

Citi Prime Finance



Market Commentary
Report Date: September 2012

www.citigroupgcib.com

Hedge Fund Industry Snapshot

Data as of August 2012

Americas

New York: 800 773 2889
San Francisco: 415 617 8554

EMEA

EMEA: 44 (0) 207 986 0822

Asia Pac

Hong Kong: 852 2501 8356
Tokyo: 813 6270 3165
Singapore: 65 6432 1223
Australia: 612 8225 6424

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Performance, AUM & Flows:

- Composite hedge fund performance, equal-weighted across funds, was up in August 2012 with performance ranging from +0.51% to +0.83%. Returns were on par with the previous period (July 2012 +0.37% to +1.03%). Year to date performance gains range from +3.30% to +5.03% compared to -5.61% to -2.56% over the same period in 2011. The Citi HARP hedge fund replication index was +0.18% in August versus the HFRI Fund of Fund index that was +0.74%
- Hedge fund strategy wise, top performing strategies in August 2012 include Event Driven +1.50%, Distressed +1.45%, Equity Long/Short +1.12%, and Emerging Markets +0.88%. The lowest performing strategies for this period include Dedicated Short -1.69%, CTA / Managed Futures +0.01%, Multi Strategy +0.17%, and Global Macro at +0.28%.
- According to eVestment|HFN, the estimated industry assets increased for August 2012, finishing the month net positive at +\$32.5 billion. Gains were mostly attributed to investor flows totaling +\$19.21 billion while gains from performance accounted for +\$13.04 billion. Industry AuM currently stands at \$2.553 trillion, just off its 2012 peak of \$2.558 trillion reached in February of this year. Overall industry AuM remains below its \$2.94 trillion June 2008 peak.
- Net investor inflows of +\$19.21 billion for August 2012 mark the first period of net positive flows since May 2012. Year to date investor flows now stand at +\$28.70 billion compared to +\$68.87 billion over the same period last year.

Fund Profiles:

- Across the subset of hedge funds reporting performance and AUM, the monthly median performance for large single funds (>\$500 million) was +0.3%, medium single funds (\$100-\$500 million) +0.9% and small single funds (<\$100 million) +0.3%.
- Liquidity terms continued its consistent pattern from the recent reporting periods with August 2012 showing little changes to redemption notice periods with 64% of funds requiring 30 days or less notice for redemption. Across the entire subset of reporting funds, the majority (52%) required no lockup (39%) or less than 1 year lock up (13%).
- Consistent throughout recent reporting periods, large funds (> \$500 million AUM) continue to hold a large portion of industry AUM (75%) compared to medium funds (\$100-\$500 million) at 17% and small funds (<\$100 million) holding only 8%.

Leverage, Shorts and Futures Market Positioning:

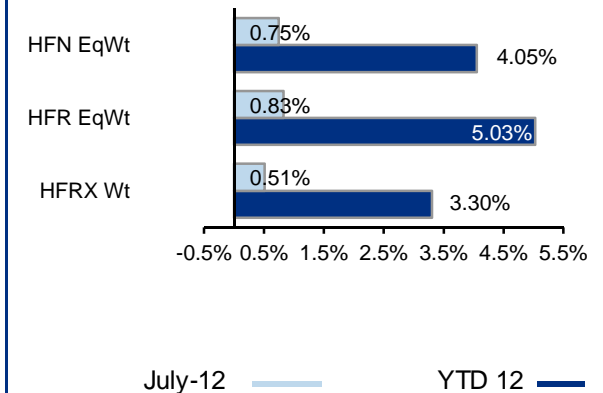
- On a global basis, we calculate gross leverage (as measured on a mean basis) at 1.74x in August 2012 versus 1.73x in July, and 1.75x in June.
- Looking across both long leverage and gross leverage, the following strategies showed the highest uses of leverage: Equity Market Neutral (4.18x), Multi Strategy (3.71x), Global Macro (3.50x), and Convertible Arbitrage (3.42x).
- Citi U.S. short flows data included in this month's report show continued interest in the Consumer Discretionary and Information Technology sectors. These two sectors accounted for 33.30% of short executions and 31.82% of short covers in August versus 36.32% of short executions and 30.00% of short covers in July 2012.
- Large speculator net positioning (in Futures & Options) saw most activity in EuroFX and Gold contracts. They cut net shorts in the EuroFX, in an increasing aggregate open interest environment. Large specs increased their net long positions in gold contracts, but that shift came in a relatively stable aggregate open interest environment.

Hedge Fund Industry: AUM, Performance

Data as of Aug-2012

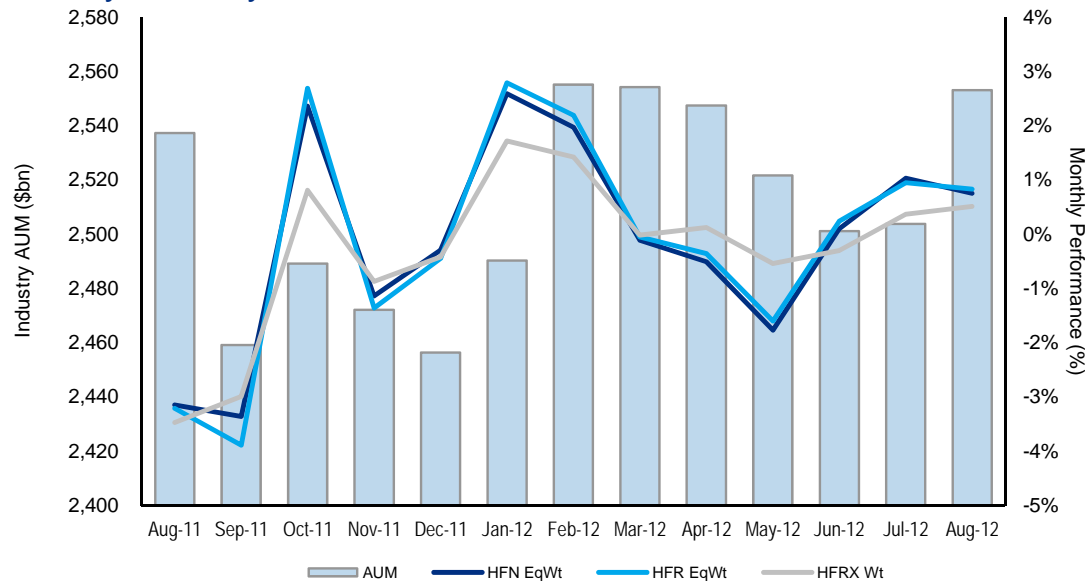
- Composite hedge fund performance, equal-weighted across funds, was up in August 2012 with performance ranging from +0.51% to +0.83%. Returns were lower than the previous period (July 2012 +0.37% to +1.03%). Year to date performance gains range from +3.30% to +5.03% compared to -5.61% to -2.56% over the same period in 2011.
- Global equity markets posted gains for the 3rd consecutive month in August, with significant sector contributions from Energy and Telecom and geographic contributions from Italy and Spain; Asian equities experienced mixed performance. Trading volumes declined throughout the month, as implied volatility declined despite an early month spike associated with a trading loss at a large US executing broker dealer. US yields rose and the yield curve steepened as investors discounted optimism with regard to the resolution of the European sovereign debt crisis; the US dollar declined against the Euro and Pound, despite rising against the Japanese Yen. Oil, Gold and most precious metals posted gains while Agricultural Commodities posted declines on drought relief.
- Hedge fund strategy wise, top performing strategies in August 2012 include Event Driven +1.50%, Distressed +1.45%, Equity Long/Short +1.12%, and Emerging Markets +0.88%. The lowest performing strategies include Dedicated Short -1.69%, CTA / Managed Futures +0.01%, Multi Strategy +0.17%, and Global Macro at +0.28%.
- According to eVestment|HFN, the estimated industry assets increased for August 2012, finishing the month net positive at +\$32.5 billion. Gains were mostly attributed to investor flows totaling +\$19.21 billion while gains from performance accounted for +\$13.04 billion. Overall industry AuM remains below its \$2.94 trillion June 2008 peak.

Industry Performance: Aug-12 / YTD



Source: HFR, eVestment|HFN

Monthly Industry AUM and Performance



Note Pad:

- MSCI World Index: +2.6%; +10.7% YTD
- MSCI EM Index: -0.3%; +7.4% YTD
- S&P 500: +2.3%; +13.2% YTD
- Citi US BIG Index: +0.1%; +3.8% YTD
- S&P GSCI: -+6.4%; +6.4% YTD
- U.S. Dollar Index: -1.7%; +2.1% YTD
- HFN Country Indices May/YTD:
 Brazil +3.29% / +10.25%; Russia -0.07% / +1.73%;
 India: +0.57% / +13.63%; China: +0.10% / -0.66%

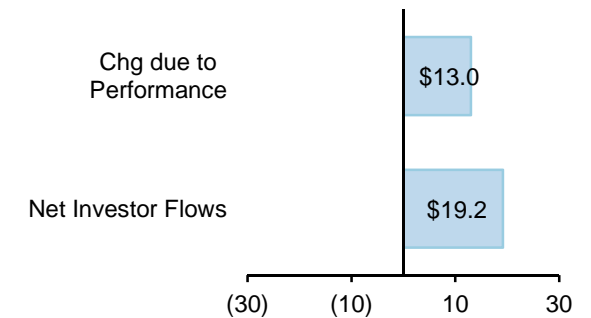


Hedge Fund Industry: Change in Industry Assets

Data as of Aug-2012

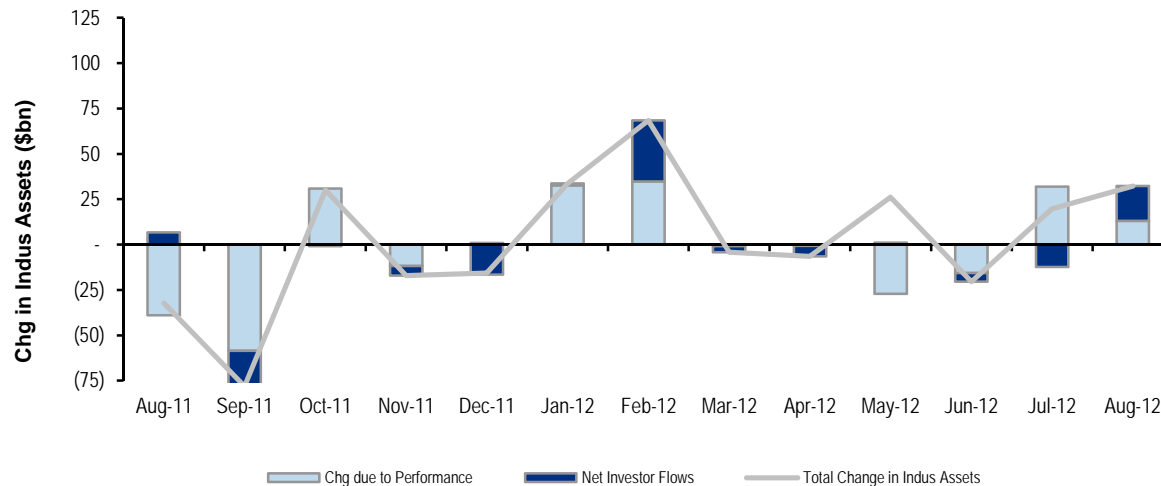
- According to eVestment|HFN, industry assets for August 2012 increased, finishing the month net positive at +\$32.25 billion. Gains were mostly attributed to investor flows totaling +\$19.21 billion while gains from performance accounted for +\$13.04 billion.
- August 2012 marks the second consecutive month of 2012 in which performance contributed positively to industry AUM. August 2012 performance gains of +\$13.04 billion were lower than the previous month (July 2012 +\$31.96 billion). Year to date performance gains stand at +\$68.03 billion compared to -\$4.30 billion over the same period last year.
- Net investor inflows of +\$19.21 billion for August 2012 mark the first period of net positive flows since May 2012. August net flows were greater than the previous month, which experienced -\$12.25 billion over the same period. Year to date investor flows now stand at +\$28.70 billion compared to +\$68.87 billion over the same period last year.
- Total industry AUM of \$2.55 trillion for August 2012 is up +1.26% from \$2.52 trillion in July 2012.

