

Citi Prime Finance



Market Commentary
Report Date: September 2011

www.citigroupgcib.com

Hedge Fund Industry Snapshot

Data as of August 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

This report has been prepared by members of Citi ICG Analytics and Prime Finance and is not a research report. This report does not constitute advice on investments or a solicitation to buy or sell any financial instrument. Please see final pages for Market Commentary Disclosures.

Table of Contents

Monthly Highlights	2
Hedge Fund Industry Overview	3
– AUM, Performance	
– Industry Flows	
Hedge Fund Stats by Strategy	5
Performance at a Glance	6
– Hedge Fund Performance	
– Citi HARP vs HFRI Fund of Fund Performance	
– Securities Market Performance	
Short Flows Data	9
– U.S. Short Sales & Short Cover by Sector	
– U.S. Short Sales & Short Cover by Industry Group	
Hedge Fund (Fund Level) Profiles	12
– Fund Structure	
– Fund Analytics	
Risk vs. Return Metrics	14
By Strategy	15
– Performance vs. Respective Benchmark(s)	
– Leverage Profile	
– Hedge Fund Performance by Size	
– Hedge Fund Performance by Age	
Firm Disclaimers and Market Commentary Disclosures	26
Contacts	27

Performance, AUM & Flows:

- Composite hedge fund performance, equal-weighted across funds, were down in August 2011 with performance losses ranging from -3.47% to -2.53%. The Citi HARP hedge fund replication index was -1.60% in August versus the HFRI Fund of Fund index that was -2.72%. August 2011 performance returns proved to be lower than July 2011 which saw -0.11% to +0.30%.
- High Volatility made for a challenging month for most strategies. Only Dedicated Short Bias (+5.28%) and CTA/Managed Futures (+0.22%) managed positive returns. All other strategies experienced losses: Equity Long/Short (-3.99%), Distressed (-3.35%), Emerging Markets (-3.00%), Event Driven (-2.89%), Multi-Strategy (-1.46%), Convertible Arbitrage (-1.40%), Global Macro (-1.20%), Equity Market Neutral (-1.05%) and Fixed Income Arbitrage (-0.90%).
- Of the funds reporting August performance, we calculate 72% posted negative monthly performance while 58% had negative YTD performance at month-end.
- According to HedgeFund.net (HFN), hedge fund industry AUM ended August 2011 at \$2.54 trillion, down from \$2.57 trillion in July 2011. This is the lowest level of industry AUM since February 2011. Industry AUM remains well below its \$2.94 trillion June 2008 peak.
- Negative performance accounted for a decline in AUM of -\$38 billion for August 2011, while positive net investor inflows accounted for an increase of +\$7.49 billion. Overall year-to-date investor allocations are a net \$69.64 billion compared to \$36.26 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 -1.7% while medium single funds (\$100-\$500 million) posted -1.0% and small single funds (<\$100 million), -1.6%.
- Liquidity terms continued the consistent pattern from previous reporting periods with August 2011 showing little changes to redemption notice periods with 66% of funds requiring 30 days or less notice for redemption. Across the entire subset of reporting funds, the majority (60%) required no lockup (40%) or less than 1 year lock up (21%).
- Consistent throughout recent reporting periods, large funds (> \$500 million AUM) continue to hold a large portion of industry AUM (71%) compared to medium funds (\$100-\$500 million) at 21% and small funds (<\$100 million) holding only 8%.

Leverage & Shorts:

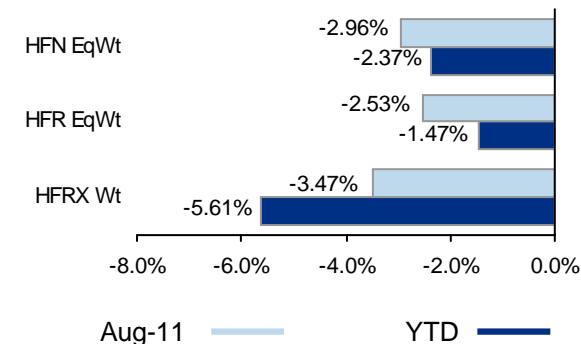
- On a global basis, we calculate gross leverage (as measured on a mean basis) at 1.78x in August 2011 versus 1.78x in July, 1.76x in June and 1.78x in May.
- Looking across both long leverage and gross leverage, the following strategies showed the highest uses of leverage: Multi Strategy (4.61x), Equity Market Neutral (4.54x), Global Macro (3.59x), Convertible Arbitrage (2.92x) and Event Driven (2.19x). Use of leverage in all other strategies was generally flat month over month across the board.
- 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 55.23% of short executions and 54.43% of short flows versus 58.91% of short executions and 56.65% of short flows in August 2011.
- August was a volatile month in the financial markets with large speculators positioning appearing to be on the defensive. The large speculator net position in TY (futures & options) contracts remains close to balanced, but shifted from a modest net long to a modest net short exposure by the end of the month. Meanwhile, large speculator net positioning in S&P (combined emini and large contracts) moved to the largest net short position it has been in terms of percentage of open interest since late 2007. At the same time, they cut their net long exposure in Gold and EuroFX contracts to the smallest it has been in terms of percentage of open interest since January 2011.
- The Citi Prime Finance IT Trends and Benchmark Survey Annual Survey – Managing Your Hedge Fund IT Spend to Achieve Differentiation will be released on September 29th. This report reviews how technology has influenced the industry over the past decade and discusses the emergence of a new hedge fund infrastructure outsourcing model - Hedge Fund 3.0.

Hedge Fund Industry: AUM, Performance

Data as of Aug-2011

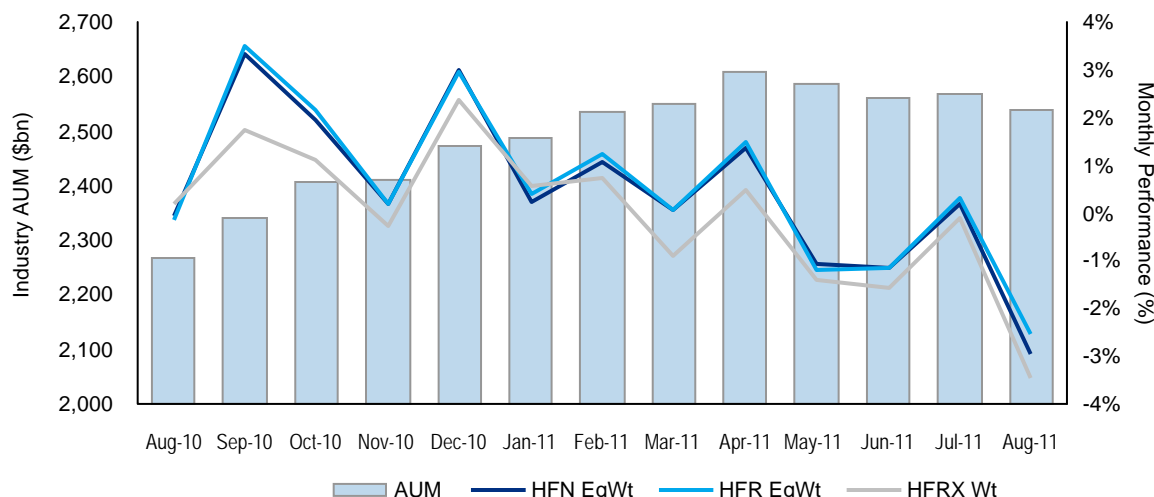
- Composite hedge fund performance, equal-weighted across funds, was down in August 2011 with performance losses ranging from -3.47% to -2.53%. Returns were lower than seen in July 2011 (-0.11% to +0.30%) and the lowest experienced since May 2010 (-2.89% to -2.64%).
- Financial markets continued to experience volatility spurred by concerns about the US debt ceiling, acceleration of the ongoing European sovereign debt crisis and apparent weakening of the US economy. Most asset classes saw a flight to quality as investors showed a strong preference for less risk. Gold continued to set new records, the US dollar gained against most major currencies but for the Swiss franc which rose significantly during the month.
- August was a challenging month for most Hedge Fund Strategies. All but Dedicated Short (+5.28%) and CTA/Managed Futures (+0.22%) posted negative returns: Equity Long /Short (-3.99%), Distressed (-3.35%), Emerging Markets (-3.00%), Event Driven (-2.89%) and Multi Strategy (-1.46%). Of the Funds reporting performance, we calculate 72% had negative performance in August and 58% have negative YTD performance.
- Industry AUM, estimated at \$2.54 trillion according to HFN is down from July's \$2.57 trillion. Depending on the source, estimates of industry AUM ranges from \$2.02 to \$2.54 trillion compared to the Q2 2008 peak range of \$1.9 to \$3.0 trillion.

Industry Performance: Aug-11 / 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: -7.0%; -3.5% YTD
- MSCI Emerging Markets Index: -8.9%; -8.3% YTD
- S&P 500: -5.4%; -1.8% YTD
- Citi US BIG Index: +1.6%; +5.9% YTD
- S&P GSCI: -1.8%; +3.3% YTD
- U.S. Dollar Index: +0.3%; -6.2% YTD
- HFN Country Indices August/ YTD: Brazil -1.30% / -0.60%; Russia -9.48% / -7.72%; India: -11.03% / -19.29%; China: -5.02% / -5.77%

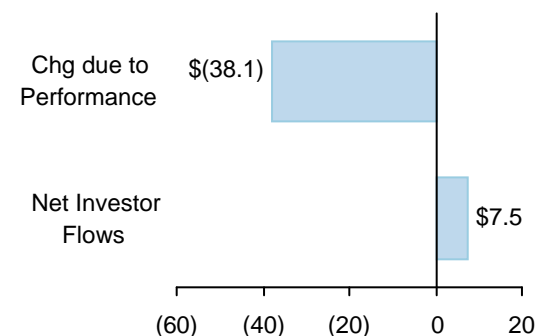


Hedge Fund Industry: Change in Industry Assets

Data as of Aug-2011

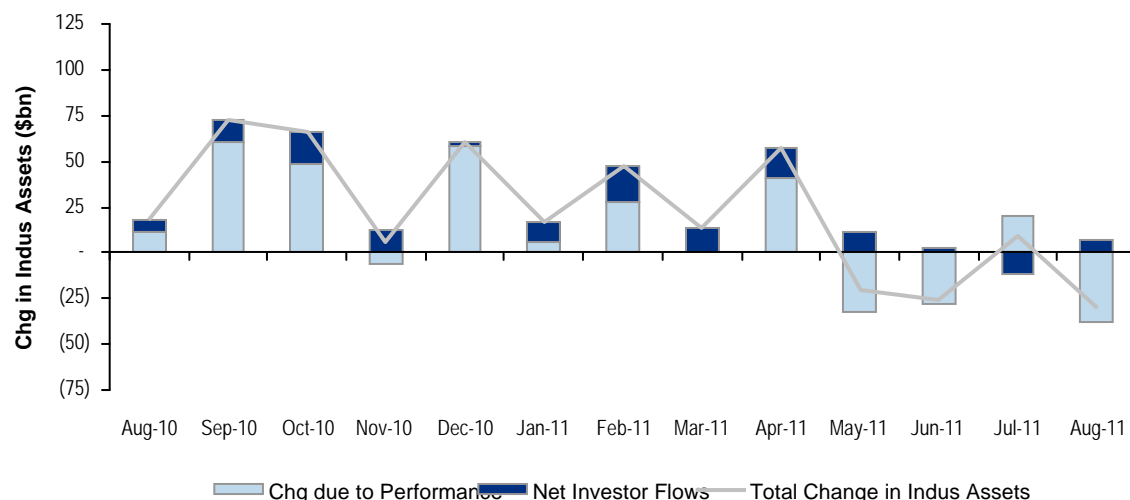
- According to HFN, the estimated change in industry assets for August 2011 was -\$30.59 billion. Losses stemmed entirely from performance (-\$38.08 billion) as net investor inflows accounted for gains of +\$7.49 billion.
- August 2011 performance losses of -\$38.08 billion marks the third month out of the past four in which hedge fund industry assets decreased due to performance and the largest losses since May 2010 (-\$66.95 billion). Year to date performance losses now stands at -\$3.38 billion compared to gains of +\$59.02 billion over the same period one year ago.
- Net investor inflows of +\$7.49 billion marks the largest inflows since May 2011 (+11.41 billion). August 2011 inflows are less, however, than the average monthly inflow of +8.75 billion for 2011.
- Total industry AUM of \$2.54 trillion in August 2011 is down (-1.2%) from \$2.57 trillion in July 2011. Year to date industry AUM has grown 1.9% compared to 4.6% over the same time period in 2010. It is important to note, however, that industry AUM levels are still well below the June 2008 peak estimated by HFN at \$2.90 trillion.

