

Citi Prime Finance



Market Commentary  
Report Date: November 2011

[www.citigroupgcib.com](http://www.citigroupgcib.com)

## Hedge Fund Industry Snapshot

Data as of October 2011

### Americas

New York: 800 773 2889  
Boston: 617 346 9335  
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

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# Highlights-

*Data as of Oct-2011*

## **Performance, AUM & Flows:**

- Composite hedge fund performance, equal-weighted across funds, was up in October 2011 with performance ranging from +0.81% to 2.66%. The Citi HARP hedge fund replication index was +3.07% in October versus the HFRI Fund of Fund index that was +1.40%. October 2011 hedge fund performance returns were the highest since December 2010 (+2.4% to +3.0%).
- Hedge fund strategy wise, top performing strategies in October include: Equity Long /Short (+3.30%), Distressed (+2.79%), Emerging Markets (+2.70%), Event Driven (+2.10%), Equity Market Neutral (+1.36%), Convertible Arbitrage (+1.02%), Multi-Strategy (+0.98%), Fixed income Arbitrage (+0.88%) and Global Macro (+0.59%). Strategies experiencing losses: include CTA/Managed Futures(-1.44%) and Dedicated Short Bias (-5.46%).
- According to eVestment|HedgeFund.net (HFN), hedge fund industry AUM ended October 2011 at \$2.48 trillion, up slightly from \$2.46 trillion in September 2011. Industry AUM remains below its \$2.94 trillion June 2008 peak.
- Positive industry performance accounted for a increase in AUM of +\$25.7 billion for October 2011, while negative net investor outflows accounted for a decrease of -\$0.77 billion. Overall year-to-date investor allocations are a net +\$48.38 billion compared to \$66.23 billion year ago.

## **Fund Profiles:**

- Across the subset of hedge funds reporting performance and AUM, the monthly median performance for large single funds (>\$500 million) was +0.9% while medium single funds (\$100-\$500 million) posted +1.2% and small single funds (<\$100 million), +1.5%.
- Liquidity terms continued the consistent pattern from previous reporting periods with October 2011 showing little changes to redemption notice periods with 67% of funds requiring 30 days or less notice for redemption. Across the entire subset of reporting funds, the majority (61%) required no lockup (38%) or less than one year lock up (23%).
- Consistent throughout recent reporting periods, large funds ( > \$500 million AUM) continue to hold a large portion of industry AUM (72%) compared to medium funds (\$100-\$500 million) at 20% and small funds (<\$100 million) holding only 8%.

## **Leverage & Shorts:**

- On a global basis, we calculate gross leverage (as measured on a mean basis) at 1.79x in October 2011 versus 1.76x in September, 1.78x in August, and 1.78x in July.
- Looking across both long leverage and gross leverage, the following strategies showed the highest uses of leverage: Equity Market Neutral (5.02x), Global Macro (4.48x), Multi Strategy (4.45x), Convertible Arbitrage (2.92x) and Event Driven (2.19x). Use of leverage generally increased in October but for Distressed and Event Driven, which showed declines.
- Citi U.S. short flows data included in this month's report shows a decrease in the concentration of interest in the Information Technology, Consumer Discretionary, & Financials sectors. These three sectors accounted for 49.78% of short executions and 53.34% of short flows versus 55.23% % of short executions and 54.43% of short flows in September 2011.
- Markets continue to digest volatile trading and tough financial markets. In October, the largest change in percentage terms of total open interest came in a reduction (-2.0%) in the net short Euro-FX position. Large speculators, meanwhile did not change net position in the TY, S&P (combined) and posted a modest increase in a net long position in Gold contracts. Total open interest did drop in both Gold and 10-year Treasuries while overall open interest held steady in both EuroFX and S&P.

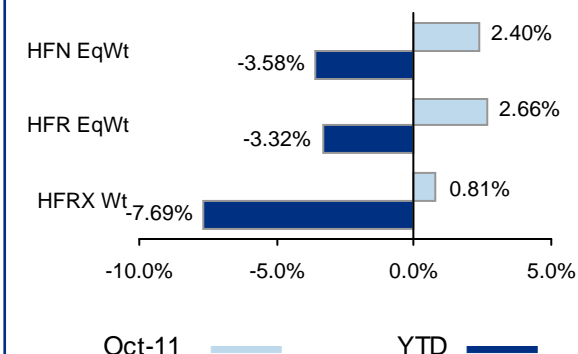


# Hedge Fund Industry: AUM, Performance

Data as of Oct-2011

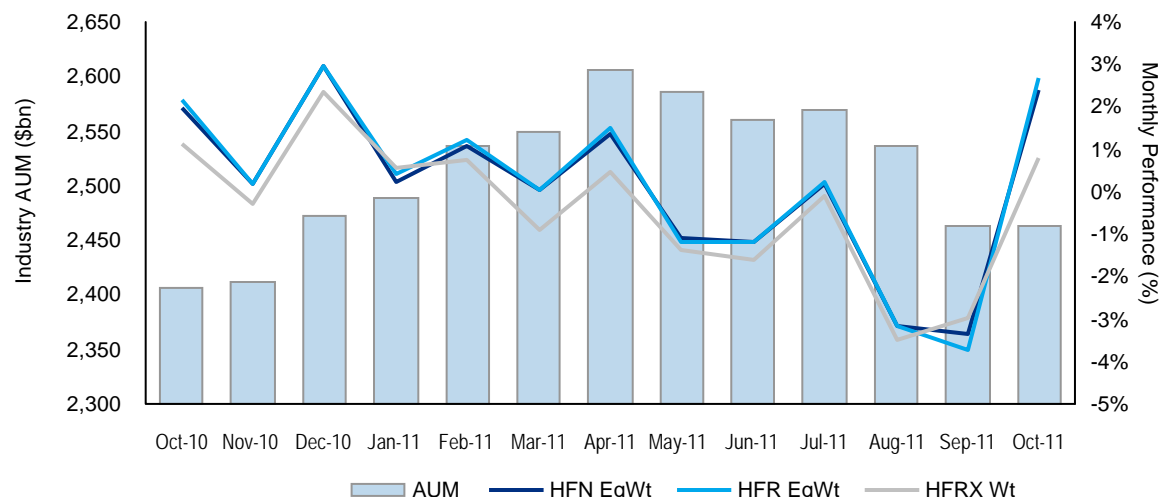
- October Composite hedge fund performance, equal-weighted across funds, was positive at (+0.81% to +2.66%) and up sharply from the prior two months (Sep-11: -3.0% to -3.7%; Aug-11: -3.6% to -3.5%). October performance was the highest since Dec 2010 (+2.4% to +3.0%).
- Financial markets posted strong gains in October as equity markets recovered from two months of sharp declines with broad market advances led by strength in small cap, Energy and Technology sectors. Credit tightened as US treasury yields rose while the yield curve steepened. The dollar generally fell against most major currencies, as general sentiment improved into month end regarding possible resolution of the European sovereign debt crisis.
- Hedge fund strategy wise, top performing strategies in October include: Equity Long /Short (+3.30%), Distressed (+2.79%), Emerging Markets (+2.70%), Event Driven (+2.10%), Equity Market Neutral (+1.36%), Convertible Arbitrage (+1.02%). Strategies experiencing losses include: CTA/Managed Futures (-1.44%) and Dedicated Short Bias (-5.46%).
- Industry AUM, estimated at \$2.48 trillion according to eVestment|HFN, up slightly from \$2.46 trillion in September. Depending on the source, estimates of industry AUM ranges from \$2.02 to \$2.48 trillion compared to the Q2 2008 peak range of \$1.9 to \$3.0 trillion.

## Industry Performance: Oct-11 / YTD



Source: eVestment|HFN

## Monthly Industry AUM and Performance



Source: eVestment|HFN; Hedge Fund Research, Inc., © 2010; www.hedgefundresearch.com

## Note Pad:

- MSCI World Index: +10.4%; -2.7% YTD
- MSCI Emerging Markets Index: +13.3%; -11.3% YTD
- S&P 500: +10.9%; +1.3% YTD
- Citi US BIG Index: +0.1%; +6.8% YTD
- S&P GSCI: +9.7%; -0.5% YTD
- U.S. Dollar Index: -3.0%; -3.6% YTD
- eVestment|HFN Country Indices – October/YTD:  
Brazil +9.86% / -2.41%; Russia +9.80% / -14.22%;  
India: +4.14% / -20.80%; China: +5.17% / -9.27%

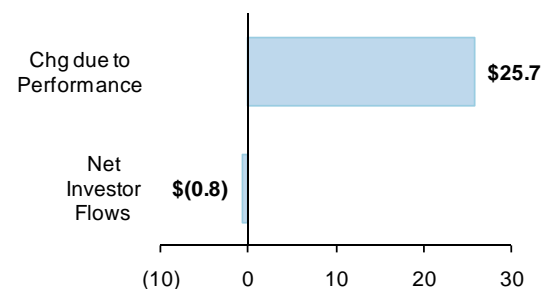


# Hedge Fund Industry: Change in Industry Assets

Data as of Oct-2011

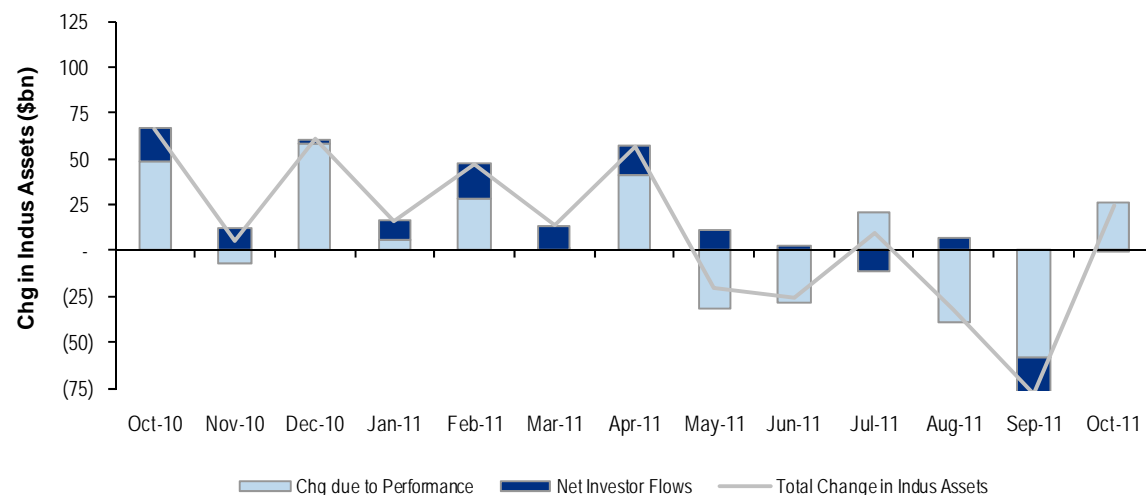
- According to eVestment|HFN, the estimated change in industry assets for October 2011 was -\$24.96 billion. Gains stemmed solely from performance at +\$25.73 billion as the industry experienced net investor outflows of -\$0.77 billion.
- October marks the first month where performance contributed positively to AUM since July 2011. October 2011 performance gains of +\$25.73 billion were the largest since April 2011 +\$40.53 billion. Year-to-date declines in AUM due to performance losses now stand at -\$37.04 billion compared to gains of +\$167.83 billion over the same year-ago period.
- Net investor outflows of -\$0.77 billion for October 2011 mark the second consecutive month of net outflows (September 2011 -\$19.72 billion) and the first back-back since March/April 2009. Year to date investor flows now stand at +\$48.38 billion versus +\$66.23 billion over the same period in 2010.
- Total industry AUM of \$2.48 trillion in October 2011 is up +1.0% from \$2.46 trillion in September 2011. Year to date industry AUM is now up +0.5%. It is important to note, however, that industry AUM levels are still below the June 2008 peak estimated by HFN at \$2.90 trillion.

