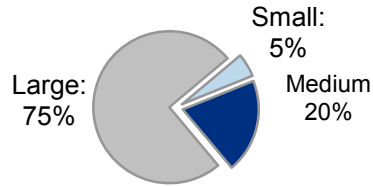
Redemption Notice Period



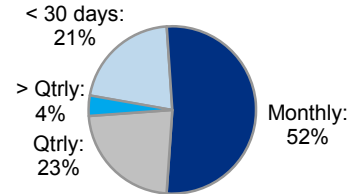
On-shore/Off-shore



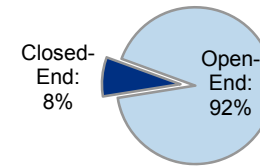
By Fund Size—\$ AUM



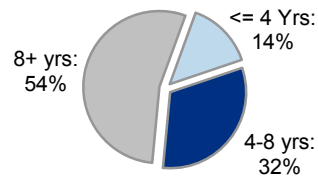
Redemption Frequency



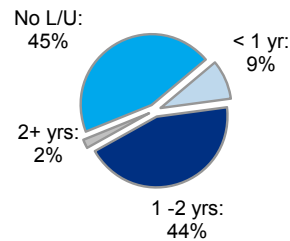
Legal Status



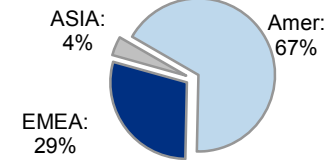
By Fund Age—No. of Funds



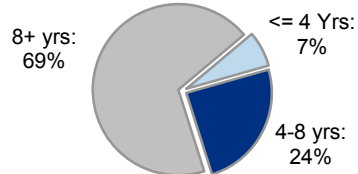
Lock-Up



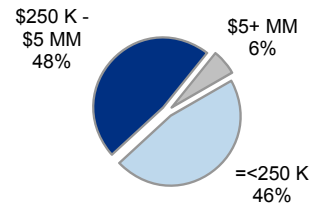
Domicile (by \$ AUM)



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	9%	\$1,440	1.6%	2.6%	73%	94%	1-2 yrs / 76%	7-30 days / 69%	Monthly / 56%
4-8 yrs	31%	\$1,475	0.2%	1.8%	71%	66%	1-2 yrs / 79%	60+ days / 31%	Monthly / 40%
Over 8 yrs	60%	\$2,583	1.8%	1.5%	67%	71%	1-2 yrs / 41%	7-30 days / 32%	Monthly / 47%
Total	100%	\$2,139	1.8%	1.8%	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	8%	\$217	1.7%	1.5%	73%	84%	1-2 yrs / 75%	7-30 days / 52%	Under 30 / 51%
4-8 yrs	37%	\$230	1.5%	1.7%	70%	73%	1-2 yrs / 66%	7-30 days / 41%	Monthly / 49%
Over 8 yrs	64%	\$232	1.7%	0.9%	72%	65%	No / 52%	7-30 days / 48%	Under 30 / 57%
Total	100%	\$230	1.7%	1.2%	72%	68%	No / 44%	7-30 days / 46%	Monthly / 52%

Hedge Funds: Small (<\$100 Million)

Hedge Fund Age	% of Total	Median AUM (\$MM)	Median Monthly Perform	Median YTD Perform	Domicile: Americas Region	Off-Shore	Preferred Lock-Up / % of Total	Preferred Redemption Notice / % of Total	Preferred Redemption Frequency / % of Total
Under 4 yrs	15%	\$28	1.3%	1.0%	89%	79%	1-2 yrs / 71%	7-30 days / 32%	Monthly / 44%
4-8 yrs	41%	\$34	1.8%	1.7%	66%	78%	1-2 yrs / 63%	7-30 days / 43%	Monthly / 52%
Over 8 yrs	44%	\$37	2.3%	1.5%	69%	65%	No / 42%	7-30 days / 55%	Monthly / 54%
Total	100%	\$32	2.0%	1.5%	69%	73%	1-2 yrs / 46%	7-30 days / 50%	Monthly / 52%

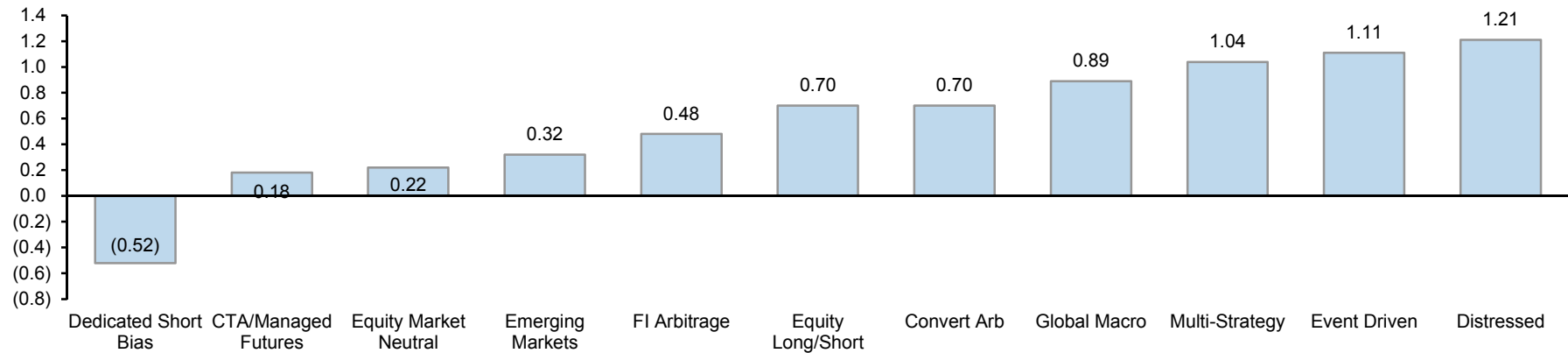
Source: Citi Prime Finance.

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.