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



Source: HedgeFund.net (HFN)

Monthly Change in Industry Assets and Composition



Source: HedgeFund.net (HFN)

Note Pad:

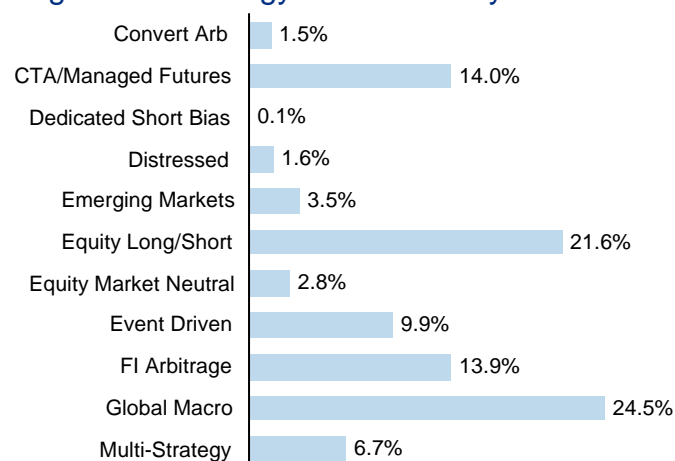
- The Citi Prime Finance calculation for end-August gross leverage (as measured on a mean basis) was 1.78x, basically in-line with recent months: July (1.78x), June (1.76x), and May: (1.78x)
- Gross leverage (mean): defined as sum of (LMV + abs SMV) / Net Equity



Hedge Fund Stats by Strategy

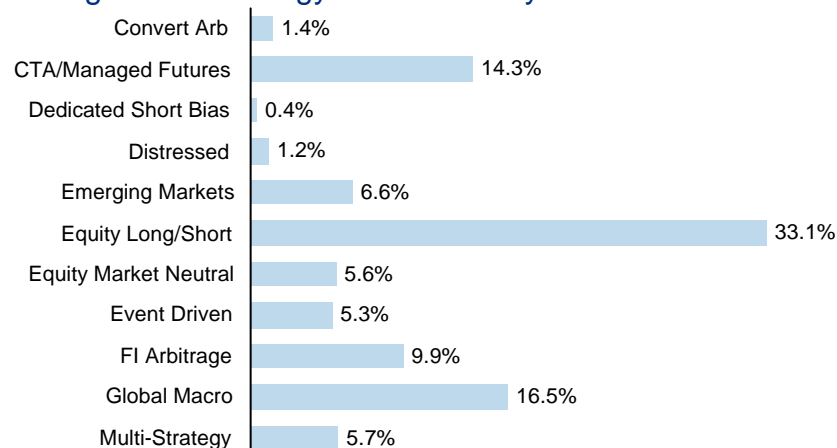
Data as of Aug-2011

Hedge Fund Strategy Breakdown by Assets



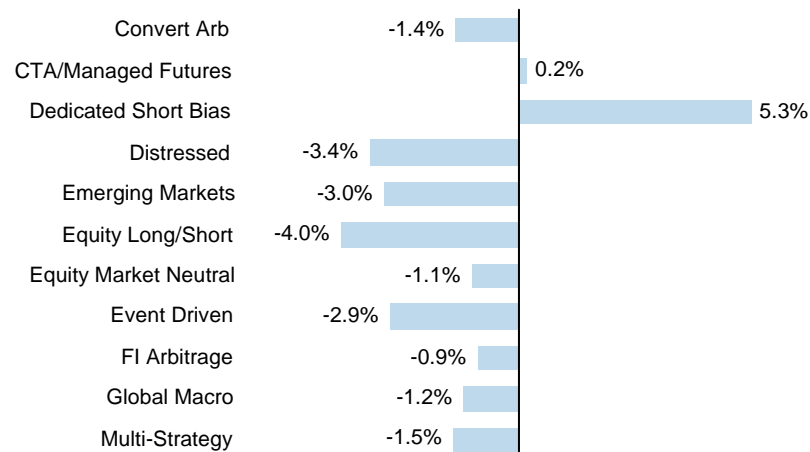
Source: Citi ICG Analytics

Hedge Fund Strategy Breakdown by Number of Funds



Source: Citi ICG Analytics

Hedge Fund Performance by Strategy

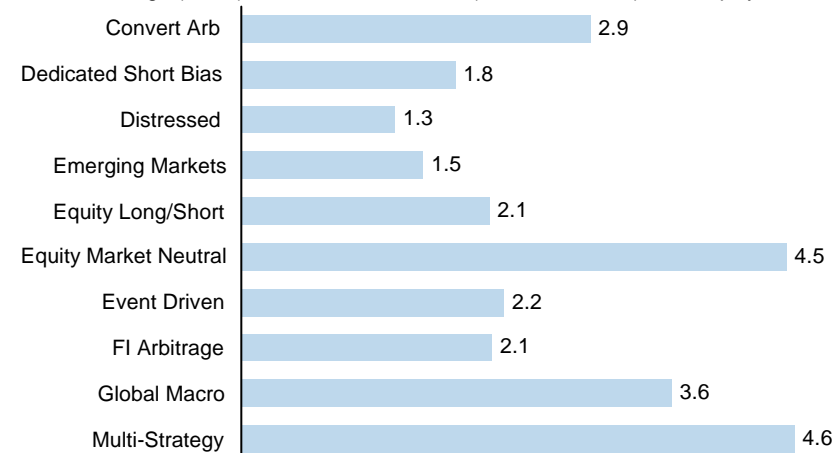


Source: Citi ICG Analytics

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

Monthly Performance by Strategy

Data as of Aug-2011

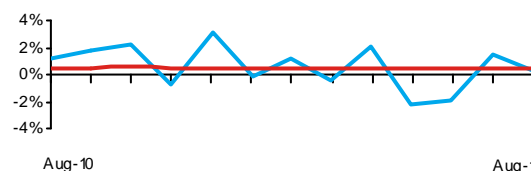
Monthly Median:

Trailing 60 Month Median:



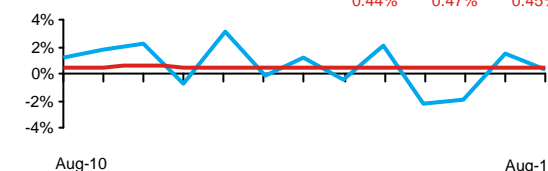
Convertible Arbitrage

Aug-11	Jul-11	Aug-10
-1.4%	-0.3%	1.0%
0.87%	0.92%	0.92%



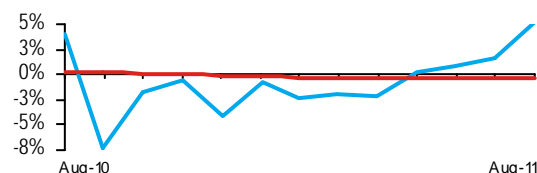
CTA/Managed Futures

Aug-11	Jul-11	Aug-10
0.2%	1.4%	1.2%
0.44%	0.47%	0.45%



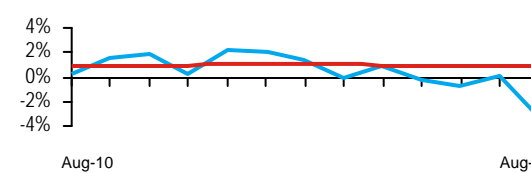
Dedicated Short Bias

Aug-11	Jul-11	Aug-10
5.3%	1.5%	4.1%
-0.29%	-0.42%	0.26%



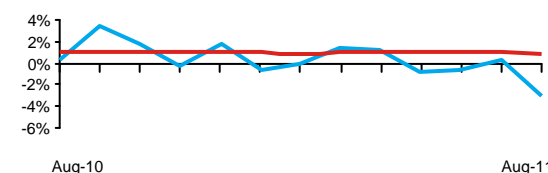
Distressed

Aug-11	Jul-11	Aug-10
-3.4%	0.1%	0.2%
0.86%	0.94%	0.90%



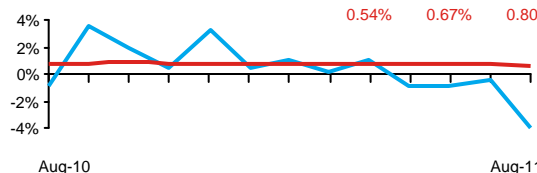
Emerging Markets

Aug-11	Jul-11	Aug-10
-3.0%	0.2%	0.3%
0.92%	0.96%	0.99%



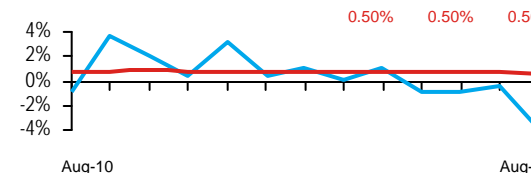
Equity Long/Short

Aug-11	Jul-11	Aug-10
-4.0%	-0.4%	-0.9%
0.54%	0.67%	0.80%



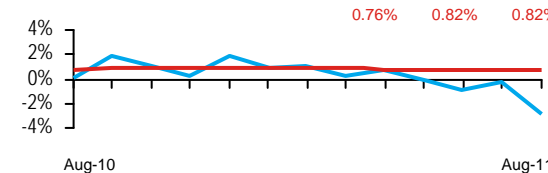
Equity Market Neutral

Aug-11	Jul-11	Aug-10
-1.1%	-0.1%	-0.3%
0.50%	0.50%	0.56%



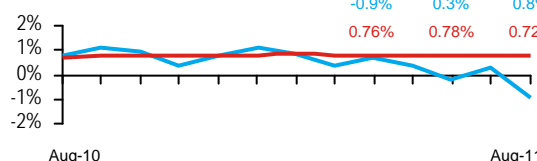
Event Driven

Aug-11	Jul-11	Aug-10
-2.9%	-0.3%	0.2%
0.76%	0.82%	0.82%



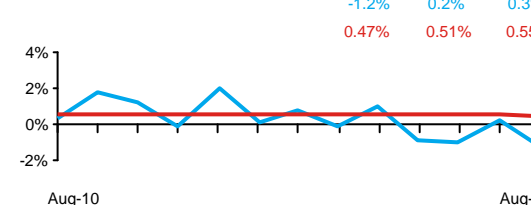
FI Arbitrage

Aug-11	Jul-11	Aug-10
-0.9%	0.3%	0.8%
0.76%	0.78%	0.72%



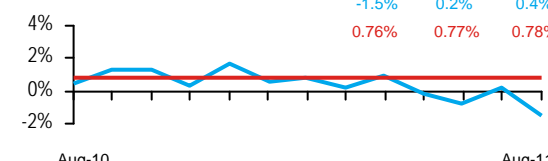
Global Macro

Aug-11	Jul-11	Aug-10
-1.2%	0.2%	0.3%
0.47%	0.51%	0.55%



Multi-Strategy

Aug-11	Jul-11	Aug-10
-1.5%	0.2%	0.4%
0.76%	0.77%	0.78%



Source: Citi ICG Analytics

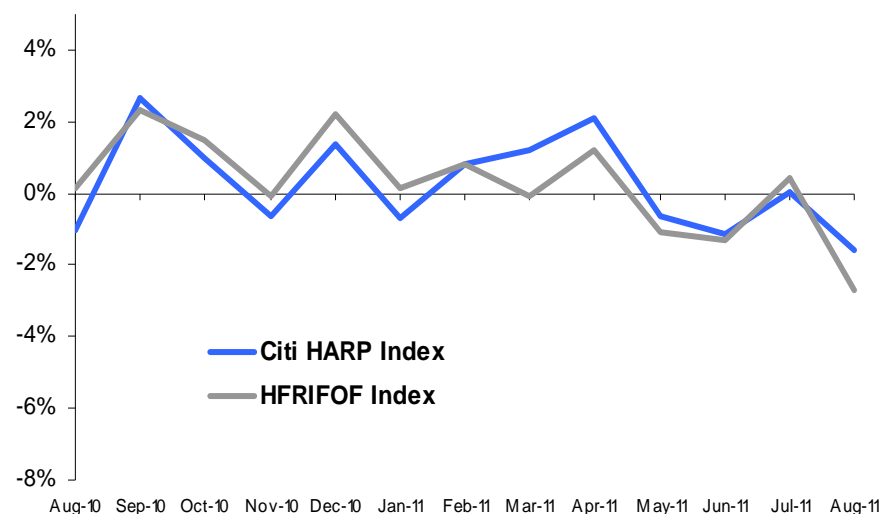
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period.



Citi Liquid Hedge Fund Replicator (HARP)

Data as of Aug-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

	Aug-11	Jul-11	Aug-10	YTD-11
Citi Harp	-1.60%	0.06%	-1.05%	0.07%
HFRIFOF	-2.72%	0.38%	0.13%	-2.58%

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	7.60%	4.16%
Annualised Volatility	6.15%	5.73%
Sharpe Ratio	0.910	0.376
Correlation	80.3%	-

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.

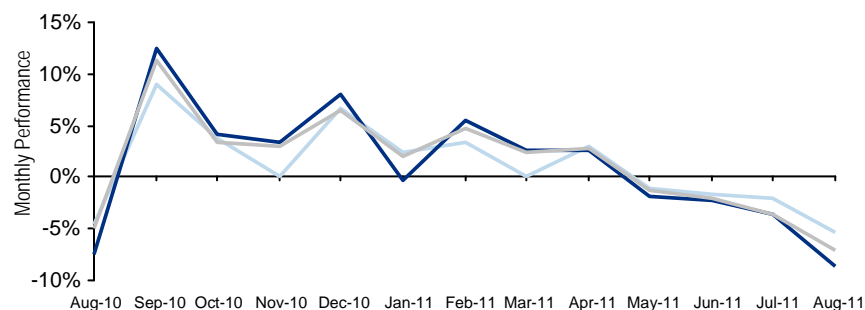
The weighting within the Index of each component is determined monthly. Every month, a multiple linear regression algorithm is used to identify the appropriate weighting.