## Composition of Change in Assets: Oct-11 Amounts in (\$ bn)



Source: eVestment|HFN

## Monthly Change in Industry Assets and Composition



Source: eVestment|HFN

## Note Pad:

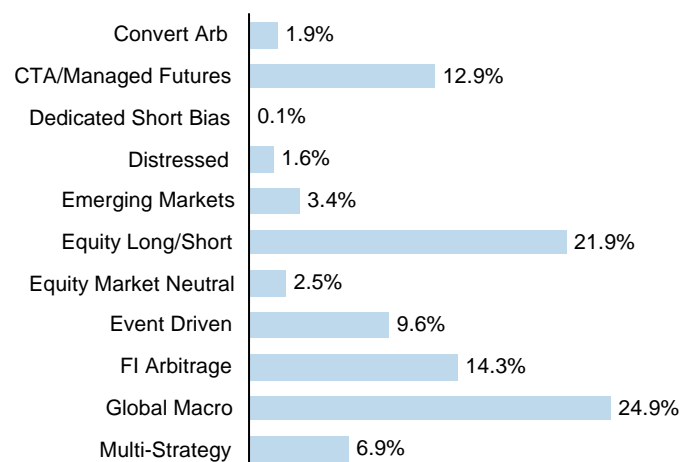
- The Citi Prime Finance calculation for end-October gross leverage (as measured on a mean basis) was 1.79x, basically in-line with recent months: September (1.76x), August (1.78x), July (1.78x), June (1.76x).
- Gross leverage (mean): defined as sum of (LMV + abs SMV) / Net Equity



# Hedge Fund Stats by Strategy

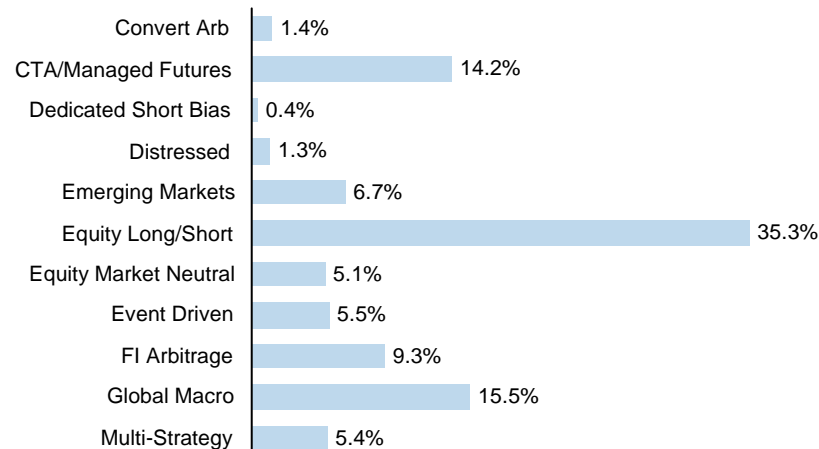
Data as of Oct-2011

## Hedge Fund Strategy Breakdown by Assets



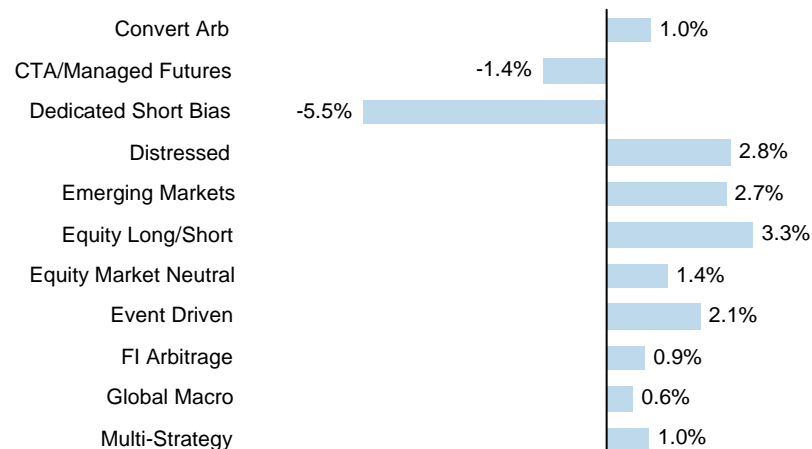
Source: Citi ICG Analytics

## Hedge Fund Strategy Breakdown by Number of Funds



Source: Citi ICG Analytics

## Hedge Fund Performance by Strategy

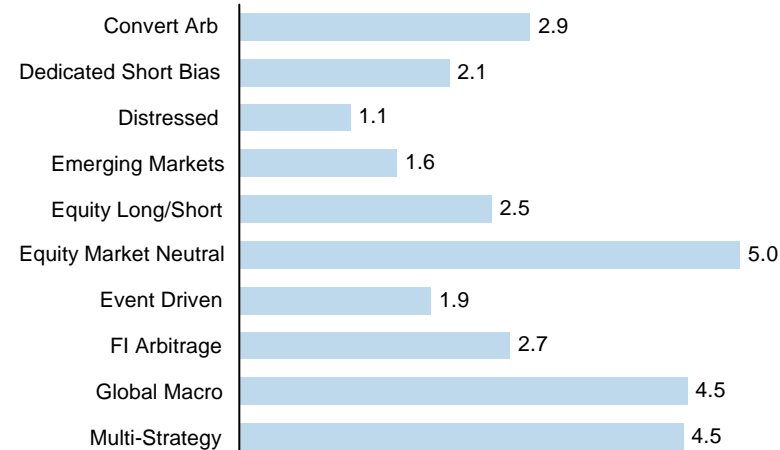


Source: Citi ICG Analytics

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 Leverage Ratios by Strategy

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



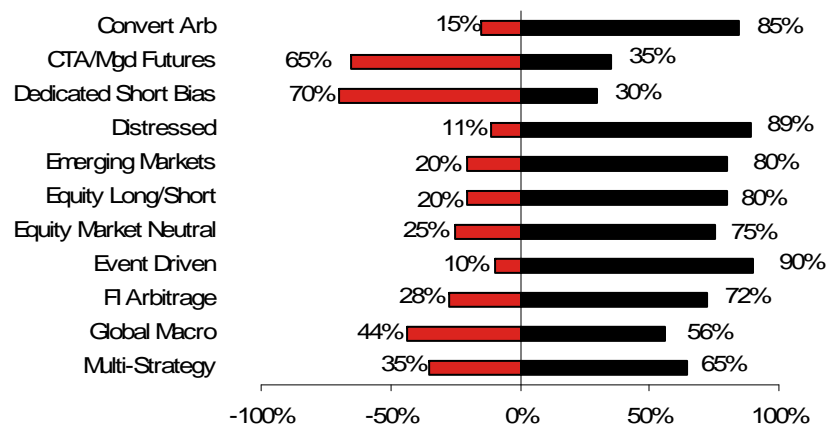
Source: Citi Prime Finance



# Hedge Fund Performance: Red/Black Report

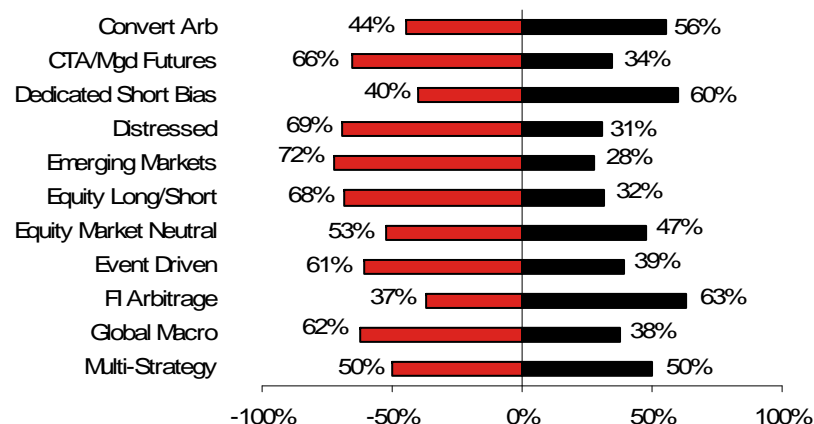
Data as of Oct-2011

Oct-2011: Percentage of Reporting Funds  
Negative ( — ) / Positive ( — ) Performance



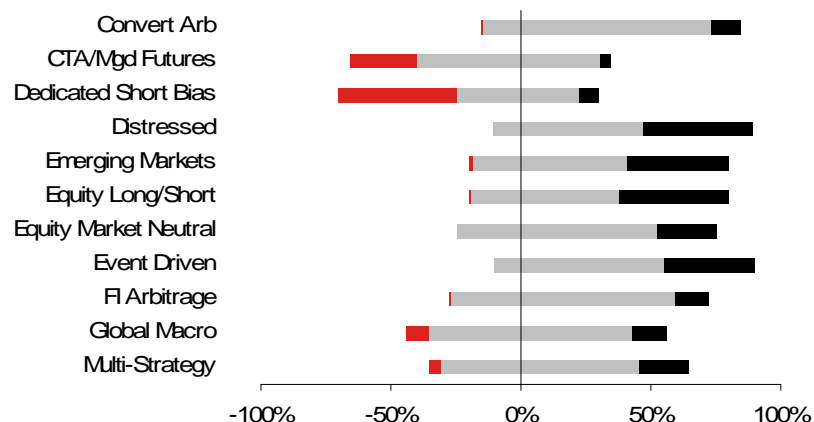
Source: Citi ICG Analytics

YTD Oct-2011: Percentage of Reporting Funds  
Negative ( — ) / Positive ( — ) Performance



Source: Citi ICG Analytics

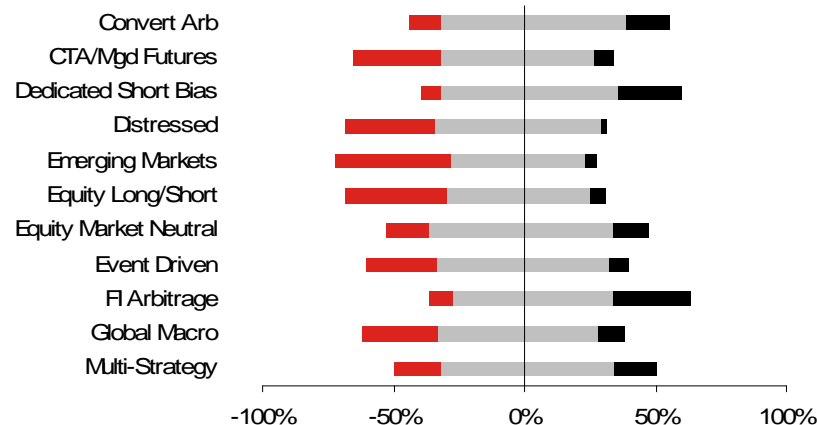
Oct-2011: Percentage of Reporting Funds w/Performance  
Below -3% ( — ) / Btwn 0% +/- 3% ( — ) / Above +3% ( — )



Source: Citi ICG Analytics

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

YTD Oct-2011: Percentage of Reporting Funds w/Performance  
Below -3% ( — ) / Btwn 0% +/- 3% ( — ) / Above +3% ( — )



Source: Citi ICG Analytics



# Monthly Performance by Strategy

Data as of Oct-2011

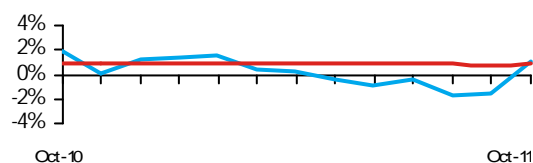
Monthly Median:

Trailing 60 Month Median:



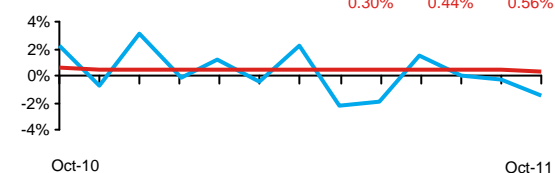
## Convertible Arbitrage

Oct-11	Sep-11	Oct-10
1.0%	-1.6%	1.8%
0.87%	0.73%	0.94%



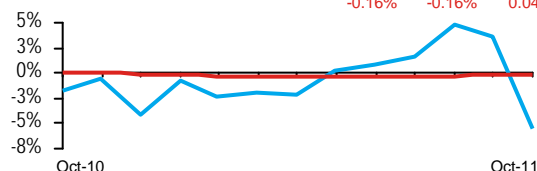
## CTA/Managed Futures

Oct-11	Sep-11	Oct-10
-1.4%	-0.3%	2.2%
0.30%	0.44%	0.56%



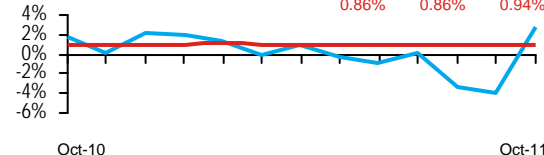
## Dedicated Short Bias

Oct-11	Sep-11	Oct-10
-5.5%	3.6%	-1.8%
-0.16%	-0.16%	0.04%



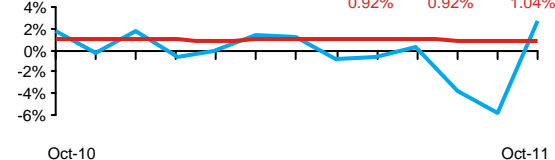
## Distressed

Oct-11	Sep-11	Oct-10
2.8%	-4.1%	1.8%
0.86%	0.86%	0.94%



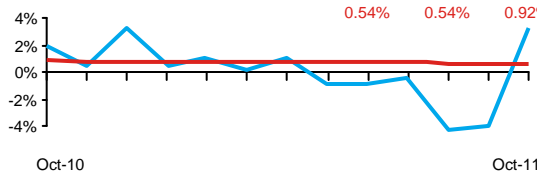
## Emerging Markets

Oct-11	Sep-11	Oct-10
2.7%	-5.8%	1.8%
0.92%	0.92%	1.04%



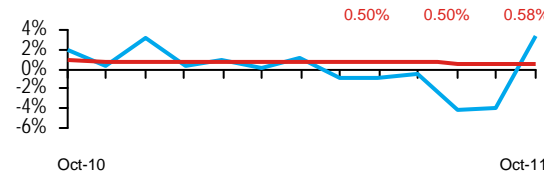
## Equity Long/Short

Oct-11	Sep-11	Oct-10
3.3%	-4.0%	2.0%
0.54%	0.54%	0.92%



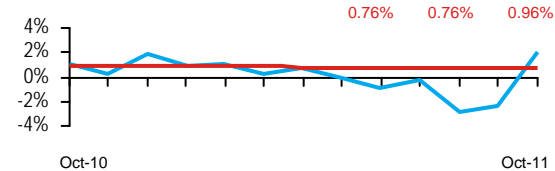
## Equity Market Neutral

Oct-11	Sep-11	Oct-10
1.4%	-1.2%	0.8%
0.50%	0.50%	0.58%



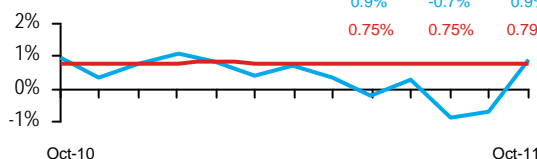
## Event Driven

Oct-11	Sep-11	Oct-10
2.1%	-2.4%	1.1%
0.76%	0.76%	0.96%



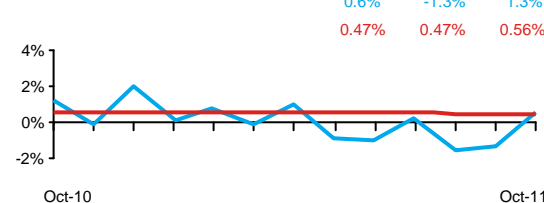
## FI Arbitrage

Oct-11	Sep-11	Oct-10
0.9%	-0.7%	0.9%
0.75%	0.75%	0.79%



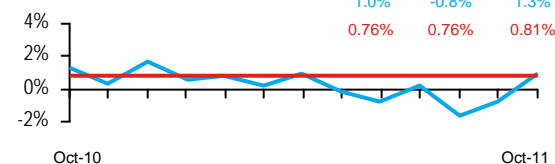
## Global Macro

Oct-11	Sep-11	Oct-10
0.6%	-1.3%	1.3%
0.47%	0.47%	0.56%



## Multi-Strategy

Oct-11	Sep-11	Oct-10
1.0%	-0.8%	1.3%
0.76%	0.76%	0.81%



Source: Citi ICG Analytics

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

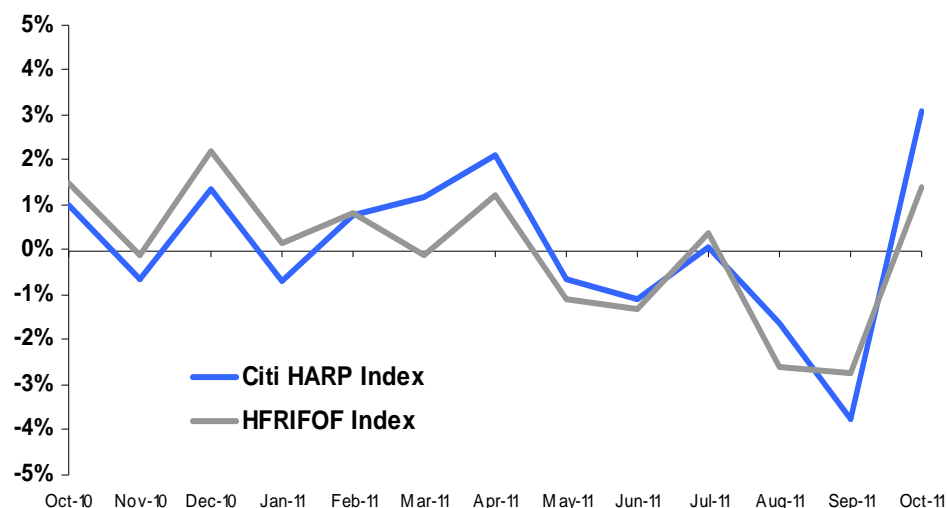




# Citi Liquid Hedge Fund Replicator (HARP)

Data as of Oct-2011

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

	Oct-11	Sep-11	Oct-10	YTD-11
Citi HARP	3.07%	-3.76%	1.01%	-0.74%
HFRIFO	1.40%	-2.73%	1.48%	-3.87%

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

Annualized Performance: Last 12-Month	Citi HARP Index	HFRIFO
Annualised Return	-0.07%	-1.84%
Annualised Volatility	6.36%	5.34%
Sharpe Ratio	-0.023	-0.360
Correlation	86.81%	-

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.

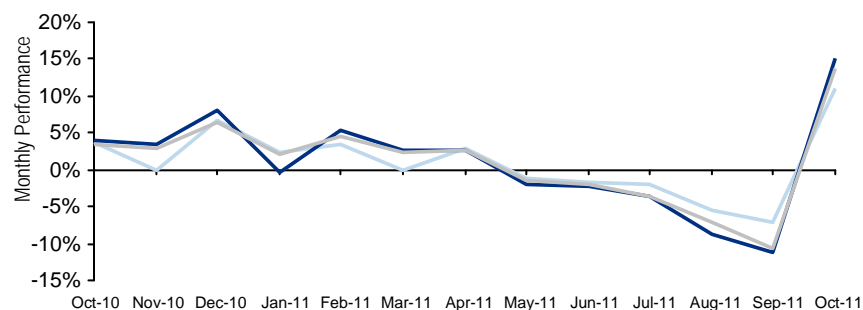
The weighting within the Index of each component is determined monthly. Every month, a multiple linear regression algorithm is used to identify the appropriate weighting.



# Market Performance

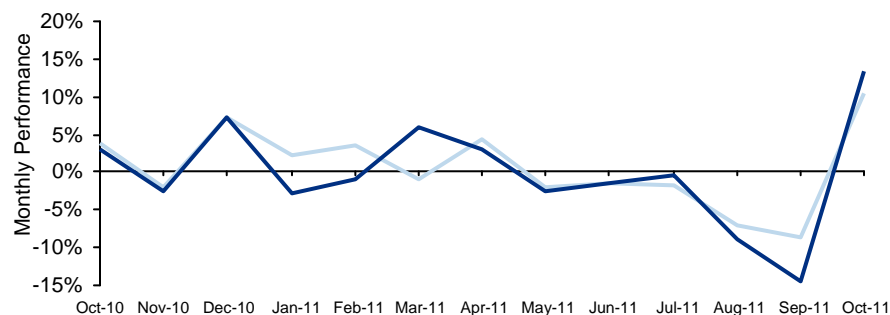
Data as of Oct-2011

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



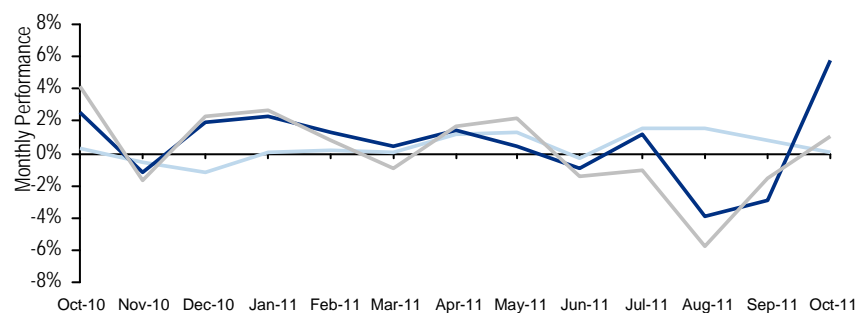
		Oct-11	Sep-11	Oct-10	YTD-11
S&P 500		10.9%	-7.0%	3.8%	1.3%
RUS 2000		15.1%	-11.2%	4.1%	-4.5%
S&P Mid		13.7%	-10.6%	3.4%	-1.1%

## Global Equities (Developed vs. Emerging)



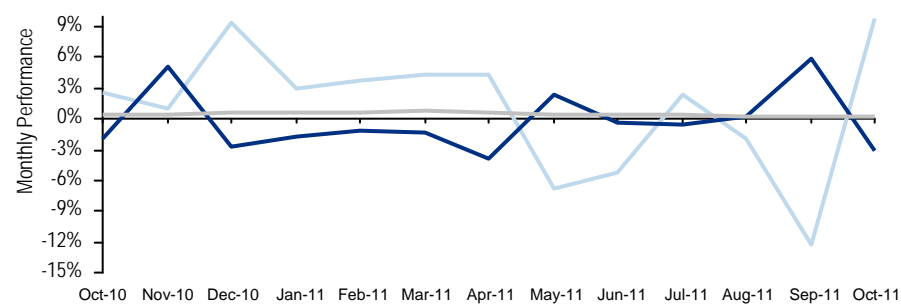
		Oct-11	Sep-11	Oct-10	YTD-11
MSCI World		10.4%	-8.6%	3.7%	-2.7%
MSCI EM		13.3%	-14.6%	2.9%	-11.3%

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



		Oct-11	Sep-11	Oct-10	YTD-11
Citi US BIG Index		0.1%	0.7%	0.3%	6.8%
Citi HY Bond Index		5.8%	-2.9%	2.5%	4.9%
Altman Defaulted		1.1%	-1.6%	4.2%	-2.5%

## Commodities (US\$ performance)



		Oct-11	Sep-11	Oct-10	YTD-11
S&P GSCI		9.7%	-12.2%	2.6%	-0.5%
US-\$ Index		-3.0%	6.0%	-1.8%	-3.6%
US 2yr Note		0.3%	0.3%	0.3%	0.5%

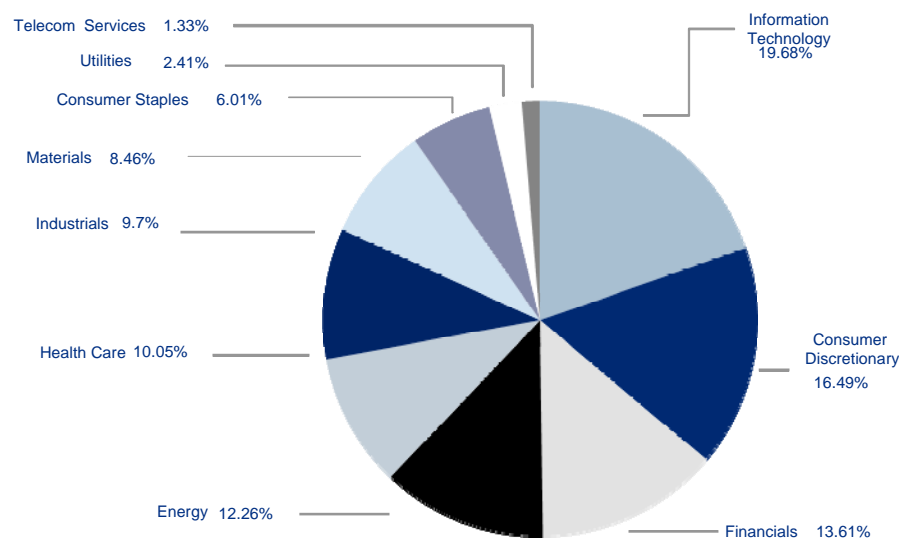
Source: Citi ICG Analytics; FactSet; Citigroup Index LLC; Altman-NYU Salomon Center defaulted Debt Security Indexes.



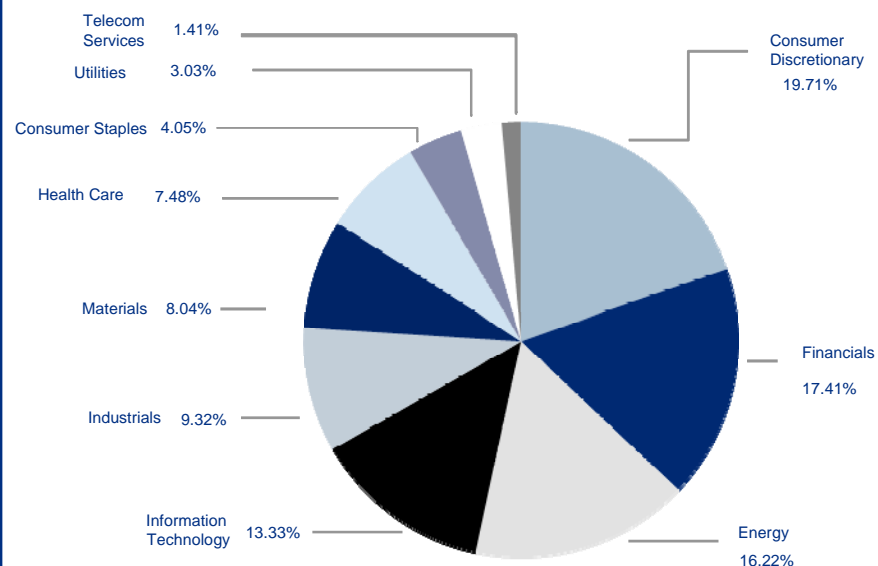
# US Securities Lending Sector Short Flows

Data as of Oct-2011

## Short Sale Executions



## Short Cover Executions



Sector Short Flows	% Short Execution	% Previous Month Short Execution	% Change From Previous Month
Information Technology	19.68	21.49	-8.42
Consumer Discretionary	16.49	16.17	1.98
Financials	13.61	17.27	-21.19
Energy	12.26	10.29	19.14
Health Care	10.05	7.08	41.95
Industrials	9.7	9.29	4.41
Materials	8.46	8.91	-5.05
Consumer Staples	6.01	4.73	27.06
Utilities	2.41	3.24	-25.62
Telecom Services	1.33	1.53	-13.07

