

Citi Prime Finance



Market Commentary
Report Date: January 2012

www.citigroupgcib.com

Hedge Fund Industry Snapshot

Data as of December 2011

Americas

New York: 800 773 2889
Boston: 617 346 9335
San Francisco: 415 617 8554

EMEA

EMEA: 44 (0) 207 986 0822

Asia Pac

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

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Highlights-

Data as of Dec-2011

Performance, AUM & Flows:

- Composite hedge fund performance, equal-weighted across funds, were down in December 2011 with performance losses ranging from -0.42% to -0.20%. The Citi HARP hedge fund replication index was -0.08% in December versus the HFRI Fund of Fund index that was -0.36%. December 2011 performance returns proved to be higher than November 2011 which experienced -1.20% to -0.87% over the same period.
- For December 2011 the following strategies experienced positive gains: Fixed Income Arbitrage +0.36%, Event Driven +0.19% Convertible Arbitrage +0.10%, CTA/Managed Futures +0.10%, Multi-Strategy +0.09% and Equity Market Neutral +0.04%. For 2011 the follow strategies experienced positive gains: Fixed Income Arbitrage at +2.9%, and Equity Market Neutral at 0.1%.
- According to HedgeFund.net (HFN), hedge fund industry AUM ended December 2011 at \$2.46 trillion, down from \$2.47 trillion in November 2011 -the lowest level of industry AUM since September 2011. Industry AUM remains well below its \$2.94 trillion June 2008 peak.
- Increases in AUM attributable to positive performance accounted for an increase of +\$1.39 billion for December 2011, while negative net investor inflows accounted for a decrease of -\$12.95 billion. Overall for 2011 investor flows were a net +\$31.84 billion versus +\$80.60 billion for all of 2010.

Fund Profiles:

- Across the subset of hedge funds reporting performance and AUM, the monthly median performance for large single funds (>\$500 million) was -1.1% medium single funds (\$100-\$500 million) -2.1% and small single funds (<\$100 million) -3.7%.
- Liquidity terms continued its consistent pattern from the previous reporting periods with December 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 (63%) required no lockup (37%) or less than 1 year lock up (26%).
- Consistent throughout recent reporting periods, large funds (> \$500 million AUM) continue to hold a large portion of industry AUM (72%) compared to medium funds (\$100-\$500 million) at 20% and small funds (<\$100 million) holding only 8%. Large funds grew their portion of industry AUM from 67% to 72% throughout 2011 as medium funds decreased their portion from 24% to 20% and small funds portion of AUM remained steady from 9% to 8%.

Leverage & Shorts:

- On a global basis, we calculate gross leverage (as measured on a mean basis) at 1.89x in December 2011 versus 1.84x in November, and 1.79x in October. For the year, mean gross leverage on a global basis stood at 1.78x.
- Looking across both long leverage and gross leverage, the following strategies showed the highest uses of leverage: Global Macro (5.65x), Event Driven (4.55x), Multi Strategy (4.44x), Equity Market Neutral (4.0x), Convertible Arbitrage (3.29x) and Fixed Income Arbitrage (2.66x). Month over month from November to December 2011, only four strategies experienced a decrease in leverage: Equity Market Neutral (-9.1%) Fixed Income Arbitrage (-4.3%), Dedicated Short Bias (-2.9%) and Convertible Arbitrage (-0.9%).
- 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 45.23% of short executions and 51.77% of short covers versus 48.48% of short executions and 50.13% of short covers in November 2011.
- After building a net long position in gold (futures & options) in November, the large specs reversed course reducing the net long position ahead of year-end with little change in total open interest. Not too surprising given the focus on the European Debt crisis in December, the largest move in net positioning for large speculators in the month was in a building in the net short position (futures & options) in EuroFX. At -19.9% of total open interest (longs & shorts) it is the largest large speculator position in the currency since August 1999. Meanwhile, there was little change in net positioning in the TY and S&P (large & mini) contracts with the large specs close to balanced but modestly short.