Market Performance

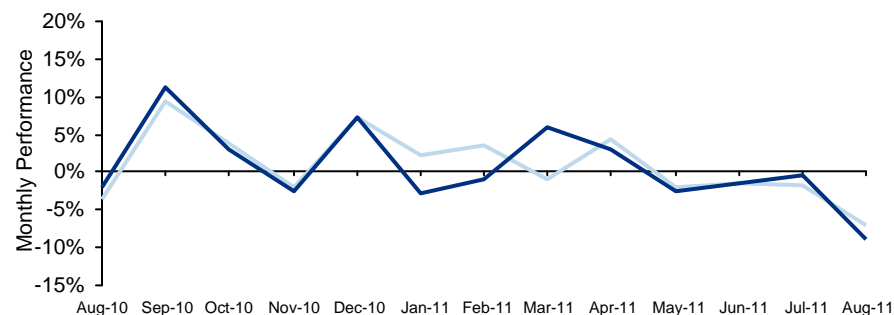
Data as of Aug-2011

US Equities (Large Cap vs. Small Cap)



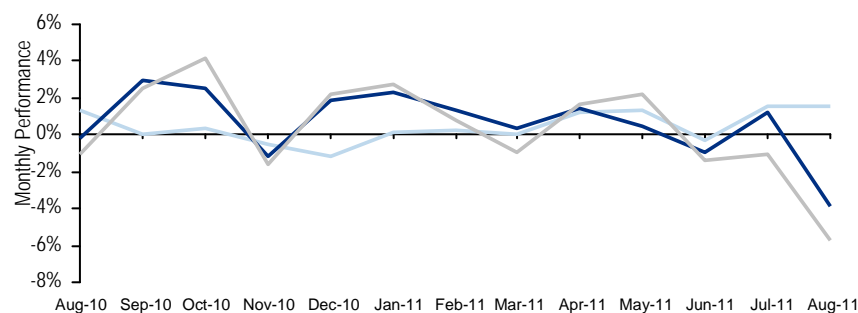
		Aug-11	Jul-11	Aug-10	YTD-11
S&P 500		-5.4%	-2.0%	-4.5%	-1.8%
RUS 2000		-8.7%	-3.6%	-7.4%	-6.5%
S&P Mid		-7.1%	-3.5%	-4.9%	-2.7%

Global Equities (Developed vs. Emerging)



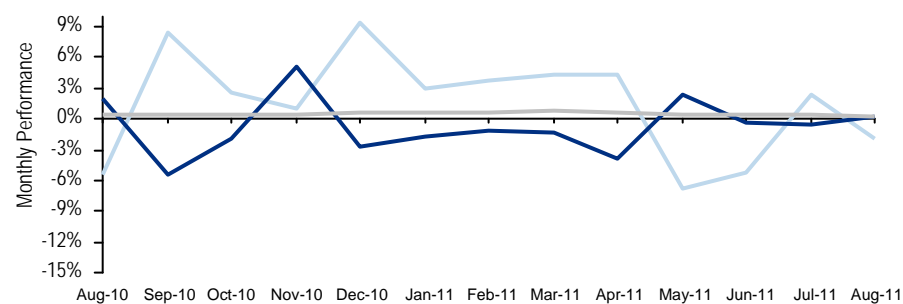
		Aug-11	Jul-11	Aug-10	YTD-11
MSCI World		-7.0%	-1.8%	-3.7%	-3.5%
MSCI EM		-8.9%	-0.4%	-1.9%	-8.3%

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



		Aug-11	Jul-11	Aug-10	YTD-11
Citi US BIG Index		1.6%	1.6%	1.3%	5.9%
Citi HY Bond Index		-3.9%	1.2%	-0.1%	2.1%
Altman Defaulted		-5.7%	-1.1%	-1.1%	-1.9%

Commodities (US\$ performance)



		Aug-11	Jul-11	Aug-10	YTD-11
S&P GSCI		-1.8%	2.4%	-5.5%	3.3%
US-\$ Index		0.3%	-0.5%	2.0%	-6.2%
US 2yr Note		0.2%	0.4%	0.5%	0.5%

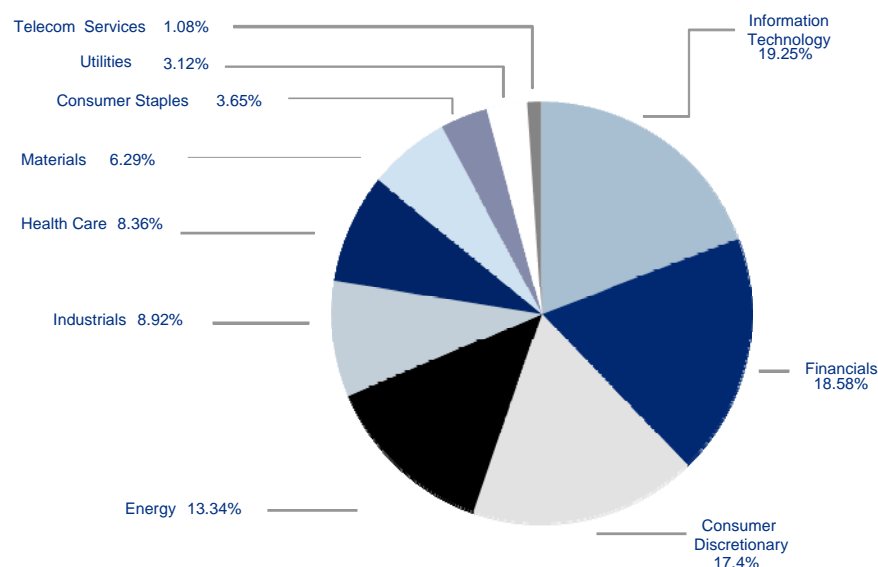
Source: Citi ICG Analytics; FactSet; Citigroup Index LLC; Altman-NYU Salomon Center defaulted Debt Security Indexes.



US Securities Lending Sector Short Flows

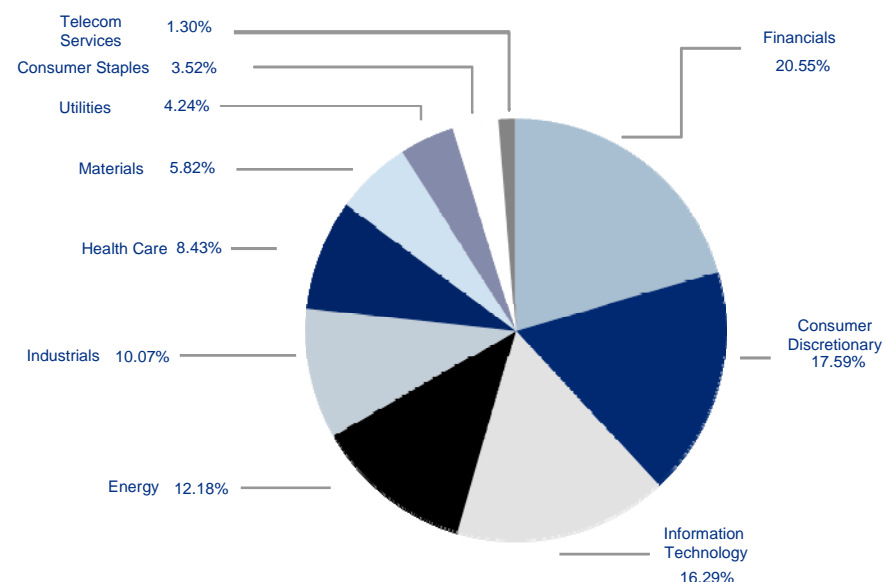
Data as of Aug-2011

Short Sale Executions



Sector Short Flows	% Short Execution	% Previous Month Short Execution	% Change From Previous Month
Information Technology	19.25	21.01	-8.38
Financials	18.58	18.48	0.54
Consumer Discretionary	17.4	18.28	-4.81
Energy	13.34	10.34	29.01
Industrials	8.92	12.41	-28.12
Health Care	8.36	6.67	25.34
Materials	6.29	5.56	13.13
Consumer Staples	3.65	4.71	-22.51
Utilities	3.12	1.48	110.81
Telecom Services	1.08	1.07	0.93

Short Cover Executions



Sector Short Flows	% Cover Execution	% Previous Month Short Cover	% Change From Previous Month
Financials	20.55	18.82	9.19
Consumer Discretionary	17.59	19.77	-11.03
Information Technology	16.29	18.04	-9.7
Energy	12.18	9.55	27.54
Industrials	10.07	12.26	-17.86
Health Care	8.43	9.15	-7.87
Materials	5.82	6.56	-11.28
Utilities	4.24	1.22	247.54
Consumer Staples	3.52	3.21	9.66
Telecom Services	1.30	1.42	-8.45

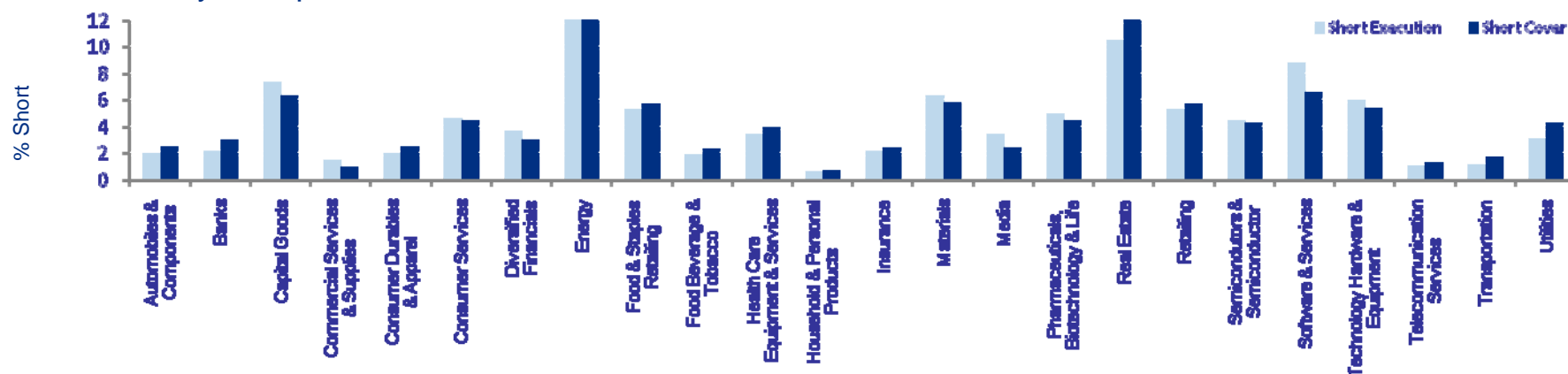
Source: S&P (GICS); Citi U.S. Securities Lending. Executions of shorts and short covers settled at Citi Prime Finance based on Market Value



US Securities Lending Industry Group Short Flows

Data as of Aug-2011

Citi Industry Group Short Flows



Industry	% Short Execution	% Previous Month Short Execution	% Change From Previous Month
Energy	13.34	10.34	29.01
Real Estate	10.50	7.66	37.08
Software & Services	8.80	11.80	-25.42
Capital Goods	6.36	9.69	-34.37
Materials	6.29	5.56	13.13
Technology Hardware and Equipment	6.00	6.25	-4.00
Retailing	5.34	3.86	38.34
Pharmaceuticals, Biotechnology & Life	4.95	3.84	28.91
Consumer Services	4.65	6.04	-23.01
Semiconductors & Semiconductor	4.45	2.95	50.85
Diversified Financials	3.71	3.66	1.37
Media	3.45	4.08	-15.44
Health Care Equipment and Services	3.41	2.83	20.49
Utilities	3.12	1.48	110.81
Banks	2.19	4.17	-47.48
Insurance	2.18	2.99	-27.09
Consumer Durables & Apparel	1.98	2.62	-24.43
Automobiles & Components	1.97	1.68	17.26
Food Beverage & Tobacco	1.88	2.20	-14.55
Commercial Services & Supplies	1.45	1.61	-9.94
Food & Staples Retailing	1.12	1.39	-19.42
Transportation	1.11	1.11	0.00
Telecom Services	1.08	1.07	0.93
Household & Personal Products	0.65	1.12	-41.96

