



## Citi Prime Finance

### *Hedge Fund Industry Snapshot*

*Data as of September 2010*

### **Citi Prime Finance**

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### **Market Commentary**

**Report Date: October 2010**

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## Performance, AUM & Flows:

- Equal-weighted hedge fund composite indices were up for the third month in a row in September 2010, posting gains of +1.72% to +3.61%. The third quarter of 2010 saw performance returns of +3.1% to +5.2% proving to be lower than the 2009 year ago period which experienced +5.1% to +6.8%. While year-to-date industry performance was +1.9% to +5.1%. The Citi HARP hedge fund replication index was +2.63% in September versus the HFRI Fund of Fund index that was +2.34%. Year-to-date, the HARP index was +1.27% and the HFRIFO index was +2.01%.
- An overall upbeat sentiment influenced Equity markets in September. Emerging Market Strategies saw the largest gains at +4.02% with Equity Long/Short Strategies at +3.58%. Dedicated Short strategies experienced their largest losses of the year down -7.28%. Stable Commodity Prices helped CTA Managed Futures post gains at +1.92%. Event Driven funds returned positive gains at +1.90 as well as Global Macro (+1.83%) and Distressed (+1.66%). Convertible Arbitrage and Multi Strategy were also up, although more modestly than the other strategies.
- According to HedgeFund.net (HFN), hedge fund industry AUM ended September 2010 at \$2.34 trillion, up from \$2.27 trillion in August 2010 (+1.0%). This is the third consecutive month AUM has experienced gains – the majority of which continues due from positive performance. Industry AUM remains well below its \$2.94 trillion June 2008 peak.
- Increases in AUM attributable to performance totaled +\$61.6 billion while net investor inflows were +\$9.5 billion (the second highest total of 2010 after +\$12.1 billion in February). Overall, year-to-date investor allocations are only a net +\$45.74 billion. September performance was the second largest contribution of the year after March (+66.76 billion). For the first three Quarters of 2010, performance related AUM gains were +\$120.6 billion compared to +\$297.9 billion in the year-ago period.
- Many fund flow trackers claimed new investor capital ended up with big managers with \$5 billion assets or more. However Citi has a different view seeing the renewed interest in alternative investments spilling over to smaller fund managers. "The picture is misleading," said Chris Greer, Citigroup's global head of capital introduction in Dow Jones. "Bigger funds are getting much larger checks, but in terms of actual allocations, smaller funds are benefiting. There is interest in the next tier of managers whose funds are between \$500 million to \$3 billion as pension funds and other institutions look for ways to increase alpha."

## Fund Profiles:

- Across the subset of hedge funds reporting performance and AUM, the monthly median performance for large single funds (>\$500 million) was +1.7%; medium single funds (\$100-\$500 million) +1.8% and small single funds (<\$100 million) +2.3%.
- Liquidity terms continued their consistent pattern of 2010 with September 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 (59%) required no lockup (45%) or less than 1 year lock up (14%).
- Consistent throughout 2010, large funds (> \$500 million AUM) continue to hold a large portion of industry AUM (64%) compared to medium funds (\$100-\$500 million) at 26% and small funds (<\$100 million) holding only 10%.

## Leverage & Shorts:

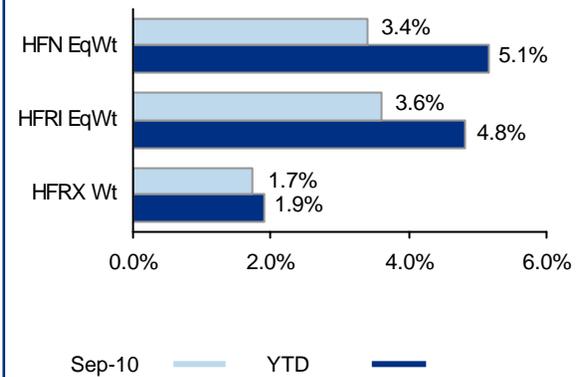
- On a global basis, we calculate gross leverage (as measured on a mean basis) at 1.79 in September 2010 versus 1.93x in August, 1.79x in July and 1.71x in June. Looking across both long leverage and gross leverage, the following strategies showed the highest uses of leverage: Multi Strategy (5.14x), Global Macro (3.44x), Convertible Arbitrage (3.42x) and Fixed Income Arbitrage (3.27x). Use of leverage in directional strategies was generally higher across the board.
- Citi U.S. short flows data included in this month's report shows the Consumer Discretionary, Information Technology & Energy sectors dominated activity jumping in terms of their dominance during September. In September 2010, these three sectors accounted for 57.86% of short executions and 53.51% of short flows versus 54.37% of short executions and 49.08% of short flows in August 2010.
- In the major futures markets, the large speculator net positioning for futures & options did not experience significant change from August to September with the exception of the net positioning in the EuroFX where large speculators swung back to a net long position for the first time since December 2009. 10-Year U.S. Treasury futures have remained net long since July but cut back exposure slightly. Despite continued price gains in Gold, net long exposure remained steady at +16.7% at end September. In the combined S&P/ Weighted Mini S&P futures market, large speculators cut net short position to -0.8% vs. -1.8% in August according to the CFTC's Commitment of Trader report.

# Hedge Fund Industry: AUM, Performance

Data as of Sep-2010

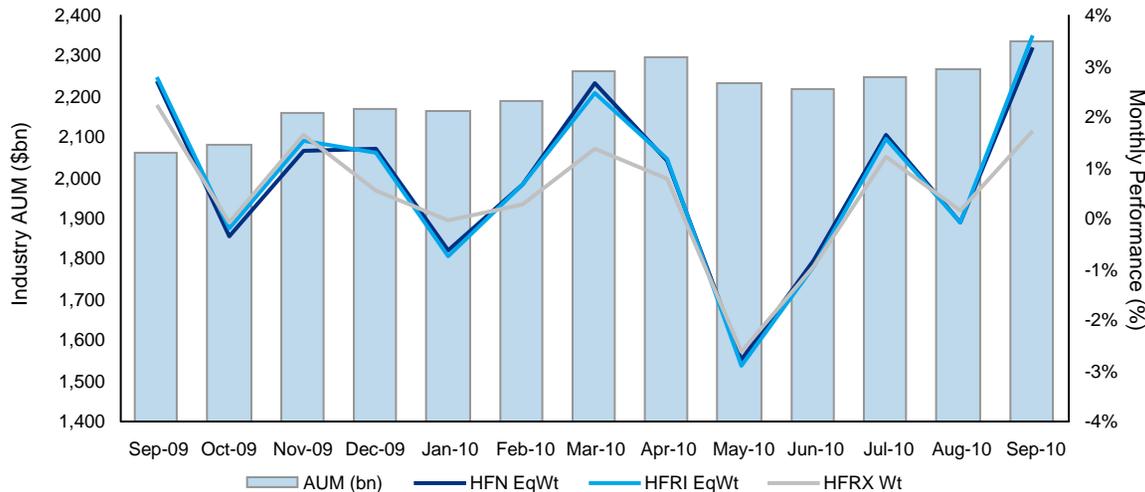
- Composite hedge fund performance, equal-weighted across funds, was up in September 2010 with gains ranging from +1.72% to +3.61%. Returns were higher than last month's (Aug-10: -0.06% to +0.17%) and mostly higher than the year-ago September period (+2.22% to +2.79%.) Year-to-date performance in 2010 ranges from +1.90% to +5.15%.
- Global Equity markets posted strong gains in September as investors reacted favorably to data on US employment and housing markets. Equity Hedge funds with larger risk appetites had opportunity to benefit given outperformance by riskier assets vs their respective lower-risk peers. Stellar performance: MSCI EM: +11.1%; Rus 2000: +12.5%; SP Mid: +11.3%; Citi HY: +3.0%; and Altman Defaulted Index: 2.5%.
- Currencies continued a focus in September with the Bank of Japan intervening in currency markets to slow the appreciation of the Japanese Yen; while commodities including agricultural, metal & energies posted gains. In September China overtook Japan to become the world's second largest economy even as its growth slowed in third quarter with the economy expanding by 9.6% and prices rising 3.6% for the month.
- Industry AUM, estimated at \$2.34 trillion according to HFN is up from August's \$2.23 trillion– and is a new high for 2010 (up +1.70% from \$2.29 trillion in April). Depending on the source, estimates of industry AUM range from \$1.77 to \$2.34 trillion compared to the Q2 2008 peak range of \$1.9 to \$3.0 trillion.

## Industry Performance: Sep-10 / YTD



Source: HedgeFund.net (HFN)

## Monthly Industry AUM and Performance



Source: HedgeFund.net (HFN); Hedge Fund Research, Inc., © 2010; www.hedgefundresearch.com

## Note Pad:

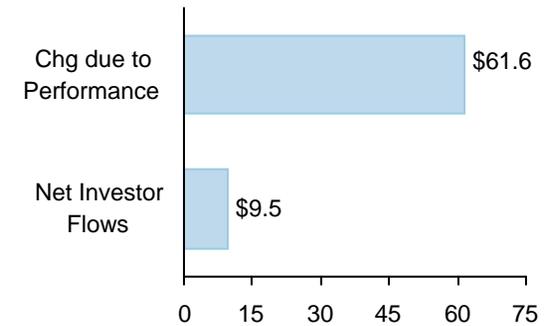
- MSCI World Index: +9.4% September; +3.0% YTD  
MSCI Emerging Markets Index: +11.1% September; +11.0% YTD
- S&P 500: +8.9% September; +3.9% YTD
- Citi US BIG Index: 0.0% September; 10.7% YTD
- S&P GSCI: +8.5% September; -3.9% YTD
- U.S. Dollar Index: -5.4% September; 1.1% YTD
- HFN Country Indices September YTD:  
Brazil +4.43% / +7.53%; Russia +5.23% / +9.33%;  
India: +9.42% / +16.55%; China: +7.20% / +2.65%

# Hedge Fund Industry: Change in Industry Assets

Data as of Sep-2010

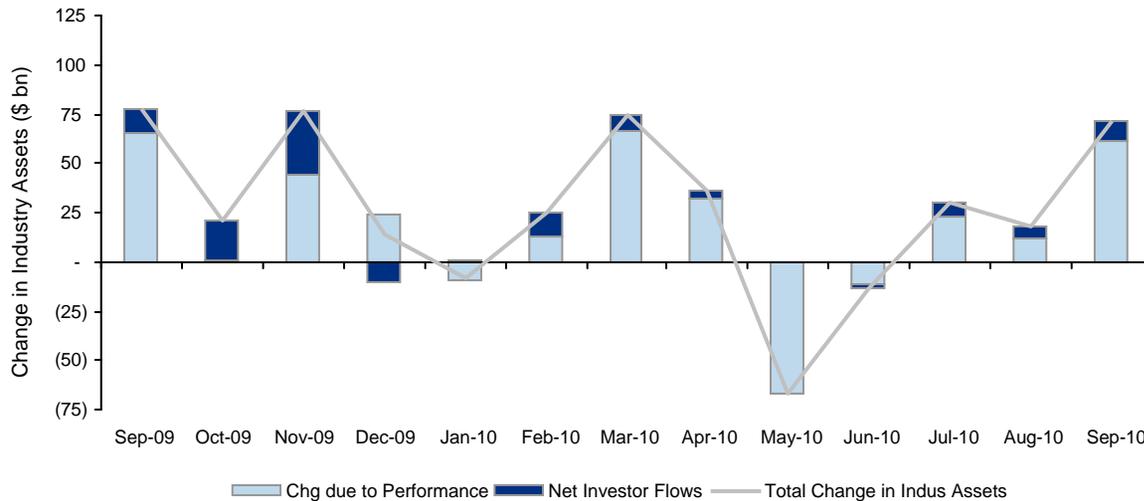
- According to HFN, the estimated change in industry assets for September 2010 was +\$71.05 billion. Gains stemmed mostly from performance (+\$61.6 billion) although positive net investor flows (amounting to +\$9.5 billion) were also a contributor.
- September 2010 marks the third consecutive month of increases in hedge fund industry assets from performance. Even so, back-to-back (August-September 2010) performance gains totaling +\$73.09 billion remain well below year-ago levels in the similar period of +\$98.53 billion.
- Net investor inflows of +\$9.5 billion mark the third consecutive month of positive net flows – potentially an early indicator of a reversal in negative sentiment, given flat net flows April – June 2010. Continued uncertainty in the global economic recovery and a renewed focus on non-correlated returns along with longer-cycle due diligence processes have been challenges for capital raising.
- HFN estimates total industry AUM at \$2.34 trillion in September 2010—up slightly from August 2010's \$2.27 trillion and up 13.5% from September 2009's \$2.06 trillion. It is important to note, however, that these levels are still well below the industry's June 2008 peak estimated by HFN at \$2.90 trillion.