Composition of Change in Assets: Aug-12 Amounts in (\$ bn)



Source: eVestment|HFN

Monthly Change in Industry Assets and Composition



Source: eVestment|HFN

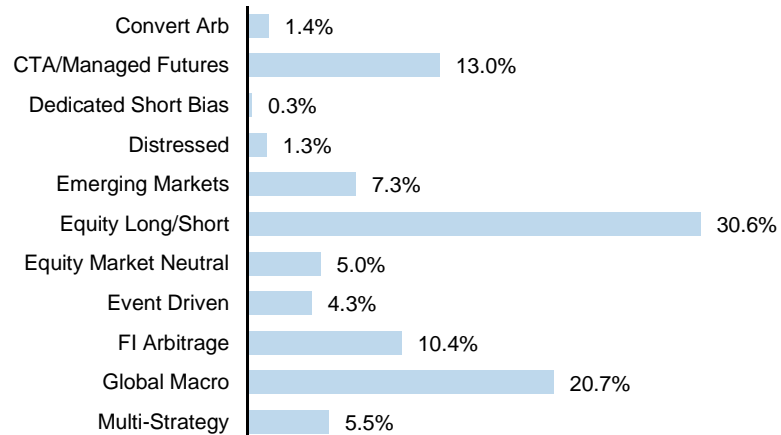
Note Pad:

- The Citi Prime Finance calculation for end-July gross leverage (as measured on a mean basis) was 1.74x, compared to recent months: July: 1.73x, June: 1.75x, and May: 1.79x
- Gross leverage (mean): defined as sum of (LMV + abs SMV) / Net Equity

Hedge Fund Stats by Strategy

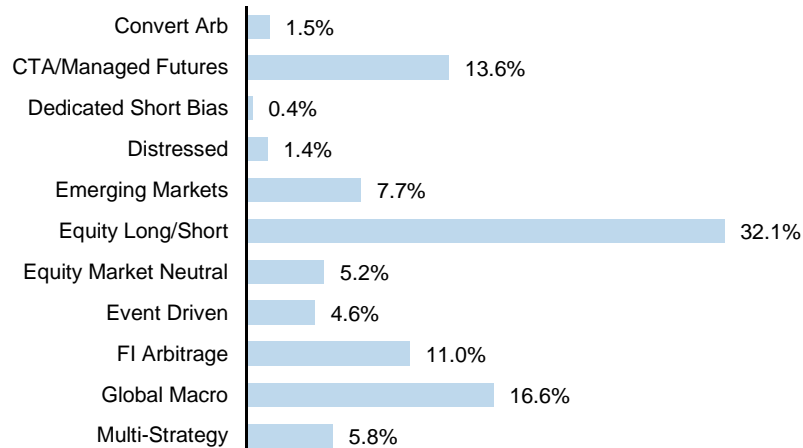
Data as of Aug-2012

Hedge Fund Strategy Breakdown by Assets



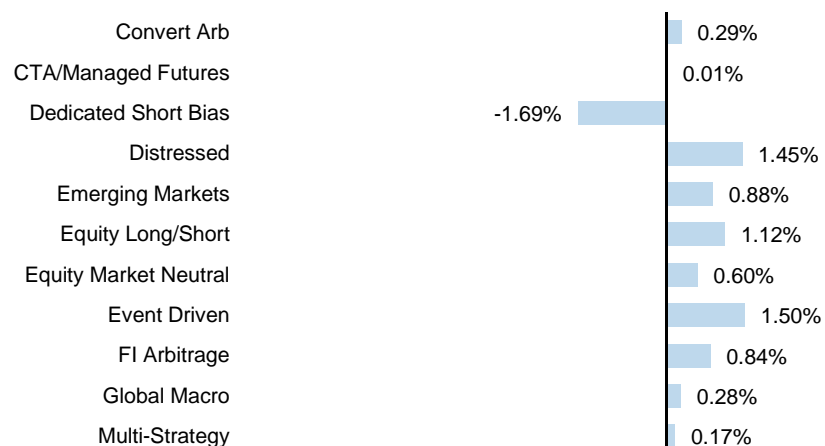
Source: Citi Prime Finance

Hedge Fund Strategy Breakdown by Number of Funds



Source: Citi Prime Finance

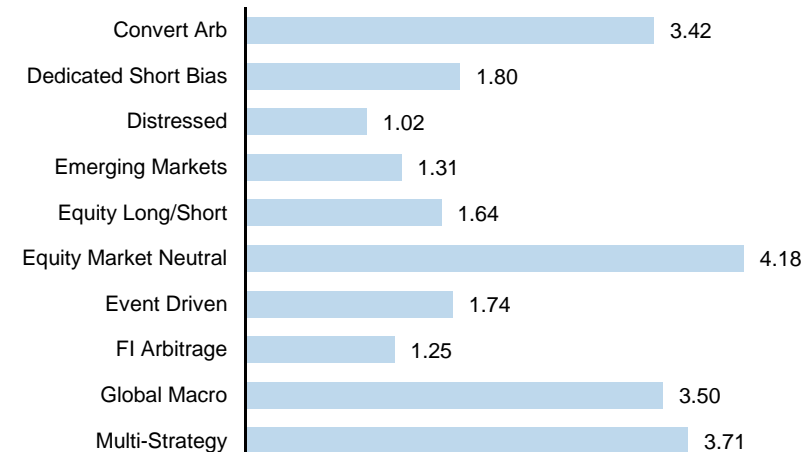
Hedge Fund Performance by Strategy



Source: Citi Prime Finance

Hedge Fund Leverage Ratios by Strategy

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





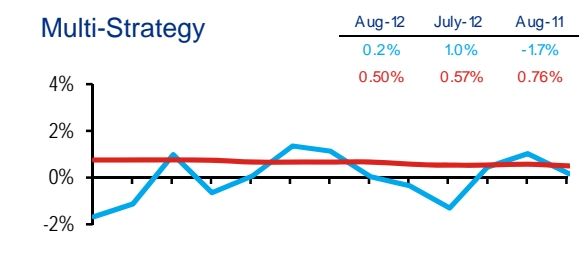
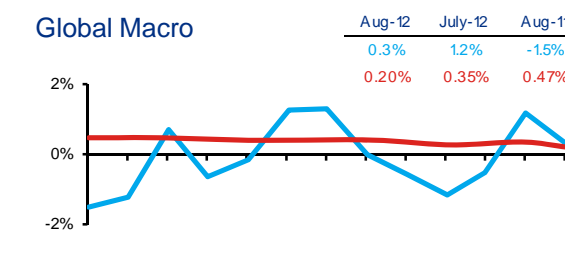
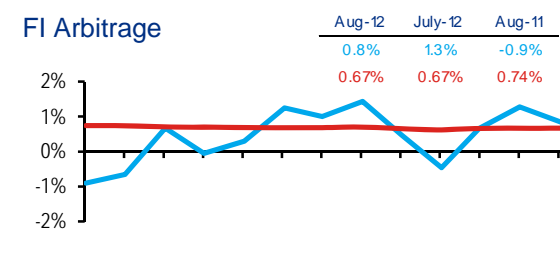
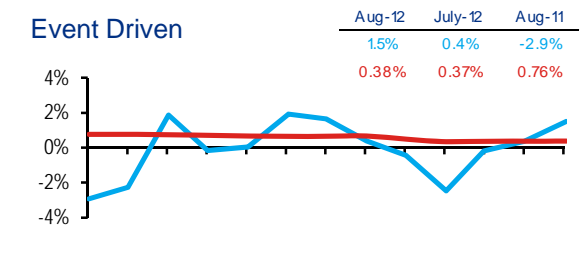
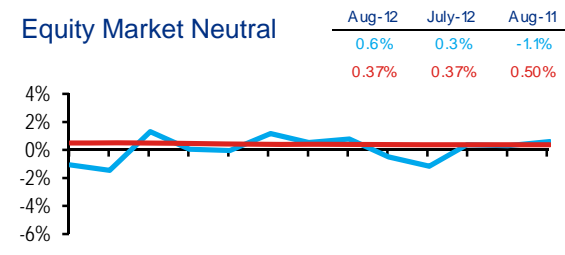
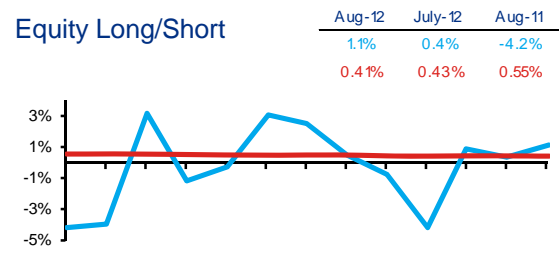
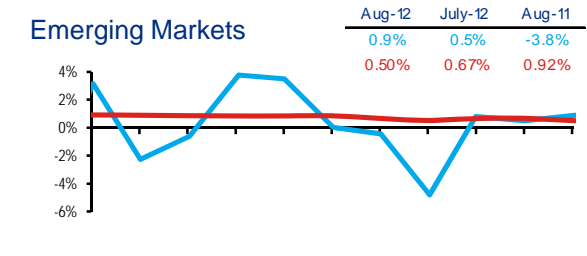
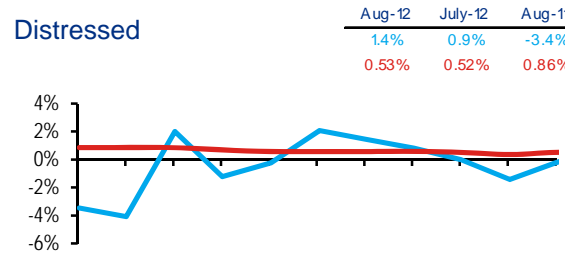
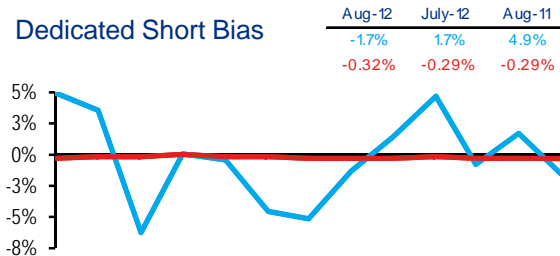
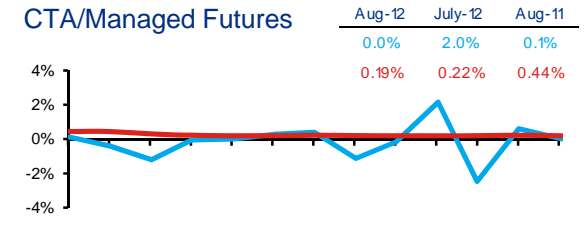
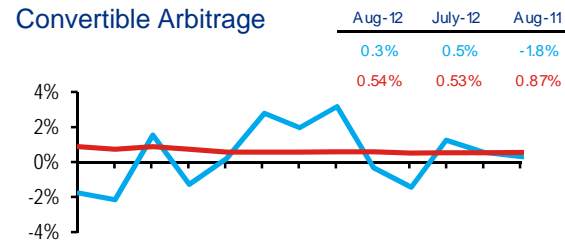
Source: Citi Prime Finance

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

Monthly Performance by Strategy

Data as of Aug-2012

Monthly Median: 
 Trailing 60 Month Median: 



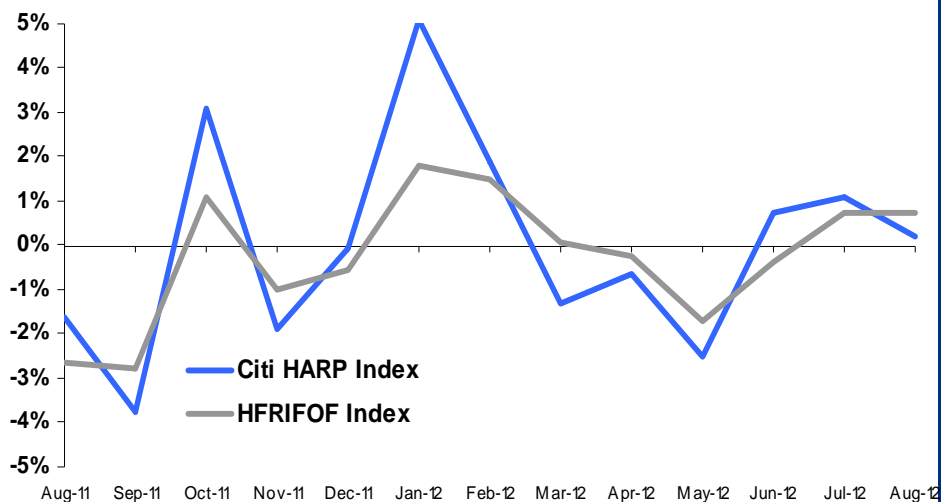
Source: Citi Prime Finance

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

Citi Liquid Hedge Fund Replicator (HARP)

Data as of Aug-2012

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-12	Jul-12	Aug-11	YTD-12
Citi Harp	0.18%	1.09%	-1.60%	4.45%
HFRIFOF	0.74%	0.74%	-2.64%	2.48%

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	1.58%	-0.85%
Annualised Volatility	8.52%	4.64%
Sharpe Ratio	0.18	-0.20
Correlation	90%	-

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.