Industry	% Cover Execution	% Previous Month Short Cover	% Change From Previous Month
Energy	12.18	9.55	27.54
Real Estate	12.14	7.31	66.07
Capital Goods	7.33	10.21	-28.21
Software & Services	6.62	9.90	-33.13
Materials	5.82	6.56	-11.28
Retailing	5.69	4.36	30.50
Technology Hardware and Equipment	5.38	4.03	33.50
Consumer Services	4.49	3.12	43.91
Pharmaceuticals, Biotechnology & Life	4.49	4.86	-7.61
Semiconductors & Semiconductor	4.30	4.12	4.37
Utilities	4.24	1.22	247.54
Health Care Equipment and Services	3.94	4.29	-8.16
Diversified Financials	3.04	3.90	-22.05
Banks	2.97	5.33	-44.28
Consumer Durables & Apparel	2.52	2.18	15.60
Automobiles & Components	2.49	3.30	-24.55
Insurance	2.39	2.29	4.37
Media	2.39	6.81	-64.90
Food Beverage & Tobacco	2.30	1.98	16.16
Transportation	1.75	1.28	36.72
Telecom Services	1.30	1.42	-8.45
Commercial Services & Supplies	0.99	0.76	30.26
Household & Personal Products	0.67	0.85	-21.18
Food & Staples Retailing	0.55	0.39	41.03

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 Aug-2011

Citi Short Flows: August 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	13.34	10.34	29.01	12.18	9.55	27.54
15	Materials	6.29	5.56	13.13	5.82	6.56	-11.28
20	Industrials	8.92	12.41	-28.12	10.07	12.26	-17.86
25	Consumer Discretionary	17.40	18.28	-4.81	17.59	19.77	-11.03
30	Consumer Staples	3.65	4.71	-22.51	3.52	3.21	9.66
35	Health Care	8.36	6.67	25.34	8.43	9.15	-7.87
40	Financials	18.58	18.48	0.54	20.55	18.82	9.19
45	Information Technology	19.25	21.01	-8.38	16.29	18.04	-9.70
50	Telecommunication Services	1.08	1.07	0.93	1.30	1.42	-8.45
55	Utilities	3.12	1.48	110.81	4.24	1.22	247.54
Industry Group	Industry Group						
1010	Energy	13.34	10.34	29.01	12.18	9.55	27.54
1510	Materials	6.29	5.56	13.13	5.82	6.56	-11.28
2010	Capital Goods	6.36	9.69	-34.37	7.33	10.21	-28.21
2020	Commercial Services & Supplies	1.45	1.61	-9.94	0.99	0.76	30.26
2030	Transportation	1.11	1.11	0.00	1.75	1.28	36.72
2510	Automobiles & Components	1.97	1.68	17.26	2.49	3.30	-24.55
2520	Consumer Durables & Apparel	1.98	2.62	-24.43	2.52	2.18	15.60
2530	Consumer Services	4.65	6.04	-23.01	4.49	3.12	43.91
2540	Media	3.45	4.08	-15.44	2.39	6.81	-64.90
2550	Retailing	5.34	3.86	38.34	5.69	4.36	30.50
3010	Food & Staples Retailing	1.12	1.39	-19.42	0.55	0.39	41.03
3020	Food Beverage & Tobacco	1.88	2.20	-14.55	2.30	1.98	16.16
3030	Household & Personal Products	0.65	1.12	-41.96	0.67	0.85	-21.18
3510	Health Care Equipment & Services	3.41	2.83	20.49	3.94	4.29	-8.16
3520	Pharmaceuticals, Biotechnology & Life Sciences	4.95	3.84	28.91	4.49	4.86	-7.61
4010	Banks	2.19	4.17	-47.48	2.97	5.33	-44.28
4020	Diversified Financials	3.71	3.66	1.37	3.04	3.90	-22.05
4030	Insurance	2.18	2.99	-27.09	2.39	2.29	4.37
4040	Real Estate	10.50	7.66	37.08	12.14	7.31	66.07
4510	Software & Services	8.80	11.80	-25.42	6.62	9.90	-33.13
4520	Technology Hardware & Equipment	6.00	6.25	-4.00	5.38	4.03	33.50
4530	Semiconductors & Semiconductor Equipment	4.45	2.95	50.85	4.30	4.12	4.37
5010	Telecommunication Services	1.08	1.07	0.93	1.30	1.42	-8.45
5510	Utilities	3.12	1.48	110.81	4.24	1.22	247.54

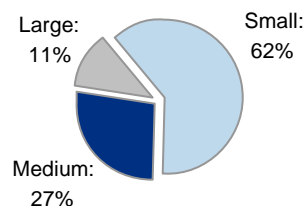
Source: S&P (GICS); Citi U.S. Securities Lending. Executions of shorts and short covers settled at Citi Prime Finance based on Market Value



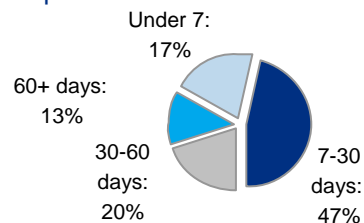
Hedge Fund (Fund Level) Profiles

Data as of Aug-2011

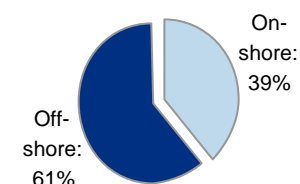
By Fund Size—No. of Funds



Redemption Notice Period



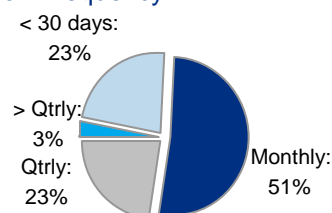
On-shore/Off-shore



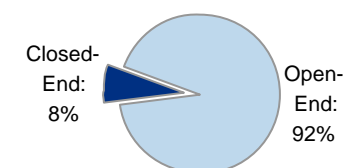
By Fund Size—\$ AUM



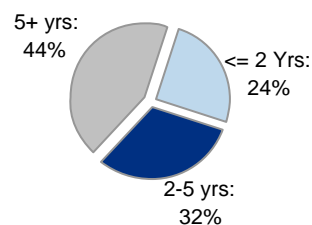
Redemption Frequency



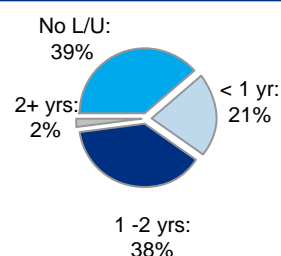
Legal Status



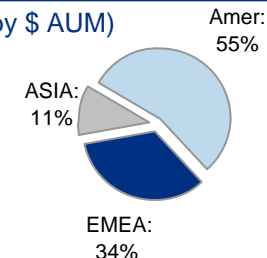
By Fund Age—No. of Funds



Lock-Up



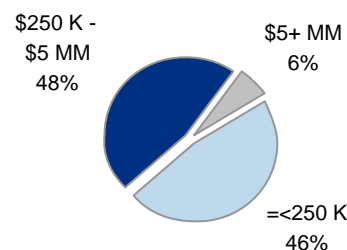
Domicile (by \$ AUM)



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 Aug-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	7%	\$865	-1.1%	0.8%	58%	79%	n/m	30-60 days / 35%	Monthly / 54%
2-5 yrs	22%	\$956	-1.3%	1.6%	59%	70%	1-2 yrs / 54%	60+ days / 30%	Monthly / 40%
Over 5 yrs	71%	\$986	-2.0%	-1.2%	65%	71%	No / 46%	7-30 days / 36%	Monthly / 50%
Total	100%	\$958	-1.7%	-0.4%	63%	71%	1-2 yrs / 46%	7-30 days / 32%	Monthly / 48%

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	11%	\$156	-1.2%	-0.3%	40%	77%	1-2 yrs / 58%	7-30 days / 31%	Under 30 / 42%
2-5 yrs	31%	\$182	-1.8%	-1.0%	58%	73%	1-2 yrs / 45%	7-30 days / 43%	Monthly / 52%
Over 5 yrs	58%	\$196	-2.2%	-1.1%	72%	65%	No / 51%	7-30 days / 50%	Monthly / 52%
Total	100%	\$184	-1.9%	-1.0%	65%	69%	No / 47%	7-30 days / 47%	Monthly / 50%

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	19%	\$28	-1.8%	-1.8%	43%	78%	1-2 yrs / 72%	Under 7 / 37%	Under 30 / 45%
2-5 yrs	33%	\$28	-1.9%	-1.3%	58%	66%	1-2 yrs / 47%	7-30 days / 45%	Monthly / 56%
Over 5 yrs	48%	\$31	-2.3%	-1.6%	69%	56%	No / 48%	7-30 days / 55%	Monthly / 50%
Total	100%	\$29	-2.0%	-1.6%	62%	63%	No / 44%	7-30 days / 49%	Monthly / 50%

Source: Citi ICG Analytics

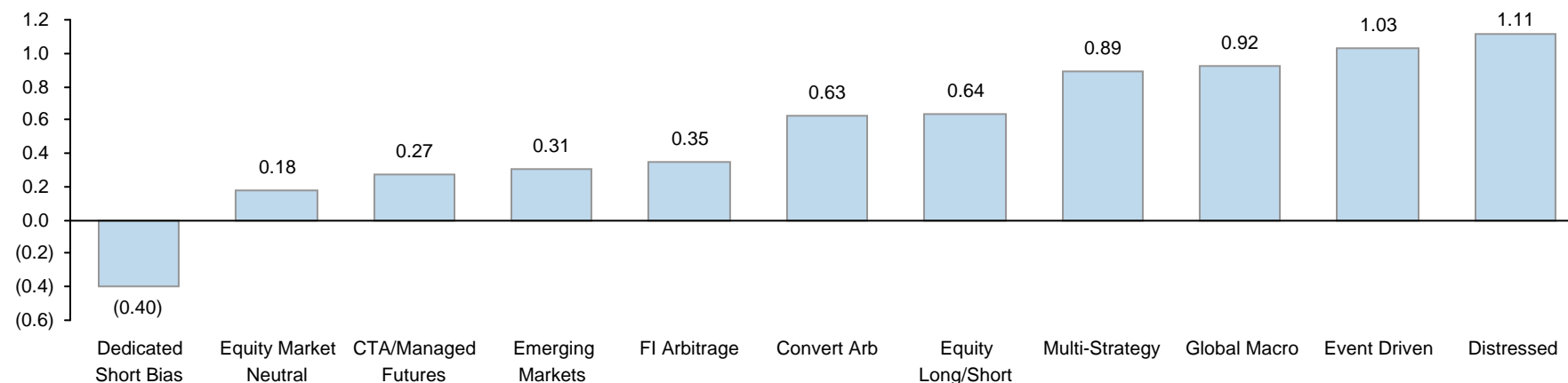
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. Median YTD performance is calculated from funds reporting for all underlying periods. - "n/m" = Not Meaningful.



Risk and Return Metrics

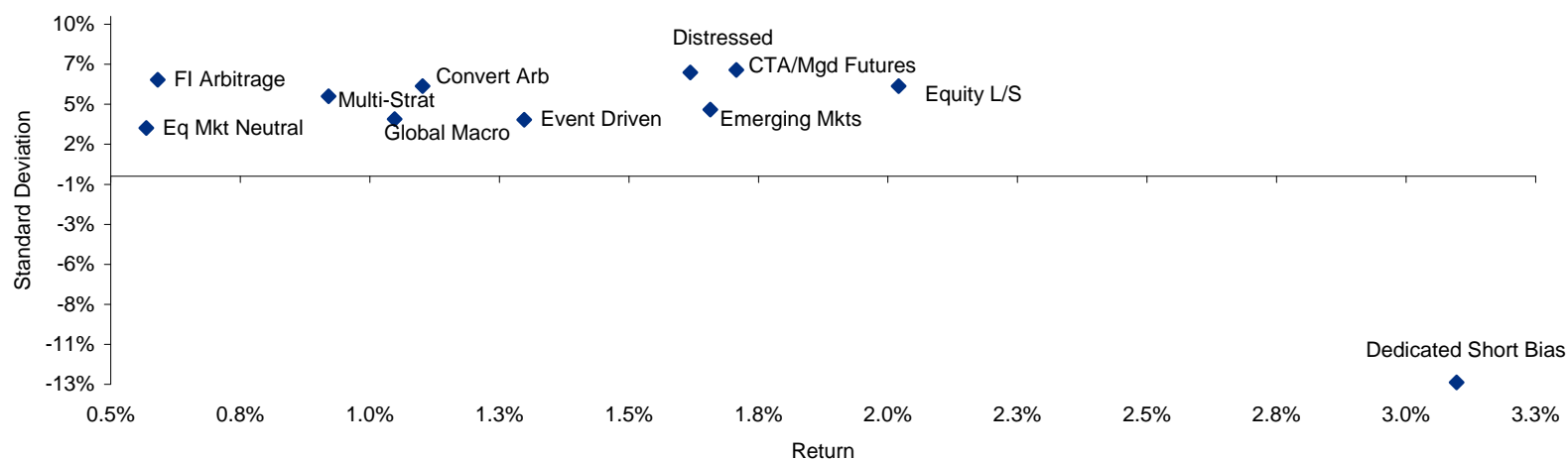
Data as of Aug-2011

Sharpe Ratios (Jun-94 – Aug-11)



Source: Credit Suisse Tremont

Risk vs. Return (Sep-10 – Aug-11)