## Composition of Change in Assets: Sep-10 Amounts in (\$ bn)



Source: HedgeFund.net (HFN)

## Monthly Change in Industry Assets and Composition



Source: HedgeFund.net (HFN)

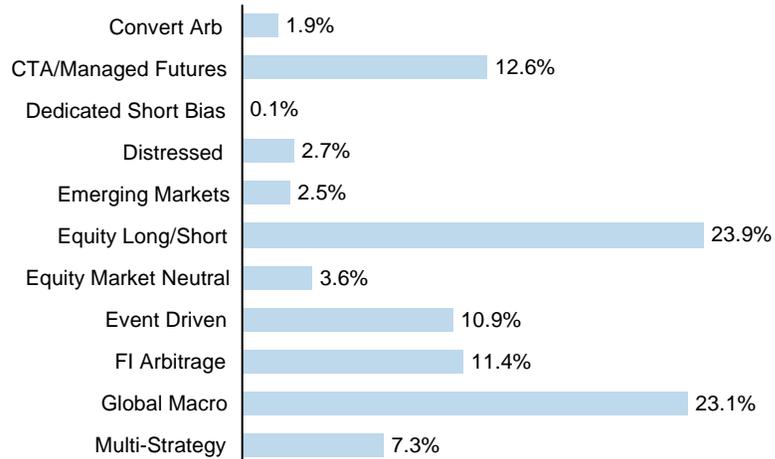
## Note Pad:

- The Citi Prime Finance calculation for end-September gross leverage (as measured on a mean basis) was 1.79x, down from 1.93x at end-August.
- Gross leverage (mean): defined as sum of (LMV + abs SMV) / Net Equity.

# Hedge Fund Stats by Strategy

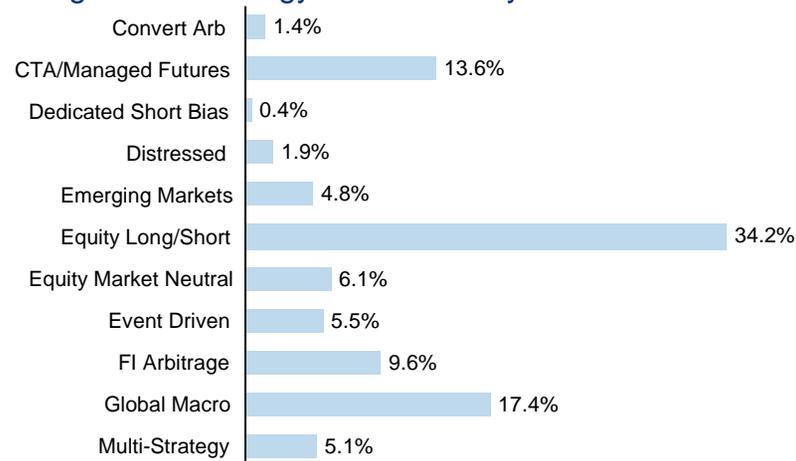
Data as of Sep-2010

## Hedge Fund Strategy Breakdown by Assets



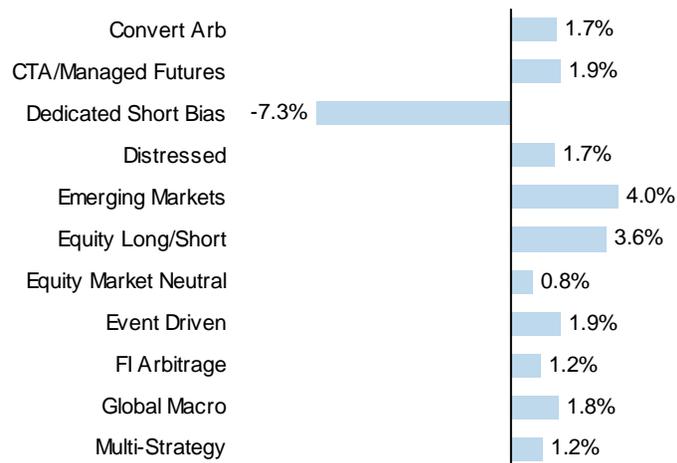
Source: Citi ICG Analytics

## Hedge Fund Strategy Breakdown by Number of Funds



Source: Citi ICG Analytics

## Hedge Fund Performance by Strategy

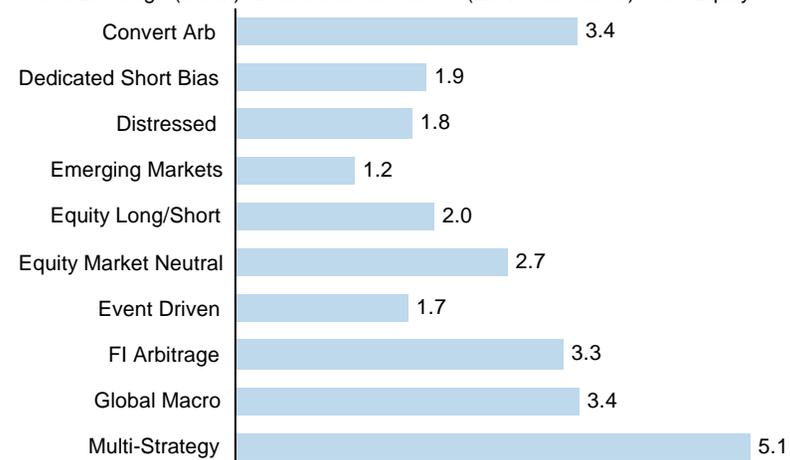


Source: Citi ICG Analytics

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

# Monthly Performance by Strategy

Data as of Sep-2010

Monthly Median:   
 Trailing 60 Month Median: 



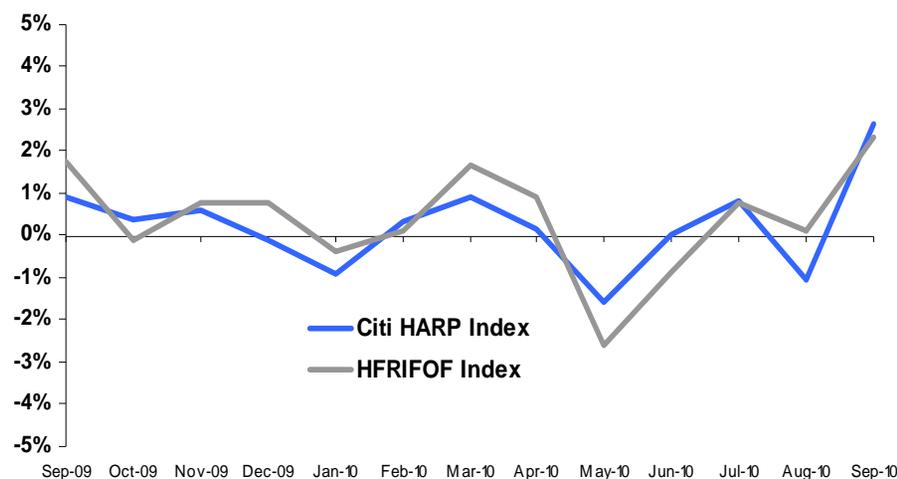
Source: Citi ICG Analytics

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 Sep-2010

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

	Sep-10	Aug-10	Sep-09	YTD-10
Citi Harp	2.63%	-1.05%	0.90%	1.27%
HFRIFOF	2.34%	0.13%	1.74%	2.01%

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

Annualized Performance: Last 12-Month	Citi HARP Index	HFRIFOF
Annualised Return	2.15%	3.51%
Annualised Volatility	3.79%	4.36%
Sharpe Ratio	0.498	0.745
Correlation	82.43%	-

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.

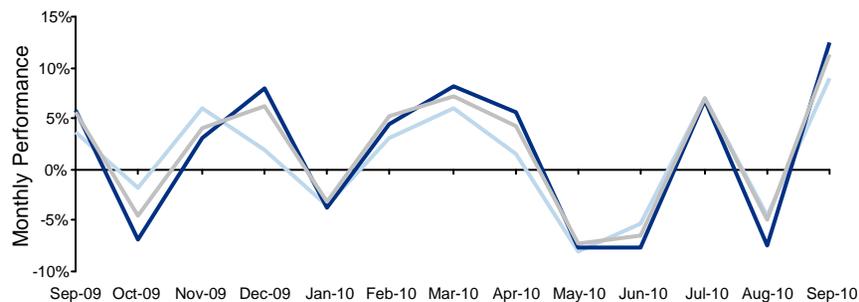
The Index contains weighted components. The components are a money market component and various index components. Each index component represents a class of asset in which the hedge fund sector is assumed to invest: bond, commodity, equity and foreign exchange.

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

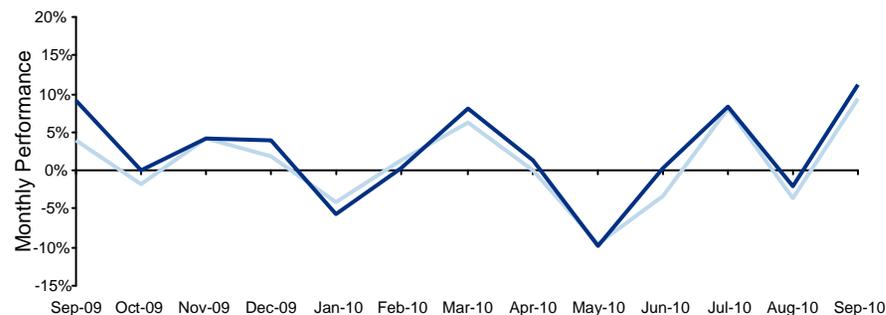
Data as of Sep-2010

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



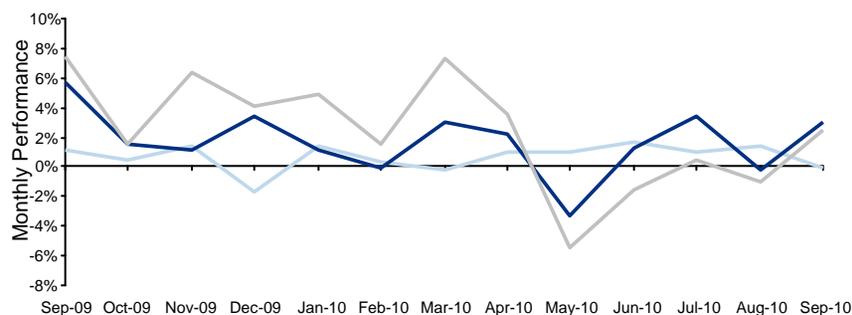
		Sep-10	Aug-10	Sep-09	YTD-10
S&P 500		8.9%	-4.5%	3.7%	3.9%
RUS 2000		12.5%	-7.4%	5.8%	9.1%
S&P Mid		11.3%	-4.9%	5.7%	11.6%