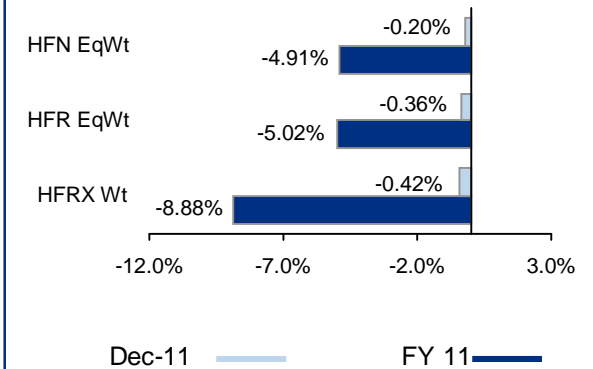


Hedge Fund Industry: AUM, Performance

Data as of Dec-2011

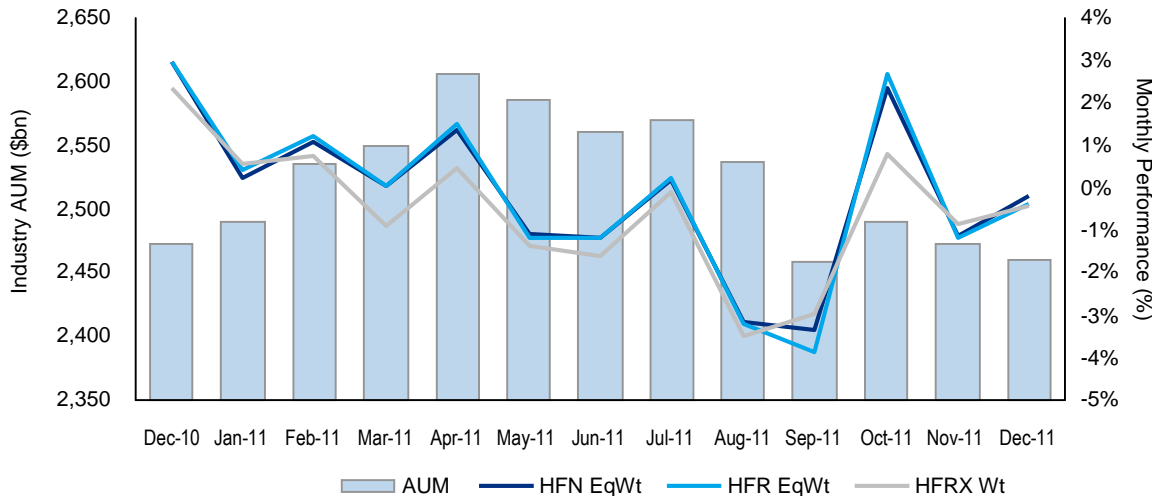
- Composite hedge fund performance, equal-weighted across funds, were down in December 2011 with performance losses ranging from -0.42% to -0.20%. Returns were higher than last month's (November 2011 -3.09% to -3.47%) and marks the fourth time in the last five months that returns were down. For the year composite hedge fund performance was down -8.88% to -4.91% .
- Continued uncertainty and investor risk aversion continued into December as risks associated with European sovereign debt crisis lingered. Equities and commodities markets were mixed in December while most fixed income indices experienced a positive month reversing November losses. According to HFN, 2011 saw aggregated exposures shift away from volatile equity and emerging markets, while aggregated returns were still highly influenced by the defensive positioning of the assets which remained.
- Hedge fund strategy wise, top performing strategies in December include Fixed Income Arbitrage at +0.36%, Event Driven +0.19%, Convertible Arbitrage +0.10, and CTA Managed Futures +0.10%. All other strategies experienced losses across the board including Emerging Markets (-5.43%), Distressed (-4.02%), Equity Long/Short (-3.96%) and Event Driven (-2.31%).
- Industry AUM, estimated at \$2.46 trillion according to eVestment|HFN is down from November's \$2.47 trillion and down from January 2011 where AUM stood at \$2.49 trillion. Depending on the source, estimates of industry AUM ranges from \$2.02 to \$2.46 trillion compared to the Q2 2008 peak range of \$1.9 to \$3.0 trillion.

Industry Performance: Dec-11 / FY



Source: eVestment|HFN

Monthly Industry AUM and Performance



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

Note Pad:

- MSCI World Index: -0.02%; -10.3% YTD
- MSCI Emerging Markets Index: -1.2%; -15.1% YTD
- S&P 500: +1.0%; -3.6% YTD
- Citi US BIG Index: +7.5%; -1.1% YTD
- S&P GSCI: -2.1%; -7.6% YTD
- U.S. Dollar Index: +2.3%; +4.3% YTD
- HFN Country Indices December/YTD:
 Brazil -0.32% / -7.83%; Russia -6.62% / -22.94%;
 India: -5.65% / -34.12%; China: -0.32% / -12.69%

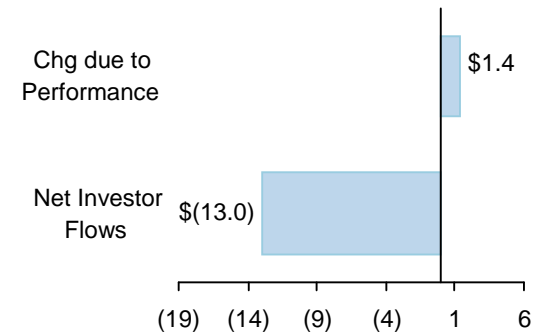


Hedge Fund Industry: Change in Industry Assets

Data as of Dec-2011

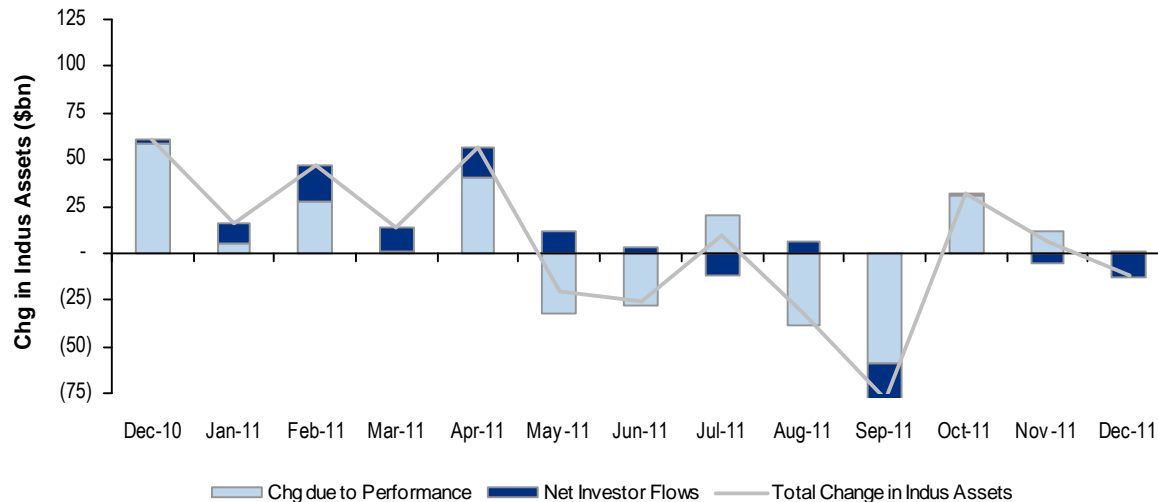
- According to eVestment|HFN, the estimated change in industry assets for December 2011 was negative at -\$11.56 billion. Losses stemmed solely from investor flows (-\$12.95 billion) as hedge funds reporting December performance contributed +\$1.39 billion to industry AUM.
- December 2011 marked the third consecutive month where performance contributed positively to AUM. Overall for the year, 2011 declines in AUM due to performance losses stood at -\$18.69 billion compared to gains of +\$219.44 billion for 2010.
- Net investor outflows of -\$12.95 billion for December 2011 mark the second consecutive month of net outflows (November 2011 -\$5.2 billion) and the first back-back since March and April 2009. For 2011 investor flows were a net +\$31.84 billion versus +\$80.60 billion for all of 2010.
- Total industry AUM of \$2.46 trillion for December 2011 is down -0.5% from \$2.47 trillion in November 2011. For 2011 industry AUM finished down -1.16%. Industry AUM levels are still well below the June 2008 peak estimated by eVestment|HFN at \$2.90 trillion.