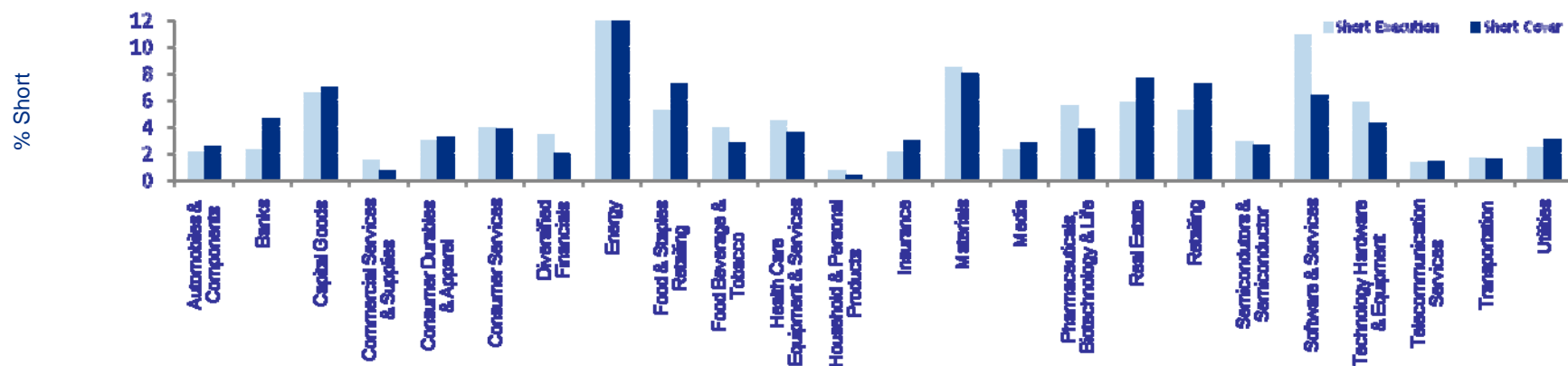
Sector Short Flows	% Cover Execution	% Previous Month Short Cover	% Change From Previous Month
Consumer Discretionary	19.71	17.40	13.28
Financials	17.41	17.78	-2.08
Energy	16.22	12.06	34.49
Information Technology	13.33	13.31	0.15
Industrials	9.32	11.54	-19.24
Materials	8.04	8.56	-6.07
Health Care	7.48	8.01	-6.62
Consumer Staples	4.05	6.04	-32.95
Utilities	3.03	4.07	-25.55
Telecom Services	1.41	1.24	13.71

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



# US Securities Lending Industry Group Short Flows Data as of Oct-2011

## Citi Industry Group Short Flows



Industry	% Short Execution	% Previous Month Short Execution	% Change From Previous Month
Energy	12.26	10.29	19.14
Software & Services	10.92	11.80	-7.46
Materials	8.46	8.91	-5.05
Capital Goods	6.60	6.72	-1.79
Technology Hardware and Equipment	5.88	4.48	31.25
Real Estate	5.86	7.93	-26.10
Pharmaceuticals, Biotechnology & Life	5.57	3.86	44.30
Retailing	5.21	6.04	-13.74
Health Care Equipment and Services	4.48	3.22	39.13
Consumer Services	3.97	4.11	-3.41
Food Beverage & Tobacco	3.90	2.78	40.29
Diversified Financials	3.40	4.22	-19.43
Consumer Durables & Apparel	2.95	1.66	77.71
Semiconductors & Semiconductor	2.87	5.21	-44.91
Utilities	2.41	3.24	-25.62
Media	2.28	3.08	-25.97
Banks	2.25	2.52	-10.71
Insurance	2.10	2.59	-18.92
Automobiles & Components	2.08	1.28	62.50
Transportation	1.64	1.52	7.89
Commercial Services & Supplies	1.47	1.06	38.68
Food & Staples Retailing	1.38	1.29	6.98
Telecom Services	1.33	1.53	-13.07
Household & Personal Products	0.72	0.67	7.46

Industry	% Cover Execution	% Previous Month Short Cover	% Change From Previous Month
Energy	16.22	12.06	34.49
Materials	8.04	8.56	-6.07
Real Estate	7.74	8.86	-12.64
Retailing	7.31	5.85	24.96
Capital Goods	7.02	8.93	-21.39
Software & Services	6.43	6.20	3.71
Banks	4.60	2.57	78.99
Technology Hardware and Equipment	4.28	4.18	2.39
Pharmaceuticals, Biotechnology & Life	3.89	4.97	-21.73
Consumer Services	3.85	3.99	-3.51
Health Care Equipment and Services	3.60	3.04	18.42
Consumer Durables & Apparel	3.20	2.33	37.34
Utilities	3.03	4.07	-25.55
Insurance	3.02	2.63	14.83
Food Beverage & Tobacco	2.84	3.84	-26.04
Media	2.84	3.84	-26.04
Semiconductors & Semiconductor	2.61	2.94	-11.22
Automobiles & Components	2.51	1.39	80.58
Diversified Financials	2.04	3.73	-45.31
Transportation	1.56	1.67	-6.59
Telecom Services	1.41	1.24	13.71
Food & Staples Retailing	0.89	1.31	-32.06
Commercial Services & Supplies	0.74	0.93	-20.43
Household & Personal Products	0.32	1.48	-78.38

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



# US Securities Lending Short Flows Summary

Data as of Oct-2011

## Citi Short Flows: October 2011

GICS Code	Description	% Short Executions This Month	% Short Executions From Last Month	% Change From Last Month	% Short Cover This Month	% Short Cover From Last Month	% Change From Last Month
Sector	Sector						
10	Energy	12.26	10.29	19.14	16.22	12.06	34.49
15	Materials	8.46	8.91	-5.05	8.04	8.56	-6.07
20	Industrials	9.70	9.29	4.41	9.32	11.54	-19.24
25	Consumer Discretionary	16.49	16.17	1.98	19.71	17.40	13.28
30	Consumer Staples	6.01	4.73	27.06	4.05	6.04	-32.95
35	Health Care	10.05	7.08	41.95	7.48	8.01	-6.62
40	Financials	13.61	17.27	-21.19	17.41	17.78	-2.08
45	Information Technology	19.68	21.49	-8.42	13.33	13.31	0.15
50	Telecommunication Services	1.33	1.53	-13.07	1.41	1.24	13.71
55	Utilities	2.41	3.24	-25.62	3.03	4.07	-25.55
Industry Group	Industry Group						
1010	Energy	12.26	10.29	19.14	16.22	12.06	34.49
1510	Materials	8.46	8.91	-5.05	8.04	8.56	-6.07
2010	Capital Goods	6.60	6.72	-1.79	7.02	8.93	-21.39
2020	Commercial Services & Supplies	1.47	1.06	38.68	0.74	0.93	-20.43
2030	Transportation	1.64	1.52	7.89	1.56	1.67	-6.59
2510	Automobiles & Components	2.08	1.28	62.50	2.51	1.39	80.58
2520	Consumer Durables & Apparel	2.95	1.66	77.71	3.20	2.33	37.34
2530	Consumer Services	3.97	4.11	-3.41	3.85	3.99	-3.51
2540	Media	2.28	3.08	-25.97	2.84	3.84	-26.04
2550	Retailing	5.21	6.04	-13.74	7.31	5.85	24.96
3010	Food & Staples Retailing	1.38	1.29	6.98	0.89	1.31	-32.06
3020	Food Beverage & Tobacco	3.90	2.78	40.29	2.84	3.26	-12.88
3030	Household & Personal Products	0.72	0.67	7.46	0.32	1.48	-78.38
3510	Health Care Equipment & Services	4.48	3.22	39.13	3.60	3.04	18.42
3520	Pharmaceuticals, Biotechnology & Life Sciences	5.57	3.86	44.30	3.89	4.97	-21.73
4010	Banks	2.25	2.52	-10.71	4.60	2.57	78.99
4020	Diversified Financials	3.40	4.22	-19.43	2.04	3.73	-45.31
4030	Insurance	2.10	2.59	-18.92	3.02	2.63	14.83
4040	Real Estate	5.86	7.93	-26.10	7.74	8.86	-12.64
4510	Software & Services	10.92	11.80	-7.46	6.43	6.20	3.71
4520	Technology Hardware & Equipment	5.88	4.48	31.25	4.28	4.18	2.39
4530	Semiconductors & Semiconductor Equipment	2.87	5.21	-44.91	2.61	2.94	-11.22
5010	Telecommunication Services	1.33	1.53	-13.07	1.41	1.24	13.71
5510	Utilities	2.41	3.24	-25.62	3.03	4.07	-25.55

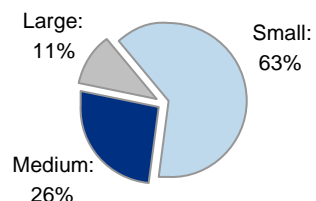
Source: S&P (GICS); Citi U.S. Securities Lending. Executions of shorts and short covers settled at Citi Prime Finance based on Market Value



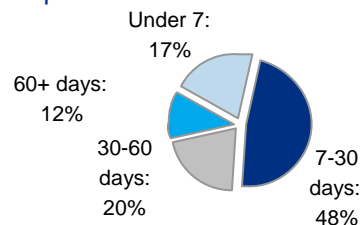
# Hedge Fund (Fund Level) Profiles

Data as of Oct-2011

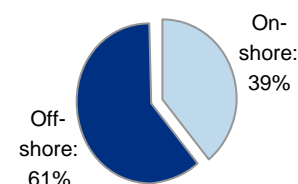
By Fund Size—No. of Funds



Redemption Notice Period



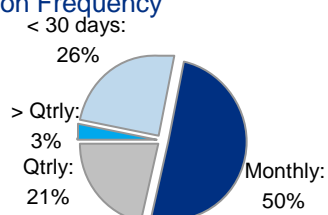
On-shore/Off-shore



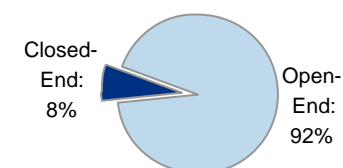
By Fund Size—\$ AUM



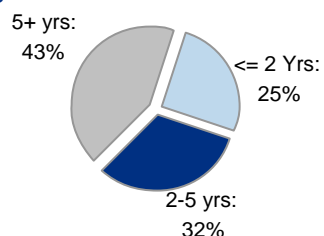
Redemption Frequency



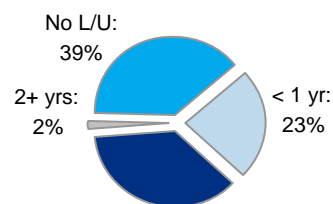
Legal Status



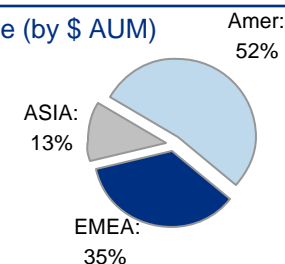
By Fund Age—No. of Funds



Lock-Up



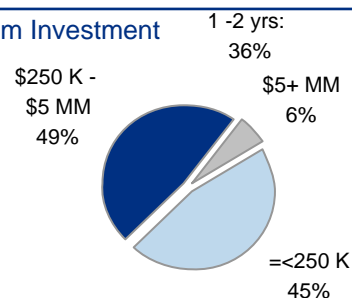
Domicile (by \$ AUM)



By Fund Age—\$ AUM



Minimum Investment



Source: Citi ICG Analytics

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

Data as of Oct-2011

## Hedge Funds: Large (>\$500 MM)

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	6%	\$885	1.3%	1.1%	30%	75%	n/m	30-60 days / 60%	Monthly / 44%
2-5 yrs	21%	\$880	0.8%	-0.3%	57%	75%	1-2 yrs / 45%	60+ days / 28%	Monthly / 46%
Over 5 yrs	73%	\$1,025	1.0%	-1.7%	60%	73%	No / 48%	7-30 days / 33%	Monthly / 48%
<b>Total</b>	<b>100%</b>	<b>\$979</b>	<b>0.9%</b>	<b>-1.4%</b>	<b>58%</b>	<b>73%</b>	<b>No / 46%</b>	<b>7-30 days / 31%</b>	<b>Monthly / 48%</b>

## Hedge Funds: Medium (\$100 – \$500 MM)

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	8%	\$150	1.0%	-1.3%	33%	77%	n/m	Under 7 / 40%	Under 30 / 53%
2-5 yrs	33%	\$181	0.8%	-1.7%	55%	74%	1-2 yrs / 50%	7-30 days / 39%	Monthly / 49%
Over 5 yrs	59%	\$190	1.4%	-2.1%	71%	66%	No / 53%	7-30 days / 52%	Monthly / 52%
<b>Total</b>	<b>100%</b>	<b>\$183</b>	<b>1.2%</b>	<b>-1.9%</b>	<b>63%</b>	<b>69%</b>	<b>No / 47%</b>	<b>7-30 days / 48%</b>	<b>Monthly / 49%</b>

## Hedge Funds: Small (<\$100 MM)

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	18%	\$24	1.0%	-2.2%	44%	76%	1-2 yrs / 83%	7-30 days / 37%	Monthly / 43%
2-5 yrs	33%	\$27	1.2%	-2.7%	56%	66%	1-2 yrs / 45%	7-30 days / 47%	Monthly / 55%
Over 5 yrs	49%	\$30	2.0%	-3.8%	70%	59%	No / 47%	7-30 days / 56%	Monthly / 49%
<b>Total</b>	<b>100%</b>	<b>\$28</b>	<b>1.5%</b>	<b>-3.2%</b>	<b>61%</b>	<b>64%</b>	<b>1-2 yrs / 43%</b>	<b>7-30 days / 51%</b>	<b>Monthly / 50%</b>