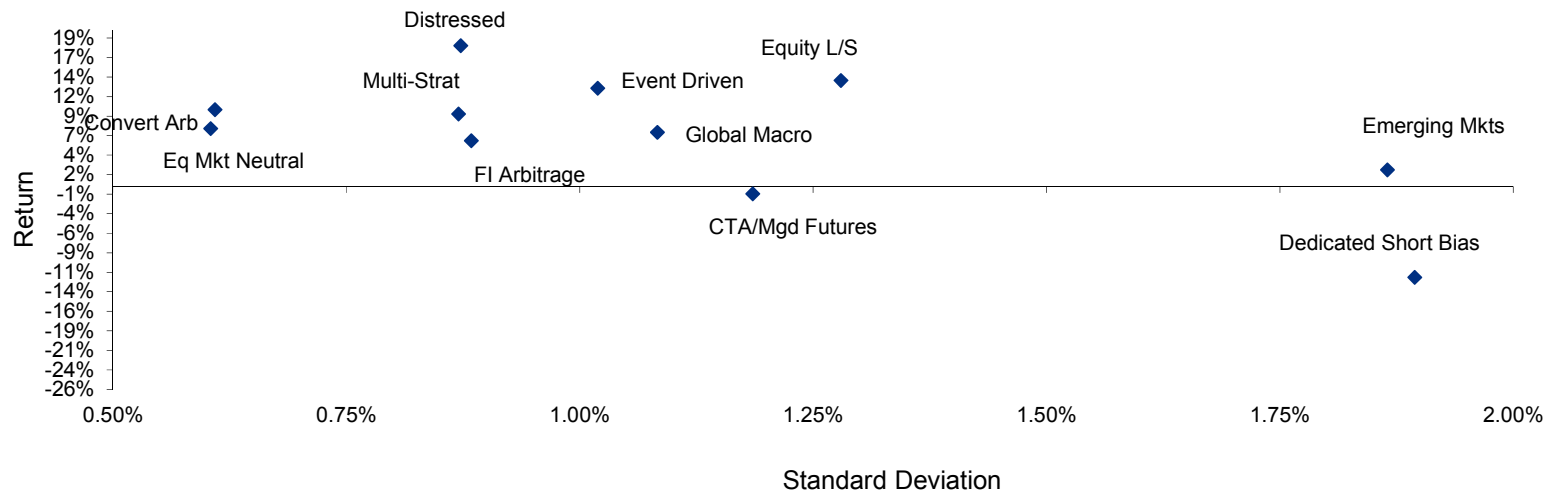
Risk and Return Metrics



Sharpe Ratios (Oct-04 - Feb-14)



Source: Credit Suisse Tremont.



Source: Citi Prime Finance.

Convertible Arbitrage

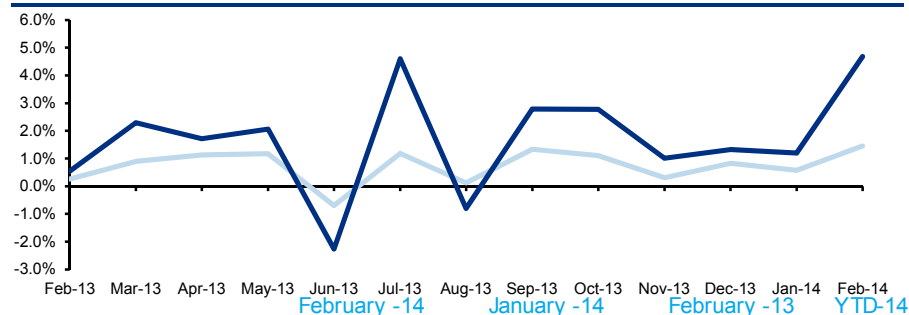


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.6%	1.5%											2.0%

Performance Commentary

- Convertible arbitrage funds posted another positive month in February returning +1.5%, the best monthly return since Jan-13. Larger managers outperformed smaller managers, on average by 20 bps.
- Globally, investors allocated \$200mm in net new flows to convertible arbitrage managers in February, nearly totaling the amount for all of 2013. Gross leverage remains at elevated levels compared to the end of 2013.

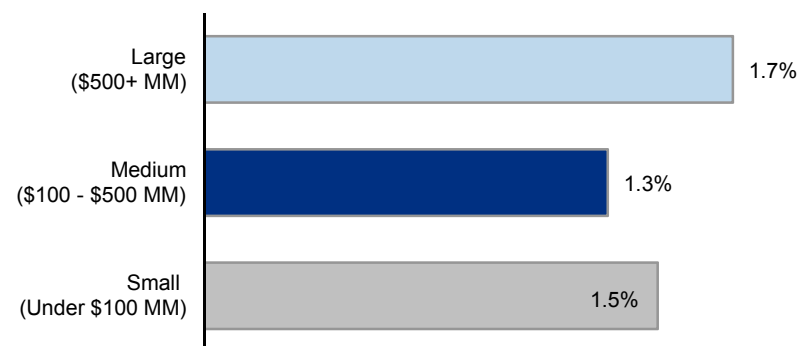
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



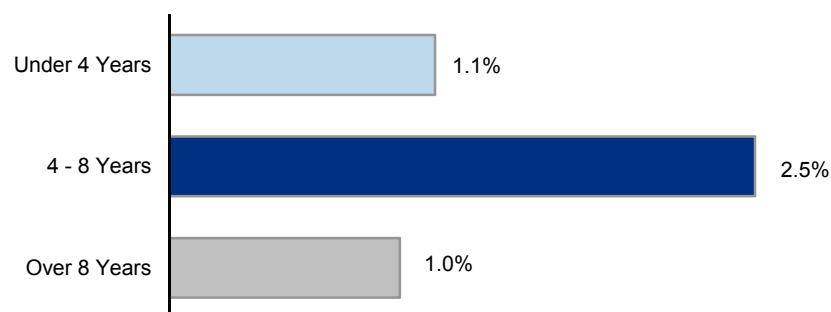
Convert Arb	1.5%	0.6%	0.3%	2.0%
CWB ETF	4.7%	1.2%	0.0%	5.9%

Source: Citi Prime Finance; FactSet.