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



Source: eVestment|HFN

Monthly Change in Industry Assets and Composition



Source: eVestment|HFN

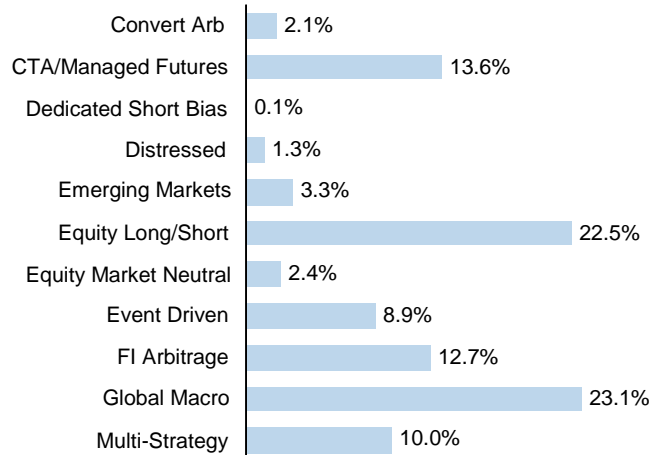
Note Pad:

- The Citi Prime Finance calculation for end-December gross leverage (as measured on a mean basis) was 1.89x, up from recent months: November (1.84x), October (1.79x). *Mean gross leverage for 2011 was 1.78x*
- Gross leverage (mean): defined as sum of (LMV + abs SMV) / Net Equity