Source: Citi ICG Analytics

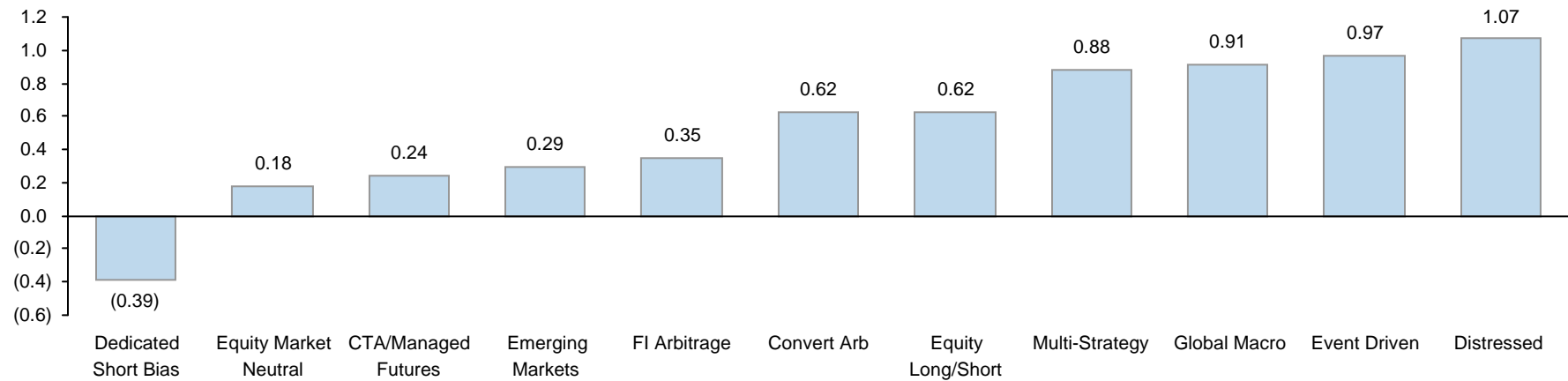
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. Median YTD performance is calculated from funds reporting for all underlying periods. - "n/m" = Not Meaningful.



# Risk and Return Metrics

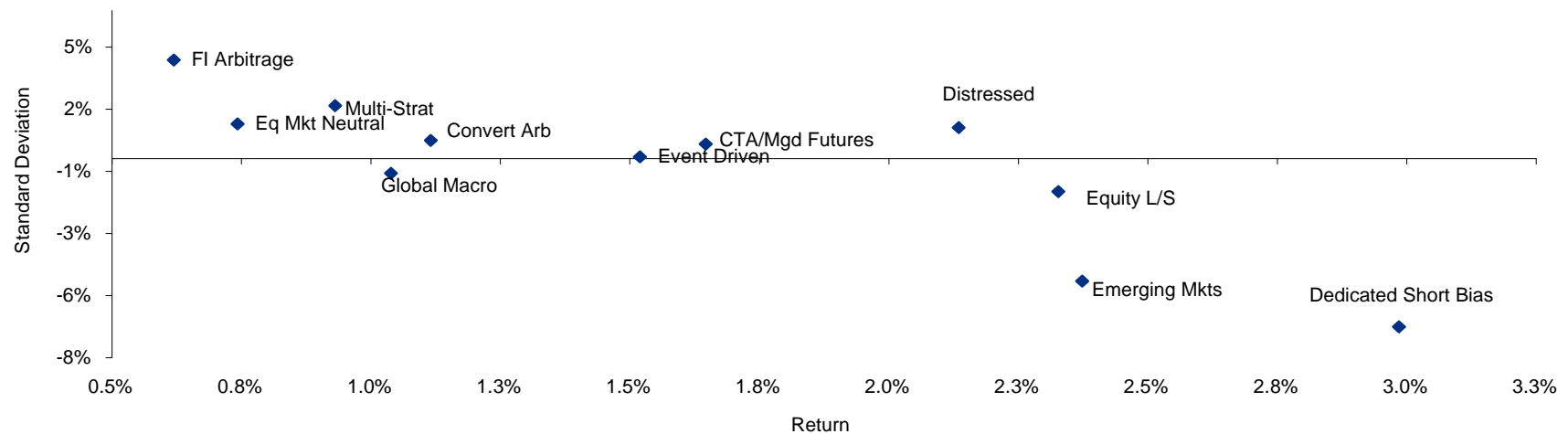
Data as of Oct-2011

## Sharpe Ratios (Jun-94 – Oct-11)



Source: Credit Suisse Tremont

## Risk vs. Return (Nov-10 – Oct-11)



S

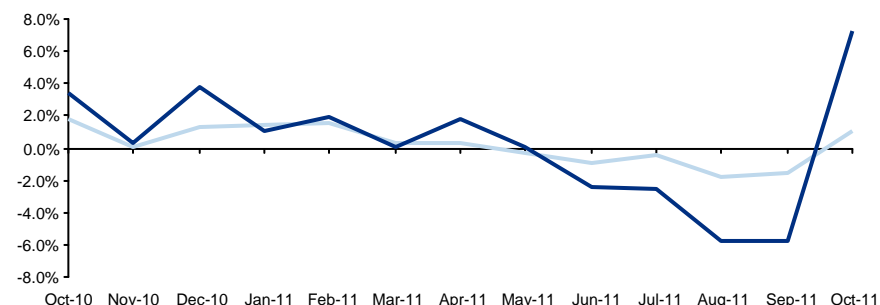


# Convertible Arbitrage

Data as of Oct-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	1.4%	1.5%	0.3%	0.3%	-0.4%	-1.0%	-0.4%	-1.8%	-1.6%	1.0%			-0.6%

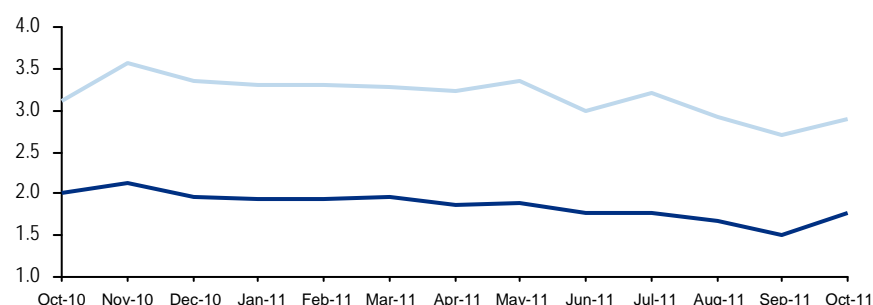
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



		Oct-11	Sep-11	Oct-10	YTD-11
Convert Arb		1.0%	-1.6%	1.8%	-0.6%
CWB ETF		7.2%	-5.8%	3.4%	-5.1%

Source: Citi ICG Analytics; FactSet

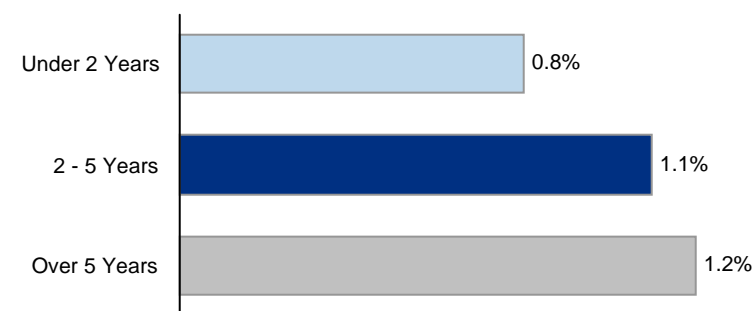
## Leverage Profile (Monthly, LTM)



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

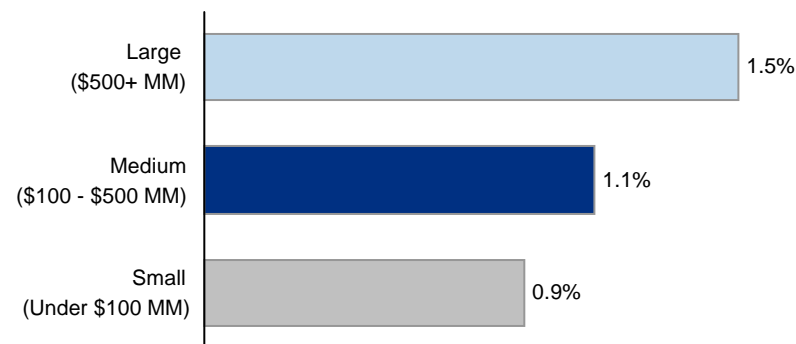
Source: Citi Prime Finance

## Hedge Fund Performance by Age (1)



Source: Citi ICG Analytics

## Hedge Fund Performance by Size (1)



Source: Citi ICG Analytics

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.

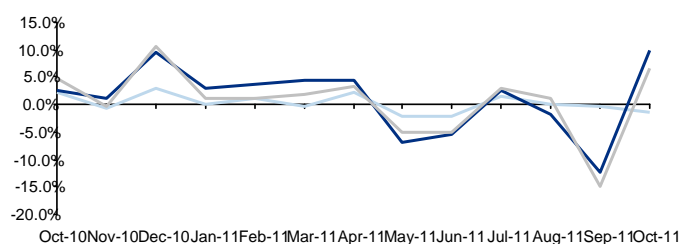


# CTA/Managed Futures

Data as of Oct-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	-0.1%	1.3%	-0.4%	2.2%	-2.3%	-2.0%	1.4%	0.0%	-0.3%	-1.4%			-1.8%

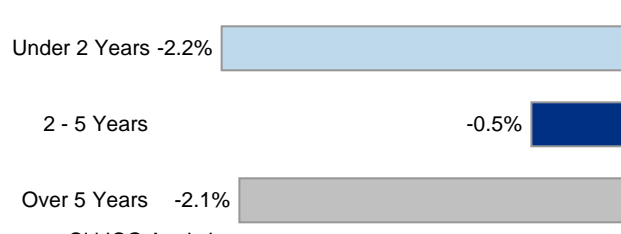
## Hedge Fund Performance vs. Benchmark



	Oct-11	Sept-11	Oct-10	YTD-11
CTA/Mgd Futures	-1.4%	-0.3%	2.2%	-1.8%
S&P GSCI Commodity (SFGSCI)	9.7%	-12.2%	2.6%	-0.5%
DJ-UBS Commodity (DJAGK)	6.6%	-14.7%	5.0%	-8.0%

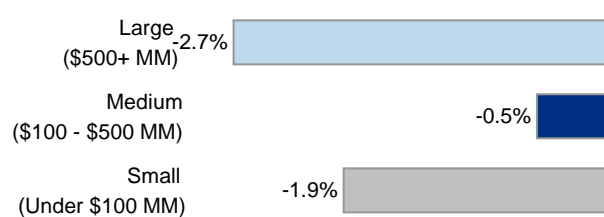
Source: Citi ICG Analytics; FactSet

## Hedge Fund Performance by Age



Source: Citi ICG Analytics

## Hedge Fund Performance by Size

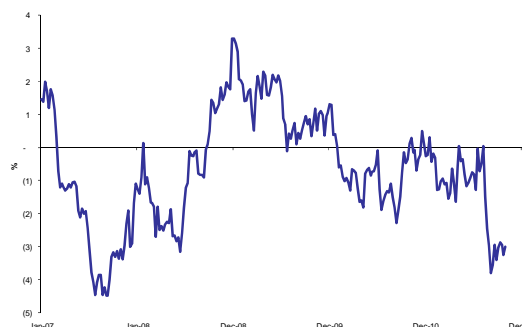


Source: Citi ICG Analytics

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.