Source: Citi ICG Analytics

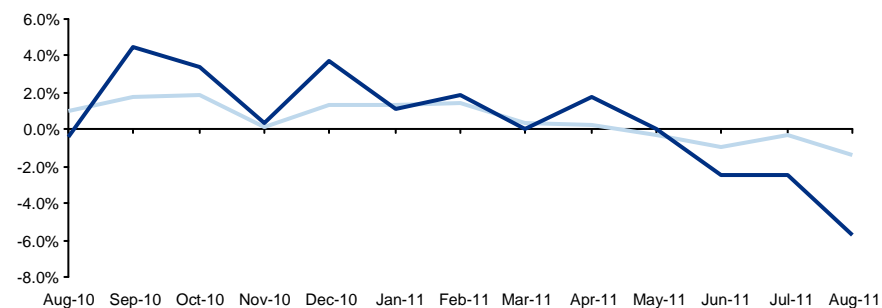


Convertible Arbitrage

Data as of Aug-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%	-0.3%	-1.0%	-0.3%	-1.4%					0.4%

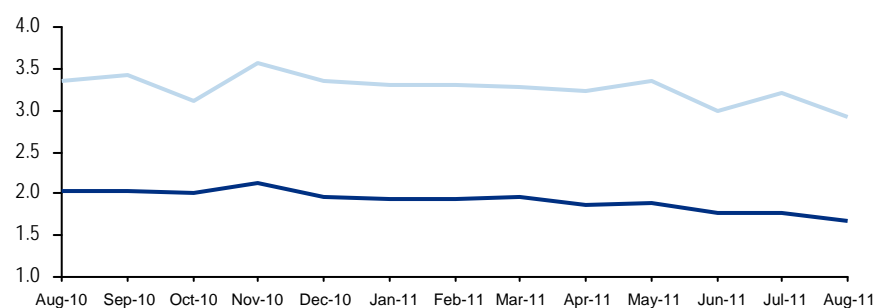
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Aug-11	Jul-11	Aug-10	YTD-11
Convert Arb	-1.4%	-0.3%	1.0%	0.4%
CWB ETF	-5.7%	-2.5%	-0.4%	-6.0%

Source: Citi ICG Analytics; FactSet

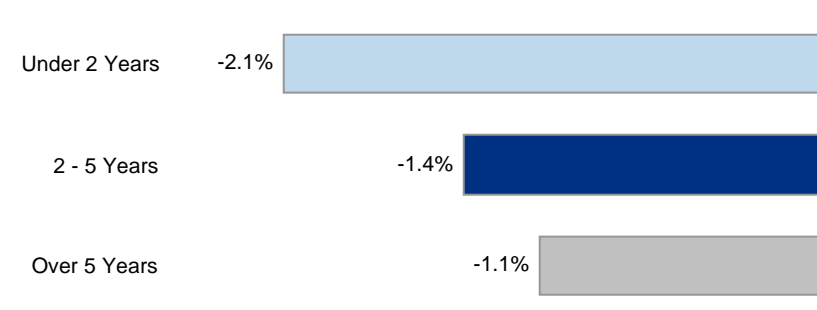
Leverage Profile (Monthly, LTM)



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

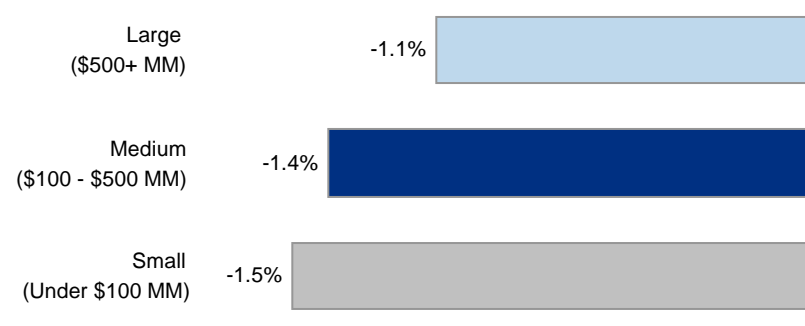
Source: Citi Prime Finance

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.

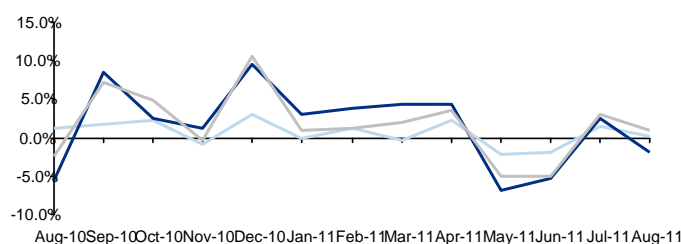


CTA/Managed Futures

Data as of Aug-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	-0.1%	1.3%	-0.4%	2.1%	-2.3%	-2.0%	1.4%	0.2%					0.2%

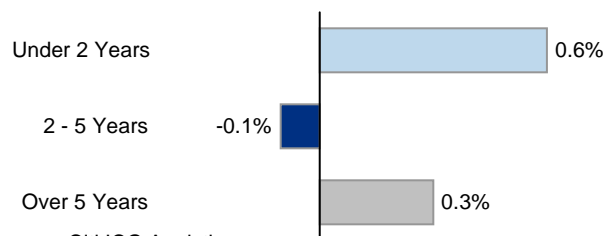
Hedge Fund Performance vs. Benchmark



	Aug-11	Jul-11	Aug-10	YTD-11
CTA/Mgd Futures	0.2%	1.4%	1.2%	0.2%
S&P GSCI Commodity (SPGSCI)	-1.8%	2.4%	-5.5%	3.3%
DJ-UBS Commodity (DJAGK)	1.0%	3.0%	-2.6%	1.3%

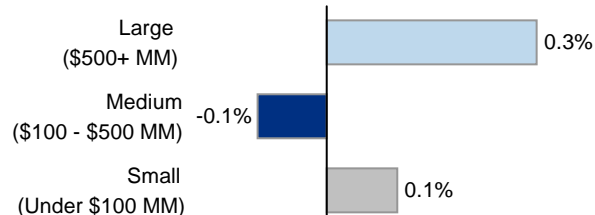
Source: Citi ICG Analytics; FactSet

Hedge Fund Performance by Age



Source: Citi ICG Analytics

Hedge Fund Performance by Size

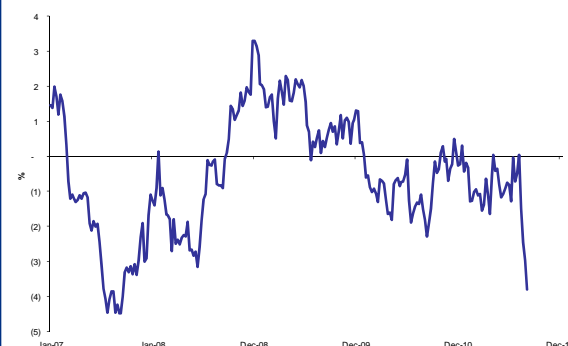


Source: Citi ICG Analytics

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.

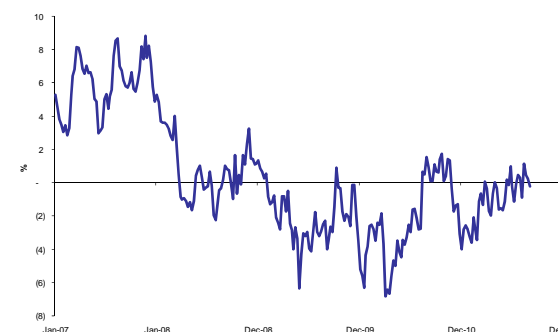
Large Speculator Positions: CFTC Commitment Of Trader (Futures & Options) Report Net of Longs Less Shorts As Percent of Total Open Positions

Combined S&P / Weighted Mini S&P Contracts



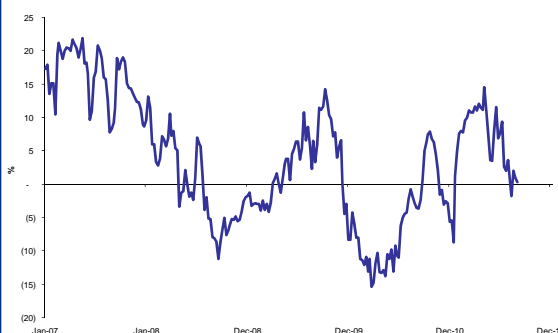
Last Update: 8/30/11 -3.8%

U.S. 10-Year Treasury Futures



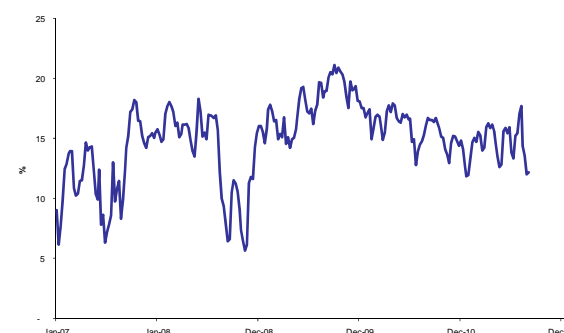
Last Update: 8/30/11 -0.2%

EuroFX Futures



Last Update: 8/30/11 +0.3%

Gold Futures



Last Update: 8/30/11 +12.2%

Source: CFTC, Bloomberg, Citi Futures Perspective

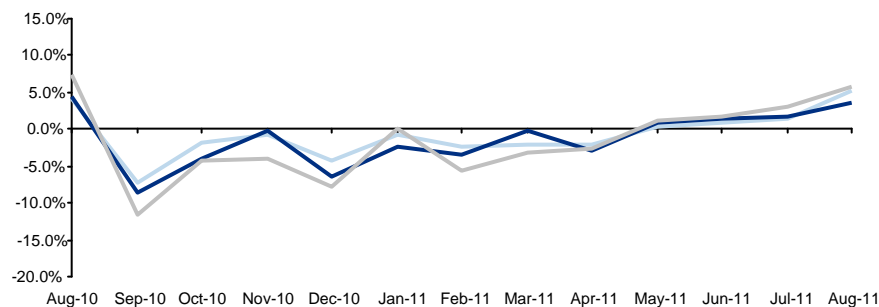


Dedicated Short Bias

Data as of Aug-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%	5.3%					0.5%

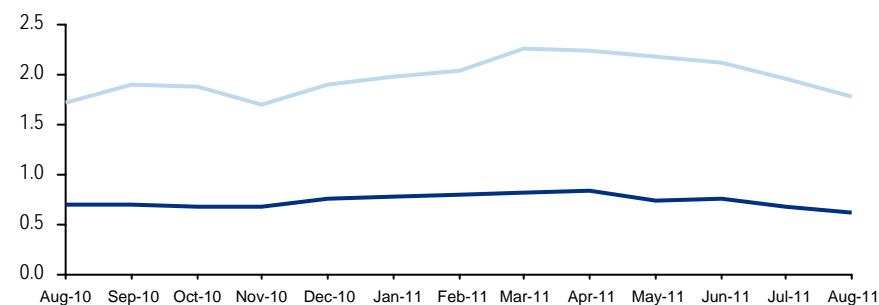
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Aug-11	Jul-11	Aug-10	YTD-11
Ded Short Bias	5.3%	1.5%	4.1%	0.5%
S&P Short ETF (SH)	3.7%	1.8%	4.4%	-1.4%
Rus 2000 Short ETF (RWM)	5.8%	3.2%	7.3%	0.2%

Source: Citi ICG Analytics; FactSet

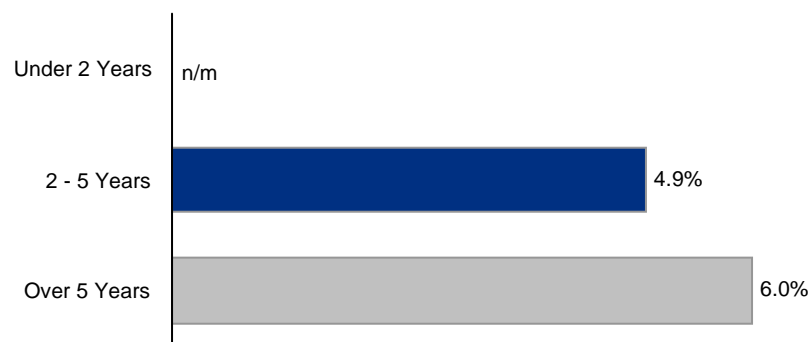
Leverage Profile (Monthly, LTM)



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

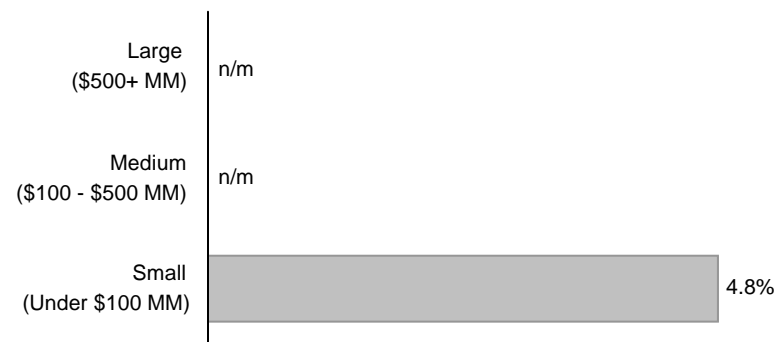
Source: Citi Prime Finance

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.