Hedge Fund Stats by Strategy

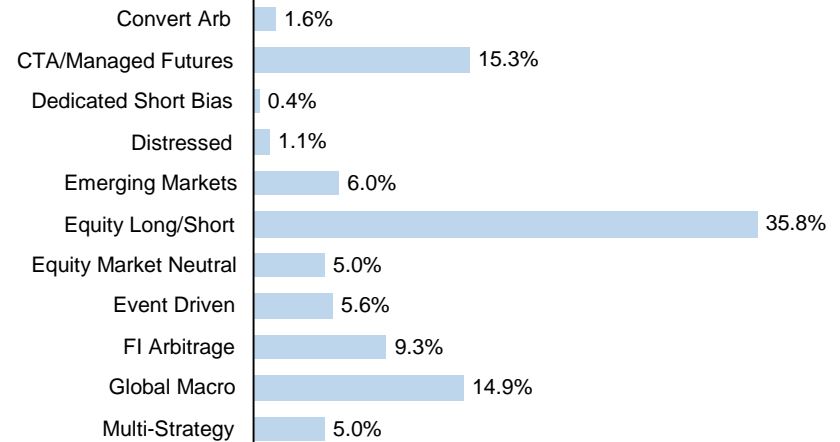
Data as of Dec-2011

Hedge Fund Strategy Breakdown by Assets



Source: Citi ICG Analytics

Hedge Fund Strategy Breakdown by Number of Funds



Source: Citi ICG Analytics

Hedge Fund Performance by Strategy

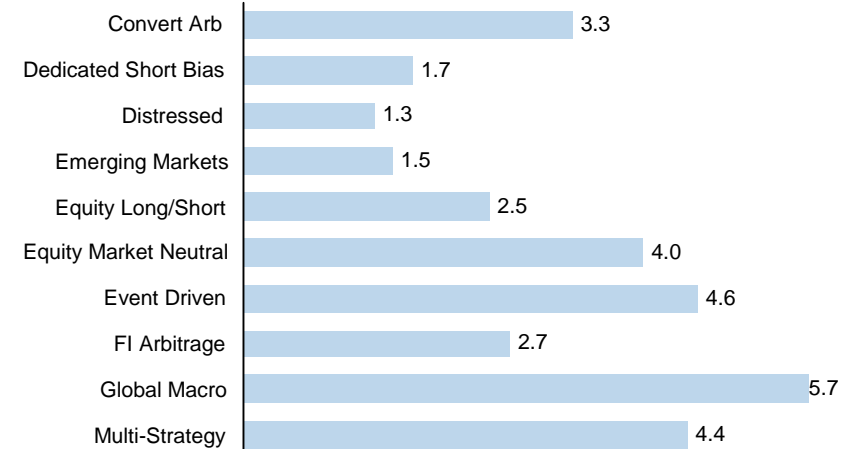


Source: Citi ICG Analytics

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

Hedge Fund Leverage Ratios by Strategy

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

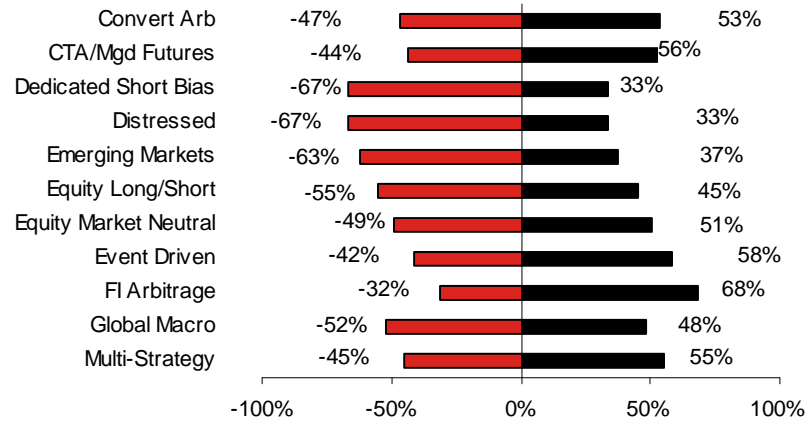


Source: Citi Prime Finance

Hedge Fund Performance: Red/Black Report

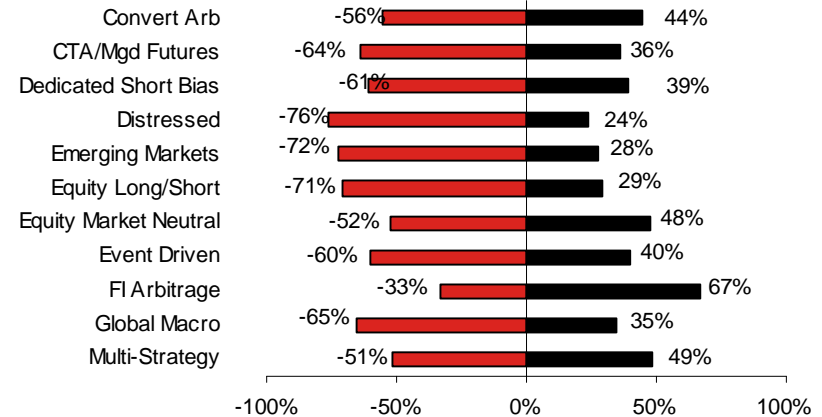
Data as of Dec-2011

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



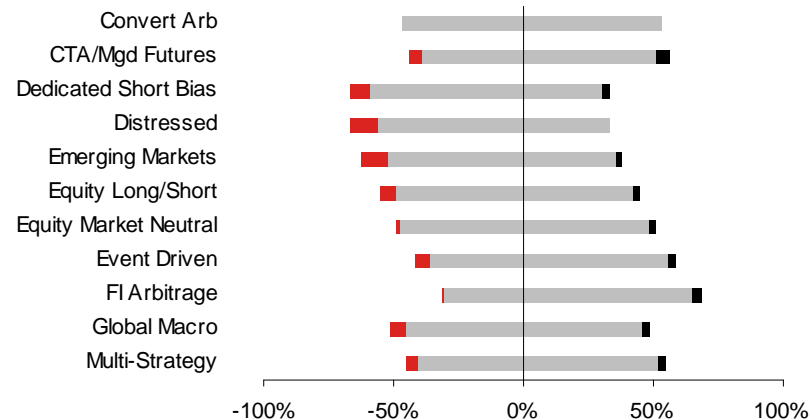
Source: Citi ICG Analytics

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



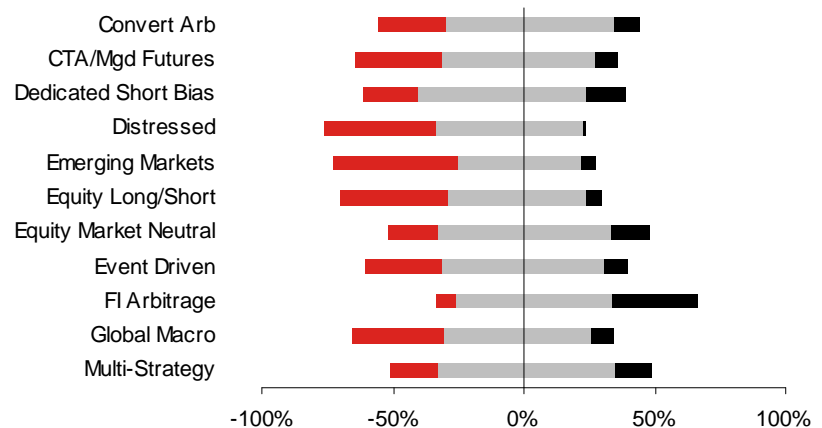
Source: Citi ICG Analytics