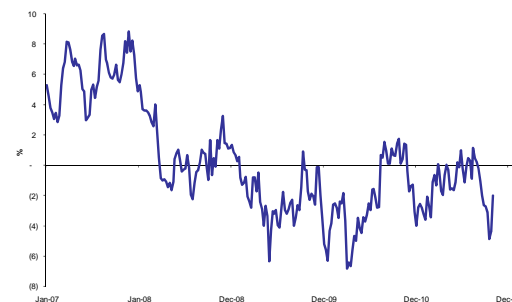
## Large Speculator Positions: CFTC Commitment Of Trader (Futures & Options) Report Net of Longs Less Shorts As Percent of Total Open Positions

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



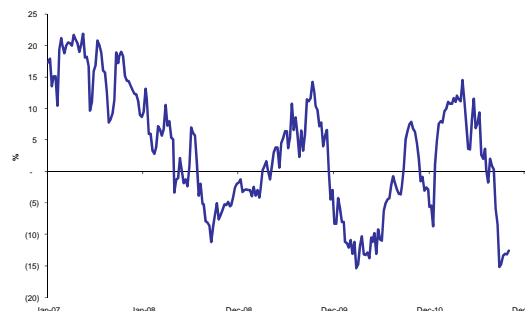
Last Update: 10/25/11 -3.0%

### U.S. 10-Year Treasury Futures



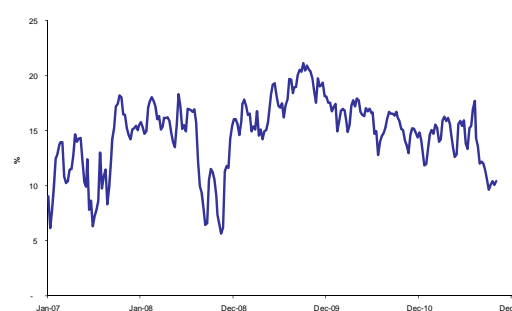
Last Update: 10/25/11 -2.0%

### EuroFX Futures



Last Update: 10/25/11 -14.6%

### Gold Futures



Last Update: 10/25/11 +10.4%

Source: CFTC, Bloomberg, Citi Futures Perspective

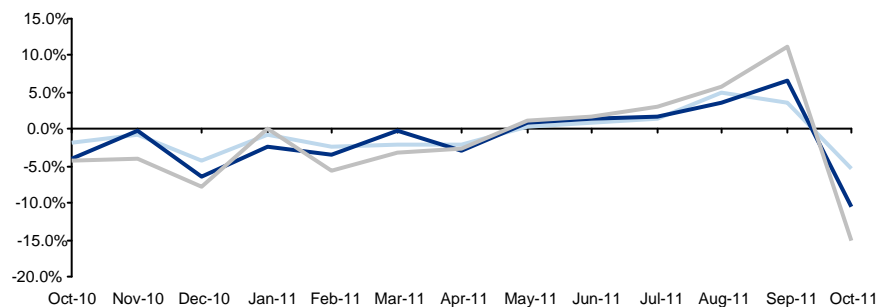


# Dedicated Short Bias

Data as of Oct-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	-0.8%	-2.3%	-2.0%	-2.2%	0.3%	0.9%	1.5%	4.8%	3.6%	-5.5%			-2.0%

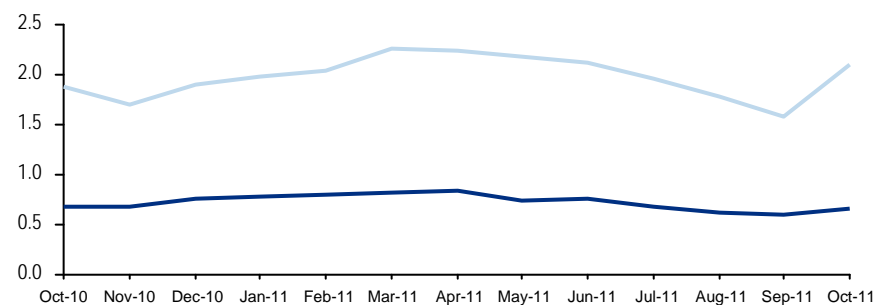
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



		Oct-11	Sep-11	Oct-10	YTD-11
Ded Short Bias		-5.5%	3.6%	-1.8%	-2.0%
S&P Short ETF (SH)		-10.6%	6.7%	-3.9%	-6.0%
Rus 2000 Short ETF (RWM)		-15.1%	11.1%	-4.3%	-5.4%

Source: Citi ICG Analytics; FactSet

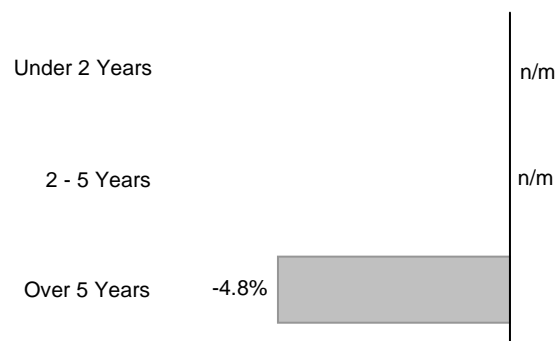
## Leverage Profile (Monthly, LTM)



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

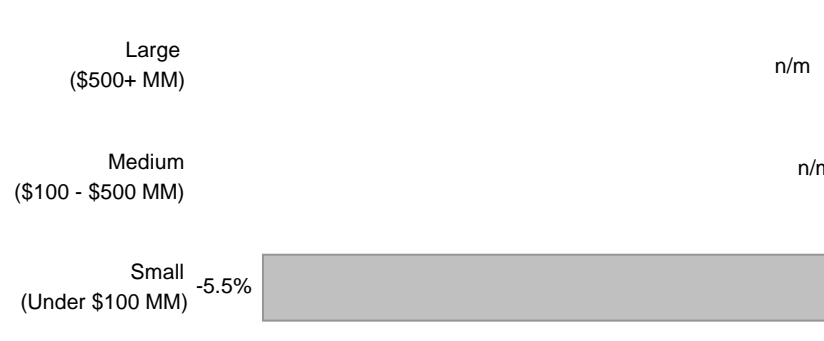
Source: Citi Prime Finance

## Hedge Fund Performance by Age (1)



Source: Citi ICG Analytics

## Hedge Fund Performance by Size (1)



Source: Citi ICG Analytics

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

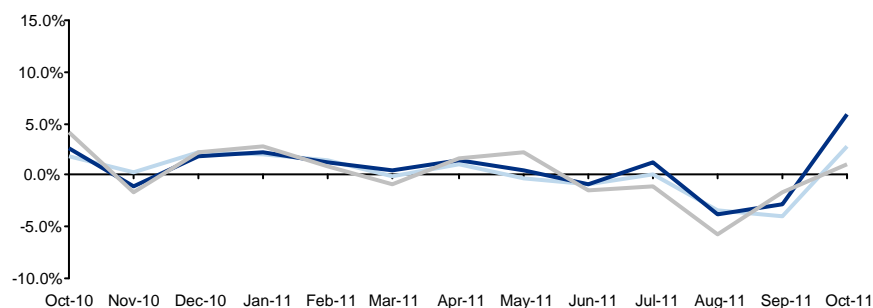


# Distressed

Data as of Oct-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	2.1%	1.4%	-0.1%	1.0%	-0.2%	-0.8%	0.1%	-3.4%	-4.1%	2.8%			-1.5%

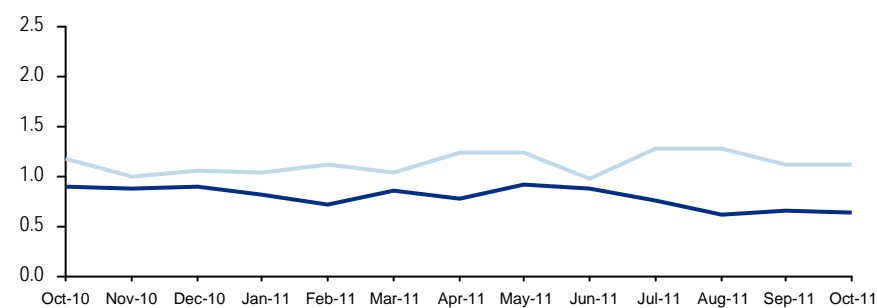
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Oct-11	Sep-11	Oct-10	YTD-11
Distressed	2.8%	-4.1%	1.8%	-1.5%
Citi HY Bond Index	5.8%	-2.9%	2.5%	4.9%
Altman Defaulted Index	1.1%	-1.6%	4.2%	-2.5%

Source: Citi ICG Analytics; Citigroup Index LLC; Altman-NYU Salomon Center

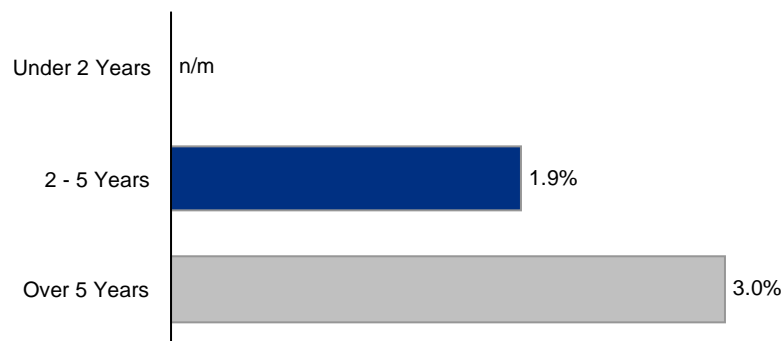
## Leverage Profile (Monthly, LTM)



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

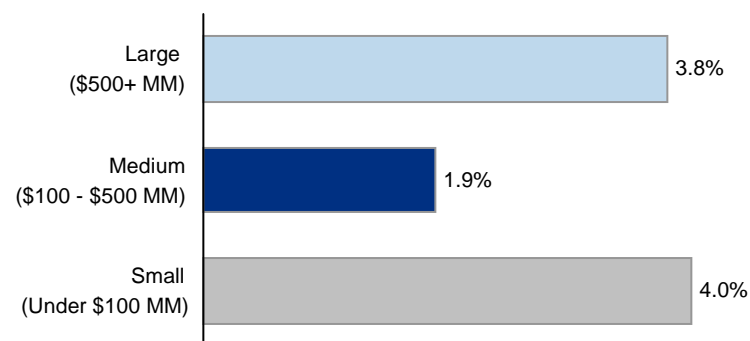
Source: Citi Prime Finance

## Hedge Fund Performance by Age (1)



Source: Citi ICG Analytics

## Hedge Fund Performance by Size (1)



Source: Citi ICG Analytics

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

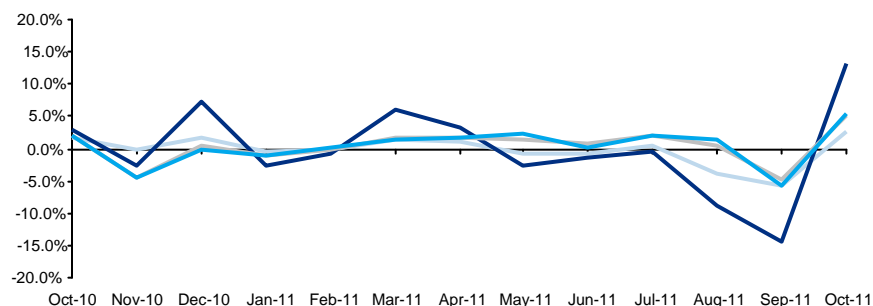


# Emerging Markets

Data as of Oct-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	-0.6%	-0.1%	1.4%	1.2%	-0.9%	-0.7%	0.4%	-3.8%	-5.8%	2.7%			-6.3%

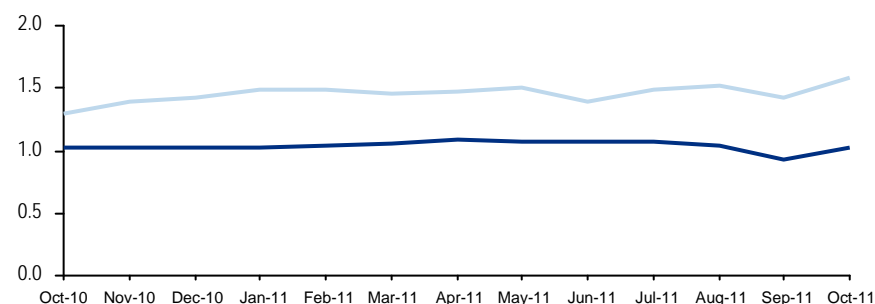
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Oct-11	Sep-11	Oct-10	YTD-11
Emerging Mkts	2.7%	-5.8%	1.8%	-6.3%
MSCI EM	13.3%	-14.6%	2.9%	-11.3%
JPM EMBIG Core ETF (EMB)	5.2%	-4.8%	1.9%	7.0%
DB EM Liquid ETF (PCY)	5.3%	-5.6%	1.9%	7.7%

Source: Citi ICG Analytics; FactSet

## Leverage Profile (Monthly, LTM)

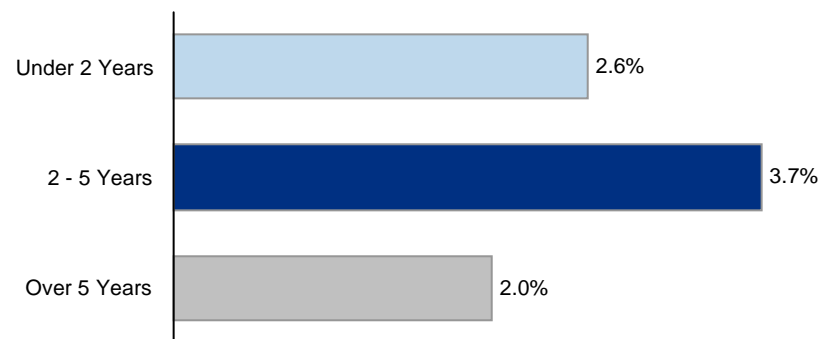


Gross Leverage (Mean): Defined as the sum of (LMV + abs SMV) / Net Equity

LMV Leverage (Mean): Defined as Long Market Value / Net Equity

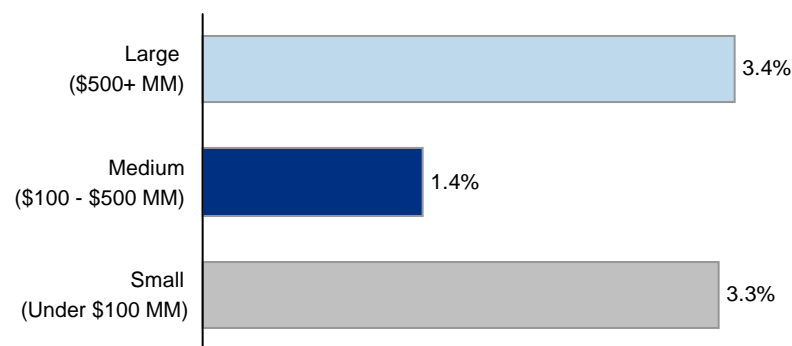
Source: Citi Prime Finance

## Hedge Fund Performance by Age



Source: Citi ICG Analytics

## Hedge Fund Performance by Size



Source: Citi ICG Analytics

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

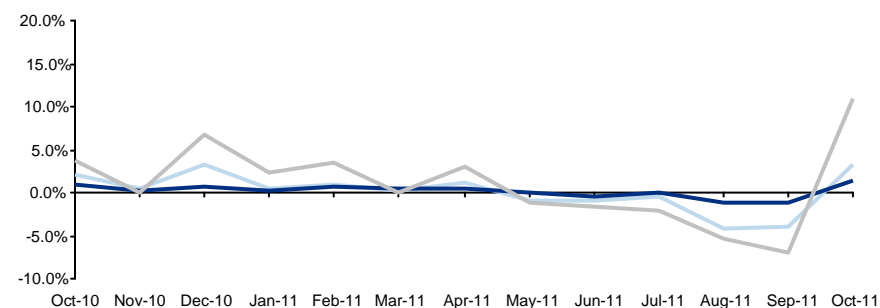


# Equity Long/Short

Data as of Oct-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.4%	1.0%	0.2%	1.1%	-0.9%	-0.9%	-0.5%	-4.3%	-4.0%	3.3%			-4.7%