Hedge Fund Performance by Size¹



Hedge Fund Performance by Age¹



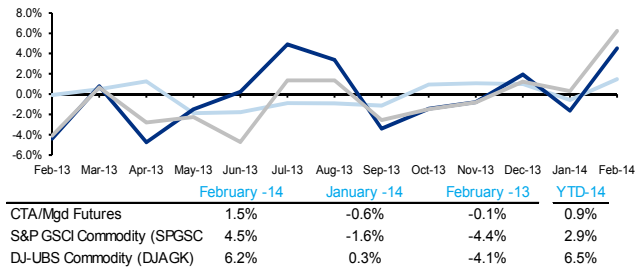
Source: Citi Prime Finance and eVestment

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

1. Universe and sample sizes may be small.

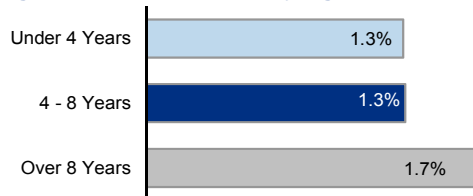
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	-0.6%	1.5%											0.9%

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.

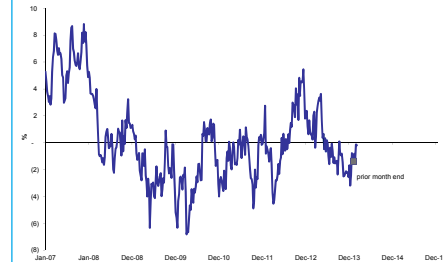
Large Speculator Positions: CFTC Commitment Of Traders (Futures & Options) Report Net of Longs Less Shorts as Percent of Total Open Positions

Combined S&P/Weighted Mini S&P Contracts



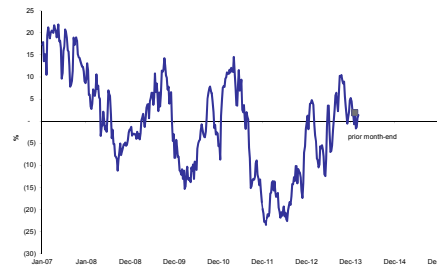
Last Update: 2/25/14 -0.2%

US 10-Year Treasury Futures



Last Update: 2/25/14 -0.2%

EuroFX Futures



Last Update: 2/25/14 +1.4%

Source: CFTC, Bloomberg, Citi Futures Perspective.

Gold Futures



Last Update: 2/25/14 +11.1%

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

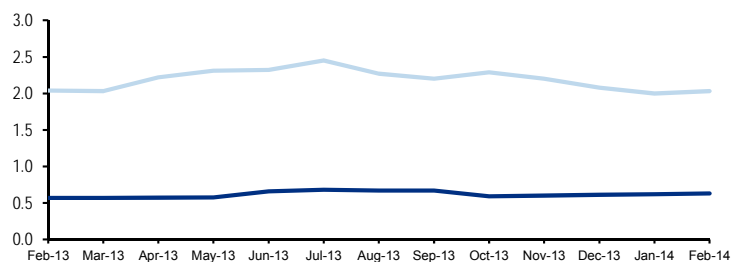
1. Universe and sample sizes may be small.

Dedicated Short Bias

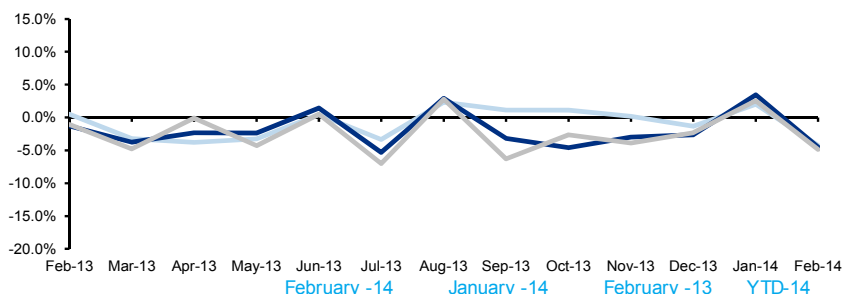
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	2.0%	-4.2%											-2.3%

Performance Commentary

- Dedicated Short Bias funds posted negative returns in February as broad based returns were -4.2% the worst monthly performance since Dec-12. Gross leverage which peaked in July at 2.5x, has leveled off to the 2.0x – 2.2x range over the last several months.



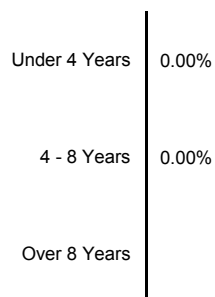
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	February -14	January -14	February -13	YTD-14
Ded Short Bias	-4.2%	2.0%	0.5%	-2.3%
S&P Short ETF (SH)	-4.5%	3.4%	-1.3%	-1.1%
Rus 2000 Short ETF (RWM)	-4.9%	2.5%	-1.1%	-2.3%

Source: Citi Prime Finance; FactSet.

Hedge Fund Performance by Age¹

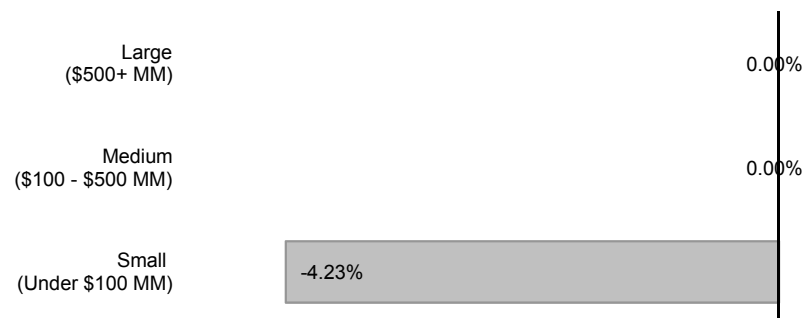


Source: Citi Prime Finance and eVestment.

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

1. Universe and sample sizes may be small.

Hedge Fund Performance by Size¹



Source: Citi Prime Finance.