## Global Equities (Developed vs. Emerging)



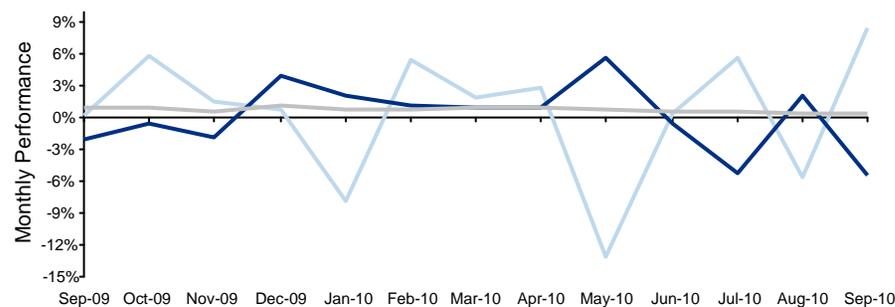
		Sep-10	Aug-10	Sep-09	YTD-10
MSCI World		9.4%	-3.7%	4.0%	3.0%
MSCI EM		11.1%	-1.9%	9.1%	11.0%

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



		Sep-10	Aug-10	Sep-09	YTD-10
Citi US BIG Index		0.0%	1.3%	1.1%	7.7%
Citi HY Bond Index		3.0%	-0.1%	5.8%	10.7%
Altman Defaulted		2.5%	-1.1%	7.4%	12.3%

## Commodities (US\$ performance)



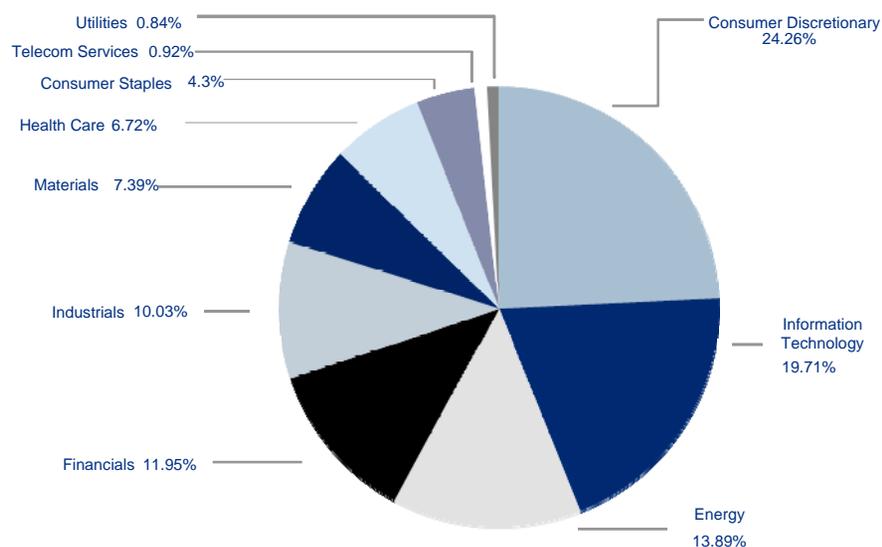
		Sep-10	Aug-10	Sep-09	YTD-10
S&P GSCI		8.5%	-5.5%	0.2%	-3.9%
US-\$ Index		-5.4%	2.0%	-1.9%	1.1%
US 2yr Note		0.4%	0.5%	1.0%	0.7%

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

# US Securities Lending Sector Short Flows

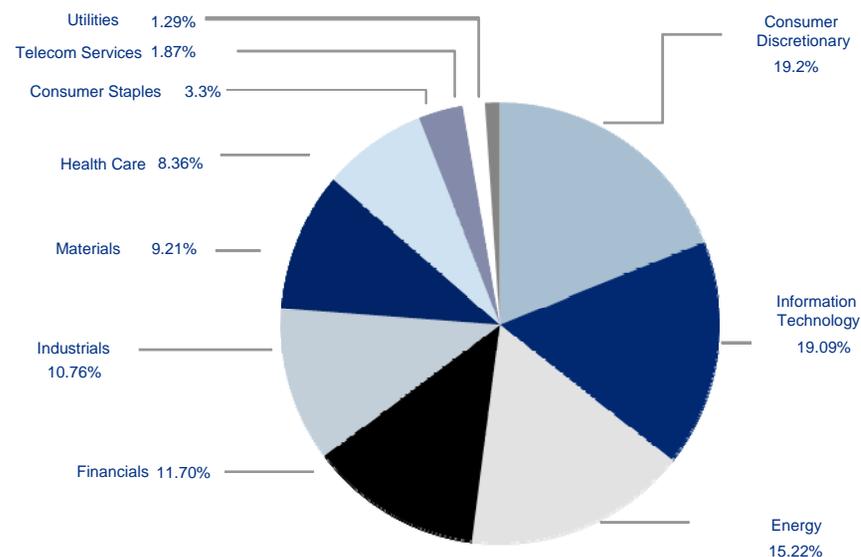
Data as of Sep-2010

## Short Sale Executions



Sector Short Flows	% Short Execution	% Previous Month Short Execution	% Change From Previous Month
Consumer Discretionary	24.26	22.09	9.82
Information Technology	19.71	20.45	-3.62
Energy	13.89	11.91	16.62
Financials	11.95	15.49	-22.85
Industrials	10.03	9.25	8.43
Materials	7.39	6.69	10.46
Health Care	6.72	7.46	-9.92
Consumer Staples	4.3	4.25	1.18
Telecom Services	0.92	1.47	-37.41
Utilities	0.84	0.94	-10.64

## Short Cover Executions

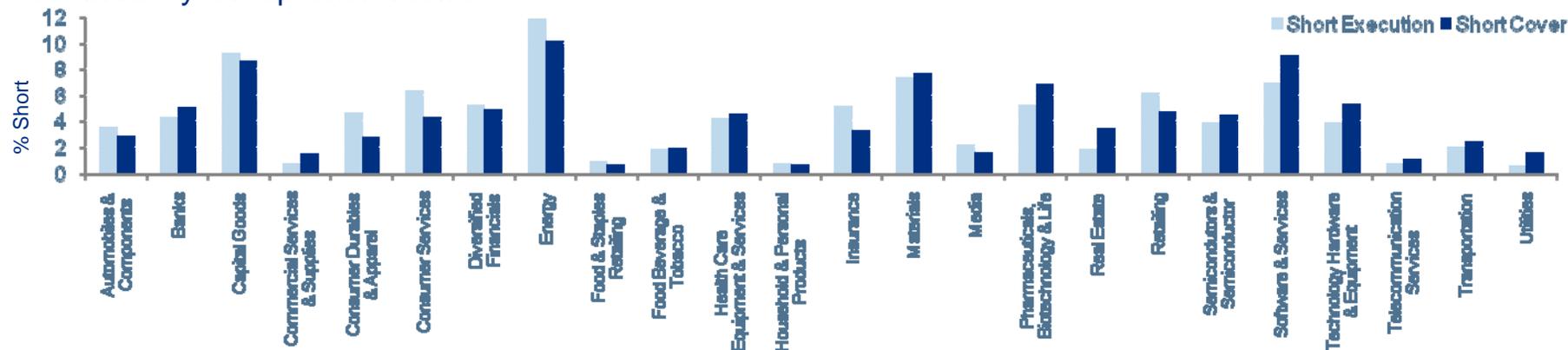


Sector Short Flows	% Cover Execution	% Previous Month Short Cover	% Change From Previous Month
Consumer Discretionary	19.20	18.29	4.98
Information Technology	19.09	18.76	1.76
Energy	15.22	16.41	-7.25
Financials	11.70	12.04	-2.82
Industrials	10.76	11.68	-7.88
Materials	9.21	9.01	2.22
Health Care	8.36	8.41	-0.59
Consumer Staples	3.30	2.34	41.03
Telecom Services	1.87	1.70	10
Utilities	1.29	1.35	-4.44

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 Sep-2010

## Citi Industry Group Short Flows



Industry	% Short Execution	% Previous Month Short Execution	% Change From Previous Month	Industry	% Cover Execution	% Previous Month Short Cover	% Change From Previous Month
Energy	13.89	11.91	16.62	Energy	11.70	12.04	-2.82
Software & Services	9.66	9.23	4.66	Software & Services	9.43	9.66	-2.38
Consumer Services	8.86	6.67	32.83	Materials	8.36	8.41	-0.59
Materials	7.39	6.69	10.46	Capital Goods	7.70	7.79	-1.16
Retailing	7.21	6.58	9.57	Retailing	6.37	4.63	37.58
Capital Goods	6.91	6.51	6.14	Technology, Hardware & Equipment	5.82	4.93	18.05
Semiconductors & Semiconductor	5.14	3.82	34.55	Consumer Services	4.85	4.94	-1.82
Technology Hardware & Equipment	4.90	7.40	-33.78	Pharmaceuticals, Biotechnology & Life	4.79	5.07	-5.52
Diversified Financials	4.32	5.68	-23.94	Diversified Financials	4.66	6.23	-25.52
Pharmaceuticals, Biotechnology & Life	3.56	3.70	-3.78	Banks	4.64	3.73	24.40
Banks	3.53	3.60	-1.94	Healthcare Equipment & Services	4.42	3.94	12.18
Consumer Durables & Apparel	3.52	3.22	9.32	Semiconductors & Semiconductor	3.84	4.17	-7.91
Healthcare Equipment & Services	3.15	3.76	-16.22	Insurance	3.53	4.03	-12.41
Food, Beverage & Tobacco	2.59	1.80	43.89	Automobiles & Components	3.02	2.73	10.62
Automobiles & Components	2.35	2.21	6.33	Media	2.98	2.35	26.81
Media	2.32	3.41	-31.96	Real Estate	2.38	2.42	-1.65
Insurance	2.06	3.89	-47.04	Transportation	2.13	2.86	-25.52
Real Estate	2.03	2.32	-12.50	Food, Beverage & Tobacco	2.10	1.51	39.07
Transportation	2.01	1.99	1.01	Consumer Durables & Apparel	1.98	3.64	-45.60
Commercial Services & Supplies	1.11	0.76	46.05	Telecom Services	1.87	1.70	10.00
Household & Personal Products	0.98	1.40	-30.00	Utilities	1.29	1.35	-4.44
Telecom Services	0.92	1.47	-37.41	Commercial Services & Supplies	0.93	1.03	-9.71
Utilities	0.84	0.94	-10.64	Household & Personal Products	0.77	0.38	102.63
Food & Staples Retailing	0.74	1.04	-28.85	Food & Staples Retailing	0.43	0.45	-4.44