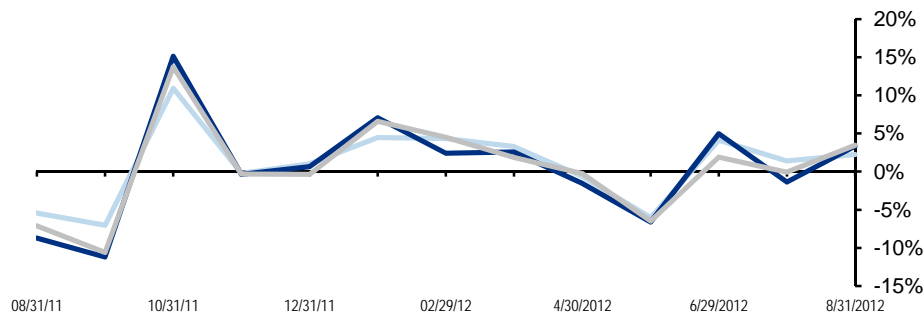
The Index contains weighted components. The components are a money market component and various index components. Each index component represents a class of asset in which the hedge fund sector is assumed to invest: bond, commodity, equity and foreign exchange.

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

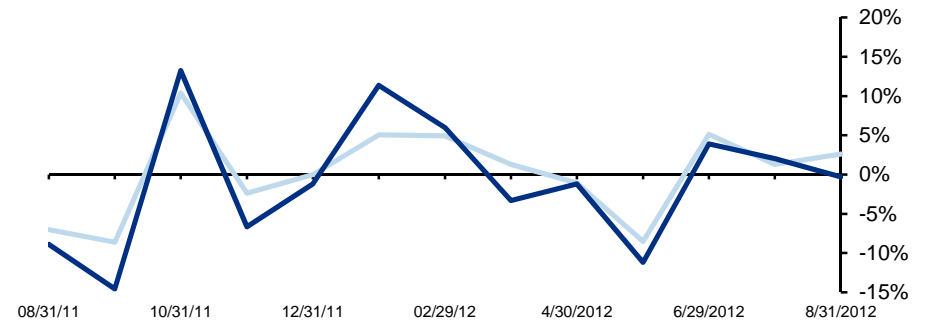
Data as of Aug-2012

US Equities (Large Cap vs. Small Cap)



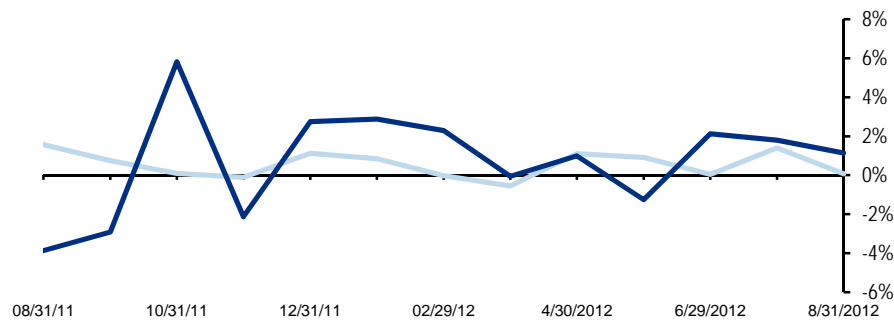
		Aug-12	July-12	Aug-11	YTD-12
S&P 500		2.3%	1.4%	-5.4%	13.2%
RUS 2000		3.3%	-1.4%	-8.7%	10.8%
S&P Mid		3.5%	0.0%	-7.1%	11.6%

Global Equities (Developed vs. Emerging)



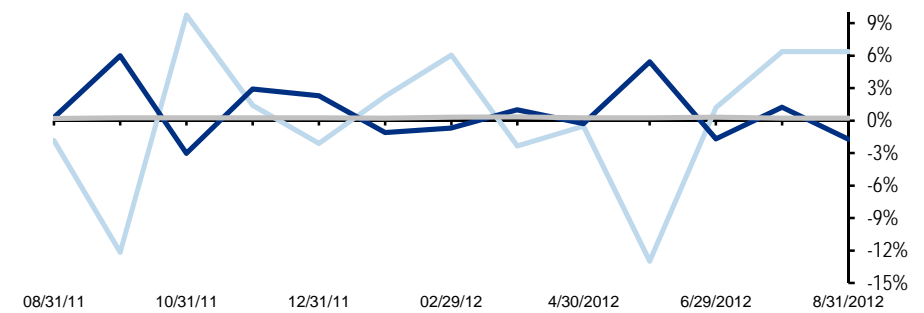
		Aug-12	July-12	Aug-11	YTD-12
MSCI World		2.6%	1.3%	-7.0%	10.7%
MSCI EM		-0.3%	2.0%	-8.9%	7.4%

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



		Aug-12	July-12	Aug-11	YTD-12
Citi US BIG Index		0.1%	1.4%	1.6%	3.8%
Citi HY Bond Index		1.1%	1.8%	-3.9%	9.9%

Commodities (US\$ performance)



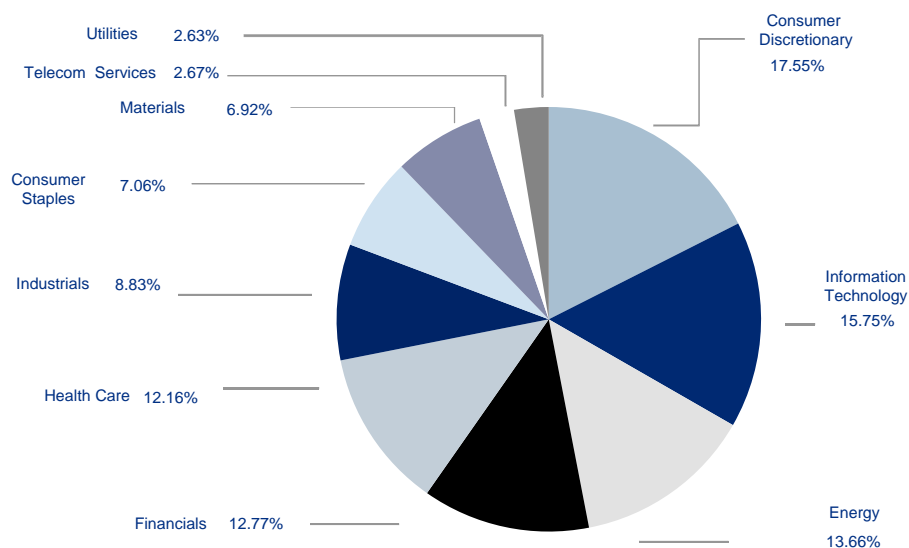
		Aug-12	July-12	Aug-11	YTD-12
S&P GSCI		6.4%	6.4%	-1.8%	6.4%
US-\$ Index		-1.7%	1.2%	0.3%	2.1%
US 2yr Note		0.2%	0.2%	0.2%	2.1%

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

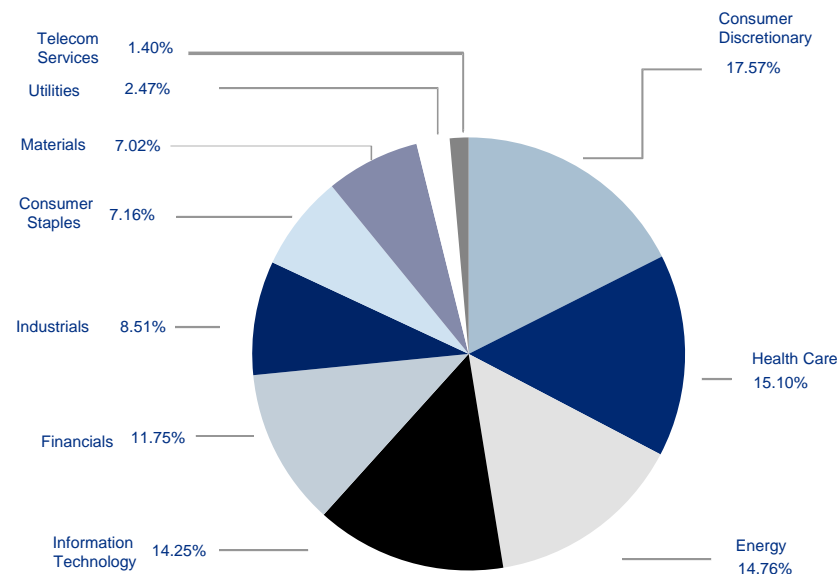
US Securities Lending Sector Short Flows

Data as of Aug-2012

Short Sale Executions



Short Cover Executions



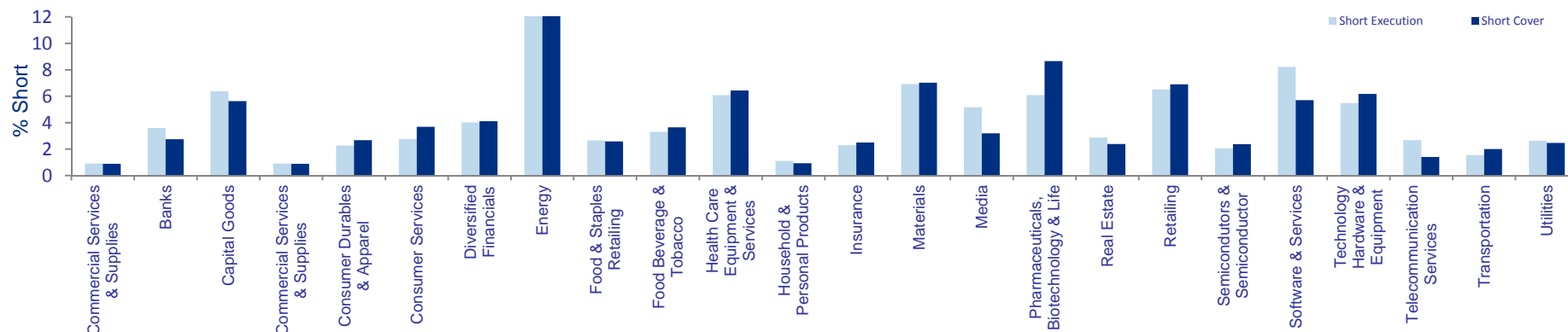
Sector Short Flows	% Short Execution	% Previous Month Short Execution	% Change From Previous Month
Consumer Discretionary	17.55	19.52	-10.09
Information Technology	15.75	16.75	-5.97
Energy	13.66	12.58	8.59
Financials	12.77	11.35	12.51
Health Care	12.16	11.96	1.67
Industrials	8.83	9.56	-7.64
Consumer Staples	7.06	6.81	3.67
Materials	6.92	6.75	2.52
Telecom Services	2.67	2.74	-2.55
Utilities	2.63	1.98	32.83