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



Source: Citi ICG Analytics

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





Source: Citi ICG Analytics

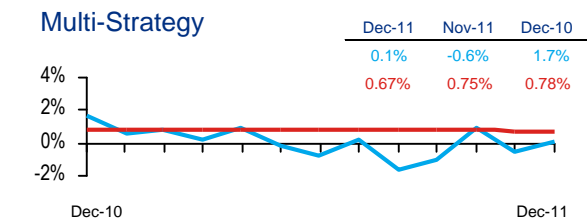
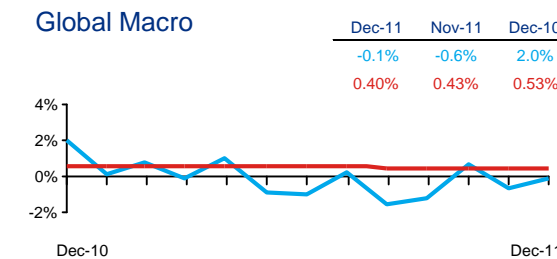
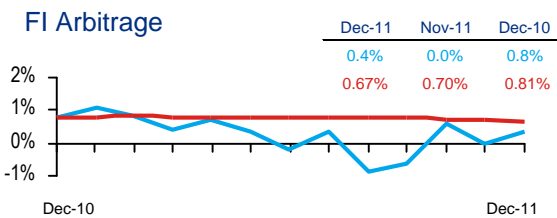
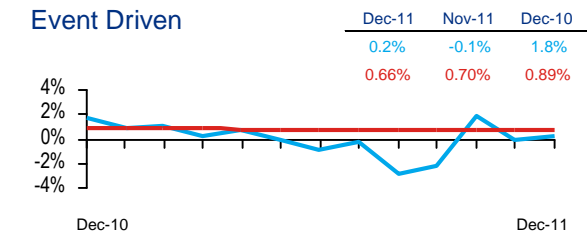
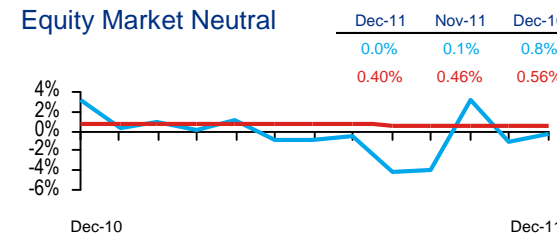
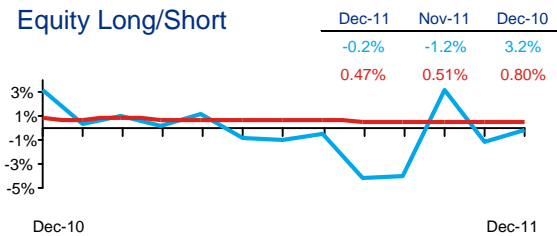
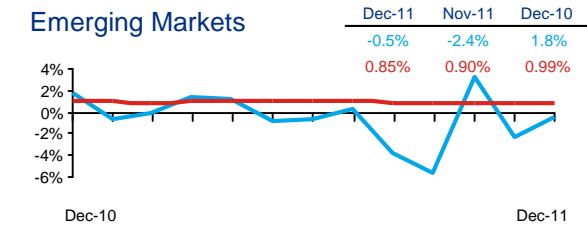
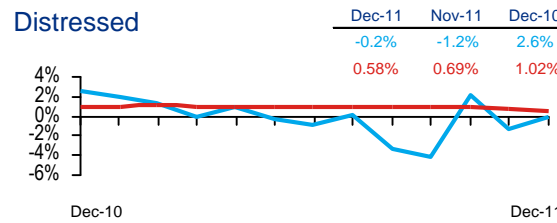
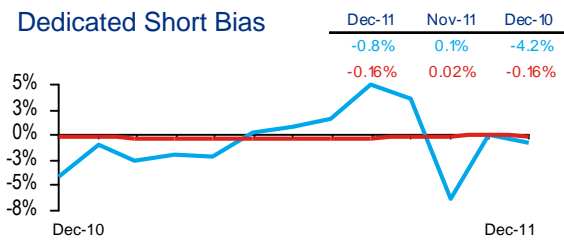
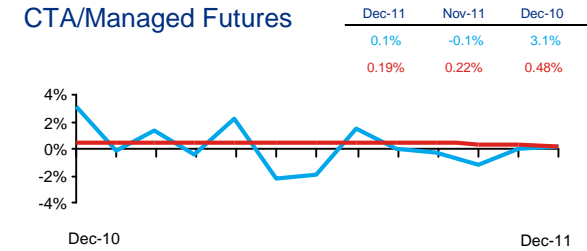
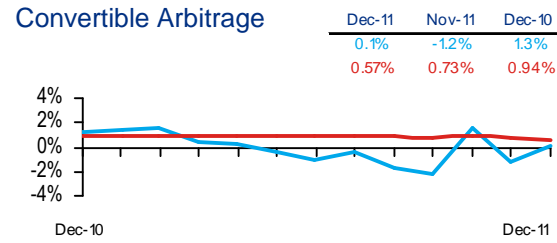
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period.



Monthly Performance by Strategy

Data as of Dec-2011

Monthly Median: 
 Trailing 60 Month Median: 



Source: Citi ICG Analytics

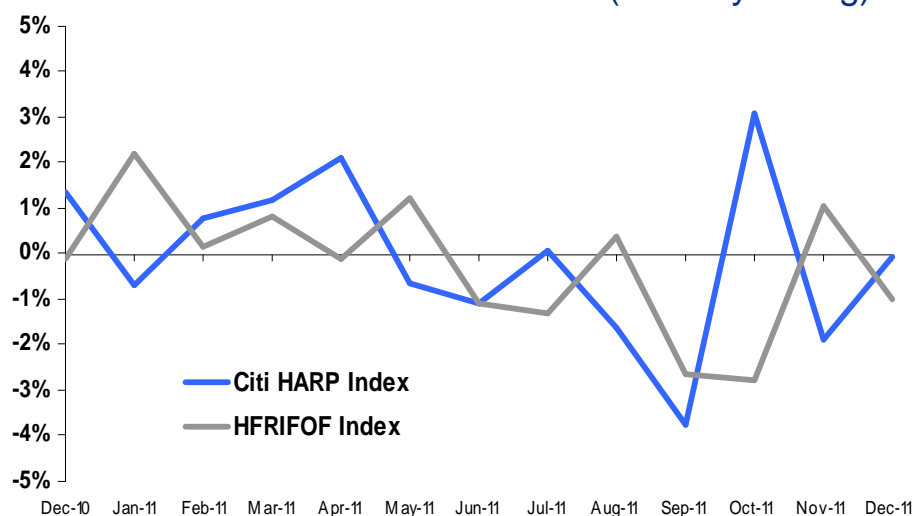
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period.