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 Sep-2010

## Citi Short Flows: September 2010

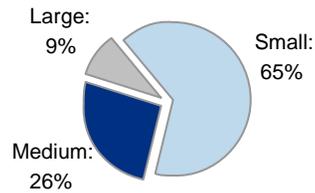
GICS Code	Description	% Short Executions This Month	% Short Executions From Last Month	% Change From Last Month	% Short Cover This Month	% Short Cover From Last Month	% Change From Last Month
<b>Sector</b>	<b>Sector</b>						
10	Energy	13.89	11.97	16.62	11.70	12.04	-2.82
15	Materials	7.39	6.69	10.46	8.36	8.41	-0.59
20	Industrials	10.03	9.25	8.43	10.76	11.68	-7.88
25	Consumer Discretionary	24.26	22.09	9.82	19.20	18.29	4.98
30	Consumer Staples	4.30	4.25	1.18	3.30	2.34	41.03
35	Health Care	6.72	7.46	-9.92	9.21	9.01	2.22
40	Financials	11.95	15.49	-22.85	15.22	16.41	-7.25
45	Information Technology	19.71	20.45	-3.62	19.09	18.76	1.76
50	Telecommunication Services	0.92	1.47	-37.41	1.87	1.70	10.00
55	Utilities	0.84	0.94	-10.64	1.29	1.35	-4.44
<b>Industry Group</b>	<b>Industry Group</b>						
1010	Energy	13.89	11.91	16.62	11.70	12.04	-2.82
1510	Materials	7.39	6.69	10.46	8.36	8.41	-0.59
2010	Capital Goods	6.91	6.51	6.14	7.70	7.79	-1.16
2020	Commercial Services & Supplies	1.11	0.76	46.05	0.93	1.03	-9.71
2030	Transportation	2.01	1.99	1.01	2.13	2.86	-25.52
2510	Automobiles & Components	2.35	2.21	6.33	3.02	2.73	10.62
2520	Consumer Durables & Apparel	3.52	3.22	9.32	1.98	3.64	-45.60
2530	Consumer Services	8.86	6.67	32.83	4.85	4.94	-1.82
2540	Media	2.32	3.41	-31.96	2.98	2.35	26.81
2550	Retailing	7.21	6.58	9.57	6.37	4.63	37.58
3010	Food & Staples Retailing	0.74	1.04	-28.85	0.43	0.45	-4.44
3020	Food Beverage & Tobacco	2.59	1.80	43.89	2.10	1.51	39.07
3030	Household & Personal Products	0.98	1.40	-30.00	0.77	0.38	102.63
3510	Health Care Equipment & Services	3.15	3.76	-16.22	4.42	3.94	12.18
3520	Pharmaceuticals, Biotechnology & Life Sciences	3.56	3.70	-3.78	4.79	5.07	-5.52
4010	Banks	3.53	3.60	-1.94	4.64	3.73	24.40
4020	Diversified Financials	4.32	5.68	-23.94	4.66	6.23	-25.20
4030	Insurance	2.06	3.89	-47.04	3.53	4.03	-12.41
4040	Real Estate	2.03	2.32	-12.50	2.38	2.42	-1.65
4510	Software & Services	9.66	9.23	4.66	9.43	9.66	-2.38
4520	Technology Hardware & Equipment	4.90	7.40	-33.78	5.82	4.93	18.05
4530	Semiconductors & Semiconductor Equipment	5.14	3.82	34.55	3.84	4.17	-7.91
5010	Telecommunication Services	0.92	1.47	-37.41	1.87	1.70	10.00
5510	Utilities	0.84	0.94	-10.64	1.29	1.35	-4.44

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

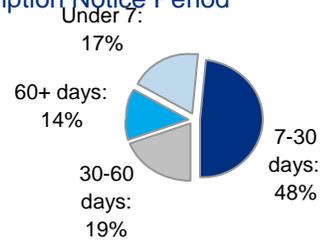
# Hedge Fund (Fund Level) Profiles

Data as of Sep-2010

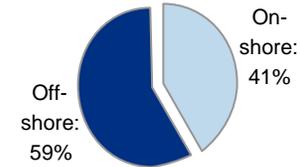
By Fund Size—No. of Funds



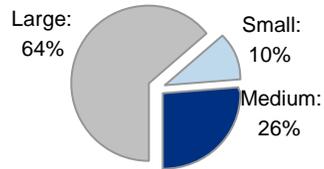
Redemption Notice Period



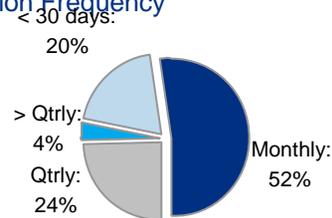
On-shore/Off-shore



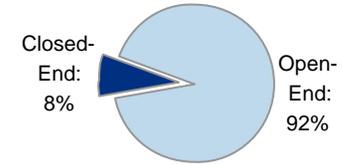
By Fund Size—\$ AUM



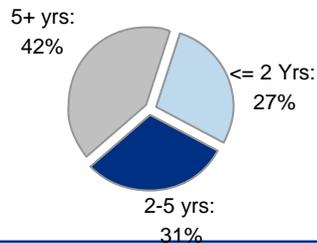
Redemption Frequency



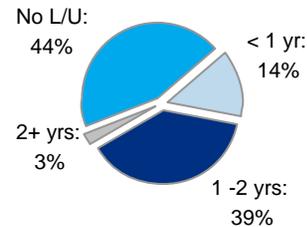
Legal Status



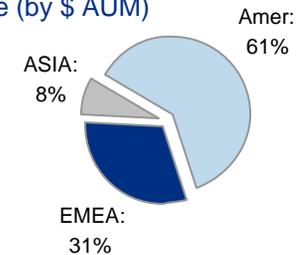
By Fund Age—No. of Funds



Lock-Up



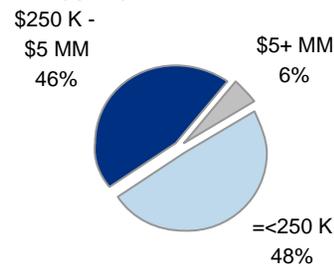
Domicile (by \$ AUM)



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 Sep-2010

## 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	8%	\$783	1.1%	5.9%	66%	69%	n/m	60+ days / 35%	Monthly / 41%
2-5 yrs	18%	\$768	1.2%	5.5%	67%	74%	1-2 yrs / 47%	60+ days / 33%	Monthly / 51%
Over 5 yrs	74%	\$937	1.9%	4.6%	66%	66%	No / 48%	7-30 days / 38%	Monthly / 51%
<b>Total</b>	<b>100%</b>	<b>\$877</b>	<b>1.7%</b>	<b>5.2%</b>	<b>66%</b>	<b>67%</b>	<b>No / 45%</b>	<b>7-30 days / 34%</b>	<b>Monthly / 50%</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	15%	\$173	1.3%	6.3%	52%	79%	1-2 yrs / 47%	7-30 days / 36%	Monthly / 44%
2-5 yrs	29%	\$185	1.5%	4.2%	69%	66%	1-2 yrs / 46%	7-30 days / 42%	Monthly / 52%
Over 5 yrs	56%	\$204	2.3%	4.3%	73%	61%	No / 54%	7-30 days / 53%	Monthly / 54%
<b>Total</b>	<b>100%</b>	<b>\$194</b>	<b>1.8%</b>	<b>4.4%</b>	<b>69%</b>	<b>65%</b>	<b>No / 47%</b>	<b>7-30 days / 48%</b>	<b>Monthly / 52%</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	21%	\$26	1.9%	5.3%	56%	69%	1-2 yrs / 52%	7-30 days / 42%	Monthly / 50%
2-5 yrs	34%	\$26	2.2%	3.9%	66%	60%	No / 43%	7-30 days / 49%	Monthly / 56%
Over 5 yrs	44%	\$30	2.8%	3.4%	73%	52%	No / 51%	7-30 days / 56%	Monthly / 49%
<b>Total</b>	<b>100%</b>	<b>\$28</b>	<b>2.3%</b>	<b>4.0%</b>	<b>67%</b>	<b>58%</b>	<b>No / 46%</b>	<b>7-30 days / 51%</b>	<b>Monthly / 52%</b>

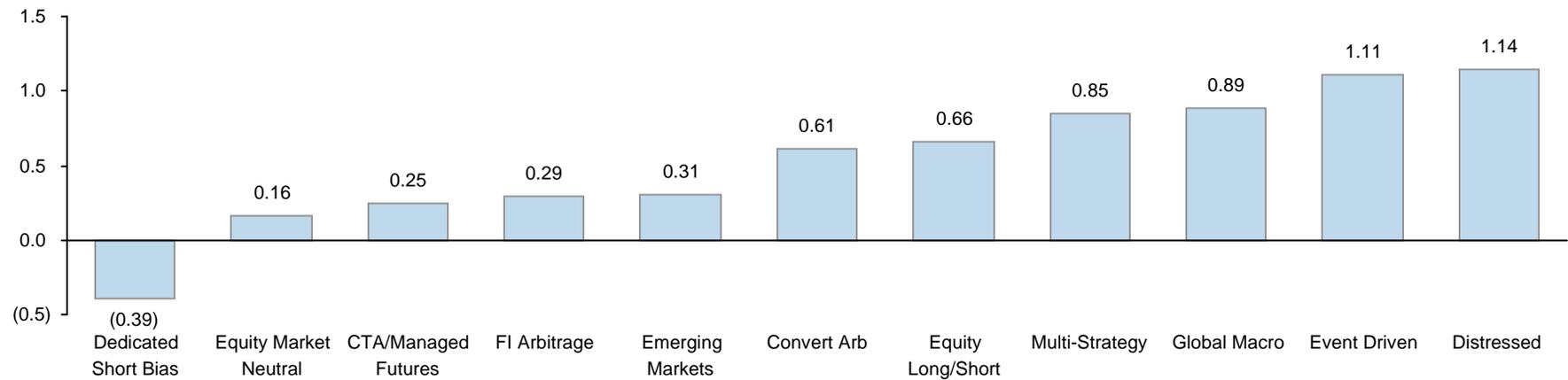
Source: Citi ICG Analytics

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

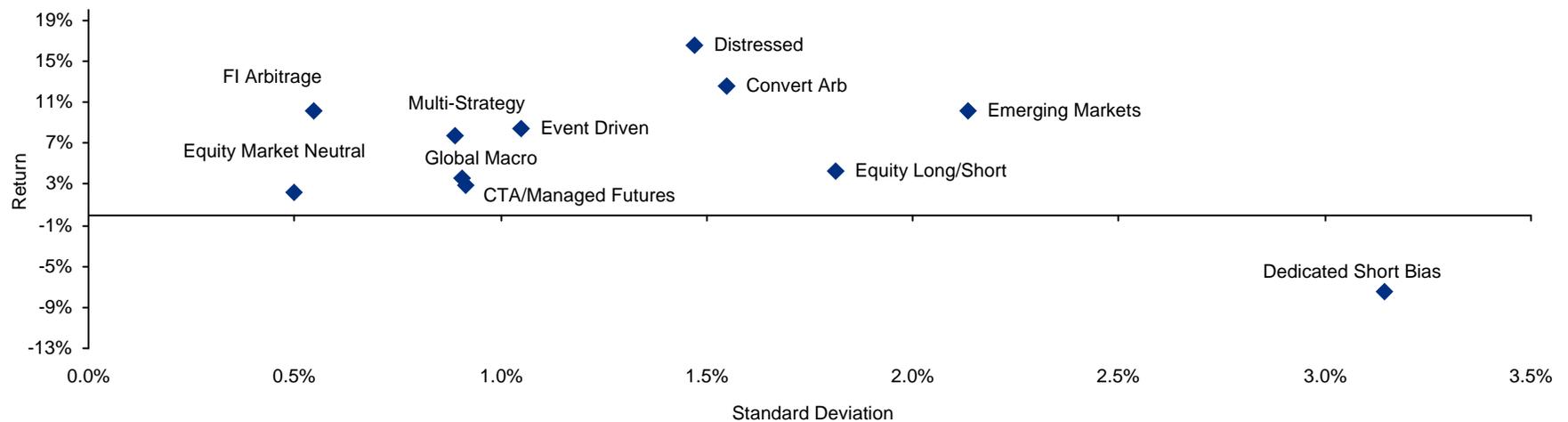
Data as of Sep-2010

## Sharpe Ratios (Jun-94 – Sep-10)



Source: Credit Suisse Tremont

## Risk vs. Return (Sep-09 – Sep-10)



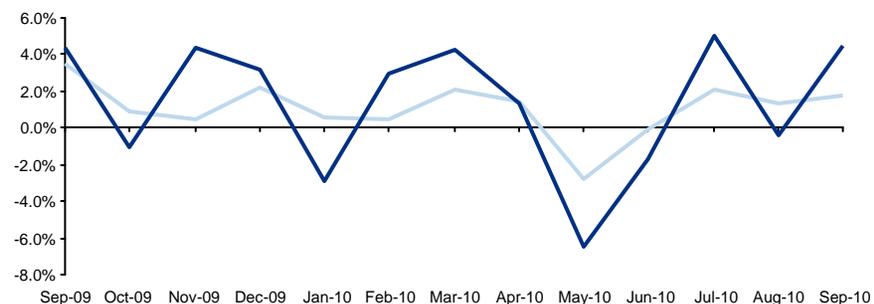
Source: Citi ICG Analytics

# Convertible Arbitrage

Data as of Sep-2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.6%	0.5%	2.1%	1.4%	-2.8%	-0.1%	2.1%	1.3%	1.7%				6.9%