Sector Short Flows	% Cover Execution	% Previous Month Short Cover	% Change From Previous Month
Consumer Discretionary	17.57	15.59	12.7
Health Care	15.10	11.06	36.53
Energy	14.76	13.19	11.9
Information Technology	14.25	14.37	-0.84
Financials	11.75	14.23	-17.43
Industrials	8.51	10.48	-18.8
Consumer Staples	7.16	8.25	-13.21
Materials	7.02	8.40	-16.43
Utilities	2.47	2.88	-14.24
Telecom Services	1.40	1.55	-9.68

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-2012

Citi Industry Group Short Flows



Industry	% Short Execution	% Previous Month Short Execution	% Change From Previous Month
Energy	13.66	12.58	8.59
Software & Services	8.21	8.92	-7.96
Materials	6.92	6.75	2.52
Retailing	6.52	8.04	-18.91
Capital Goods	6.37	7.18	-11.28
Health Care Equipment and Services	6.08	5.89	3.23
Pharmaceuticals, Biotechnology & Life	6.08	6.07	0.16
Technology Hardware and Equipment	5.49	6.01	-8.65
Media	5.16	2.58	100.00
Diversified Financials	4.02	3.91	2.81
Banks	3.59	3.09	16.18
Food Beverage & Tobacco	3.31	2.36	40.25
Real Estate	2.87	3.07	-6.51
Consumer Services	2.76	4.56	-39.47
Telecom Services	2.67	4.56	-39.47
Food & Staples Retailing	2.65	3.31	-19.94
Utilities	2.63	3.31	-19.94
Insurance	2.29	1.27	80.31
Consumer Durables & Apparel	2.27	3.28	-30.79
Semiconductors & Semiconductor	2.05	1.82	12.64
Transportation	1.55	1.71	-9.36
Household & Personal Products	1.10	1.15	-4.35
Commercial Services & Supplies	0.91	0.67	35.82
Automobiles & Components	0.84	1.05	-20.00

Industry	% Cover Execution	% Previous Month Short Cover	% Change From Previous Month
Energy	14.76	13.19	11.90
Pharmaceuticals, Biotechnology & Life	8.66	5.36	60.67
Materials	7.02	8.40	-16.43
Retailing	6.90	5.81	18.76
Health Care Equipment and Services	6.44	5.67	13.58
Technology Hardware and Equipment	6.18	4.86	27.16
Software & Services	5.70	7.55	-24.50
Capital Goods	5.63	7.55	-25.43
Diversified Financials	4.11	3.56	15.45
Food Beverage & Tobacco	3.65	4.19	-12.89
Consumer Services	3.49	3.69	-5.42
Media	3.19	1.89	68.78
Banks	2.75	3.37	-18.40
Consumer Durables & Apparel	2.67	2.30	16.09
Food & Staples Retailing	2.58	2.43	6.17
Insurance	2.50	1.94	28.87
Utilities	2.47	2.88	-14.24
Real Estate	2.39	5.36	-55.41
Semiconductors & Semiconductor	2.38	1.96	21.43
Transportation	2.00	1.84	8.70
Telecom Services	1.40	1.55	-9.68
Automobiles & Components	1.31	1.90	-31.05
Household & Personal Products	0.93	1.64	-43.29
Commercial Services & Supplies	0.89	1.08	-17.59

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-2012

Citi Short Flows: August 2012

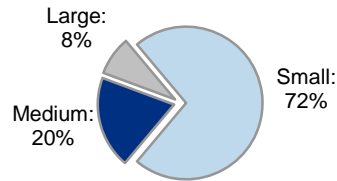
GICS Code	Description	% Short Executions This Month	% Short Executions From Last Month	% Change From Last Month	% Short Cover This Month	% Short Cover From Last Month	% Change From Last Month
Sector	Sector						
10	Energy	13.66	12.58	8.59	14.76	13.19	11.90
15	Materials	6.92	6.75	2.52	7.02	8.40	-16.43
20	Industrials	8.83	9.56	-7.64	8.51	10.48	-18.80
25	Consumer Discretionary	17.55	19.52	-10.09	17.57	15.59	12.70
30	Consumer Staples	7.06	6.81	3.67	7.16	8.25	-13.21
35	Health Care	12.16	11.96	1.67	15.10	11.06	36.53
40	Financials	12.77	11.35	12.51	11.75	14.23	-17.43
45	Information Technology	15.75	16.75	-5.97	14.25	14.37	0.84
50	Telecommunication Services	2.67	2.74	-2.55	1.40	1.55	-9.68
55	Utilities	2.63	1.98	32.83	2.47	2.88	-14.24
Industry Group	Industry Group						
1010	Energy	13.66	12.58	8.59	14.76	13.19	11.90
1510	Materials	6.92	6.75	2.52	7.02	8.40	-16.43
2010	Capital Goods	6.37	7.18	-11.28	5.63	7.55	-25.43
2020	Commercial Services & Supplies	0.91	0.67	35.82	0.89	1.08	-17.59
2030	Transportation	1.55	1.71	-9.36	2.00	1.84	8.70
2510	Automobiles & Components	0.84	1.05	-20.00	1.31	1.90	-31.05
2520	Consumer Durables & Apparel	2.27	3.28	-30.79	2.67	2.30	16.09
2530	Consumer Services	2.76	4.56	-39.47	3.49	3.69	-5.42
2540	Media	5.16	2.58	100.00	3.19	1.89	68.78
2550	Retailing	6.52	8.04	-18.91	6.90	5.81	18.76
3010	Food & Staples Retailing	2.65	3.31	-19.94	2.58	2.43	6.17
3020	Food Beverage & Tobacco	3.31	2.36	40.25	3.65	4.19	-12.89
3030	Household & Personal Products	1.10	1.15	-4.35	0.93	1.64	-43.29
3510	Health Care Equipment & Services	6.08	5.89	3.23	6.44	5.67	13.58
3520	Pharmaceuticals, Biotechnology & Life Sciences	6.08	6.07	0.16	8.66	5.39	60.67
4010	Banks	3.59	3.09	16.18	2.75	3.37	-18.40
4020	Diversified Financials	4.02	3.91	2.81	4.11	3.56	15.45
4030	Insurance	2.29	1.27	80.31	2.50	1.94	28.87
4040	Real Estate	2.87	3.07	-6.51	2.39	5.36	-55.41
4510	Software & Services	8.21	8.92	-7.96	5.70	7.55	-24.50
4520	Technology Hardware & Equipment	5.49	6.01	-8.65	6.18	4.86	27.16
4530	Semiconductors & Semiconductor Equipment	2.05	1.82	12.64	2.38	1.96	21.43
5010	Telecommunication Services	2.67	2.74	-2.55	1.40	1.55	-9.68
5510	Utilities	2.63	1.98	32.83	2.47	2.88	-14.24

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

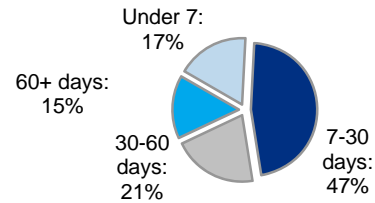
Hedge Fund (Fund Level) Profiles

Data as of Aug-2012

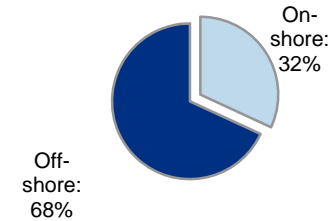
By Fund Size—No. of Funds



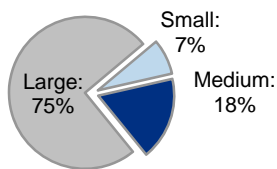
Redemption Notice Period



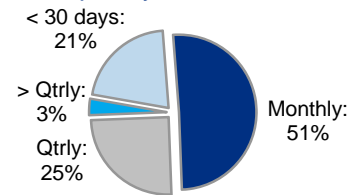
On-shore/Off-shore



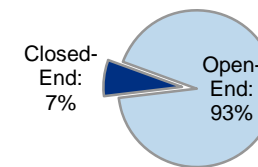
By Fund Size—\$ AUM



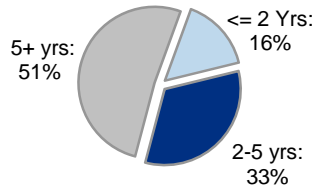
Redemption Frequency



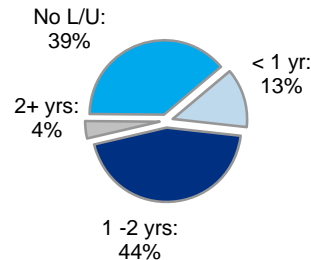
Legal Status



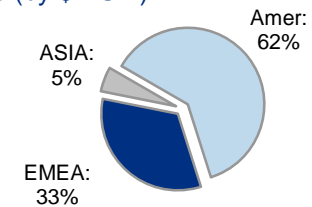
By Fund Age—No. of Funds



Lock-Up



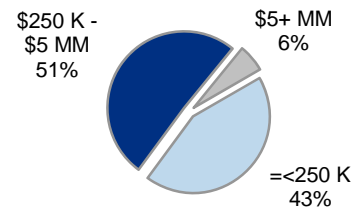
Domicile (by \$ AUM)



By Fund Age—\$ AUM



Minimum Investment



Source: Citi Prime Finance

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

Hedge Fund (Fund Level) Profiles

Data as of Aug-2012

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	2%	\$933	0.5%	4.4%	74%	100%	1-2 yrs / 75%	7-30 days / 66%	Monthly / 57%
2-5 yrs	19%	\$1,257	0.1%	2.2%	73%	64%	1-2 yrs / 81%	60+ days / 31%	Monthly / 39%
Over 5 yrs	78%	\$2,222	0.2%	3.6%	63%	70%	1-2 yrs / 42%	7-30 days / 34%	Monthly / 47%
Total	100%	\$1,898	0.3%	3.5%	68%	68%	1-2 years / 42%	7-30 days / 32%	Monthly / 45%

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

Hedge Fund Age	% of Total	Median AUM (\$MM)	Median Monthly Perform	Median YTD Perform	Domicile: Americas Region	Off-Shore	Preferred Lock-Up / % of Total	Preferred Redemption Notice / % of Total	Preferred Redemption Frequency / % of Total
Under 2 yrs	8%	\$202	0.2%	0.4%	74%	84%	1-2 yrs / 75%	7-30 days / 53%	Under 30 / 59%
2-5 yrs	32%	\$214	0.3%	4.8%	73%	73%	1-2 yrs / 69%	7-30 days / 39%	Monthly / 49%
Over 5 yrs	60%	\$225	0.4%	3.1%	69%	64%	No / 51%	7-30 days / 47%	Under 30 / 57%
Total	100%	\$219	0.9%	3.3%	70%	67%	No / 45%	7-30 days / 45%	Monthly / 52%

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	9%	\$29	0.1%	1.6%	88%	79%	1-2 yrs / 75%	7-30 days / 33%	Monthly / 44%
2-5 yrs	38%	\$31	0.3%	2.9%	64%	78%	1-2 yrs / 66%	7-30 days / 42%	Monthly / 52%
Over 5 yrs	53%	\$43	0.9%	0.9%	69%	63%	No / 42%	7-30 days / 54%	Monthly / 54%
Total	100%	\$28	0.3%	3.5%	67%	72%	1-2 yrs / 44%	7-30 days / 49%	Monthly / 52%