Distressed

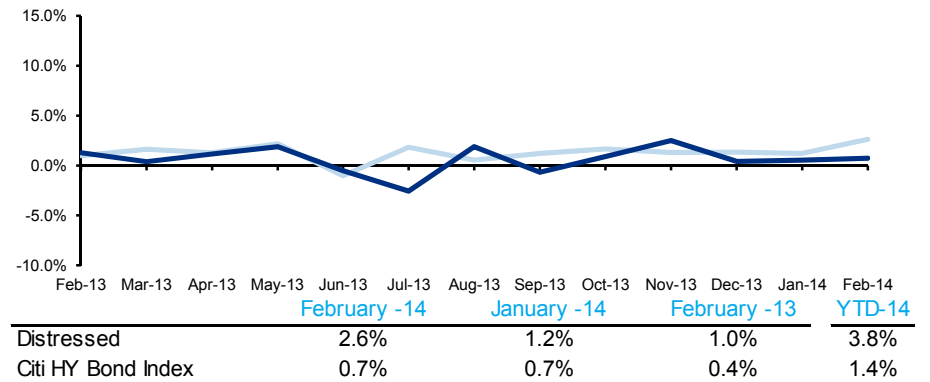


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	1.2%	2.6%											3.8%

Performance Commentary

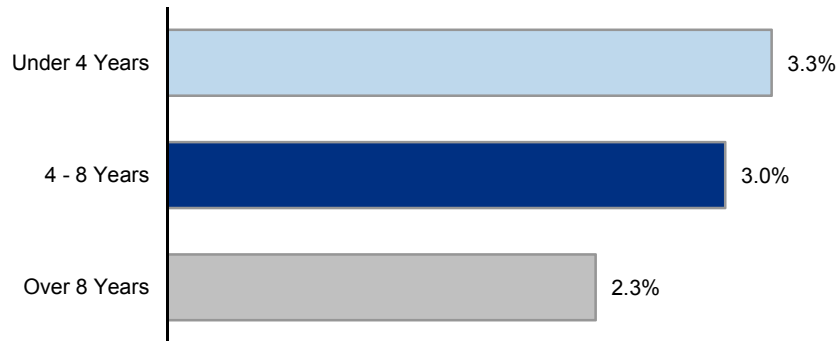
- Distressed managers posted continued positive performance in February and outperformed the Citi HY Bond index by 190 bps. Managers continued to benefit from various restructuring activity mainly concentrated across the communications and consumer sectors. As a category, distressed funds had their highest returns since March 2010. Gross leverage remains in the 0.9x – 1.0x range.

Hedge Fund Performance vs. Benchmark (Monthly, LTM)



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

Hedge Fund Performance by Age¹

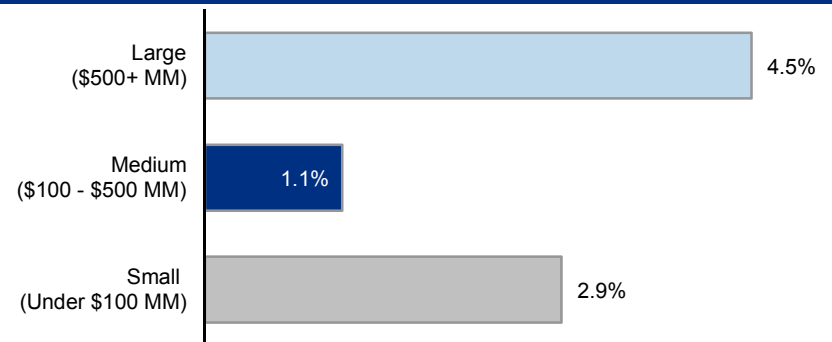


Source: Citi Prime Finance and eVestment.

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

1. Universe and sample sizes may be small.

Hedge Fund Performance by Size¹



Source: Citi Prime Finance.

Emerging Markets

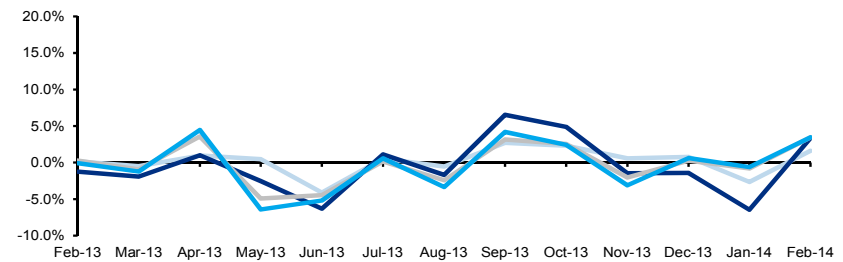


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	-2.7%	1.6%											-1.1%

Performance Commentary

- Emerging markets focused funds returned +1.6% in February, the best performing month since Oct-13, yet trailed the broad based benchmark indices from 170 - 190 bps. Regionally, India focused funds outperformed the broader category returning +4.78% in February. Larger, EM focused funds outperformed the broader category by an average of 40 bps. Investors allocated \$1.1 billion in net new flows in Feb-14 to emerging markets focused funds, exceeding the average monthly flow in 2013. Gross leverage remains in the 1.35x - 1.4x range.

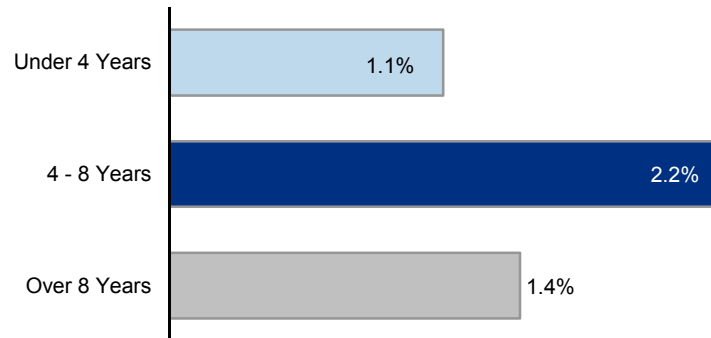
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	February -14	January -14	February -13	YTD-14
Emerging Mkts	1.6%	-2.7%	0.1%	-1.1%
MSCI EM	3.3%	-6.5%	-1.2%	-3.1%
JPM EMBIG Core ETF (EMB)	3.4%	-0.8%	0.3%	2.6%
DB EM Liquid ETF (PCY)	3.5%	-0.6%	-0.1%	2.9%

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

Hedge Fund Performance by Age¹

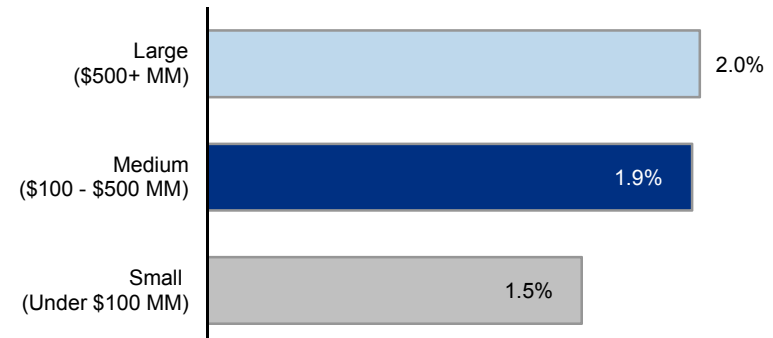


Source: Citi Prime Finance and eVestment

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

1. Universe and sample sizes may be small.

Hedge Fund Performance by Size¹



Source: Citi Prime Finance.