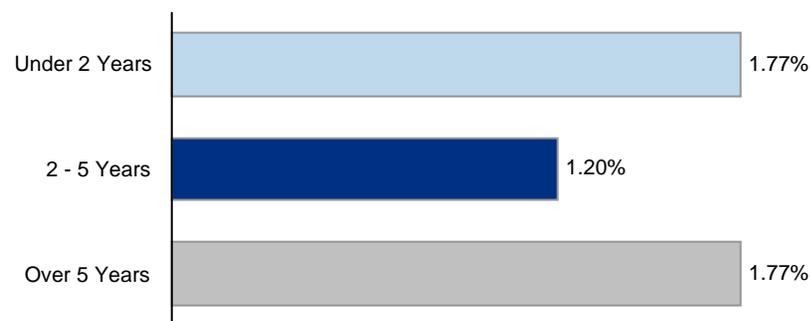
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Sep-10	Aug-10	Sep-09	YTD-10
Convert Arb	1.7%	1.3%	3.5%	6.9%
CWB ETF	4.5%	-0.4%	4.4%	5.9%

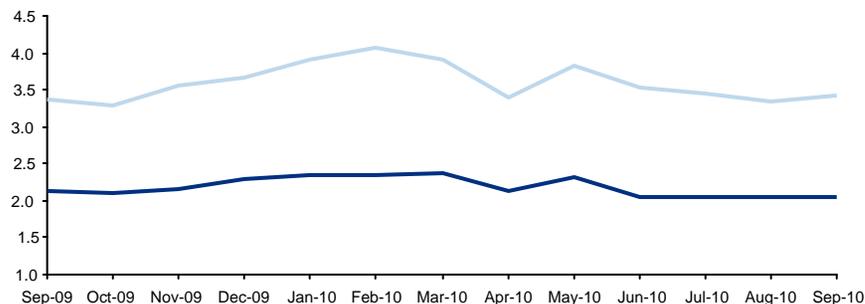
Source: Citi ICG Analytics; FactSet

## Hedge Fund Performance by Age (1)



Source: Citi ICG Analytics

## Leverage Profile (Monthly, LTM)

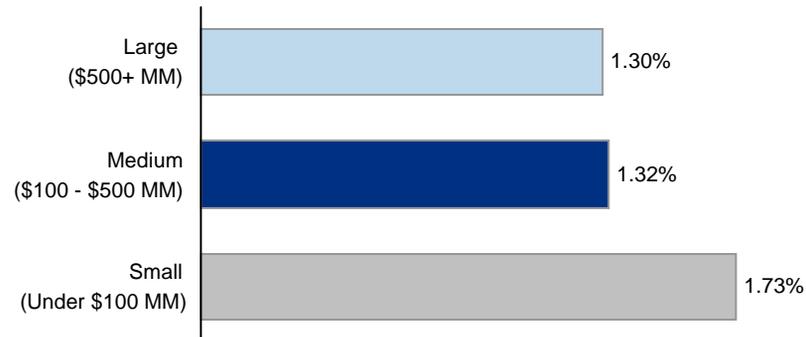


Gross Leverage (Mean): Defined as the sum of (LMV + abs SMV) / Net Equity

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

Source: Citi Prime Finance

## Hedge Fund Performance by Size (1)



Source: Citi ICG Analytics

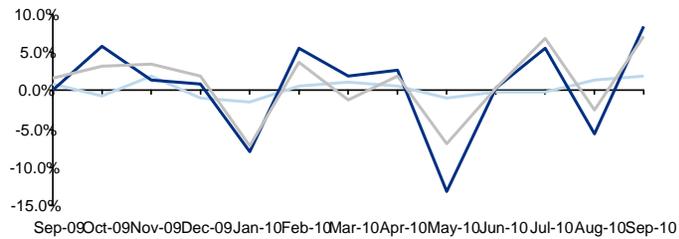
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. (1) Universe and sample sizes may be small.

# CTA/Managed Futures

Data as of Sep-2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
<b>Citi-derived Median</b>	-1.4%	0.5%	1.1%	0.8%	-0.8%	-0.1%	-0.1%	1.3%	1.9%				3.2%

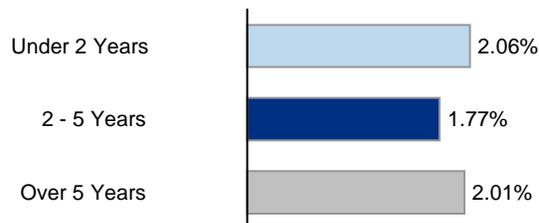
## Hedge Fund Performance vs. Benchmark



	Sep-10	Aug-10	Sep-09	YTD-10
CTA/Mgd Futures	1.9%	1.3%	0.8%	3.2%
S&P GSCI Commodity (SPGSCI)	8.5%	-5.5%	0.2%	-3.9%
DJ-UBS Commodity (DJAGK)	7.2%	-2.6%	1.6%	0.8%

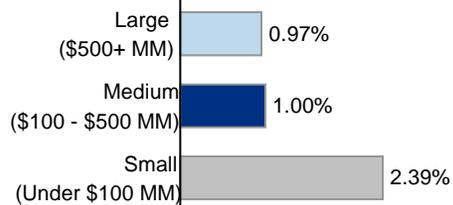
Source: Citi ICG Analytics; FactSet

## Hedge Fund Performance by Age



Source: Citi ICG Analytics

## Hedge Fund Performance by Size

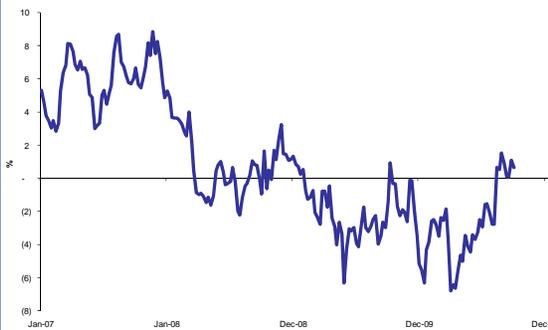


Source: Citi ICG Analytics

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

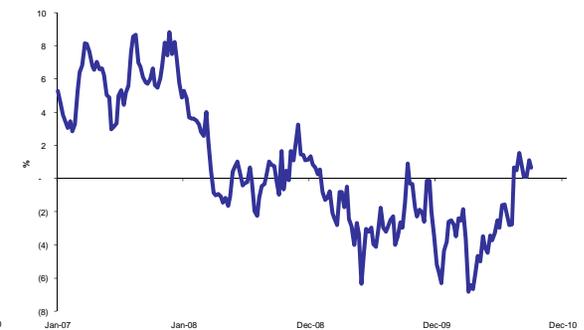
## Large Speculator Positions: CFTC Commitment Of Trader (Futures & Options) Report Net of Longs Less Shorts As Percent of Total Open Positions

Combined S&P / Weighted Mini S&P Contracts



Last Update: 9/28/10 -0.8%

U.S. 10-Year Treasury Futures



Last Update: 9/28/10 0.6%

EuroFX Futures



Last Update: 9/28/10 -5.1%

Gold Futures



Last Update: 9/28/10 +16.7%

Source: CFTC, Bloomberg, Citi Futures Perspective

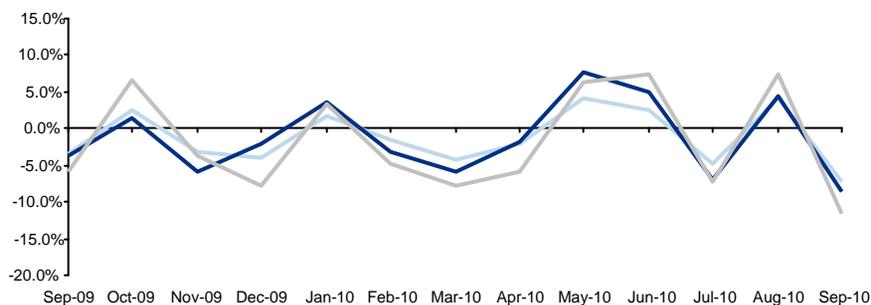


# Dedicated Short Bias

Data as of Sep-2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
<b>Citi-derived Median</b>	1.7%	-1.6%	-4.3%	-2.0%	4.2%	2.5%	-4.9%	4.1%	-7.3%				-8.0%

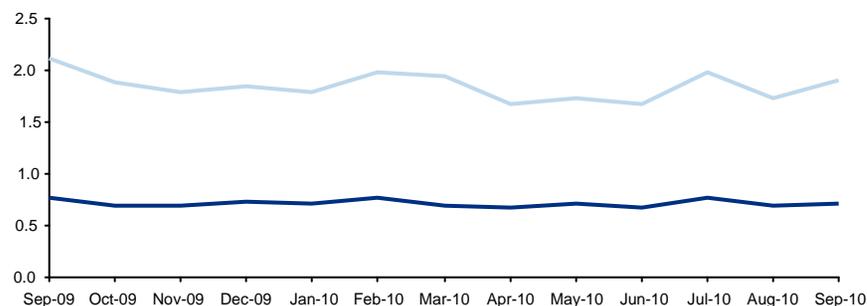
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Sep-10	Aug-10	Sep-09	YTD-10
Ded Short Bias	-7.3%	4.1%	-3.3%	-8.0%
S&P Short ETF (SH)	-8.5%	4.4%	-3.7%	-7.0%
Rus 2000 Short ETF (RWM)	-11.7%	7.3%	-5.9%	-14.4%

Source: Citi ICG Analytics; FactSet

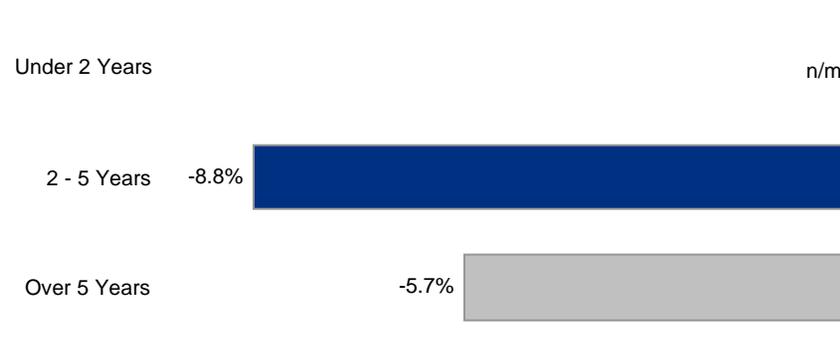
## Leverage Profile (Monthly, LTM)