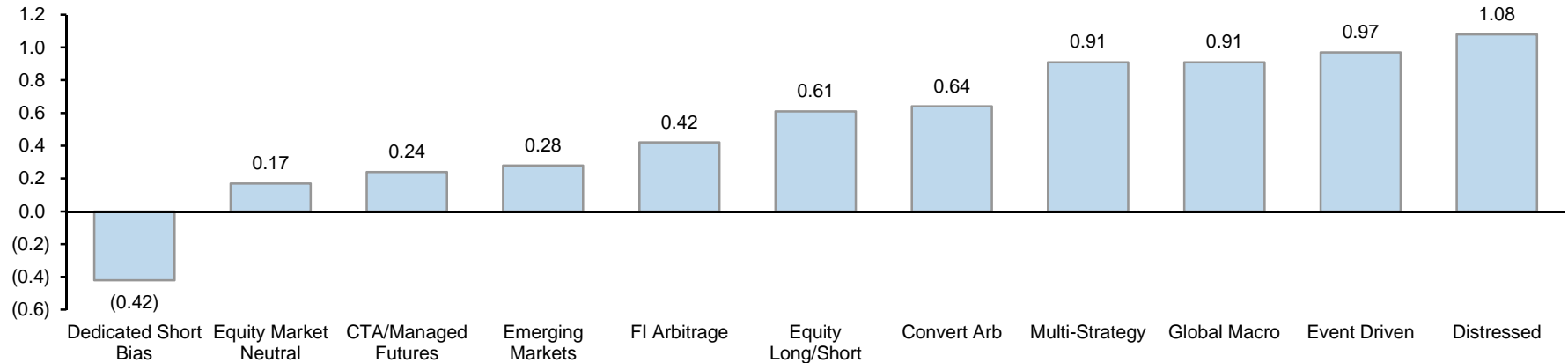
Source: Citi Prime Finance

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

Risk and Return Metrics

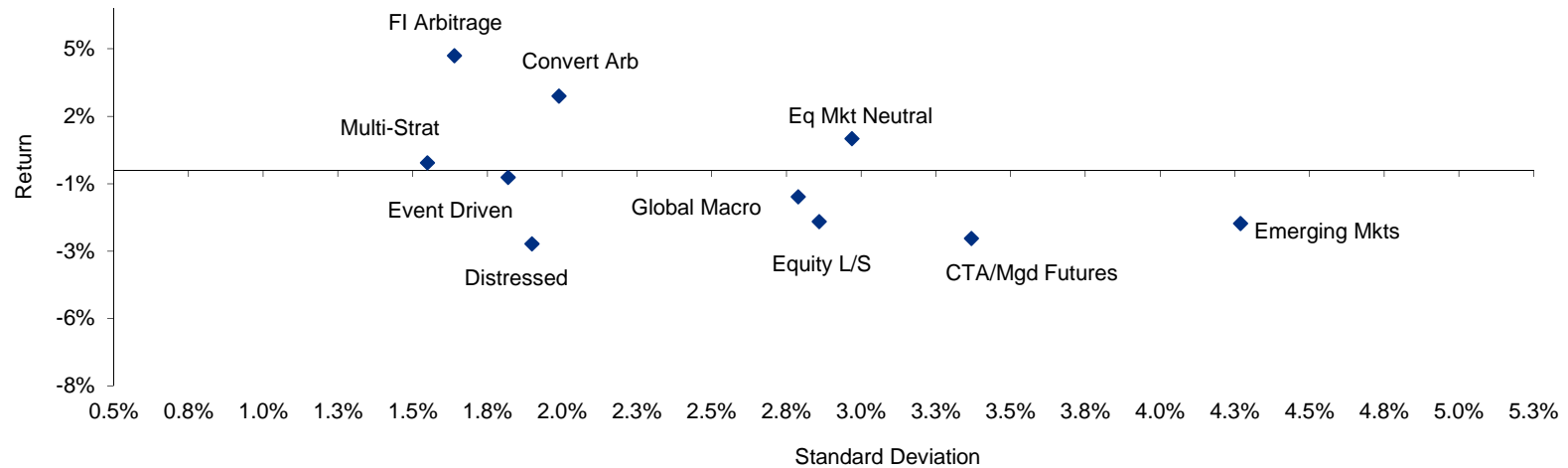
Data as of Aug-2012

Sharpe Ratios (July-94 – Aug-12)



Source: Credit Suisse Tremont

Risk vs. Return (Aug-11 – Aug-12)



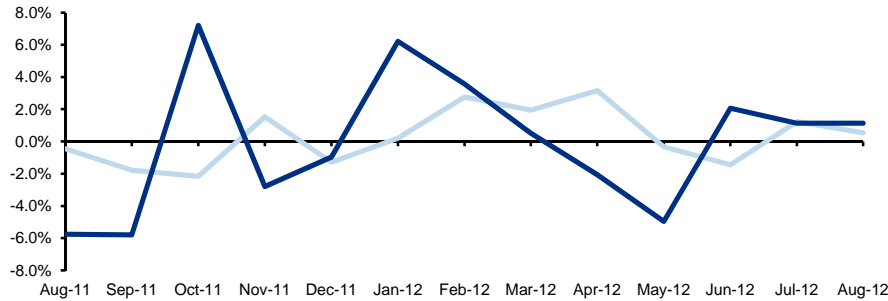
Source: Citi Prime Finance

Convertible Arbitrage

Data as of Aug-2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	2.8%	2.0%	3.2%	-0.3%	-1.5%	1.2%	0.5%	0.3%					8.2%

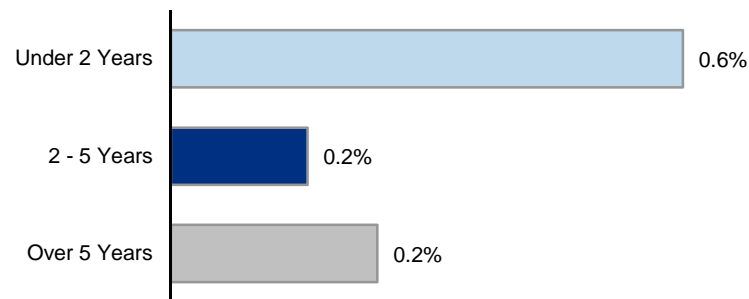
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Aug-12	Jul-12	Aug-11	YTD-12
Convert Arb	0.3%	0.5%	-0.5%	8.2%
CWB ETF	1.1%	1.1%	-2.5%	0.0%

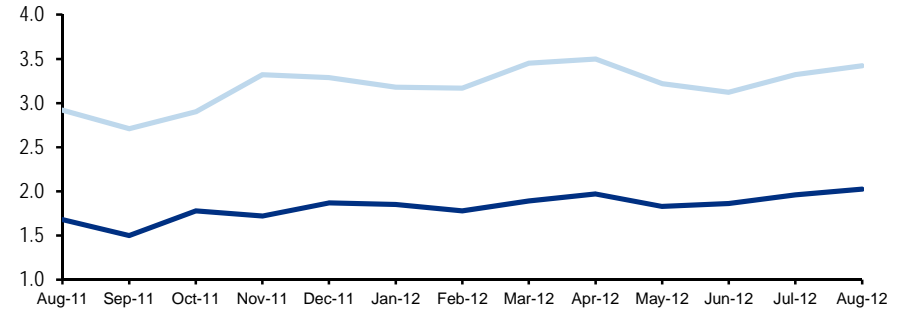
Source: Citi ICG Analytics; FactSet

Hedge Fund Performance by Age (1)



Source: Citi Prime Finance

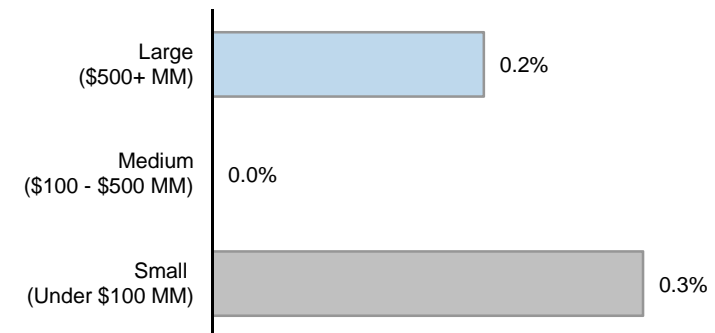
Leverage Profile (Monthly, LTM)



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

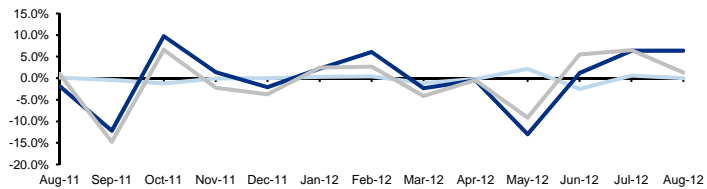
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. (1) Universe and sample sizes may be small.

CTA/Managed Futures

Data as of Aug-2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.3%	0.4%	-1.1%	-0.2%	2.1%	-2.5%	2.0%	0.0%					1.0%

Hedge Fund Performance vs. Benchmark



	Aug-12	Jul-12	Aug-11	YTD-12
CTA/Mgd Futures	0.0%	2.0%	1.5%	1.0%
S&P GSCI Commodity (SPGSCI)	6.4%	6.4%	2.4%	6.4%
DJ-UBS Commodity (DJAGK)	1.3%	6.5%	3.0%	4.7%

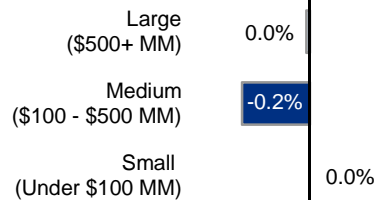
Source: Citi Prime Finance; FactSet

Hedge Fund Performance by Age



Source: Citi Prime Finance

Hedge Fund Performance by Size

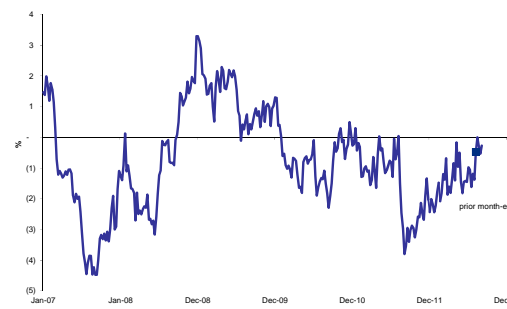


Source: Citi Prime Finance

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

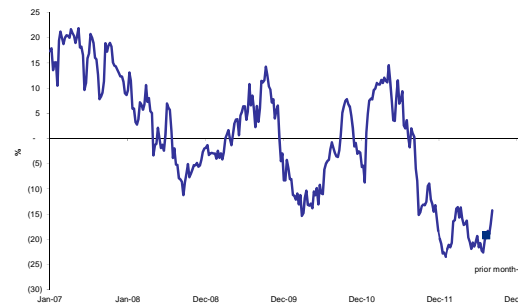
Large Speculator Positions: CFTC Commitment Of Trader (Futures & Options) Report Net of Longs Less Shorts As Percent of Total Open Positions

Combined S&P / Weighted Mini S&P Contracts



Last Update: 8/28/12 -0.3%

EuroFX Futures



Last Update: 8/28/12 -14.3%

U.S. 10-Year Treasury Futures



Last Update: 8/28/12 +1.2%

Gold Futures



Last Update: 8/28/12 +8.8%

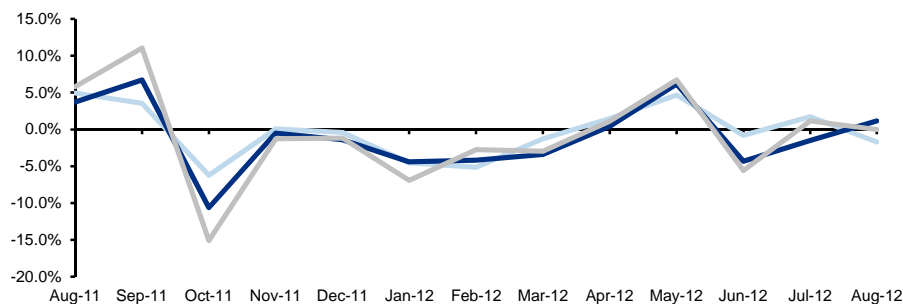
Source: CFTC, Bloomberg, Citi Futures Perspective

Dedicated Short Bias

Data as of Aug-2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	-4.5%	-5.2%	-1.3%	1.4%	4.7%	-0.8%	1.7%	-1.7%					-5.6%