Citi Liquid Hedge Fund Replicator (HARP)

Data as of Dec-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

	Dec-11	Nov-11	Dec-10	YTD-11
Citi Harp	-0.08%	-1.88%	1.35%	-2.69%
HFRIFOF	-0.36%	-1.00%	2.20%	-5.56%

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

Annualized Performance: Last 12-Month	Citi HARP Index	HFRIFOF
Annualised Return	-2.69%	-5.56%
Annualised Volatility	6.43%	4.62%
Sharpe Ratio	-0.431	-1.222
Correlation	87.72%	-

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.

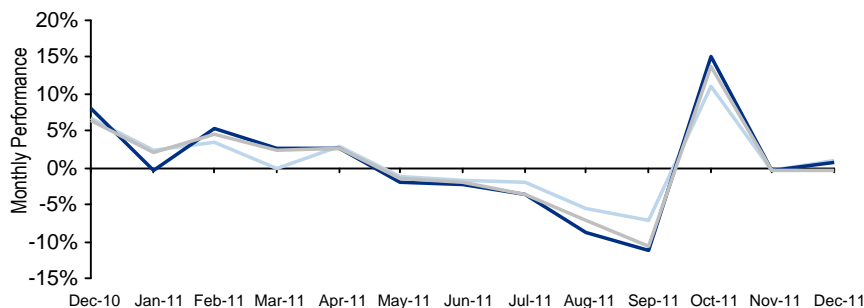
The weighting within the Index of each component is determined monthly. Every month, a multiple linear regression algorithm is used to identify the appropriate weighting.



Market Performance

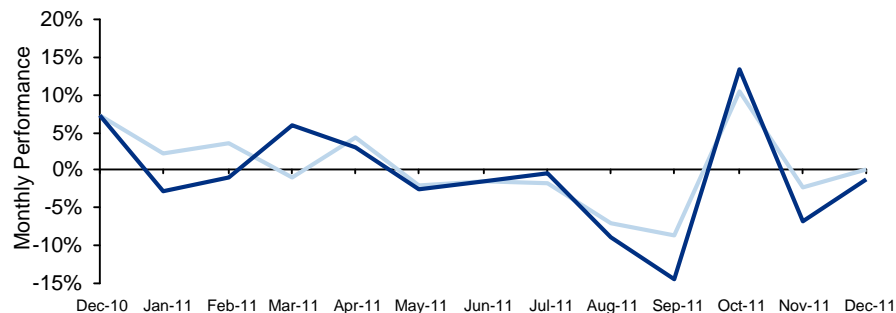
Data as of Dec-2011

US Equities (Large Cap vs. Small Cap)



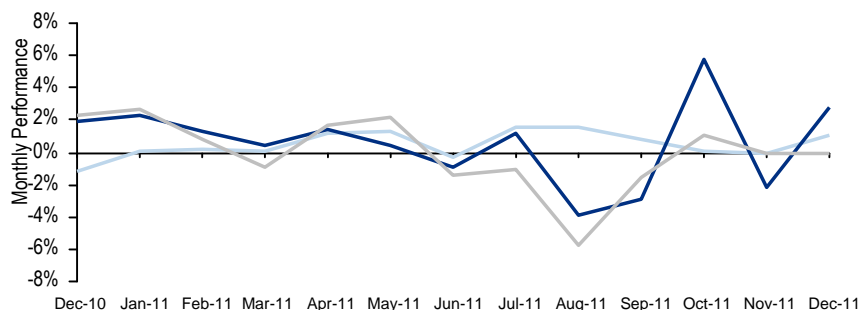
		Dec-11	Nov-11	Dec-10	FY-11
S&P 500		1.0%	-0.2%	6.7%	-3.6%
RUS 2000		0.7%	-0.4%	7.9%	-8.9%
S&P Mid		-0.4%	-0.3%	6.6%	-7.9%

Global Equities (Developed vs. Emerging)



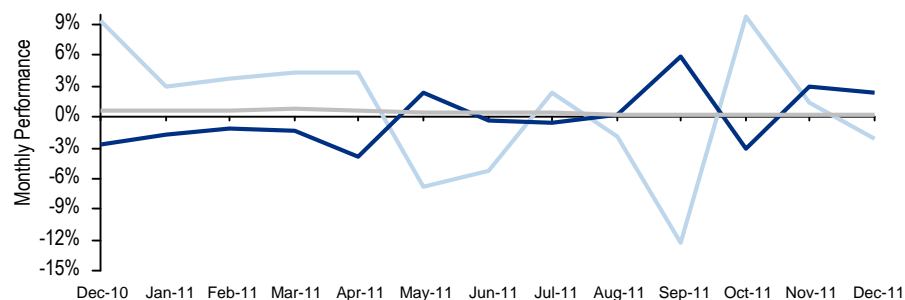
		Dec-11	Nov-11	Dec-10	FY-11
MSCI World		0.0%	-2.4%	7.4%	-10.3%
MSCI EM		-1.2%	-6.7%	7.1%	-15.1%