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

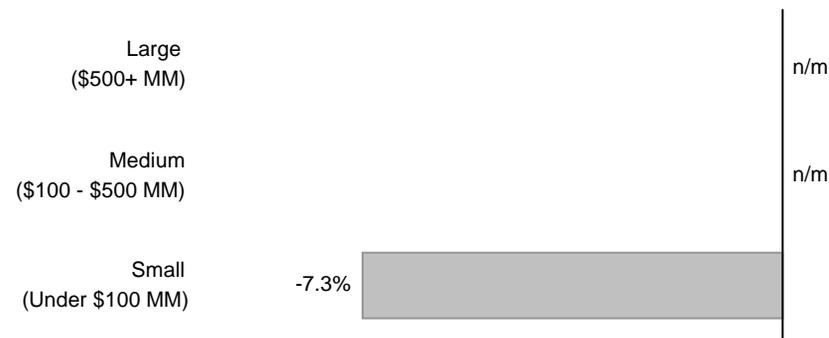
Source: Citi Prime Finance

## 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

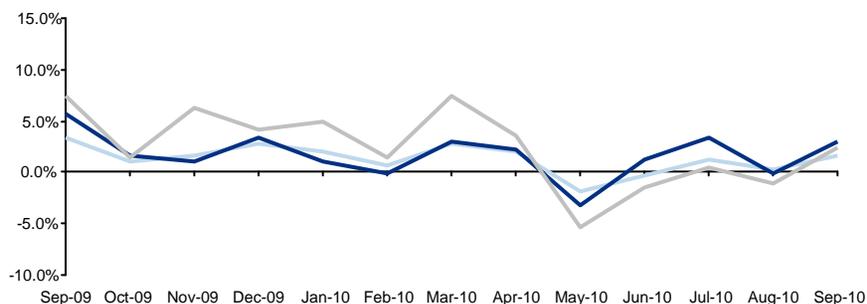


# Distressed

Data as of Sep-2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
<b>Citi-derived Median</b>	<b>2.0%</b>	<b>0.6%</b>	<b>2.8%</b>	<b>2.1%</b>	<b>-1.9%</b>	<b>-0.3%</b>	<b>1.3%</b>	<b>0.2%</b>	<b>1.7%</b>				<b>8.5%</b>

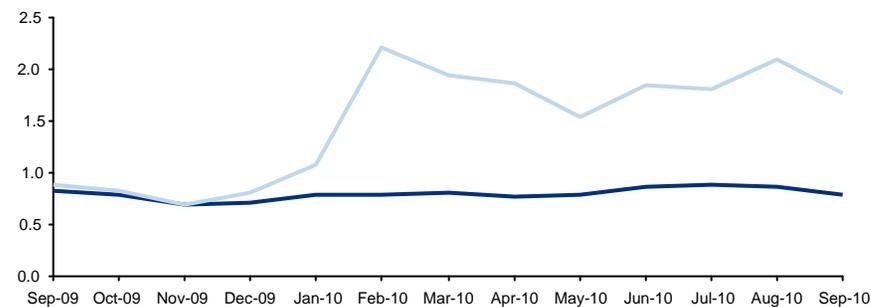
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Sep-10	Aug-10	Sep-09	YTD-10
Distressed	1.7%	0.2%	3.4%	8.5%
Citi HY Bond Index	3.0%	-0.1%	5.8%	10.7%
Altman Defaulted Index	2.5%	-1.1%	7.4%	12.3%

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

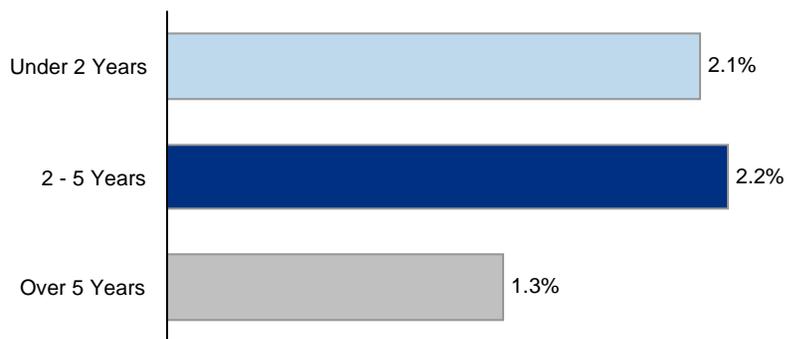
## Leverage Profile (Monthly, LTM)



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

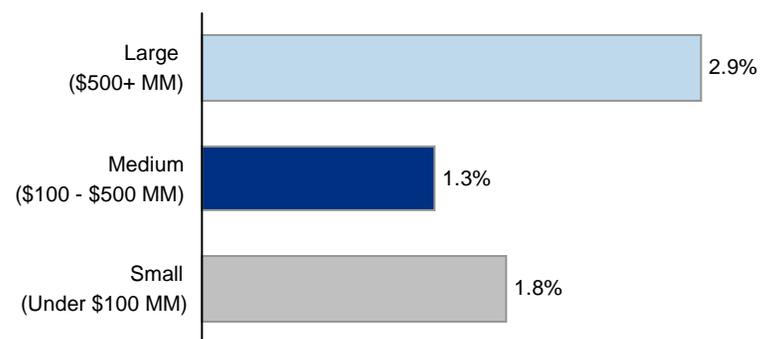
Source: Citi Prime Finance

## 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

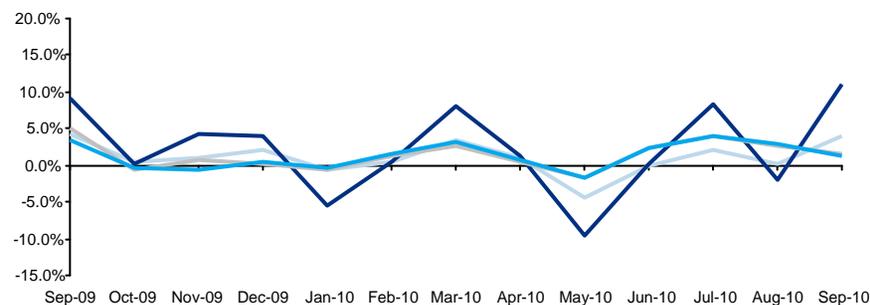


# Emerging Markets

Data as of Sep-2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	-0.7%	0.3%	3.6%	0.9%	-4.3%	0.0%	2.2%	0.1%	4.0%				6.0%

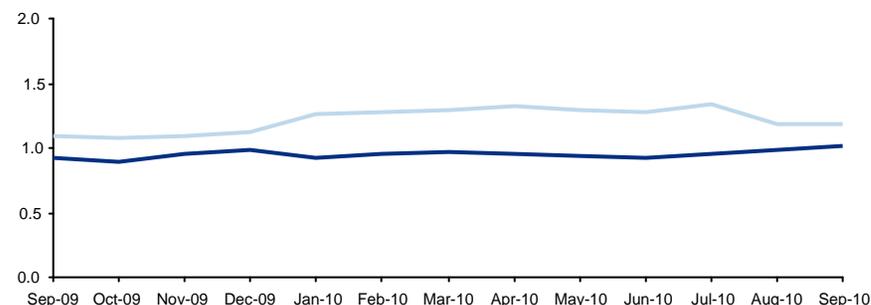
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Sep-10	Aug-10	Sep-09	YTD-10
Emerging Mkts	4.0%	0.1%	4.2%	6.0%
MSCI EM	11.1%	-1.9%	9.1%	11.0%
JPM EMBIG Core ETF (EMB)	1.6%	2.6%	5.2%	13.3%
DB EM Liquid ETF (PCY)	1.3%	2.8%	3.5%	14.3%

Source: Citi ICG Analytics; FactSet

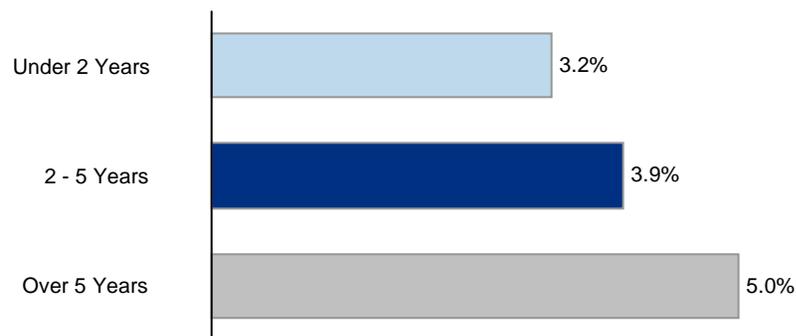
## Leverage Profile (Monthly, LTM)



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

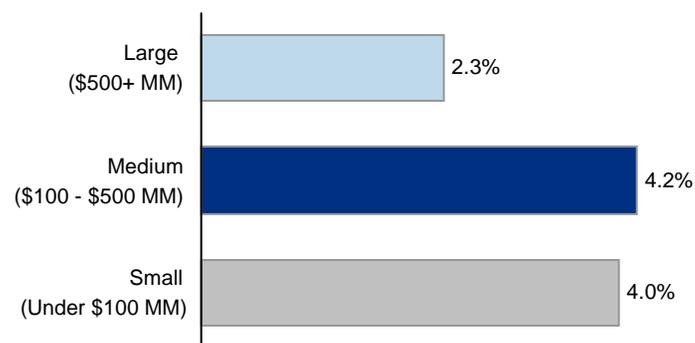
Source: Citi Prime Finance

## 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

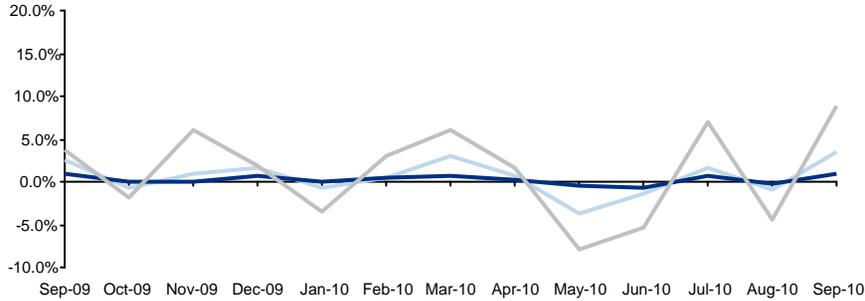


# Equity Long/Short

Data as of Sep-2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
<b>Citi-derived Median</b>	-0.7%	0.5%	3.0%	0.8%	-3.6%	-1.3%	1.7%	-0.9%	3.6%				3.0%

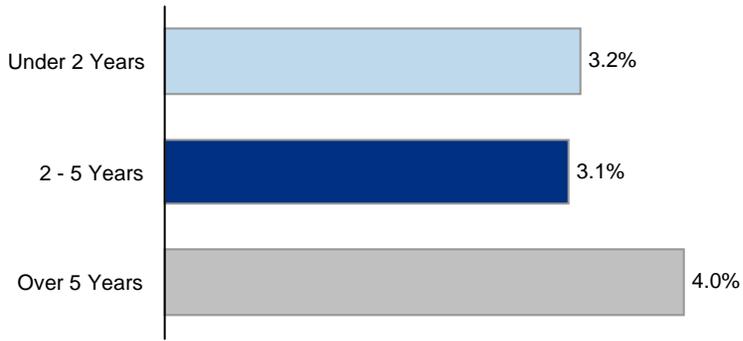
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Sep-10	Aug-10	Sep-09	YTD-10
Eq Long/Short	3.6%	-0.9%	2.6%	3.0%
Eq Mkt Neutral	0.8%	-0.3%	0.8%	1.5%
S&P 500	8.9%	-4.5%	3.7%	3.9%