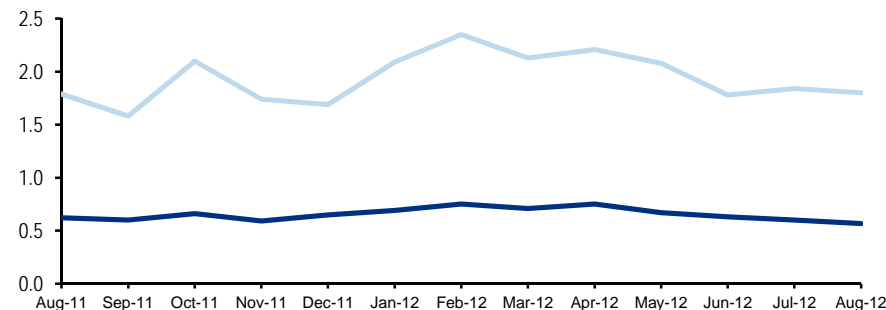
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Aug-12	Jul-12	Aug-11	YTD-12
Ded Short Bias	-1.7%	1.7%	1.5%	-5.6%
S&P Short ETF (SH)	1.1%	-1.5%	1.8%	-13.6%
Rus 2000 Short ETF (RWM)	0.0%	1.2%	3.2%	-12.9%

Source: Citi Prime Finance; FactSet

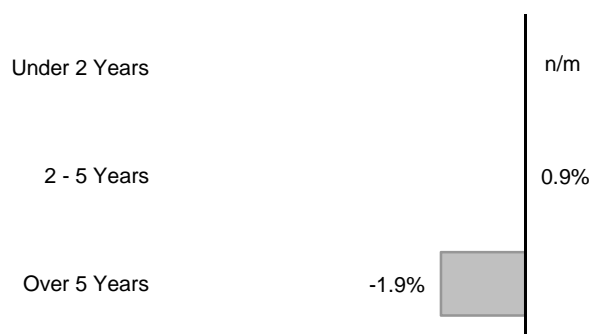
Leverage Profile (Monthly, LTM)



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 Prime Finance

Hedge Fund Performance by Size (1)



Source: Citi Prime Finance

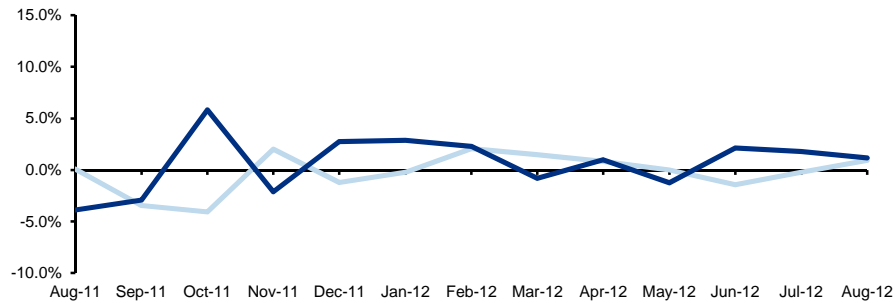
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. (1) Universe and sample sizes may be small.

Distressed

Data as of Aug-2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	2.1%	1.5%	0.8%	0.0%	-1.4%	-0.2%	0.9%	1.4%					5.1%

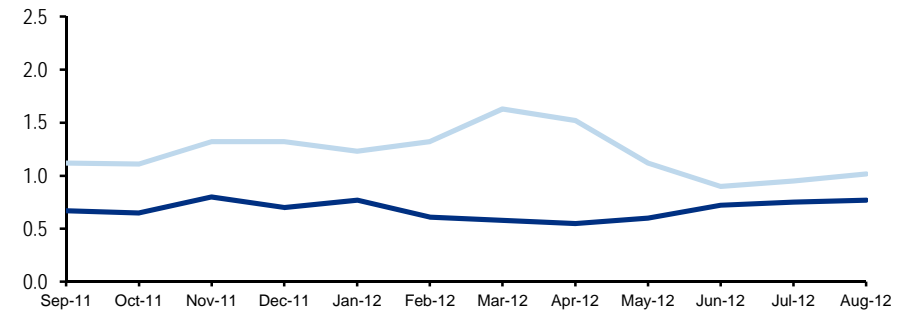
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Aug-12	Jul-12	Aug-11	YTD-12
Distressed	1.4%	0.9%	0.1%	5.1%
Citi HY Bond Index	1.2%	1.8%	1.2%	9.2%

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

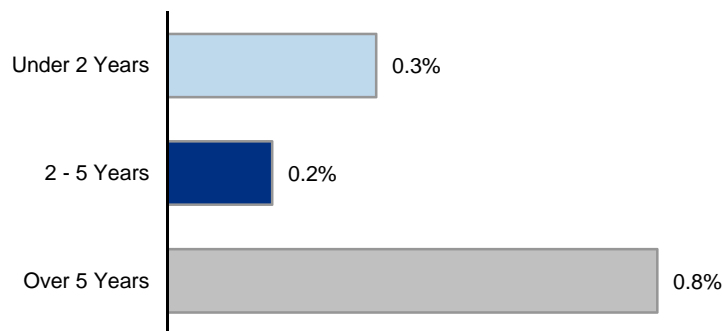
Leverage Profile (Monthly, LTM)



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

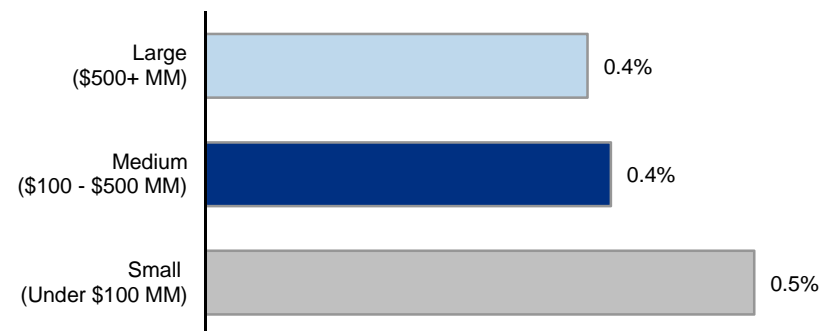
Source: Citi Prime Finance

Hedge Fund Performance by Age (1)



Source: Citi Prime Finance

Hedge Fund Performance by Size (1)



Source: Citi Prime Finance

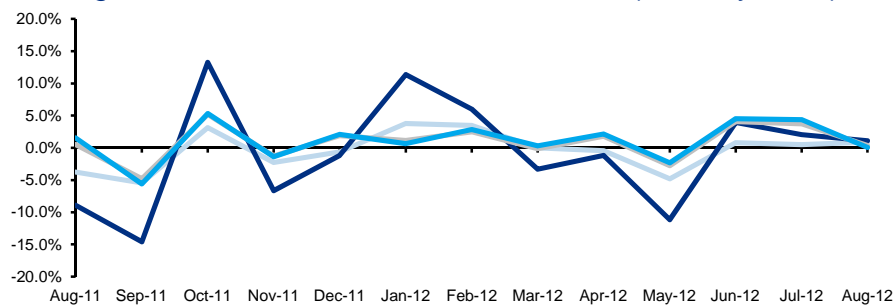
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. (1) Universe and sample sizes may be small.

Emerging Markets

Data as of Aug-2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	3.8%	3.5%	0.0%	-0.4%	-4.8%	0.8%	0.5%	0.9%					4.2%

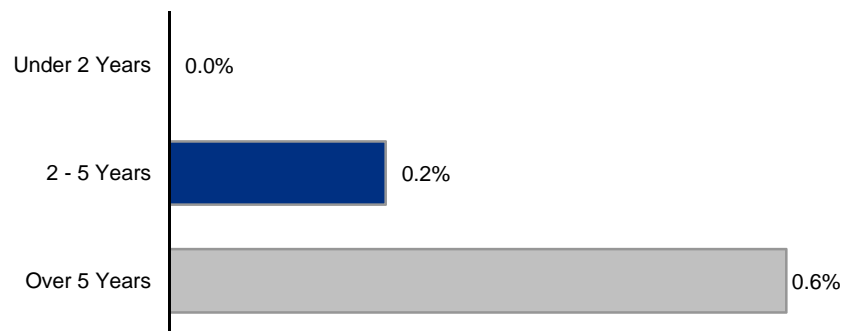
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



		Aug-12	Jul-12	Aug-11	YTD-12
Emerging Mkts	0.9%	0.5%	0.4%	4.2%	
MSCI EM	1.1%	2.0%	-0.4%	7.4%	
JPM EMBIG Core ETF (EMB)	0.4%	3.7%	2.0%	11.5%	
DB EM Liquid ETF (PCY)	0.1%	4.4%	2.0%	13.6%	

Source: Citi Prime Finance; FactSet

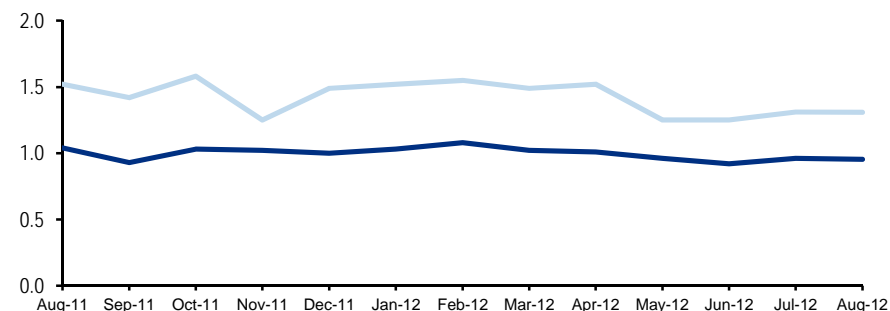
Hedge Fund Performance by Age



Source: Citi Prime Finance

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

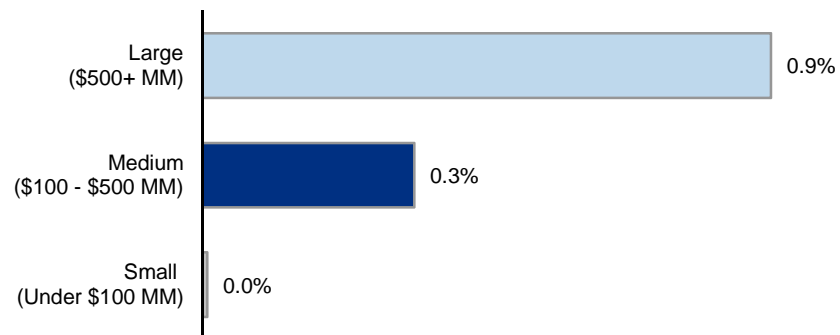
Leverage Profile (Monthly, LTM)



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



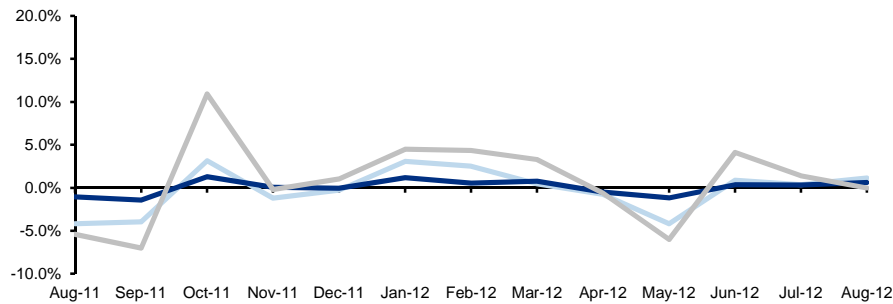
Source: Citi Prime Finance

Equity Long/Short

Data as of Aug-2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	3.1%	2.5%	0.5%	-0.8%	-4.2%	0.9%	0.4%	1.1%					3.4%

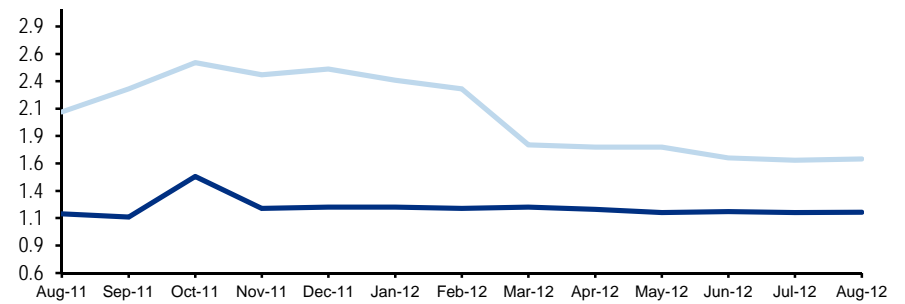
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