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



		Dec-11	Nov-11	Dec-10	FY-11
Citi US BIG Index		1.1%	-0.1%	-1.2%	7.5%
Citi HY Bond Index		2.7%	-2.1%	1.9%	1.8%
Altman Defaulted		n/a	n/a	2.2%	n/a

Commodities (US\$ performance)



		Dec-11	Nov-11	Dec-10	FY-11
S&P GSCI		-2.1%	1.4%	9.4%	-7.6%
US-\$ Index		2.3%	2.9%	-2.7%	4.3%
US 2yr Note		0.2%	0.3%	0.6%	0.3%

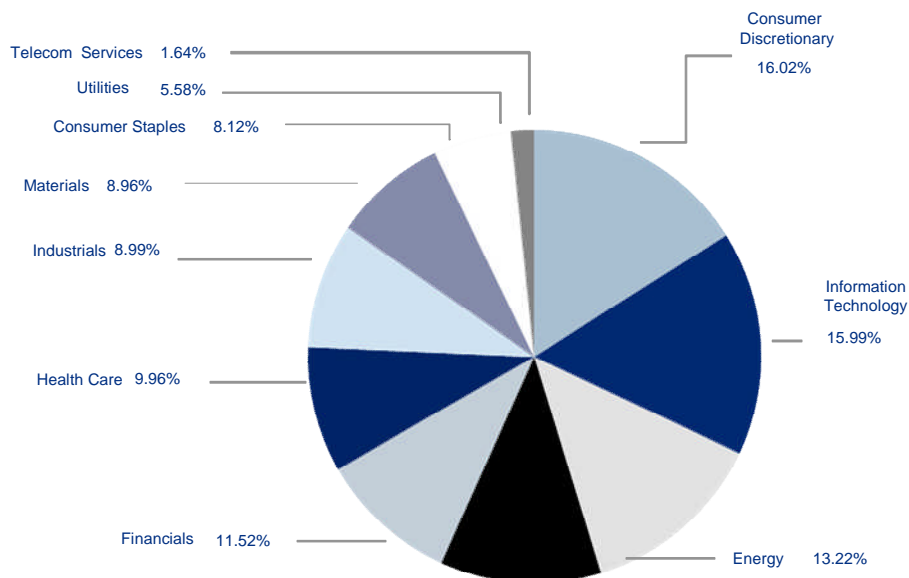
Source: Citi ICG Analytics; FactSet; Citigroup Index LLC; Altman-NYU Salomon Center defaulted Debt Security Indexes.



US Securities Lending Sector Short Flows

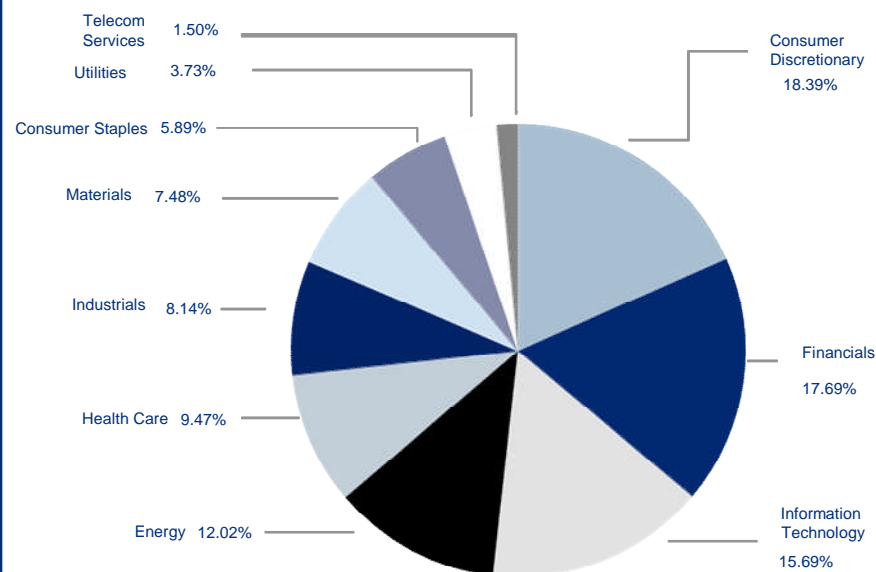
Data as of Dec-2011

Short Sale Executions



Sector Short Flows	% Short Execution	% Previous Month Short Execution	% Change From Previous Month
Consumer Discretionary	16.02	16.27	-1.54
Information Technology	15.99	17.20	-7.03
Energy	13.22	15.24	-13.25
Financials	11.52	14.1	-18.3
Health Care	9.96	10.03	-0.7
Industrials	8.99	9.11	-1.32
Materials	8.96	6.07	47.61
Consumer Staples	8.12	7.61	6.7
Utilities	5.58	2.76	102.17
Telecom Services	1.64	1.60	2.5