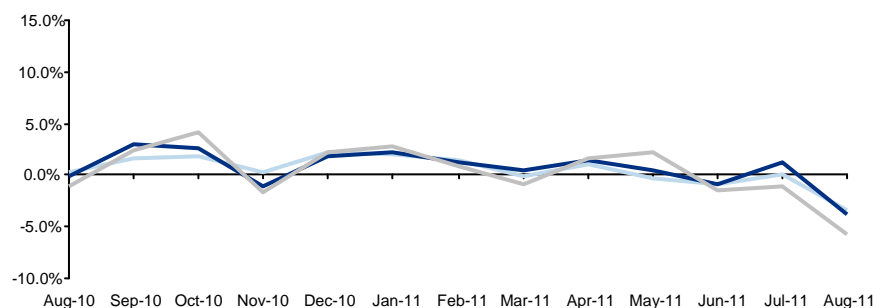


Distressed

Data as of Aug-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	2.0%	1.4%	-0.1%	1.0%	-0.2%	-0.8%	0.1%	-3.4%					-0.1%

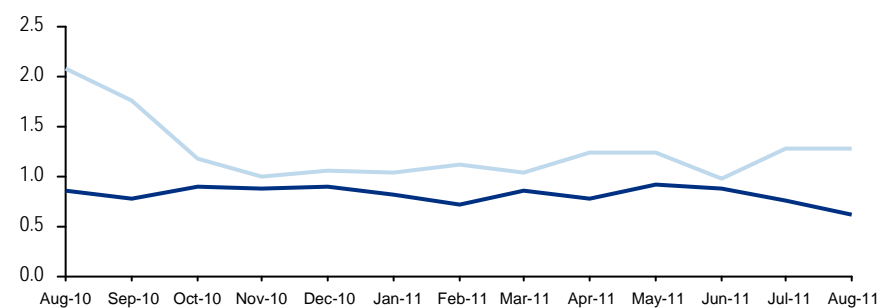
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Aug-11	Jul-11	Aug-10	YTD-11
Distressed	-3.4%	0.1%	0.2%	-0.1%
Citi HY Bond Index	-3.9%	1.2%	-0.1%	2.1%
Altman Defaulted Index	-5.7%	-1.1%	-1.1%	-1.9%

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

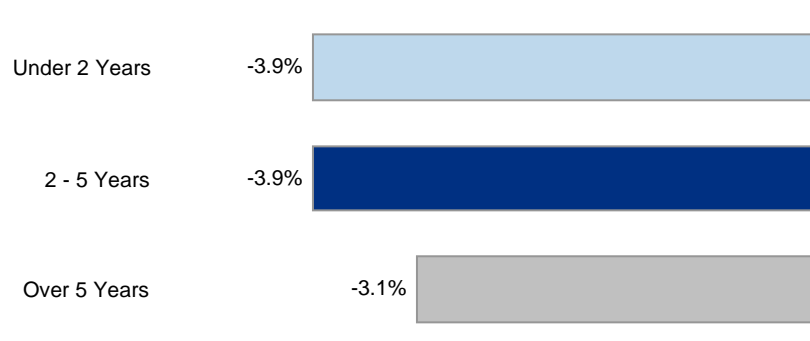
Leverage Profile (Monthly, LTM)



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

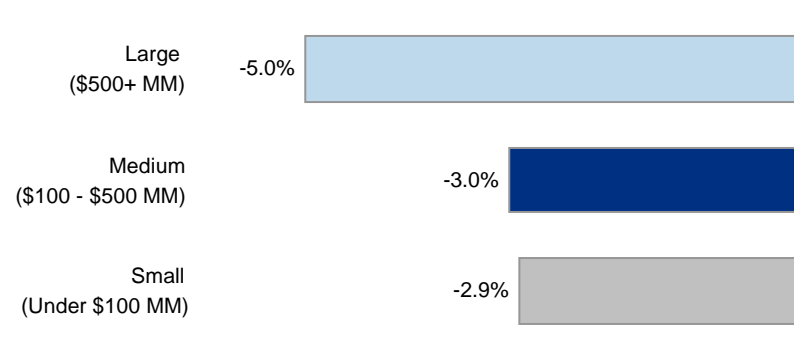
Source: Citi Prime Finance

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.

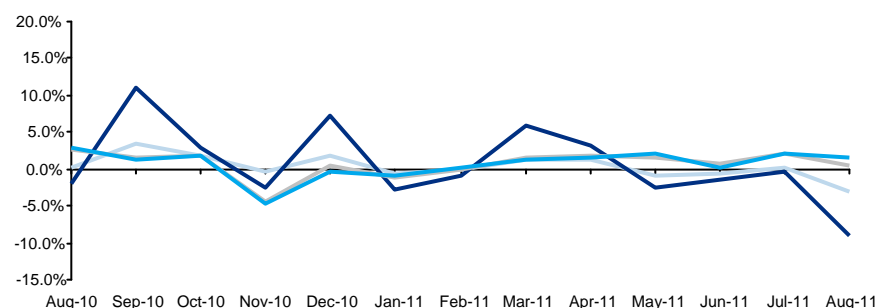


Emerging Markets

Data as of Aug-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	-0.6%	0.0%	1.4%	1.2%	-0.9%	-0.7%	0.2%	-3.0%					-2.4%

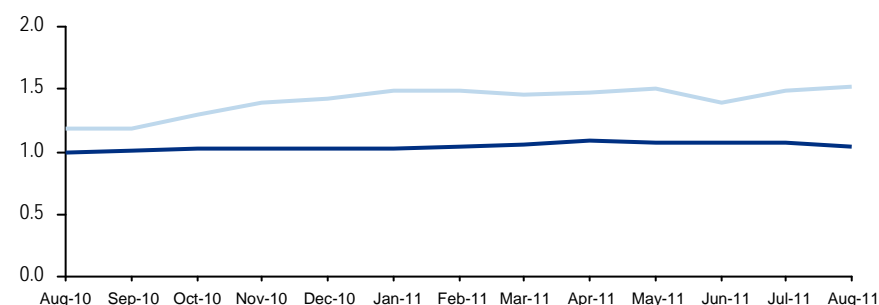
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Aug-11	Jul-11	Aug-10	YTD-11
Emerging Mkts	-3.0%	0.2%	0.3%	-2.4%
MSCI EM	-8.9%	-0.4%	-1.9%	-8.3%
JPM EMBIG Core ETF (EMB)	0.5%	2.0%	2.6%	6.9%
DB EM Liquid ETF (PCY)	1.5%	2.0%	2.8%	8.4%

Source: Citi ICG Analytics; FactSet

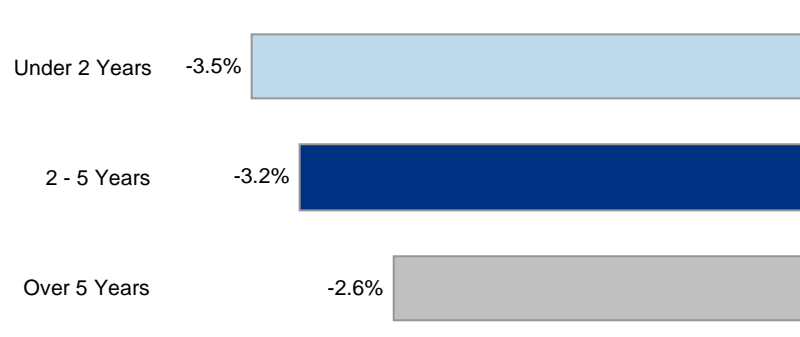
Leverage Profile (Monthly, LTM)



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

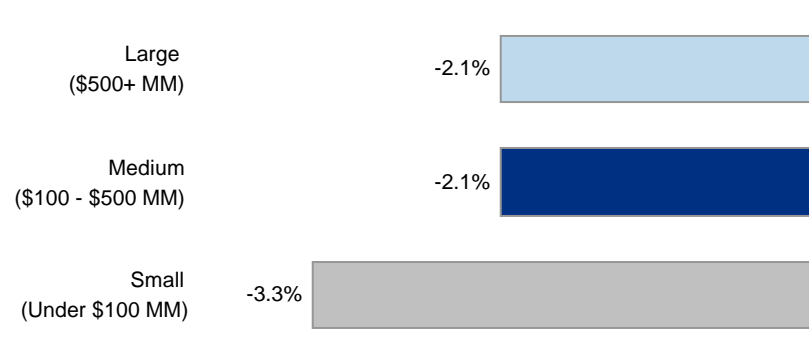
Source: Citi Prime Finance

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.

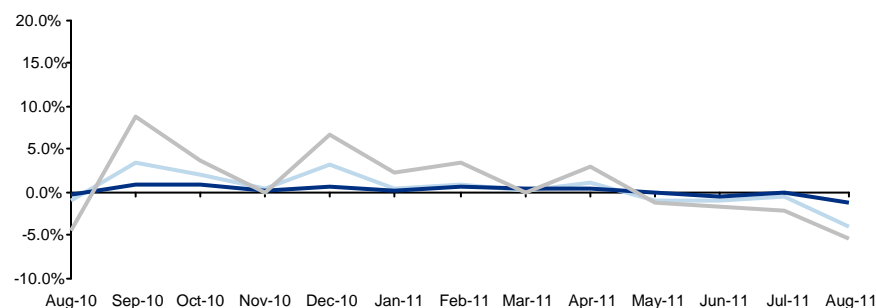


Equity Long/Short

Data as of Aug-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%	-0.4%	-4.0%					-3.5%

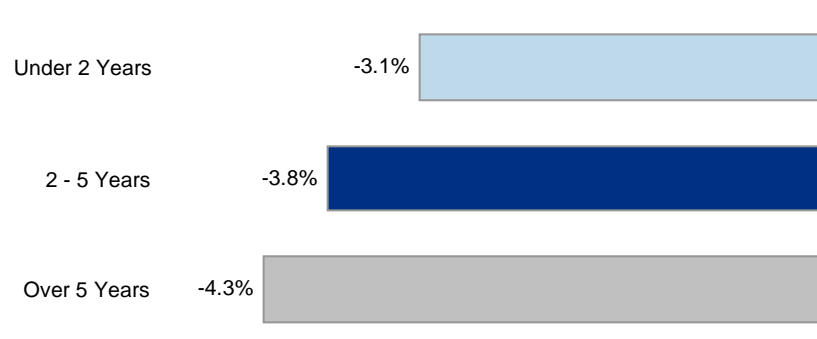
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Aug-11	Jul-11	Aug-10	YTD-11
Eq Long/Short	-4.0%	-0.4%	-0.9%	-3.5%
Eq Mkt Neutral	-1.1%	-0.1%	-0.3%	0.2%
S&P 500	-5.4%	-2.0%	-4.5%	-1.8%

Source: Citi ICG Analytics; FactSet

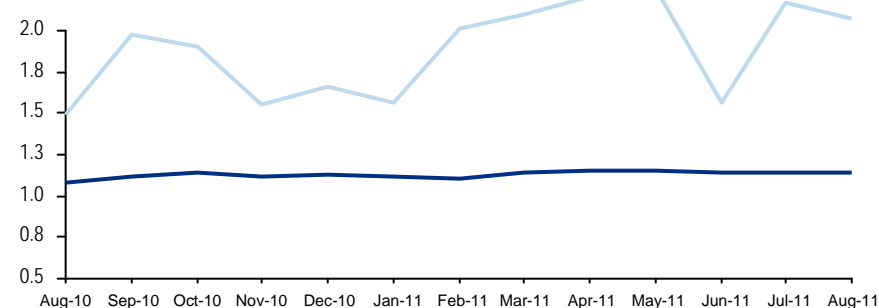
Hedge Fund Performance by Age



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)