		Aug-12	Jul-12	Aug-11	YTD-12
Eq Long/Short		1.1%	0.4%	-0.5%	3.4%
Eq Mkt Neutral		0.6%	0.3%	0.0%	2.1%
S&P 500		0.0%	1.4%	-2.0%	13.2%

Source: Citi Prime Finance; FactSet

Leverage Profile (Monthly, LTM)

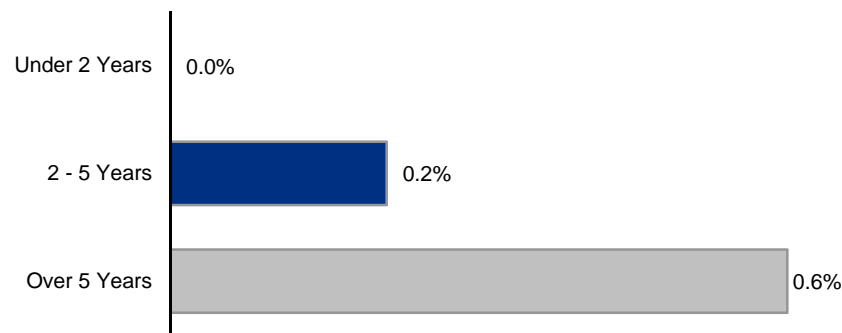


Gross Leverage (Mean): Defined as the sum of (LMV + abs SMV) / Net Equity

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

Source: Citi Prime Finance

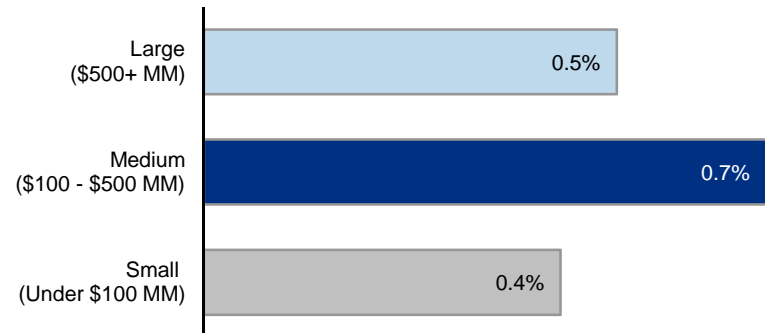
Hedge Fund Performance by Age



Source: Citi Prime Finance

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

Hedge Fund Performance by Size



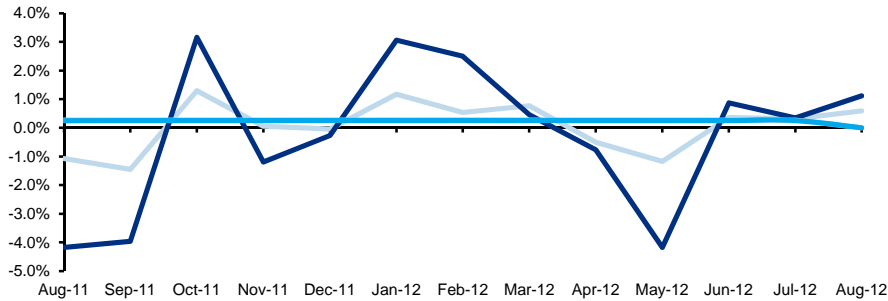
Source: Citi Prime Finance

Equity Market Neutral

Data as of Aug-2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	1.2%	0.5%	0.8%	-0.5%	-1.2%	0.4%	0.3%	0.6%					2.1%

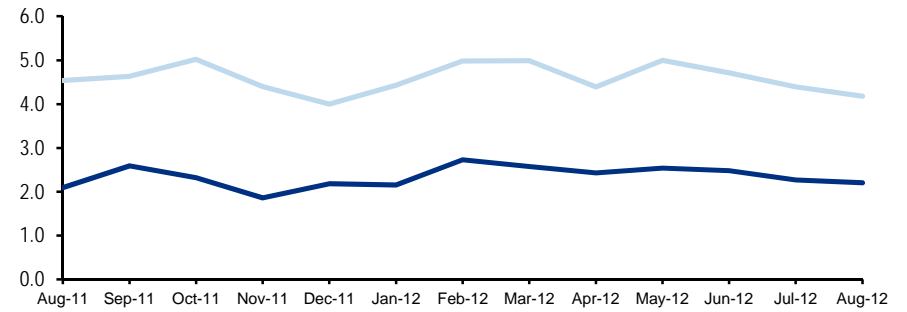
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Aug-12	Jul-12	Aug-11	YTD-12
Eq Mkt Neutral	0.6%	0.3%	0.0%	2.1%
Eq Long/Short	1.1%	0.4%	-0.5%	3.4%
LIBOR + 300 bps	0.0%	0.3%	0.3%	13.6%
US T-Bill + 300 bps	0.0%	0.3%	0.3%	13.2%

Source: Citi Prime Finance; FactSet

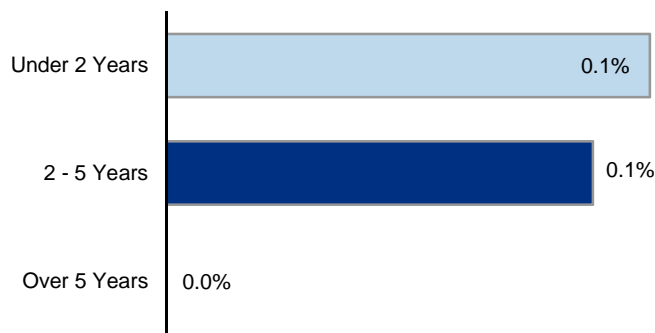
Leverage Profile (Monthly, LTM)



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

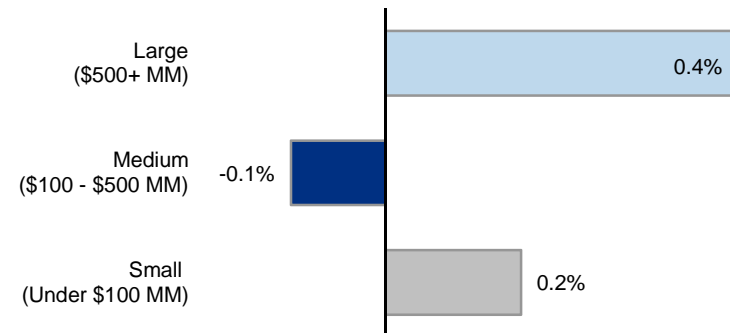
Source: Citi Prime Finance

Hedge Fund Performance by Age



Source: Citi Prime Finance

Hedge Fund Performance by Size



Source: Citi Prime Finance

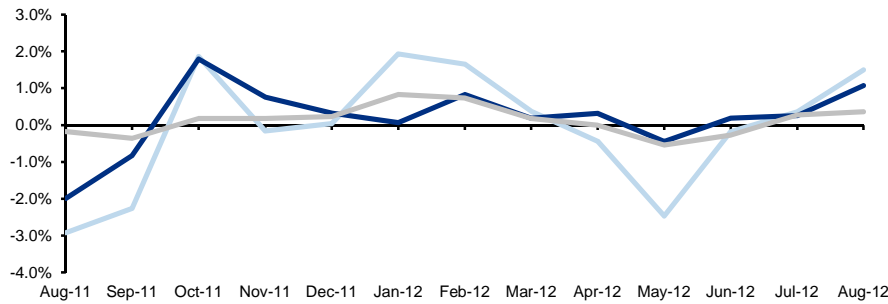
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. (1) Universe and sample sizes may be small.

Event Driven

Data as of Aug-2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	1.9%	1.7%	0.4%	-0.4%	-2.5%	-0.2%	0.4%	1.5%					2.7%

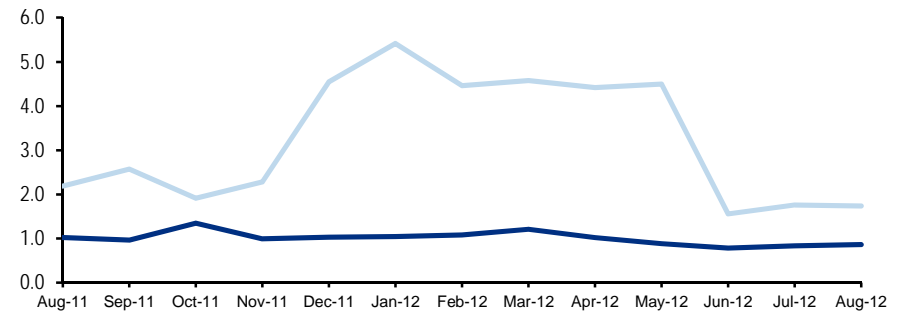
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Aug-12	Jul-12	Aug-11	YTD-12
Event Driven	1.5%	0.4%	-0.3%	2.7%
The Merger Fund (MERFX)	1.1%	0.3%	-1.2%	2.5%
AQR Div Arb Fund (ADANX)	0.4%	0.3%	0.1%	1.6%

Source: Citi Prime Finance; FactSet

Leverage Profile (Monthly, LTM)

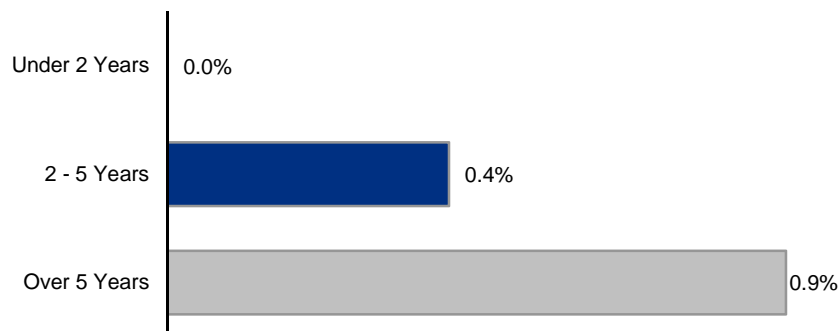


Gross Leverage (Mean): Defined as the sum of (LMV + abs SMV) / Net Equity

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

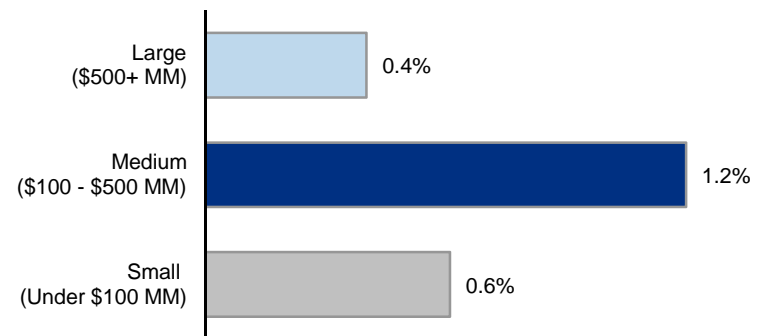
Source: Citi Prime Finance

Hedge Fund Performance by Age



Source: Citi Prime Finance

Hedge Fund Performance by Size



Source: Citi Prime Finance

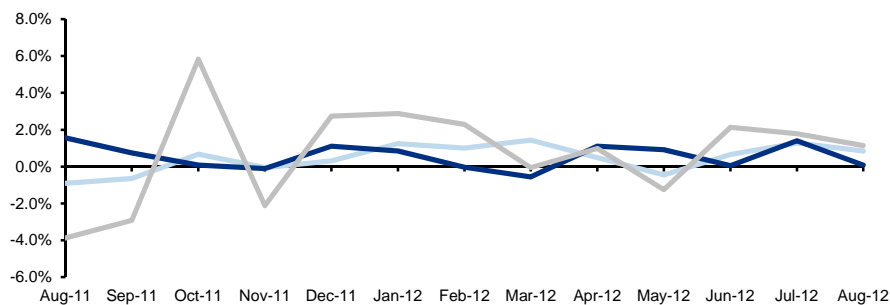
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. (1) Universe and sample sizes may be small.