Equity Long/Short

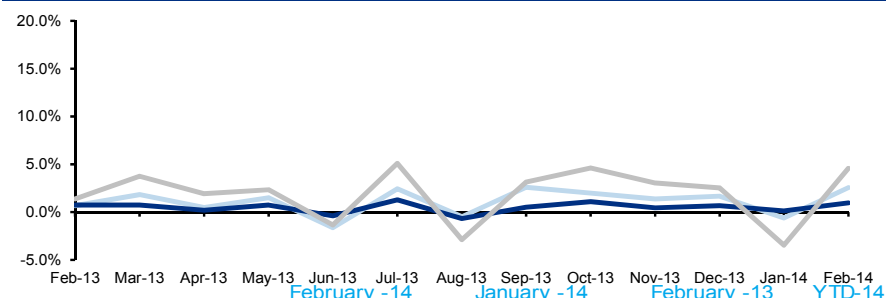


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	-0.6%	2.5%											1.9%

Performance Commentary

- Citi's Global Asset Allocation strategists assess equity markets as becoming somewhat unstable with short term dynamics changing rapidly. However, longer term, our big picture economic and market assessment remains more or less unchanged. As such, we remain overweight equities against other asset classes. Within equities, we continue to prefer European and Japanese stocks to US and Emerging Markets. The earnings season was a bit disappointing, especially in Europe, but we remain constructive on earnings and equity returns globally in 2014. We forecast equities to return around 13%, while global EPS are set to rise 9% in 2014
- Equity Long/Short funds finished February with their best performing period since Sept-13, yet outperformed the S&P 500 by 210 bps. Larger Equity L/S funds (> \$500MM) outperformed smaller funds by 50 bps returning +2.7% for the month. Within Equity L/S sub strategies on average, Activist and Healthcare focused and Energy-focused managers reported relative outperformance compared. Equity L/S managers put on more risk in Feb-14 as gross leverage increased to 1.85x.

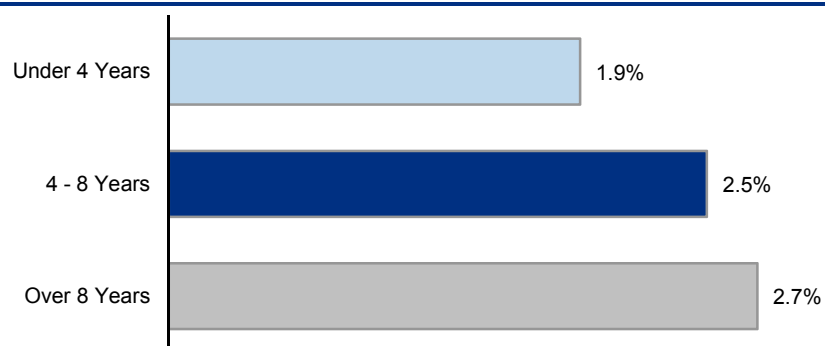
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



Eq Long/Short	2.5%	-0.6%	0.7%	1.9%
Eq Mkt Neutral	1.0%	0.1%	0.7%	1.1%
S&P 500	4.6%	-3.5%	1.4%	1.1%

Source: Citi Prime Finance; FactSet.

Hedge Fund Performance by Age¹

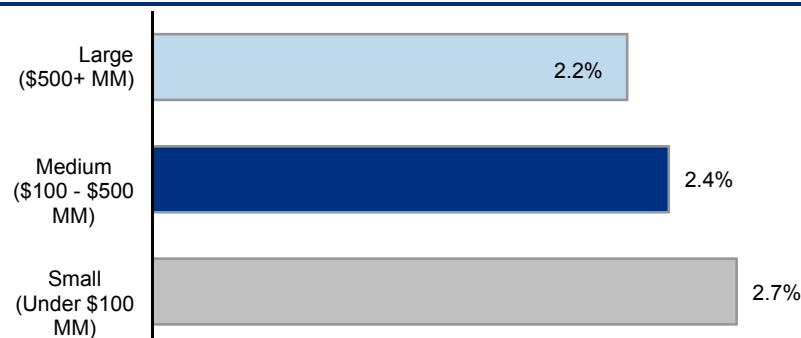


Source: Citi Prime Finance and eVestment.

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

1. Universe and sample sizes may be small.

Hedge Fund Performance by Size¹



Source: Citi Prime Finance.

Equity Market Neutral

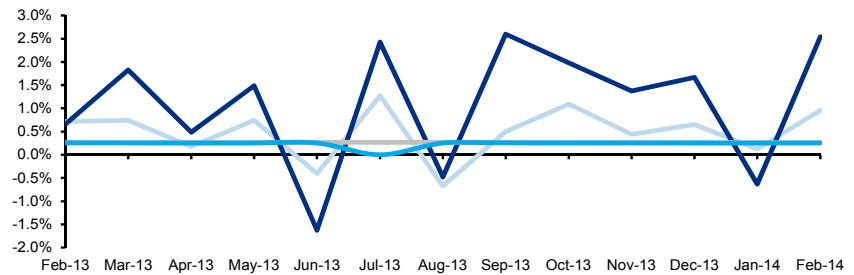


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.1%	1.0%											1.1%

Performance Commentary

- Equity Market Neutral funds continued the performance gains experienced in 2013 finishing the month in positive territory at 1.0%, the best performing month since Oct-13. Larger funds (> \$500 MM) outperformed smaller funds within the strategy reversing the trend from year end. Broadly, Equity M/N funds outperformed the benchmarks for Feb-14 and YTD. Globally, investors allocated \$140mm in net new flows to Equity Market Neutral managers in Feb-14, less than the \$260mm allocated the previous month. Gross leverage is back to 4Q13 levels in the 4x – 4.2x range.