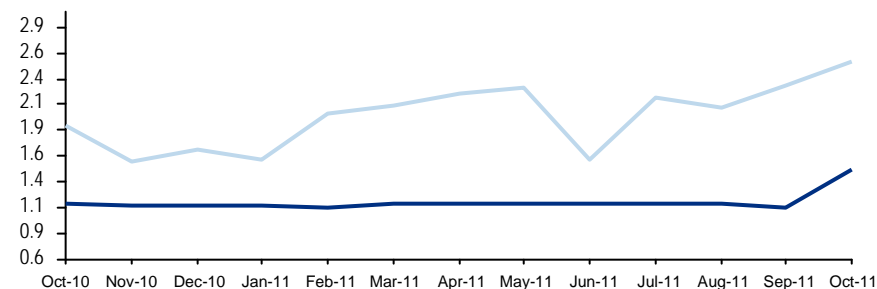
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Oct-11	Sep-11	Oct-10	YTD-11
Eq Long/Short	3.3%	-4.0%	2.0%	-4.7%
Eq Mkt Neutral	1.4%	-1.2%	0.8%	0.3%
S&P 500	10.9%	-7.0%	3.8%	1.3%

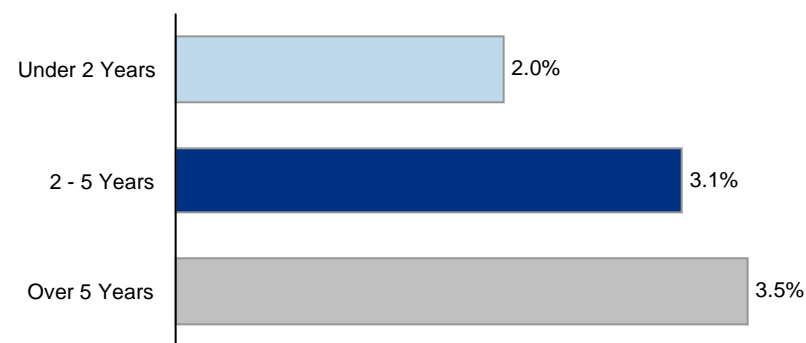
Source: Citi ICG Analytics; FactSet

## Leverage Profile (Monthly, LTM)



Source: Citi Prime Finance

## Hedge Fund Performance by Age



Source: Citi ICG Analytics

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



Source: Citi ICG Analytics

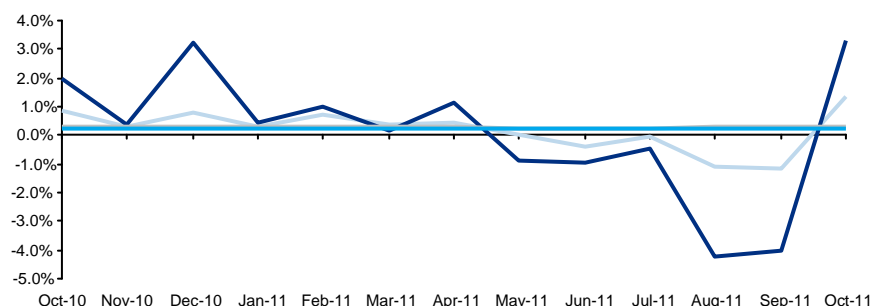


# Equity Market Neutral

Data as of Oct-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.3%	0.7%	0.4%	0.4%	0.0%	-0.4%	-0.1%	-1.1%	-1.2%	1.4%			0.3%

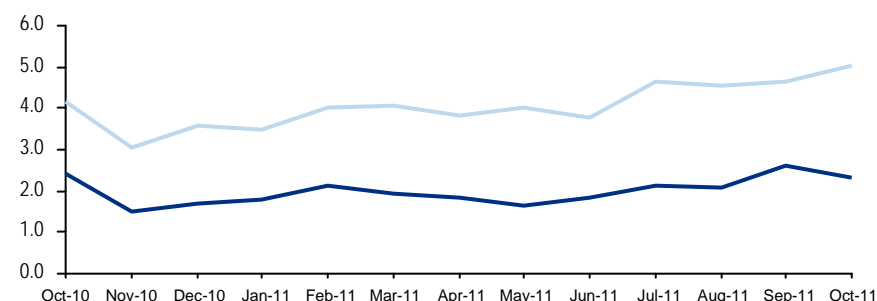
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



		Oct-11	Sep-11	Oct-10	YTD-11
Eq Mkt Neutral		1.4%	-1.2%	0.8%	0.3%
Eq Long/Short		3.3%	-4.0%	2.0%	-4.7%
LIBOR + 300 bps		0.3%	0.3%	0.3%	2.7%
US T-Bill + 300 bps		0.3%	0.3%	0.3%	2.6%

Source: Citi ICG Analytics; FactSet

## Leverage Profile (Monthly, LTM)

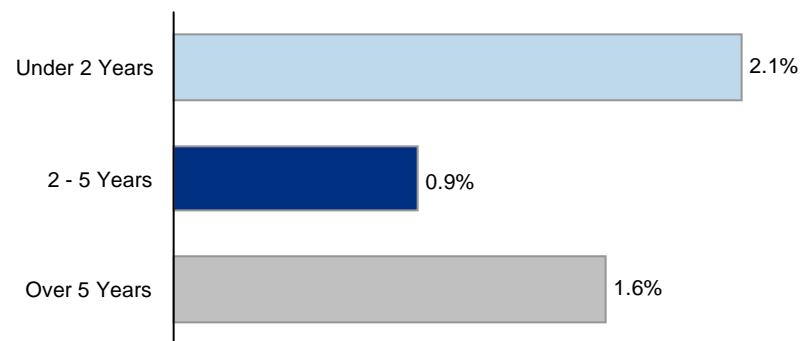


Gross Leverage (Mean): Defined as the sum of (LMV + abs SMV) / Net Equity

LMV Leverage (Mean): Defined as Long Market Value / Net Equity

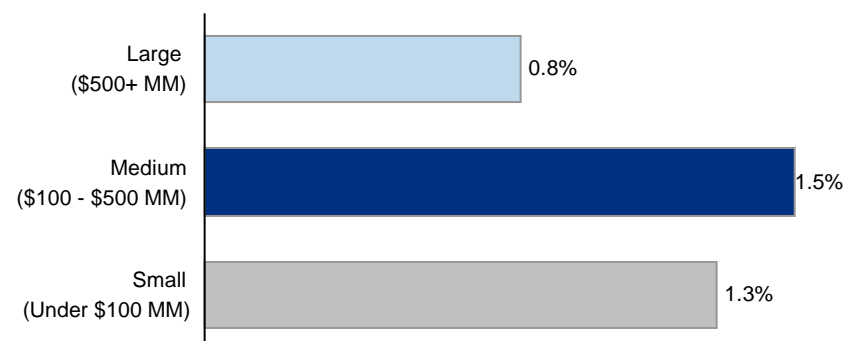
Source: Citi Prime Finance

## Hedge Fund Performance by Age



Source: Citi ICG Analytics

## Hedge Fund Performance by Size



Source: Citi ICG Analytics

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

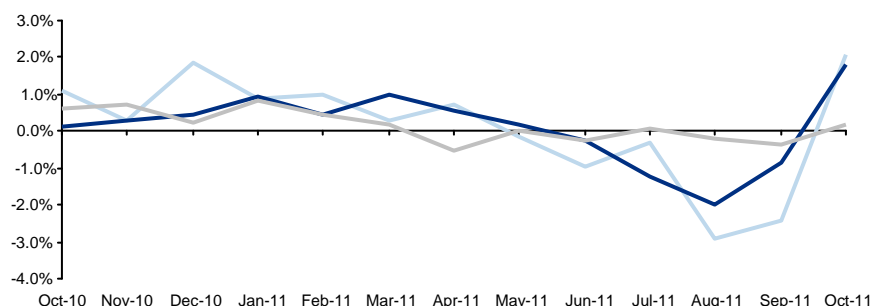


# Event Driven

Data as of Oct-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.9%	1.0%	0.3%	0.7%	-0.1%	-1.0%	-0.3%	-2.9%	-2.4%	2.1%			-1.9%

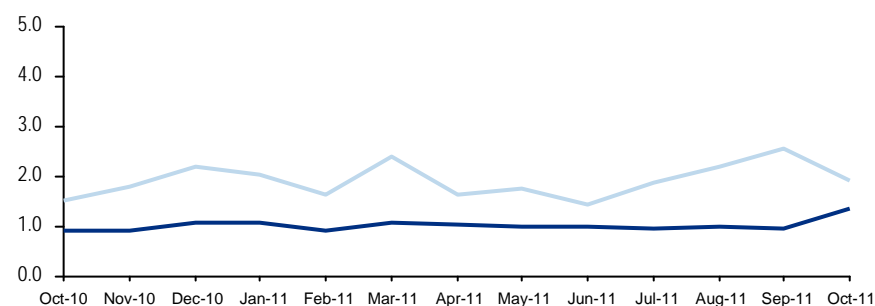
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Oct-11	Sep-11	Oct-10	YTD-11
Event Driven	2.1%	-2.4%	1.1%	-1.9%
The Merger Fund (MERFX)	1.8%	-0.8%	0.1%	0.6%
AQR Div Arb Fund (ADANX)	0.2%	-0.4%	0.6%	0.4%

Source: Citi ICG Analytics; FactSet

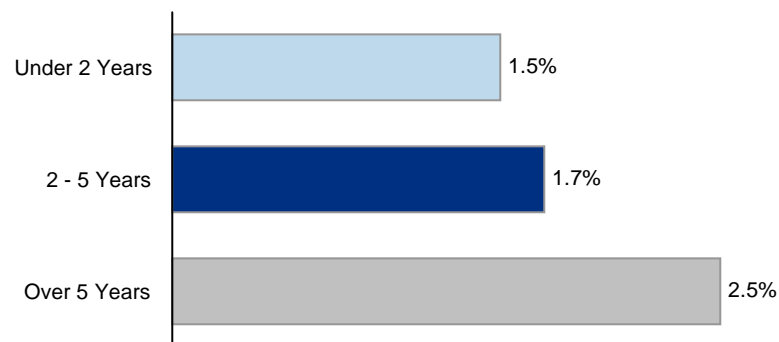
## Leverage Profile (Monthly, LTM)



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

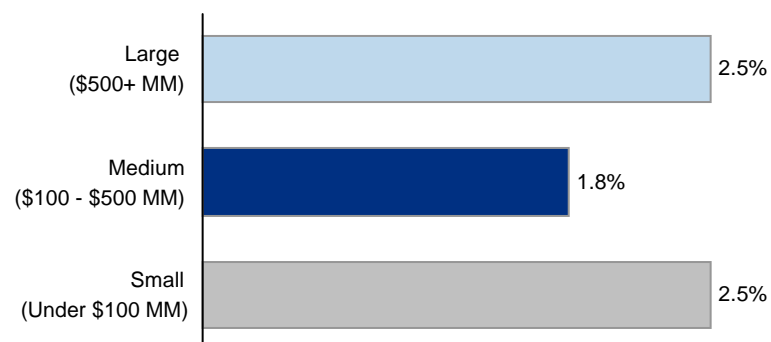
Source: Citi Prime Finance

## Hedge Fund Performance by Age



Source: Citi ICG Analytics

## Hedge Fund Performance by Size



Source: Citi ICG Analytics

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



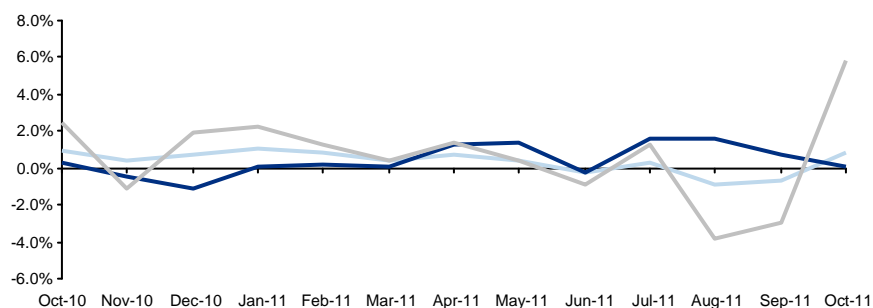


# FI Arbitrage

Data as of Oct-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	1.1%	0.8%	0.4%	0.7%	0.4%	-0.2%	0.3%	-0.9%	-0.7%	0.9%			2.8%