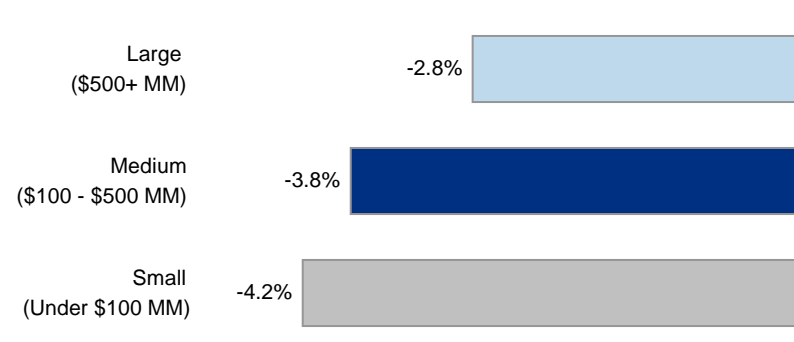


Gross Leverage (Mean): Defined as the sum of (LMV + abs SMV) / Net Equity

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

Source: Citi Prime Finance

Hedge Fund Performance by Size



Source: Citi ICG Analytics

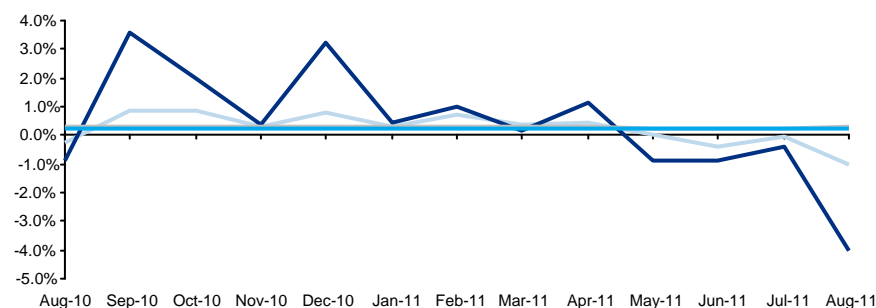


Equity Market Neutral

Data as of Aug-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%					0.2%

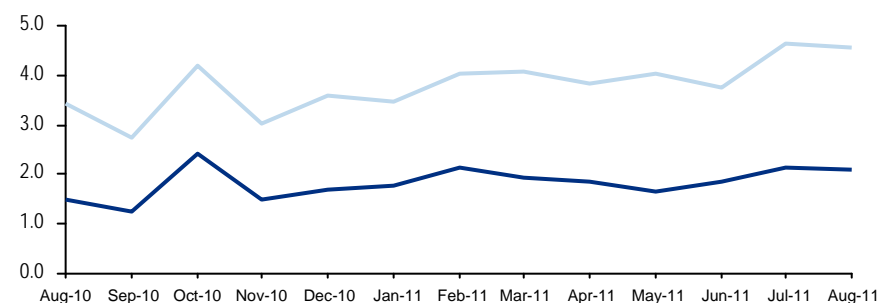
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Aug-11	Jul-11	Aug-10	YTD-11
Eq Mkt Neutral	-1.1%	-0.1%	-0.3%	0.2%
Eq Long/Short	-4.0%	-0.4%	-0.9%	-3.5%
LIBOR + 300 bps	0.3%	0.3%	0.3%	2.2%
US T-Bill + 300 bps	0.3%	0.3%	0.3%	2.1%

Source: Citi ICG Analytics; FactSet

Leverage Profile (Monthly, LTM)

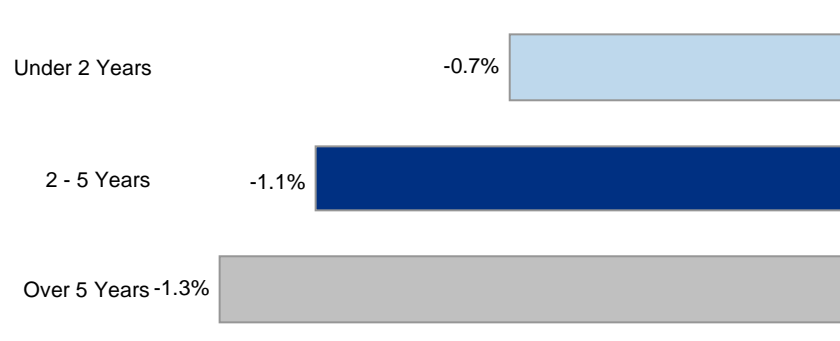


Gross Leverage (Mean): Defined as the sum of (LMV + abs SMV) / Net Equity

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

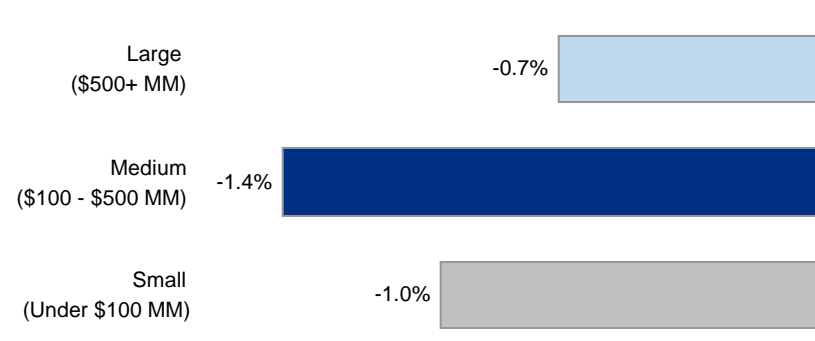
Source: Citi Prime Finance

Hedge Fund Performance by Age



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.

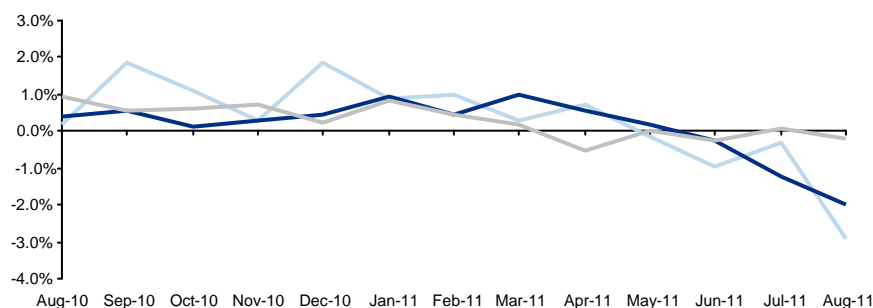


Event Driven

Data as of Aug-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%					-1.5%

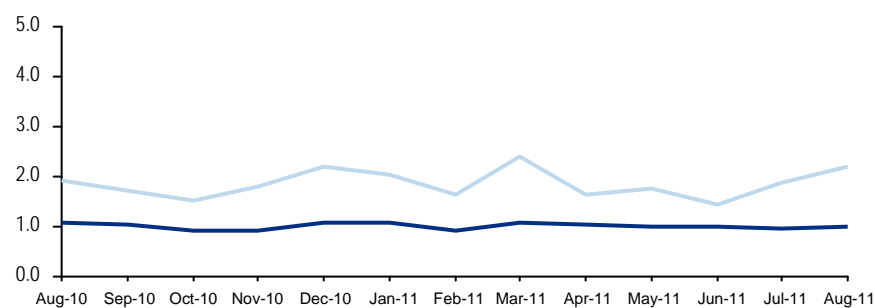
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Aug-11	Jul-11	Aug-10	YTD-11
Event Driven	-2.9%	-0.3%	0.2%	-1.5%
The Merger Fund (MERFX)	-2.0%	-1.2%	0.4%	-0.4%
AQR Div Arb Fund (ADANX)	-0.2%	0.1%	0.9%	0.5%

Source: Citi ICG Analytics; FactSet

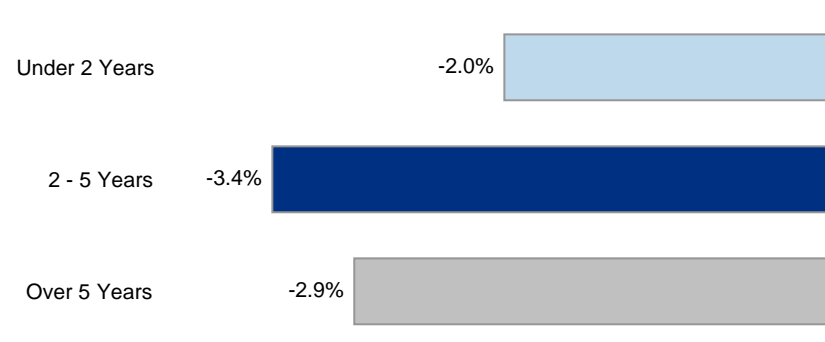
Leverage Profile (Monthly, LTM)



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

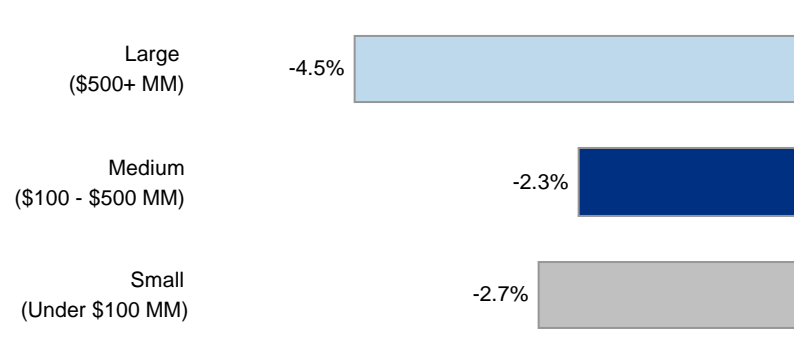
Source: Citi Prime Finance

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.

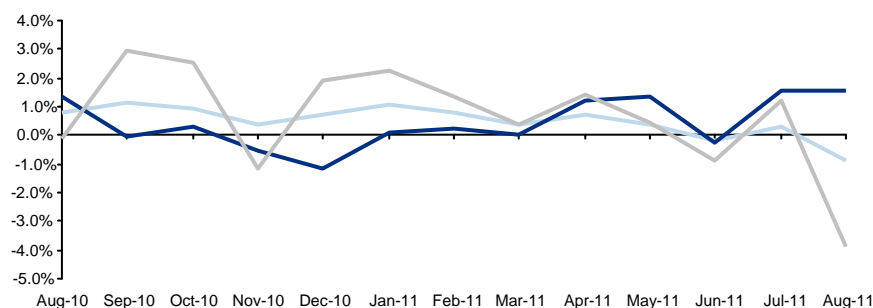


FI Arbitrage

Data as of Aug-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%					2.6%

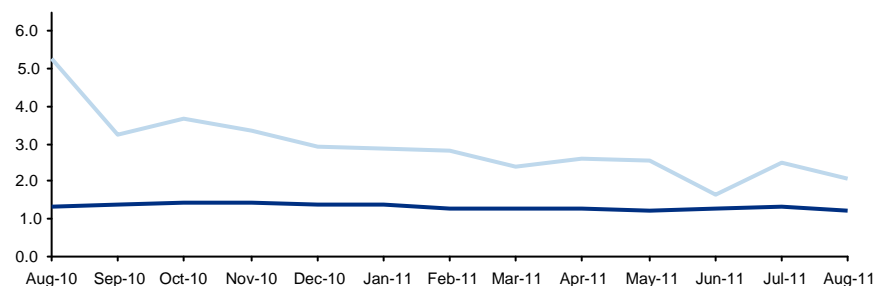
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Aug-11	Jul-11	Aug-10	YTD-11
FI Arbitrage	-0.9%	0.3%	0.8%	2.6%
Citi US BIG Index	1.6%	1.6%	1.3%	5.9%
Citi HY Bond Index	-3.9%	1.2%	-0.1%	2.1%

Source: Citi ICG Analytics; Citigroup Index LLC

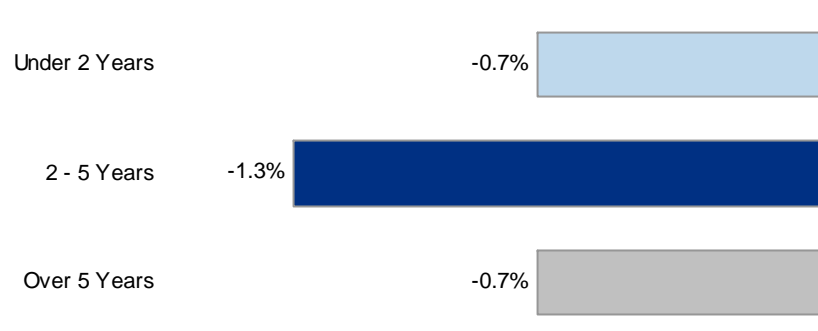
Leverage Profile (Monthly, LTM)



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

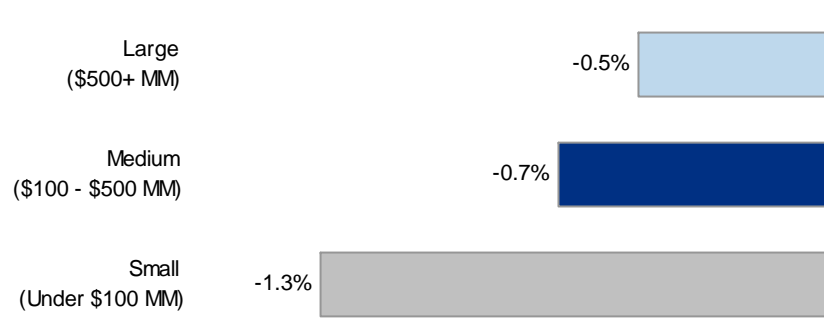
Source: Citi Prime Finance

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.