Source: Citi ICG Analytics; FactSet

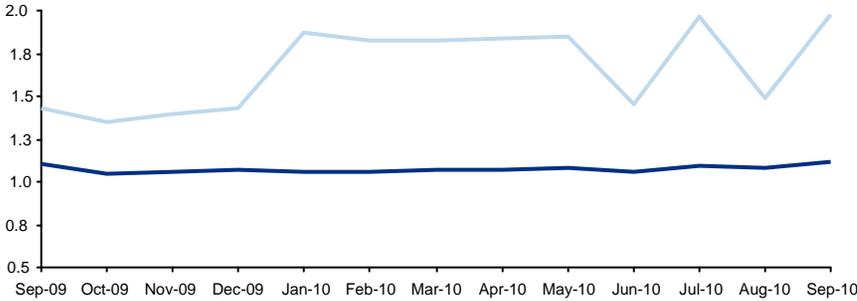
## Hedge Fund Performance by Age



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

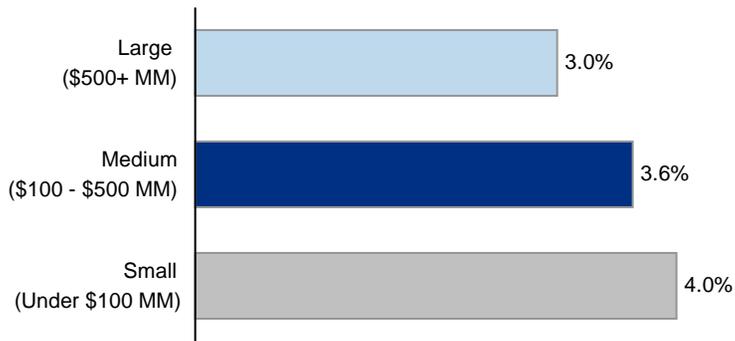
## Leverage Profile (Monthly, LTM)



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 Size



Source: Citi ICG Analytics

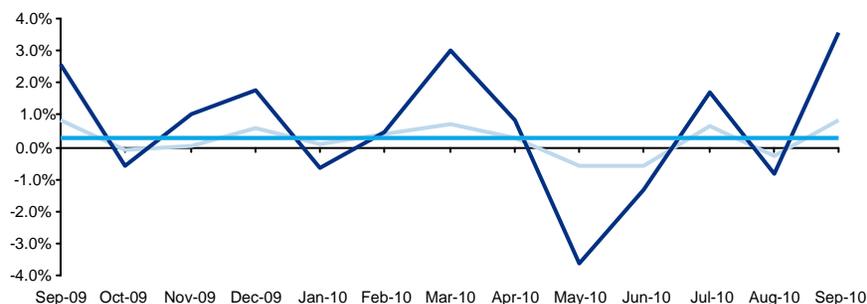


# Equity Market Neutral

Data as of Sep-2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
<b>Citi-derived Median</b>	<b>0.1%</b>	<b>0.4%</b>	<b>0.7%</b>	<b>0.3%</b>	<b>-0.6%</b>	<b>-0.6%</b>	<b>0.7%</b>	<b>-0.3%</b>	<b>0.8%</b>				<b>1.5%</b>

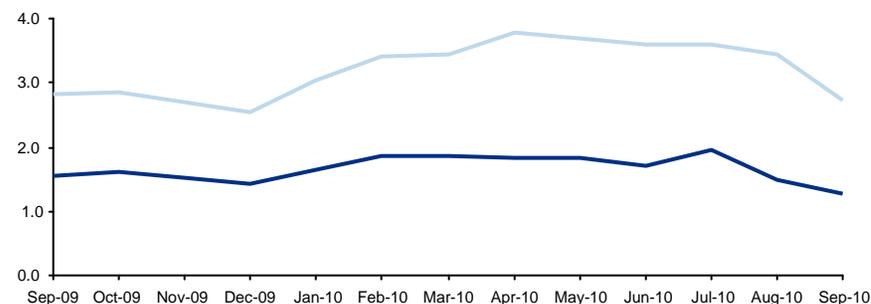
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Sep-10	Aug-10	Sep-09	YTD-10
Eq Mkt Neutral	0.8%	-0.3%	0.8%	1.5%
Eq Long/Short	3.6%	-0.9%	2.6%	3.0%
LIBOR + 300 bps	0.3%	0.3%	0.3%	2.5%
US T-Bill + 300 bps	0.3%	0.3%	0.3%	2.4%

Source: Citi ICG Analytics; FactSet

## Leverage Profile (Monthly, LTM)

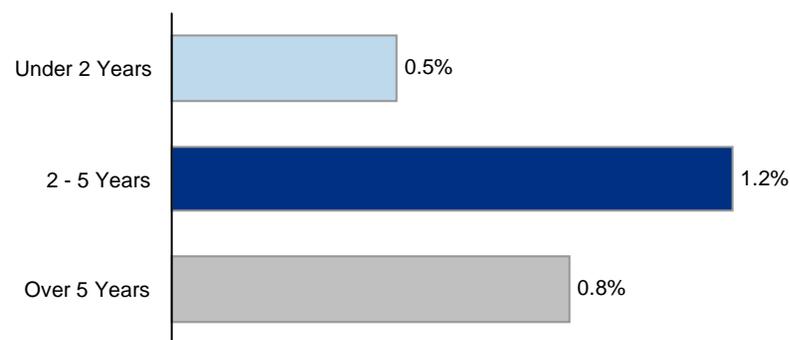


Gross Leverage (Mean): Defined as the sum of (LMV + abs SMV) / Net Equity

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

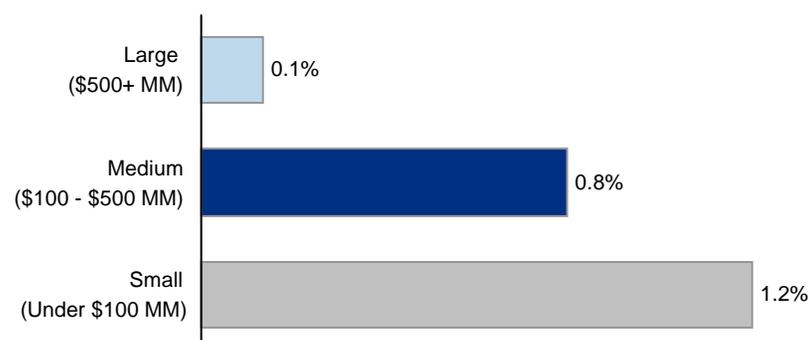
Source: Citi Prime Finance

## 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

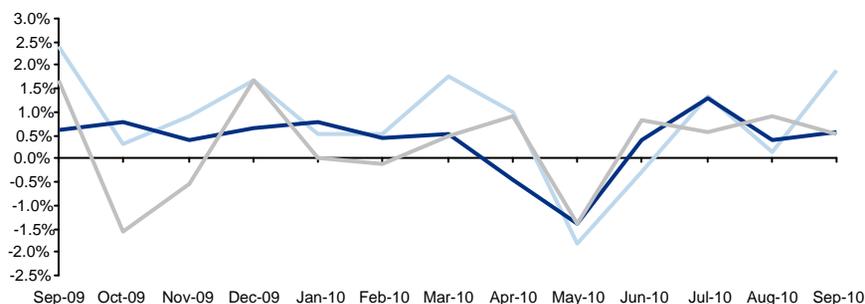


# Event Driven

Data as of Sep-2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
<b>Citi-derived Median</b>	<b>0.5%</b>	<b>0.5%</b>	<b>1.8%</b>	<b>1.0%</b>	<b>-1.8%</b>	<b>-0.3%</b>	<b>1.4%</b>	<b>0.2%</b>	<b>1.9%</b>				<b>5.1%</b>

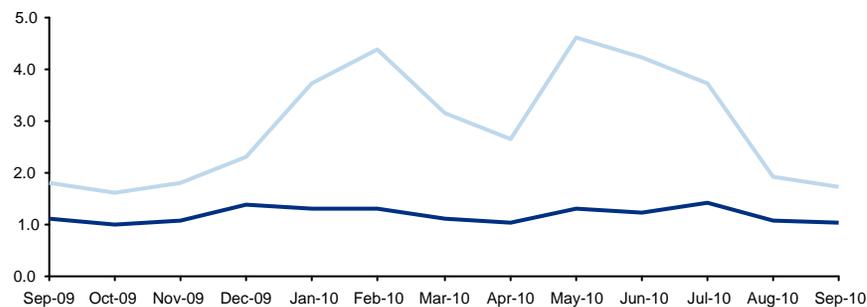
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Sep-10	Aug-10	Sep-09	YTD-10
Event Driven	1.9%	0.2%	2.4%	5.1%
The Merger Fund (MERFX)	0.6%	0.4%	0.6%	2.5%
AQR Div Arb Fund (ADANX)	0.5%	0.9%	1.7%	2.8%

Source: Citi ICG Analytics; FactSet

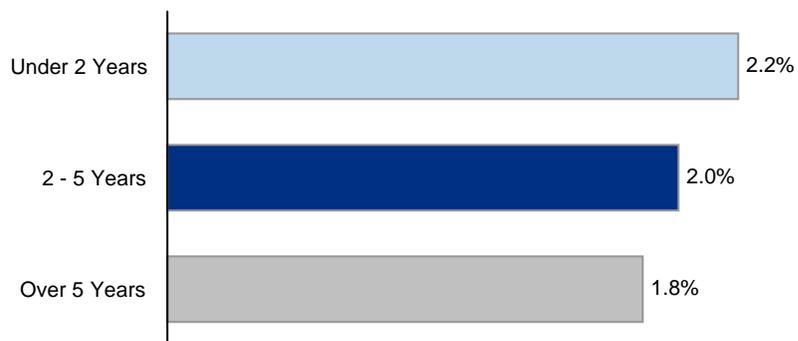
## Leverage Profile (Monthly, LTM)



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

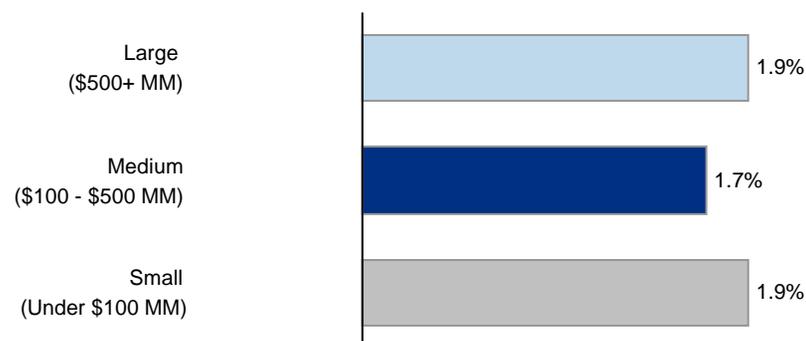
Source: Citi Prime Finance

## 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

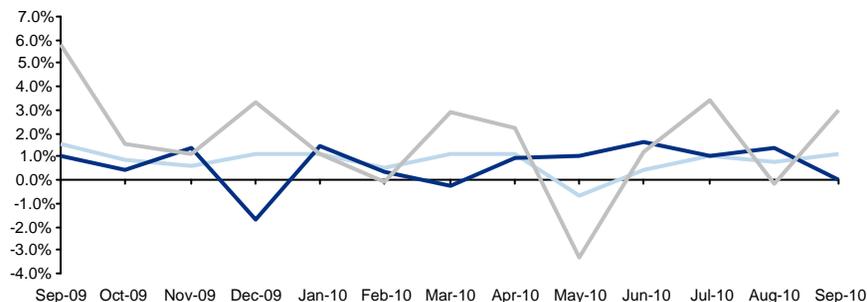


# FI Arbitrage

Data as of Sep-2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
<b>Citi-derived Median</b>	<b>1.1%</b>	<b>0.5%</b>	<b>1.1%</b>	<b>1.1%</b>	<b>-0.6%</b>	<b>0.4%</b>	<b>1.0%</b>	<b>0.8%</b>	<b>1.2%</b>				<b>6.7%</b>