FI Arbitrage

Data as of Aug-2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	1.3%	1.0%	1.4%	0.5%	-0.5%	0.7%	1.3%	0.8%					6.5%

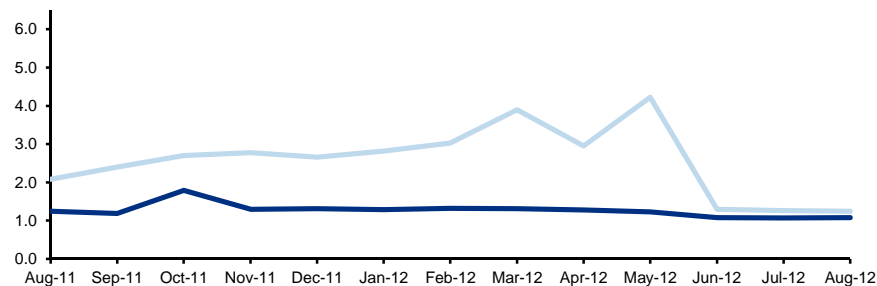
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Aug-12	Jul-12	Aug-11	YTD-12
FI Arbitrage	0.8%	1.3%	0.3%	6.5%
Citi US BIG Index	0.1%	1.4%	1.6%	3.8%
Citi HY Bond Index	1.1%	1.8%	1.2%	9.9%

Source: Citi Prime Finance; Citigroup Index LLC

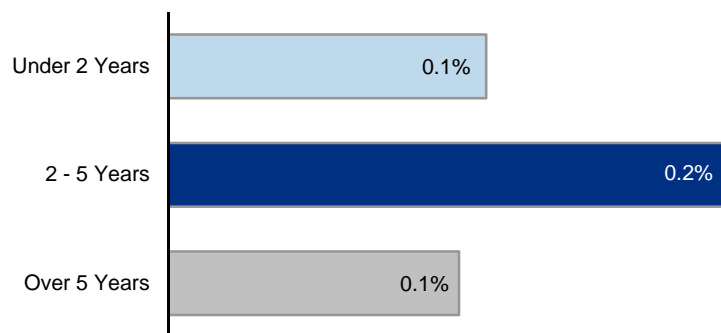
Leverage Profile (Monthly, LTM)



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

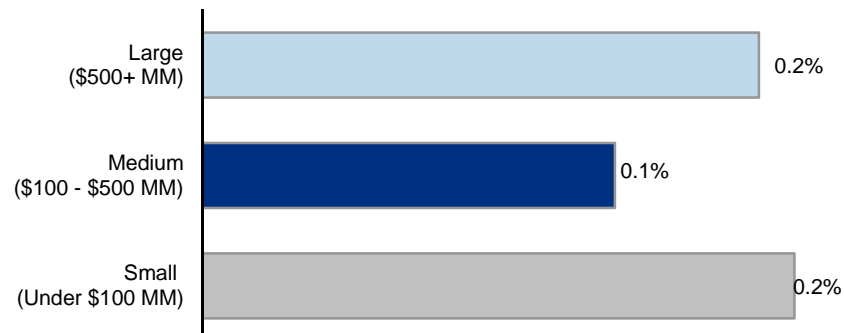
Source: Citi Prime Finance

Hedge Fund Performance by Age



Source: Citi Prime Finance

Hedge Fund Performance by Size



Source: Citi Prime Finance

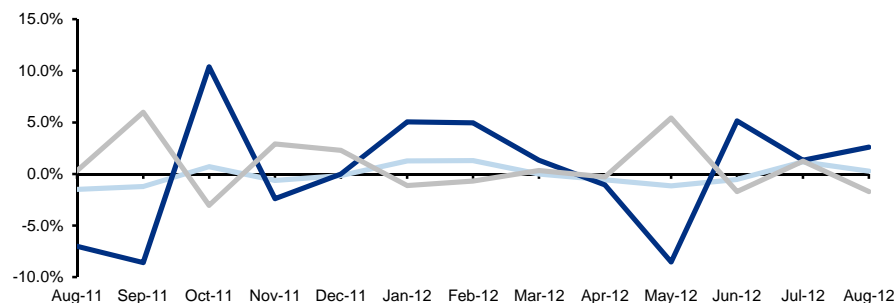
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. (1) Universe and sample sizes may be small.

Global Macro

Data as of Aug-2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	1.3%	1.3%	0.0%	-0.6%	-1.2%	-0.5%	1.2%	0.3%					1.8%

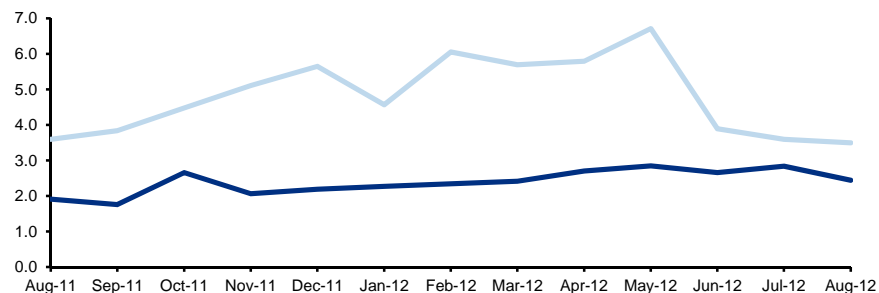
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



		Aug-12	Jul-12	Aug-11	YTD-12
Global Macro		0.3%	1.2%	0.2%	1.8%
MSCI World		2.6%	1.3%	-1.8%	10.8%
US\$-Index		-1.7%	1.2%	-0.5%	1.5%

Source: Citi Prime Finance; FactSet

Leverage Profile (Monthly, LTM)

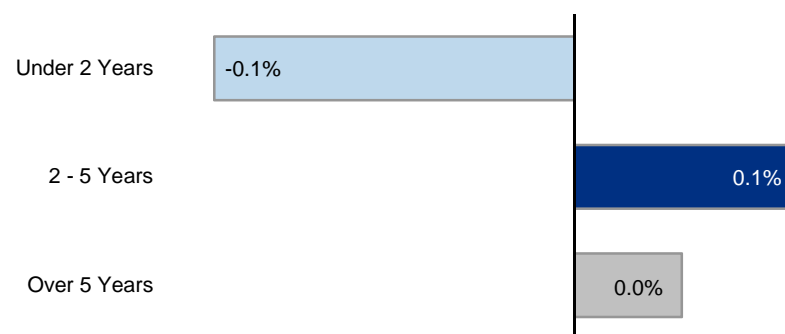


Gross Leverage (Mean): Defined as the sum of (LMV + abs SMV) / Net Equity

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

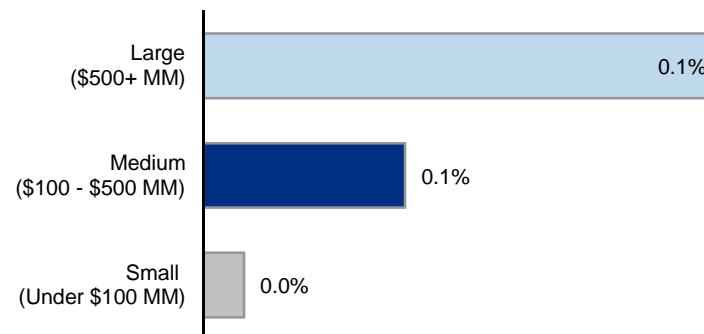
Source: Citi Prime Finance; FactSet; Citi Prime Finance

Hedge Fund Performance by Age



Source: Citi Prime Finance

Hedge Fund Performance by Size



Source: Citi Prime Finance; FactSet; Citi Prime Finance

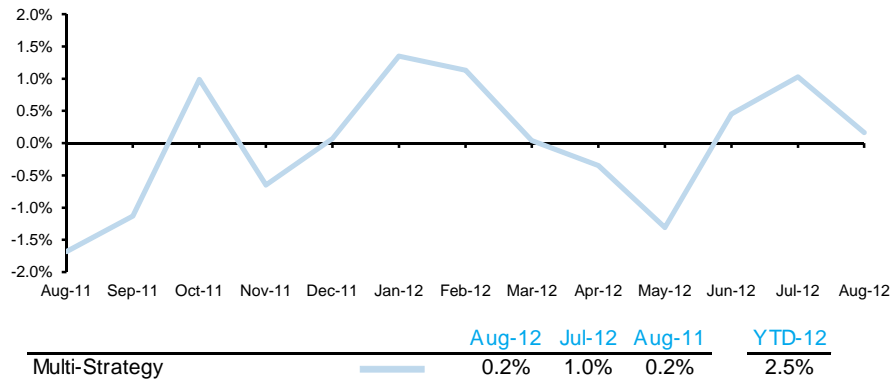
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. (1) Universe and sample sizes may be small.

Multi-Strategy

Data as of Aug-2012

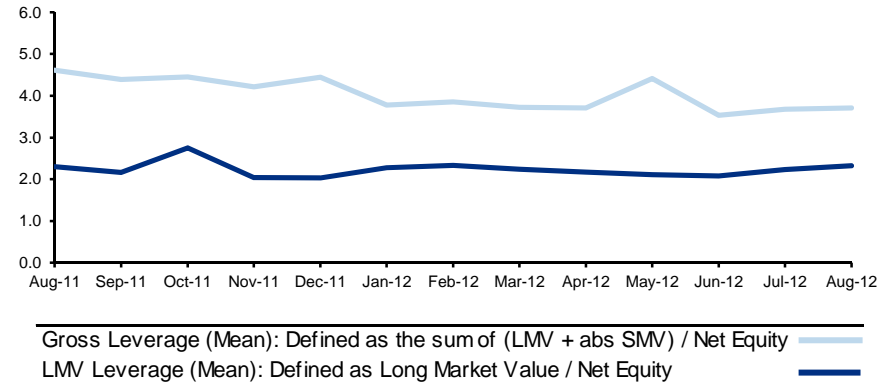
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	1.4%	1.1%	0.0%	-0.3%	-1.3%	0.5%	1.0%	0.2%					2.5%

Hedge Fund Performance vs. Benchmark (Monthly, LTM)



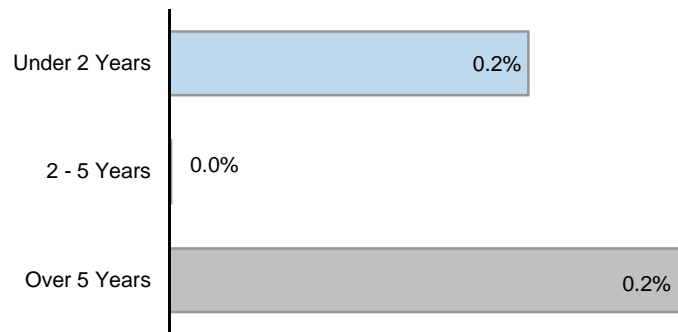
Source: Citi Prime Finance

Leverage Profile (Monthly, LTM)



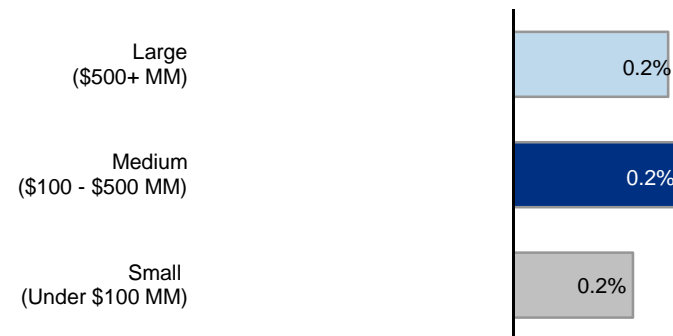
Source: Citi Prime Finance

Hedge Fund Performance by Age



Source: Citi Prime Finance

Hedge Fund Performance by Size



Source: Citi Prime Finance

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

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