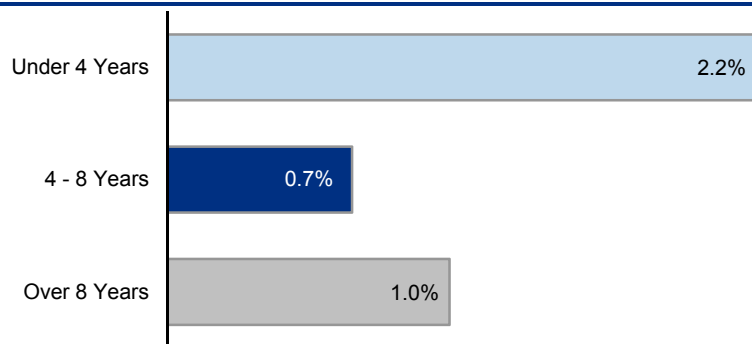
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	February -14	January -14	February -13	YTD-14
Eq Mkt Neutral	1.0%	0.1%	0.7%	1.1%
Eq Long/Short	2.5%	-0.6%	0.7%	1.9%
LIBOR + 300 bps	0.3%	0.3%	0.3%	0.5%
US T-Bill + 300 bps	0.3%	0.3%	0.3%	0.5%

Source: Citi Prime Finance; FactSet.

Hedge Fund Performance by Age¹

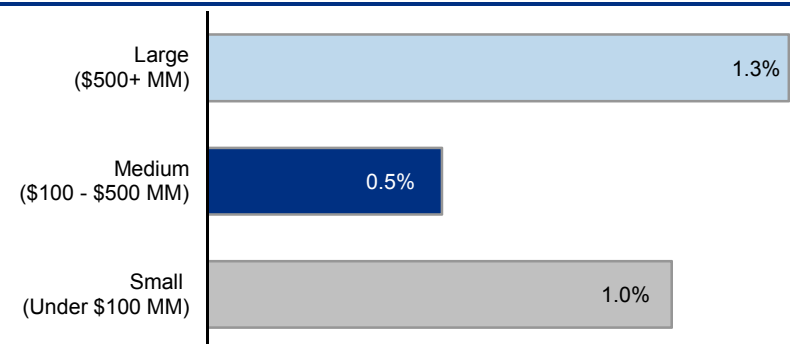


Source: Citi Prime Finance, eVestment and HFR

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



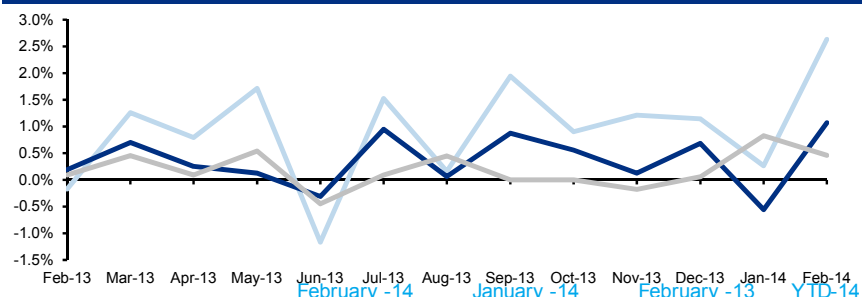
Source: Citi Prime Finance.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.3%	2.6%											2.9%

Performance Commentary

- Merger activity continued at a robust pace in February, with marquee transactions including Facebook's \$19 billion WhatsApp purchase and Comcast's \$45 billion Time Warner Cable purchase. Additionally, generally-improving investor risk tolerance levels continued on course during the month, further benefitting Event Driven managers. Event Driven managers posted +2.6% gains in February after starting the year flat. Within the category, equity focused funds performed exceptionally well, outperforming credit-focused managers. Across the entire category, larger funds outperformed, returning +3.8% for the month. Event Driven funds outperformed the benchmark MERX by 150 bps and ADANX 210 bps. Gross Leverage increased to 2.6x, the highest levels seen since September of 2011.

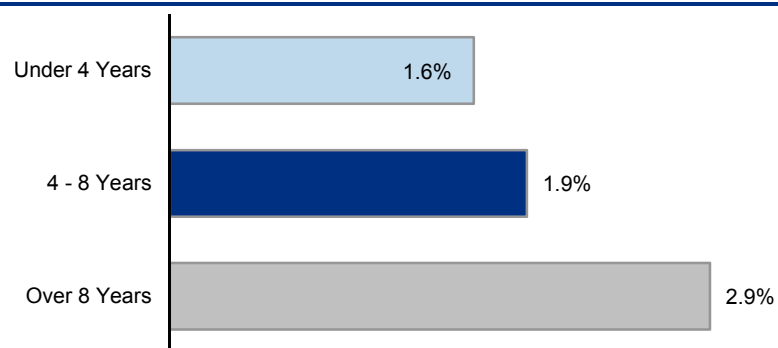
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Feb-13	Jan-14	YTD-14
Event Driven	2.6%	0.3%	2.9%
The Merger Fund (MERFX)	1.1%	-0.6%	0.5%
AQR Div Arb Fund (ADANX)	0.5%	0.8%	1.3%

Source: Citi Prime Finance; FactSet.

Hedge Fund Performance by Age¹

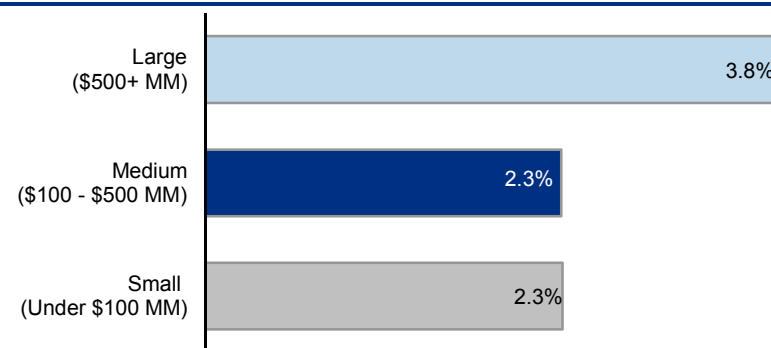


Source: Citi Prime Finance, eVestment and HFR

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1. Universe and sample sizes may be small.