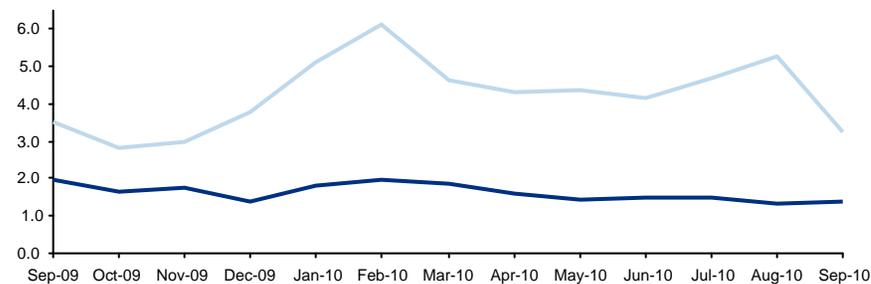
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Sep-10	Aug-10	Sep-09	YTD-10
FI Arbitrage	1.2%	0.8%	1.5%	6.7%
Citi US BIG Index	0.0%	1.3%	1.1%	7.7%
Citi HY Bond Index	3.0%	-0.1%	5.8%	10.7%

Source: Citi ICG Analytics; Citigroup Index LLC

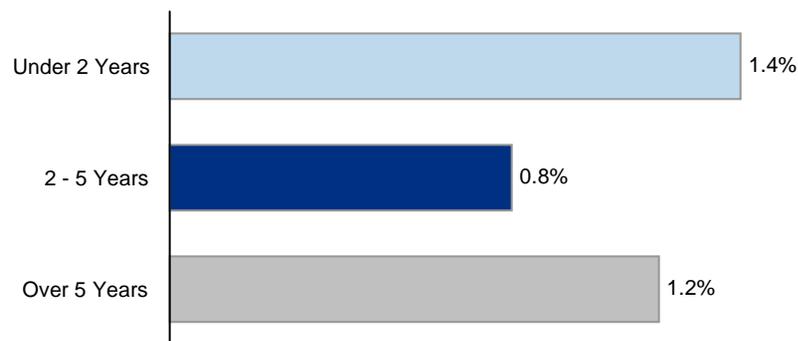
## Leverage Profile (Monthly, LTM)



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

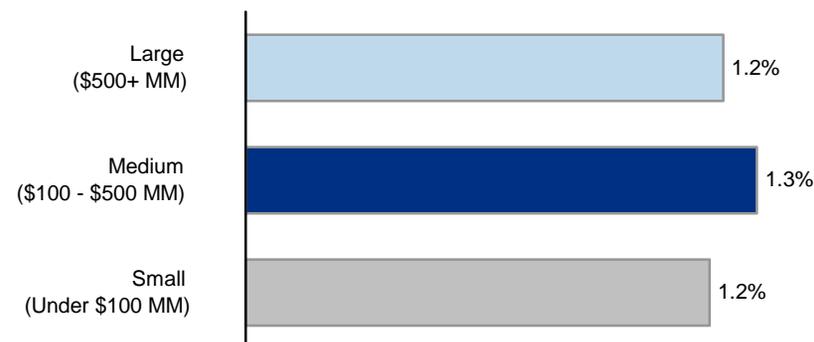
Source: Citi Prime Finance

## 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

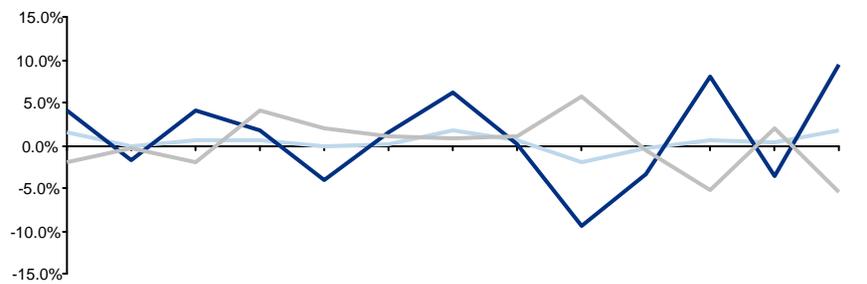


# Global Macro

Data as of Sep-2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
<b>Citi-derived Median</b>	-0.2%	0.1%	1.7%	0.6%	-1.9%	-0.4%	0.5%	0.4%	1.8%				2.7%

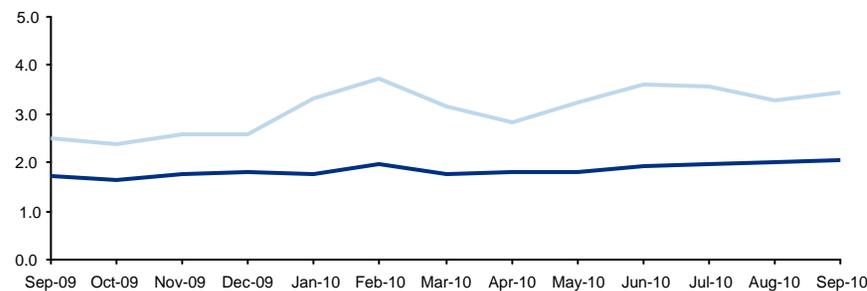
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Sep-10	Aug-10	Sep-09	YTD-10
Global Macro	1.8%	0.4%	1.5%	2.7%
MSCI World	9.4%	-3.7%	4.0%	3.0%
US\$-Index	-5.4%	2.0%	-1.9%	1.1%

Source: Citi ICG Analytics; FactSet

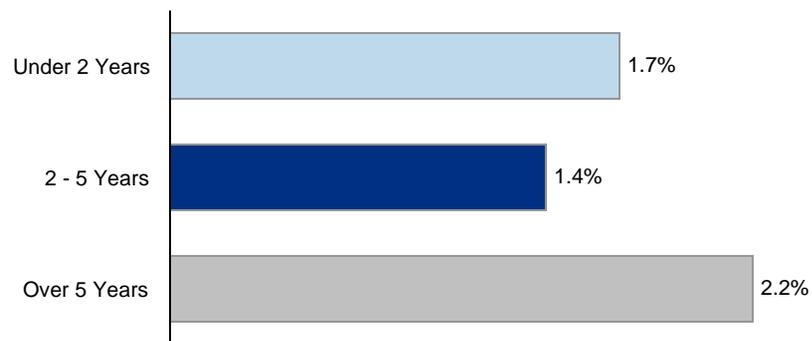
## Leverage Profile (Monthly, LTM)



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

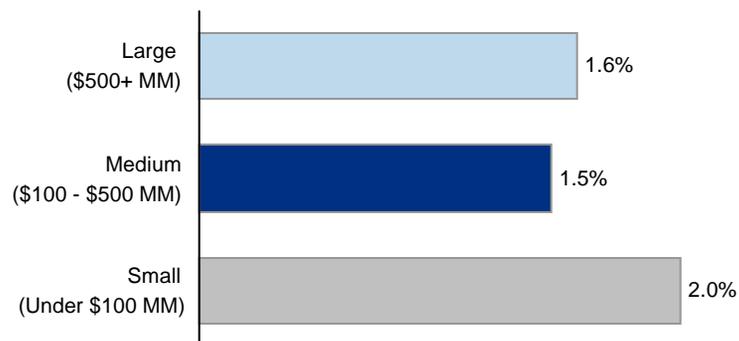
Source: Citi ICG Analytics; FactSet; Citi Prime Finance

## 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

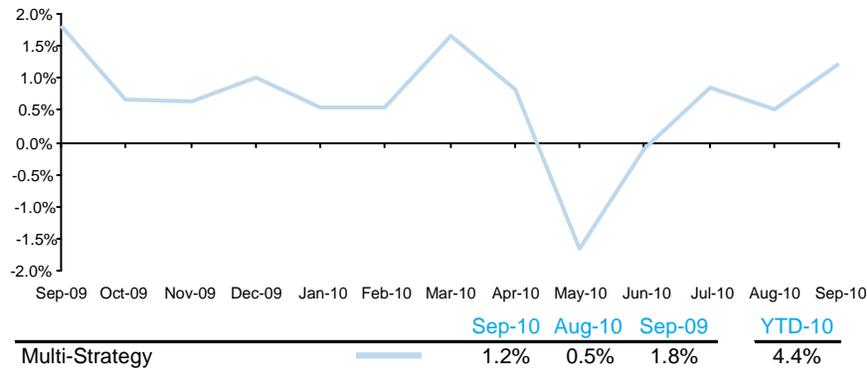


# Multi-Strategy

Data as of Sep-2010

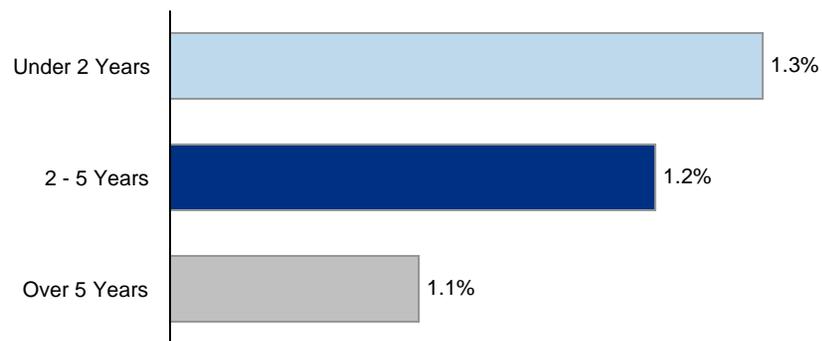
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.5%	0.5%	1.7%	0.8%	-1.7%	-0.1%	0.8%	0.5%	1.2%				4.4%

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



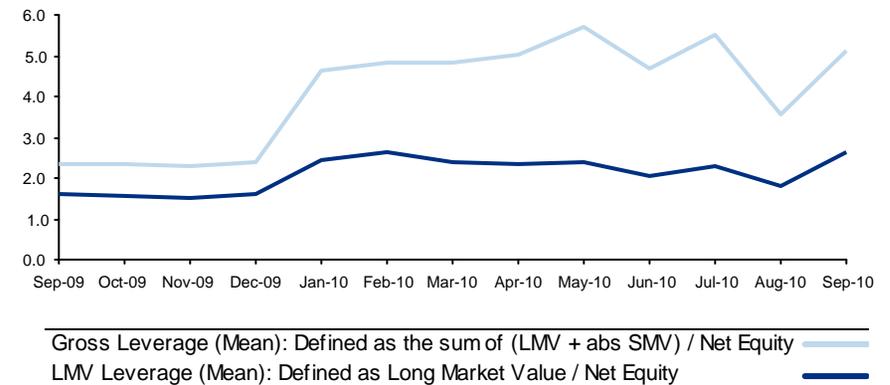
Source: Citi ICG Analytics

## Hedge Fund Performance by Age



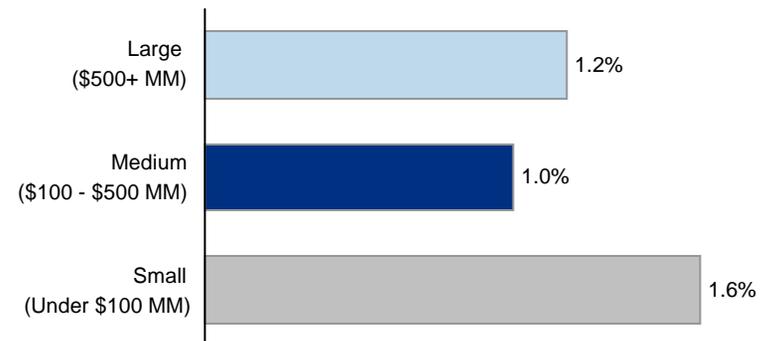
Source: Citi ICG Analytics

## Leverage Profile (Monthly, LTM)



Source: Citi Prime Finance

## 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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