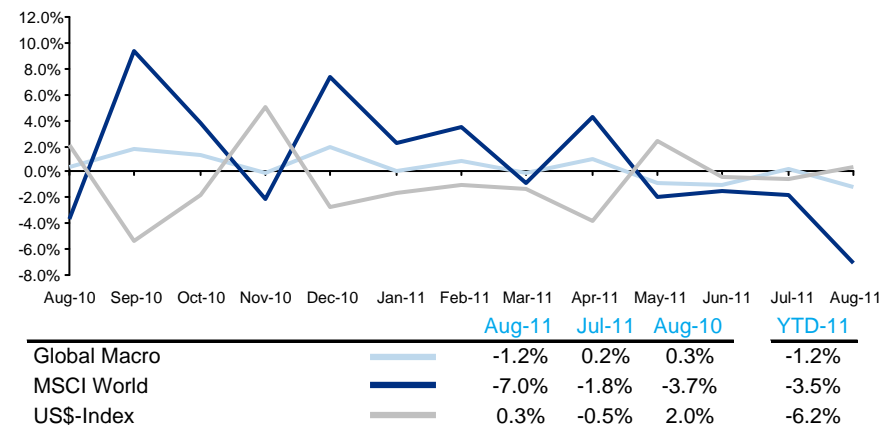


Global Macro

Data as of Aug-2011

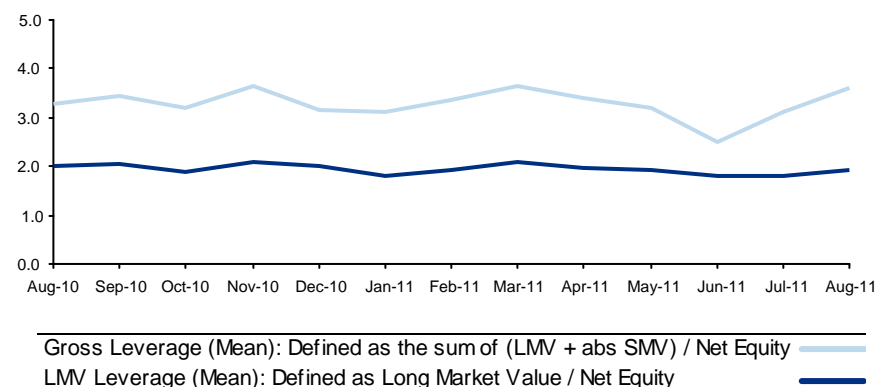
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.1%	0.8%	-0.1%	1.0%	-0.9%	-1.0%	0.2%	-1.2%					-1.2%

Hedge Fund Performance vs. Benchmark (Monthly, LTM)



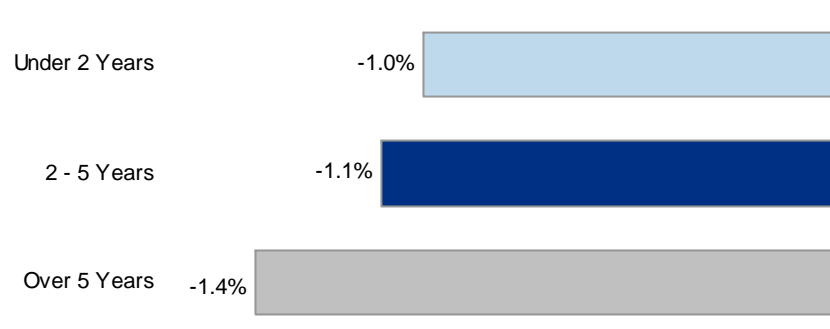
Source: Citi ICG Analytics; FactSet

Leverage Profile (Monthly, LTM)



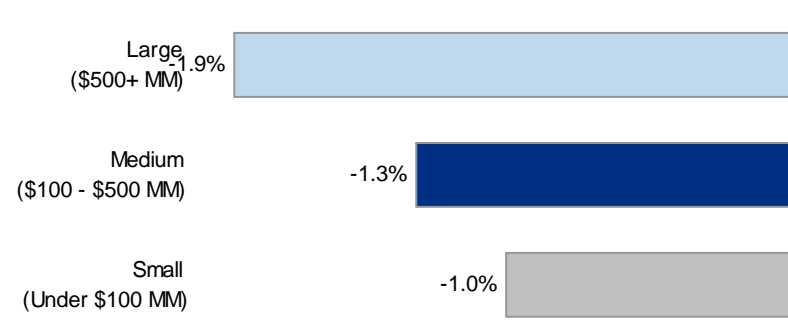
Source: Citi ICG Analytics; FactSet; Citi Prime Finance

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.

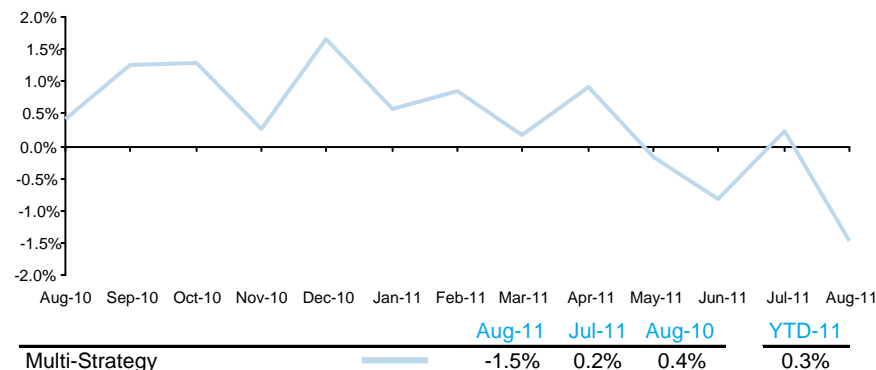


Multi-Strategy

Data as of Aug-2011

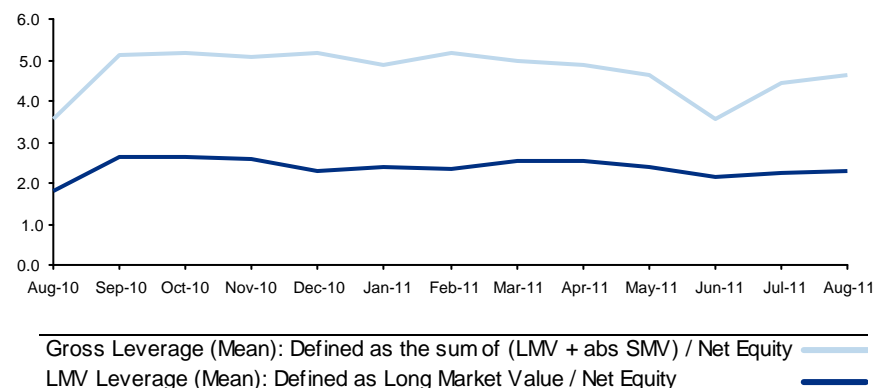
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.6%	0.9%	0.2%	0.9%	-0.2%	-0.8%	0.2%	-1.5%					0.3%

Hedge Fund Performance vs. Benchmark (Monthly, LTM)



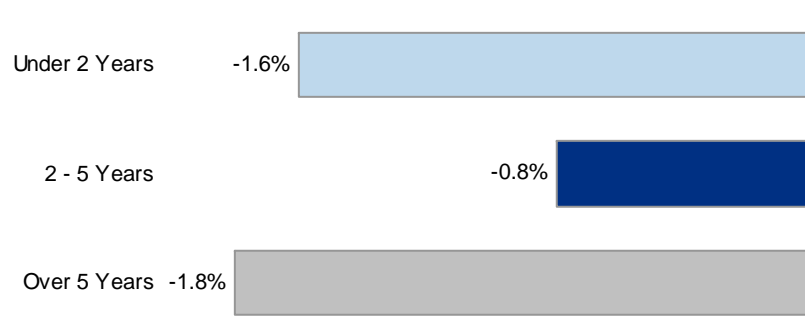
Source: Citi ICG Analytics

Leverage Profile (Monthly, LTM)



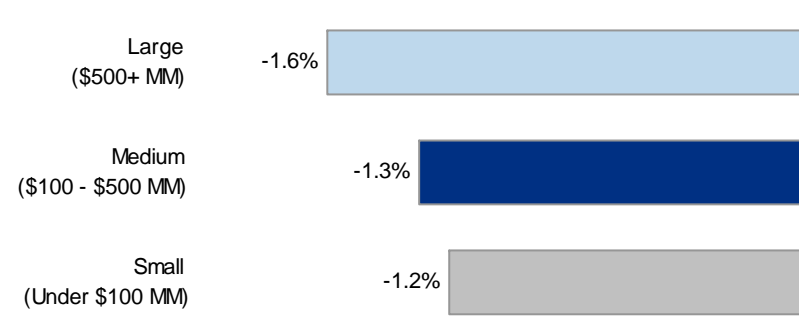
Source: Citi Prime Finance

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.



Firm Disclaimers and Market Commentary Disclosures

This communication has been prepared by employees of Citi and is distributed by or through its locally authorized affiliates (collectively, the "Firm"). Employees preparing this communication are not Research Analysts and are not employees of Citi Investment Research (CIRA) and the information in this communication (the "Message") is not intended to constitute "research" as that term is defined by applicable regulations. Any reference to a research report or research recommendation is not intended to represent the whole report and is not in itself considered a recommendation or research report. Please contact your Firm representative for a copy of a comprehensive research report. All views, opinions and estimates expressed in the Message constitute the author's and/or the Firm's judgment as of the date of the Message, may change without notice and may differ from those views, opinions and estimates expressed by other Firm personnel.

IRS Circular 230 Disclosure: Citigroup Inc. and its affiliates do not provide tax or legal advice. Any discussion of tax matters in these materials (i) is not intended or written to be used, and cannot be used or relied upon, by you for the purpose of avoiding any tax penalties and (ii) may have been written in connection with the "promotion or marketing" of any transaction contemplated hereby ("Transaction"). Accordingly, you should seek advice based on your particular circumstances from an independent tax advisor.

The Message is provided for information and discussion purposes only and is not a representation or recommendation by the Firm. It does not constitute an offer or solicitation to purchase or sell any financial instruments, and does not take into account the investment objectives or financial situation of any particular person. Investors should obtain advice based on their own individual circumstances from their own tax, financial, legal and other advisors before making an investment decision, and only make such decisions on the basis of the investor's own objectives, experience and resources. The information contained in the Message is based on generally available information and, although obtained from sources believed by the Firm to be reliable, its accuracy and completeness cannot be assured, and such information may be incomplete or condensed. Certain personnel or business areas of the Firm may have access to or may have acquired material non-public information that may have an impact (positive or negative) on the information contained in the Message, but that is not available to or known by the author of the Message.

The Firm may be the issuer of, may make a market in or may trade as principal in the financial instruments referred to in the Message or other related financial instruments. The Firm may perform or seek to perform investment banking and other services for the issuer of any such financial instruments. The author of the Message may have discussed the information contained therein with others within or outside the Firm and the author and/or such other Firm personnel may have already acted on the basis of this information (including by trading for the Firm's proprietary accounts or communicating the information contained herein to other customers of the Firm). Compensation of Firm personnel may include consideration of the performance of such department's activities.

The Firm, the Firm's personnel (including those with whom the author may have consulted in the preparation of this communication), and other customers of the Firm may be long or short the financial instruments referred to in the Message, may have acquired such positions at prices and market conditions that are no longer available, may be a director or officer of any company referenced herein and may have interests different from or adverse to your interests.

Investments in financial instruments carry significant risk, including the possible loss of the principal amount invested. Financial instruments denominated in a foreign currency are subject to exchange rate fluctuations, which may have an adverse effect on the price or value of an investment in such products. No liability is accepted by the Firm for any loss (whether direct, indirect or consequential) that may arise from any use of the information contained in or derived from the Message.

Unless otherwise indicated, the Message is not intended to forecast or predict future events. Past performance is not a guarantee or indication of future results. Any prices provided in the Message (other than those that are identified as being historical) are indicative only and do not represent firm quotes as to either price or size. You should contact your local representative directly if you are interested in buying or selling any financial instrument, or pursuing any trading strategy, mentioned herein.

Although the Firm is affiliated with Citibank, N.A. (together with its subsidiaries and branches worldwide, "Citibank"), you should be aware that none of the other financial instruments mentioned in the Message (unless expressly stated otherwise) are (i) insured by the Federal Deposit Insurance Corporation or any other governmental authority, or (ii) deposits or other obligations of, or guaranteed by, Citibank or any other insured depository institution.

The information in this Message may be confidential or otherwise protected by law. If you are not the intended recipient of the Message, please delete and do not disclose or make improper use of it, and promptly notify the sender. The Message contains data compilations, writings and information that are proprietary to the Firm and protected under copyright and other intellectual property laws, and may not be redistributed or otherwise transmitted by you to any other person for any purpose. Electronic messages are not necessarily secure or error-free and can contain viruses, and the sender is not liable for any of these occurrences. The Firm reserves the right to monitor, record and retain electronic messages.

We are required to obtain, verify and record certain information that identifies each entity that enters into a formal business relationship with us. We will ask for complete name, street address and tax payer ID number. We may also request corporate formation documents, or other forms of identification, to verify information provided.

Copyright © Citi 2010. All Rights Reserved. Citi and Citi Arc Design are trademarks and service marks of Citigroup Inc. or its affiliates and are used and registered throughout the world.



Contacts

For further information, please contact:

Prime Finance: Mark Aldoroty, mark.j.aldoroty@citi.com 212-723-5640

Citi ICG Analytics: Lynn S. Hambright, CFA, Senior Analyst; lynn.s.hambright@citi.com 212-816-9420

This report has been prepared by members of Citi ICG Analytics and Prime Finance and is not a research report. This report does not constitute advice on investments or a solicitation to buy or sell any financial instrument. Please see Market Commentary Disclosures.