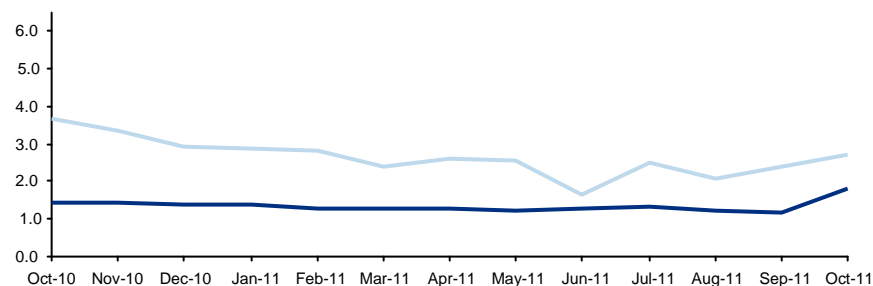
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Oct-11	Sep-11	Oct-10	YTD-11
FI Arbitrage	0.9%	-0.7%	0.9%	2.8%
Citi US BIG Index	0.1%	0.7%	0.3%	6.8%
Citi HY Bond Index	5.8%	-2.9%	2.5%	4.9%

Source: Citi ICG Analytics; Citigroup Index LLC

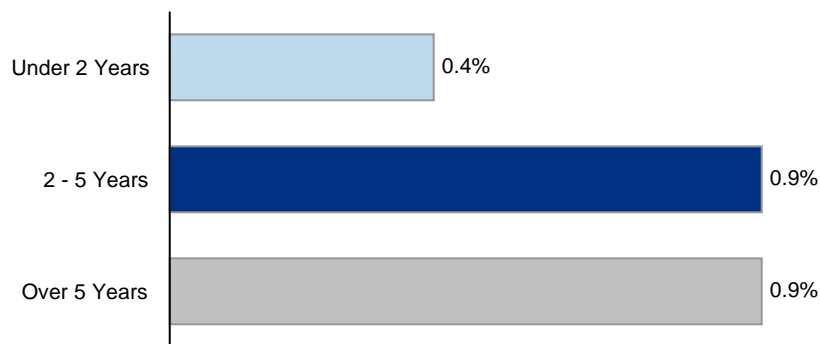
## Leverage Profile (Monthly, LTM)



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

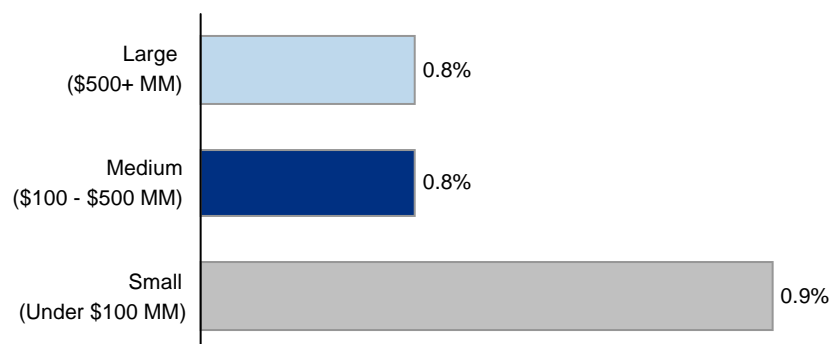
Source: Citi Prime Finance

## Hedge Fund Performance by Age



Source: Citi ICG Analytics

## Hedge Fund Performance by Size



Source: Citi ICG Analytics

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

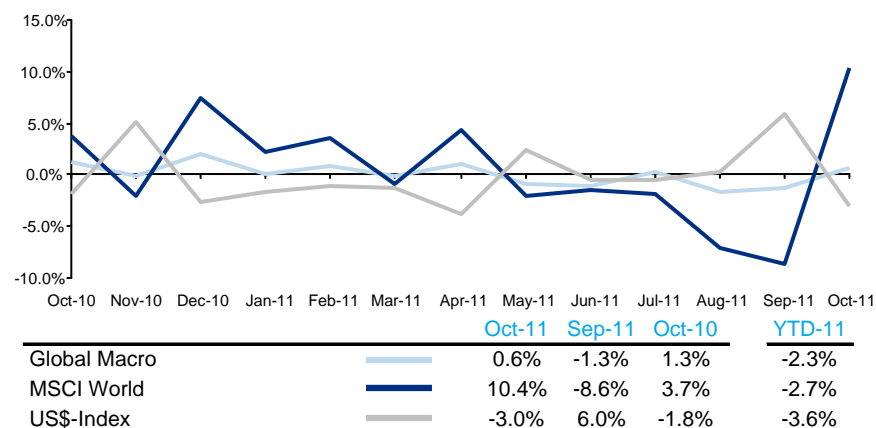


# Global Macro

Data as of Oct-2011

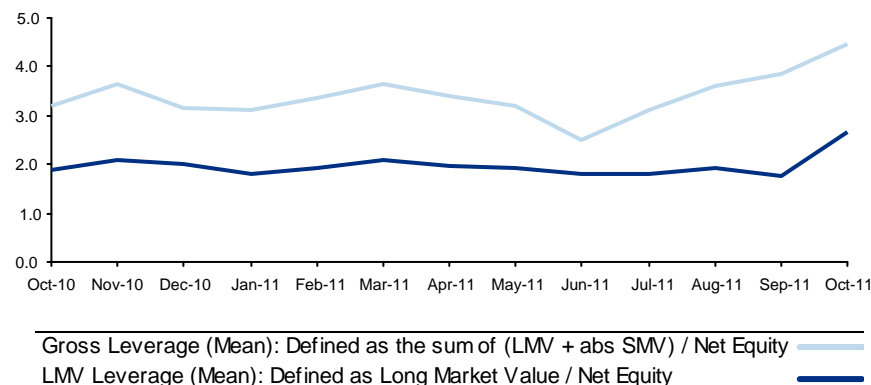
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.1%	0.8%	-0.1%	1.0%	-0.9%	-1.0%	0.2%	-1.6%	-1.3%	0.6%			-2.3%

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



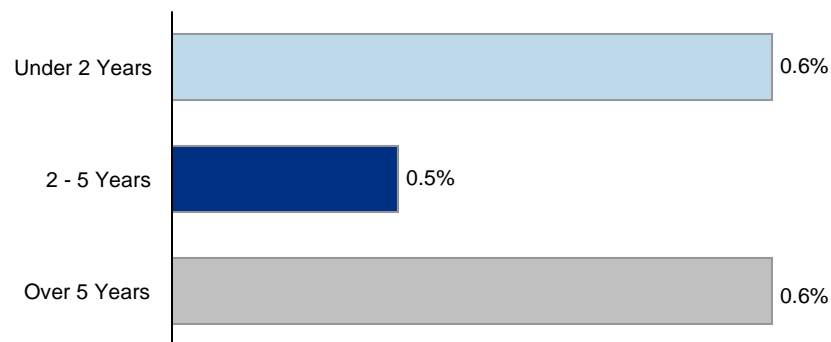
Source: Citi ICG Analytics; FactSet

## Leverage Profile (Monthly, LTM)



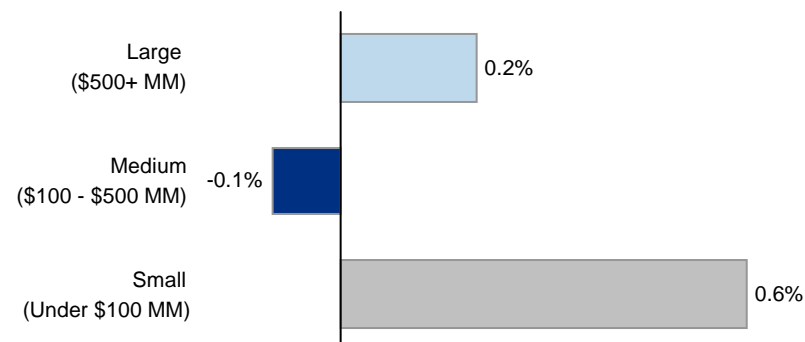
Source: Citi ICG Analytics; FactSet; Citi Prime Finance

## Hedge Fund Performance by Age



Source: Citi ICG Analytics; FactSet; Citi Prime Finance

## Hedge Fund Performance by Size



Source: Citi ICG Analytics; FactSet; Citi Prime Finance

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

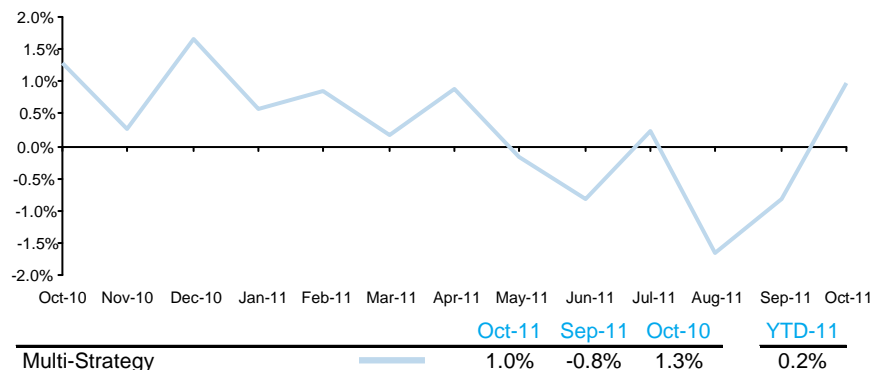


# Multi-Strategy

Data as of Oct-2011

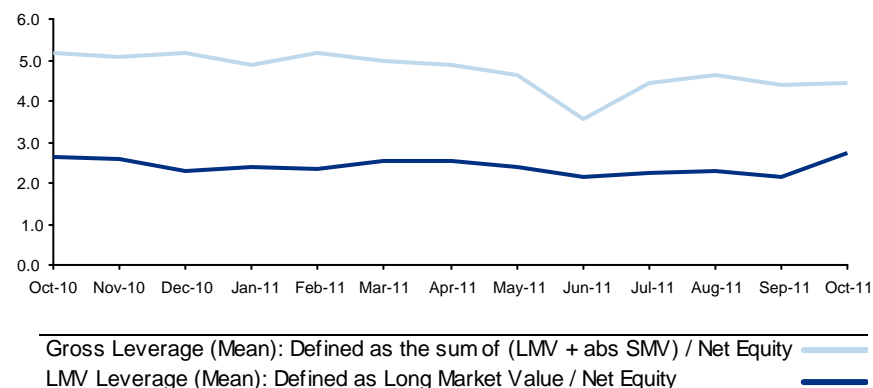
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.6%	0.9%	0.2%	0.9%	-0.2%	-0.8%	0.2%	-1.7%	-0.8%	1.0%			0.2%

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



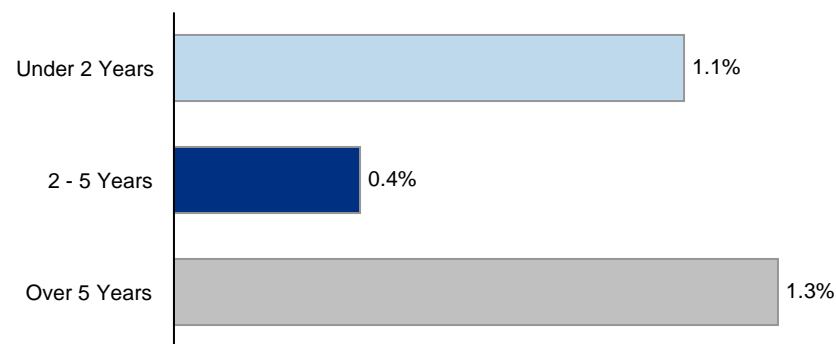
Source: Citi ICG Analytics

## Leverage Profile (Monthly, LTM)



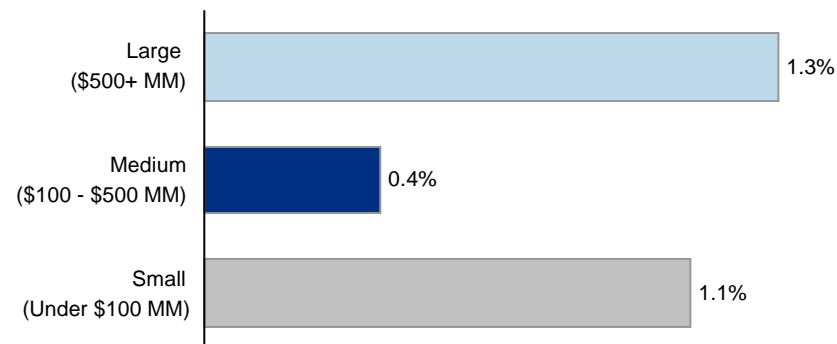
Source: Citi Prime Finance

## Hedge Fund Performance by Age



Source: Citi ICG Analytics

## Hedge Fund Performance by Size



Source: Citi ICG Analytics

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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