Hedge Fund Performance by Size¹



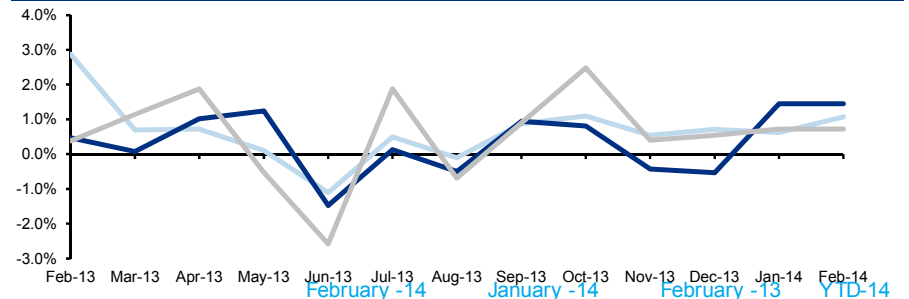
Source: Citi Prime Finance.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.6%	1.1%											1.7%

Performance Commentary

- At the end of February, US and developed European yields were relatively flat month-over-month, though Italian and Spanish bond yields declined slightly. Recapping Credit market trends and projecting forward, Citi Strategists assess fundamentals to be on a likely path to continue their steady deterioration, thanks to rising corporate leverage, and increasing M&A and share buybacks – this would be a continuation of a two year trend. There remains opportunity for investors to move down in quality and/or to lever up to generate returns.
- FI Arbitrage funds experienced another month of strong performance in February across all sub-strategies. Fixed income based relative value managers profited despite declining volatility levels as the HFRI Relative Value Arbitrage Index returned +1.2% in February, driven by long/short credit gains and strong demand for yield generating energy infrastructure partnership. Long/Short Credit strategies outperformed other sub strategies within the category. Relative Value Fixed Income funds were the strongest performing sub strategies lead by Sovereign Rate funds. Broad category performance trailed the Citi US BIG bond index but outperformed the Citi HY Bond index by 40 bps.

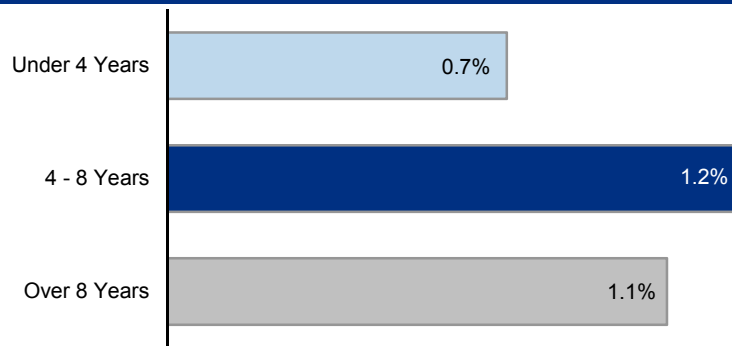
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



FI Arbitrage	1.1%	0.6%	2.9%	1.7%
Citi US BIG Index	1.4%	1.4%	0.5%	2.9%
Citi HY Bond Index	0.7%	0.7%	0.4%	1.4%

Source: Citi Prime Finance; Citigroup Index LLC.

Hedge Fund Performance by Age¹

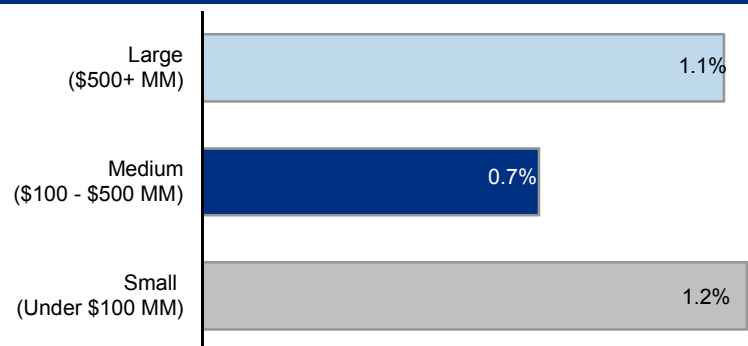


Source: Citi Prime Finance, eVestment, HFR

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



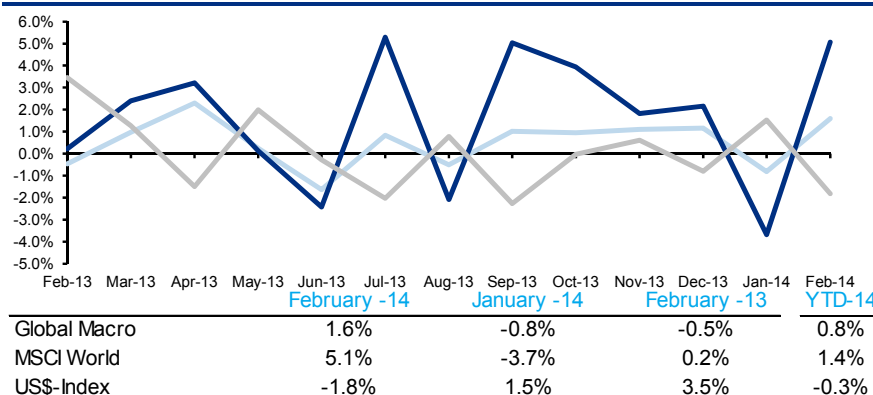
Source: Citi Prime Finance.

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

Performance Commentary

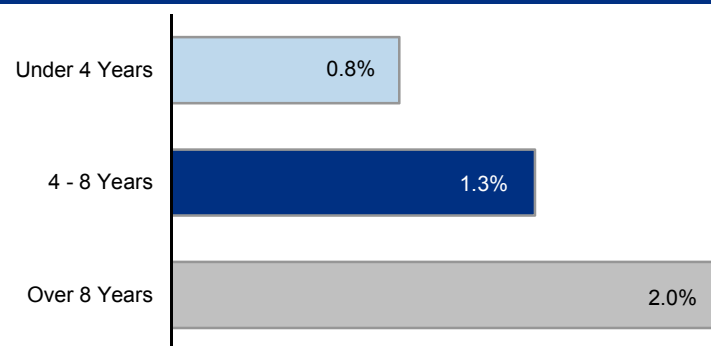
- The US Dollar erased gains from January, declining against most currencies in February and falling sharply against the Euro and the Pound Sterling. The US Dollar also retreated materially against Emerging Market and Commodity currencies such as the Indonesian Rupiah, New Zealand Dollar, South African Rand and Brazilian Real. Elsewhere, the US Dollar recorded a late-month gain against the Chinese Renminbi. Energy, Metal and Agricultural commodities advanced nicely during the month, with increasing Coffee, Soybeans, Wheat, Gold, Silver, Platinum, Oil and Hog prices leading gains.
- In the global macro space, hedge fund managers collectively posted strong returns in Feb-14, yet trailed the MSCI World by 350 bps. Investors allocated \$5 billion in net new flows to global macro managers in Feb-14 a reversal from net negative flows in Jan-14 and -\$10 billion for FY 2013. Gross leverage moved to the highest levels since Aug-13.

Hedge Fund Performance vs. Benchmark (Monthly, LTM)



Source: Citi Prime Finance; FactSet.

Hedge Fund Performance by Age¹

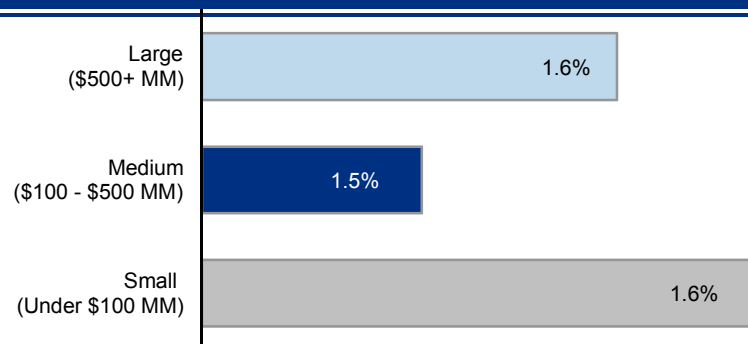


Source: Citi Prime Finance, eVestment and HFR

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.

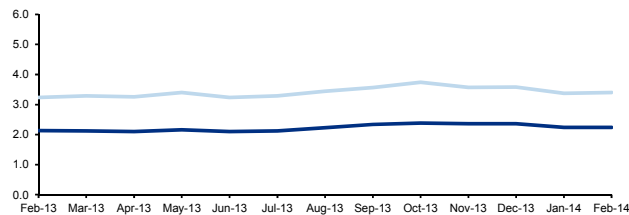
Multi-Strategy



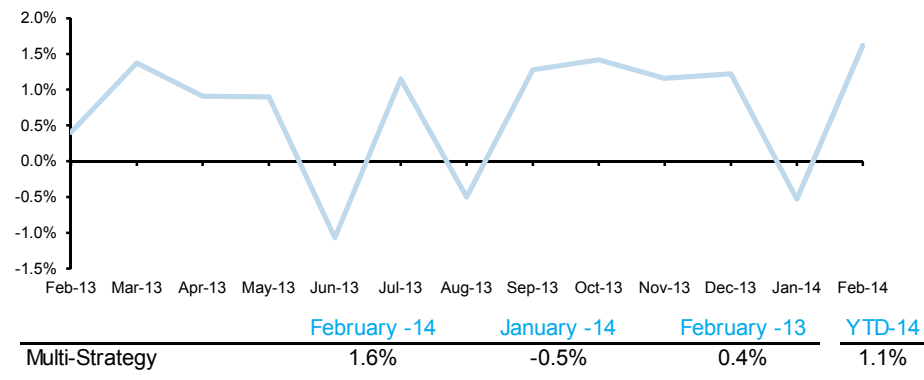
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	-0.5%	1.6%											1.1%

Performance Commentary

- Multi-Strategy funds posted strong results for February with dispersion ranging from -15.2% to +11.6% across the sample of managers reporting monthly performance. Across subcategories, larger funds outperformed smaller funds by 20bps. Globally, investors allocated \$4.3 billion in net new flows to Multi-Strategy managers in Feb-14 bringing YTD totals to \$7.1B. Gross leverage remained in the 3x-3.4x range throughout the month.

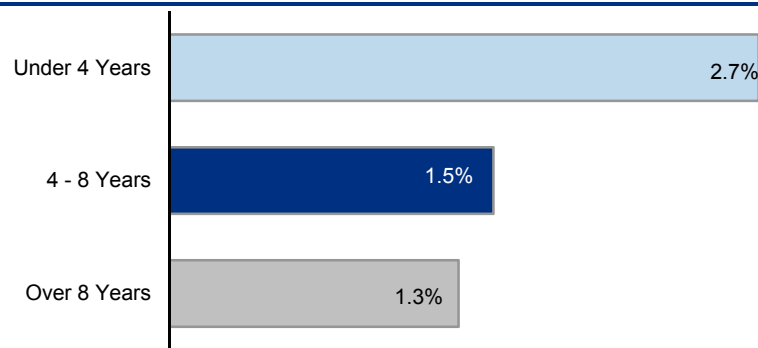


Hedge Fund Performance vs. Benchmark (Monthly, LTM)



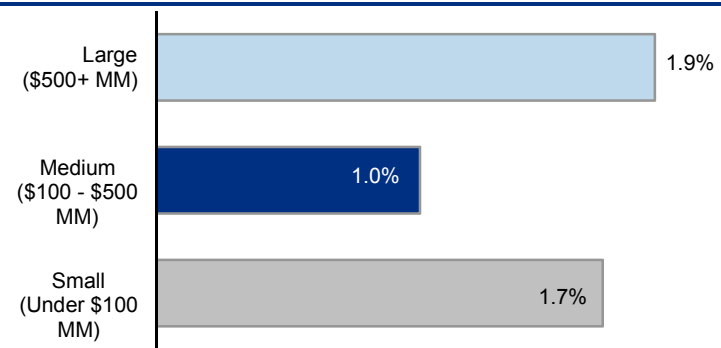
Source: Citi Prime Finance.

Hedge Fund Performance by Age¹



Source: Citi Prime Finance, eVestment.

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.

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

prime.advisory@citi.com