Short Cover Executions



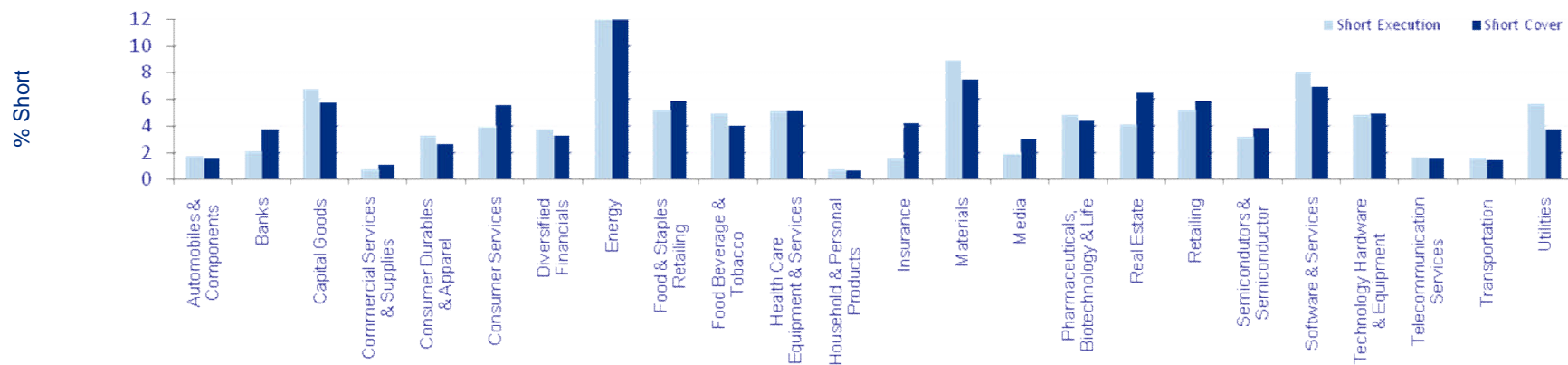
Sector Short Flows	% Cover Execution	% Previous Month Short Cover	% Change From Previous Month
Consumer Discretionary	18.39	21.80	-15.64
Financials	17.69	14.96	18.25
Information Technology	15.69	12.51	25.42
Energy	12.02	15.79	-23.88
Health Care	9.47	8.34	13.55
Industrials	8.14	8.36	-2.63
Materials	7.48	8.04	-6.97
Consumer Staples	5.89	5.08	15.94
Utilities	3.73	3.41	9.38
Telecom Services	1.50	1.71	-12.28

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 Dec-2011

Citi Industry Group Short Flows



Industry	% Short Execution	% Previous Month Short Execution	% Change From Previous Month
Energy	13.22	15.24	-13.25
Materials	8.96	6.07	47.61
Software & Services	8.06	6.94	16.14
Capital Goods	6.70	6.23	7.54
Utilities	5.58	2.76	102.17
Retailing	5.16	5.40	-4.44
Health Care Equipment and Services	5.10	4.00	27.50
Food Beverage & Tobacco	4.91	5.16	-4.84
Pharmaceuticals, Biotechnology & Life	4.85	6.04	-19.70
Technology Hardware and Equipment	4.82	5.38	-10.41
Real Estate	4.10	5.34	-23.22
Consumer Services	3.98	3.89	2.31
Diversified Financials	3.80	4.18	-9.09
Consumer Durables & Apparel	3.24	2.52	28.57
Semiconductors & Semiconductor	3.12	4.88	-36.07
Food & Staples Retailing	2.55	1.24	105.65
Banks	2.12	2.89	-26.64
Media	1.93	2.79	-30.82
Automobiles & Components	1.73	1.67	3.59
Telecom Services	1.64	1.60	2.50
Transportation	1.55	1.47	5.44
Insurance	1.50	1.69	-11.24
Commercial Services & Supplies	0.73	1.42	-48.59
Household & Personal Products	0.67	1.21	-44.63

Industry	% Cover Execution	% Previous Month Short Cover	% Change From Previous Month
Energy	12.02	15.79	-23.88
Materials	7.48	8.04	-6.97
Software & Services	6.92	5.39	28.39
Real Estate	6.46	6.83	-5.42
Retailing	5.86	7.73	-24.19
Capital Goods	5.68	5.65	0.53
Consumer Services	5.48	3.63	50.96
Health Care Equipment and Services	5.08	3.79	34.04
Technology Hardware and Equipment	4.91	5.12	-4.10
Pharmaceuticals, Biotechnology & Life	4.39	4.56	-3.73
Insurance	4.23	1.63	159.51
Food Beverage & Tobacco	4.05	3.17	27.76
Semiconductors & Semiconductor	3.85	2.00	92.50
Banks	3.74	2.84	31.69
Utilities	3.73	3.41	9.38
Diversified Financials	3.26	3.67	-11.17
Media	2.96	4.86	-39.09
Consumer Durables & Apparel	2.64	3.28	-19.51
Telecom Services	1.50	1.71	-12.28
Automobiles & Components	1.45	2.31	-37.23
Transportation	1.38	1.70	-18.82
Food & Staples Retailing	1.25	1.29	-3.10
Commercial Services & Supplies	1.08	1.01	6.93
Household & Personal Products	0.59	0.62	-4.84

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 Dec-2011

Citi Short Flows: December 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	13.22	15.24	-13.25	12.02	15.79	-23.88
15	Materials	8.96	6.07	47.61	7.48	8.04	-6.97
20	Industrials	8.99	9.11	-1.32	8.14	8.36	2.63
25	Consumer Discretionary	16.02	16.27	-1.54	18.39	21.80	-15.64
30	Consumer Staples	8.12	7.61	6.70	5.89	5.08	15.94
35	Health Care	9.96	10.03	-0.70	9.47	8.34	13.55
40	Financials	11.52	14.10	-18.30	17.69	14.96	18.25
45	Information Technology	15.99	17.20	-7.03	15.69	12.51	25.42
50	Telecommunication Services	1.64	1.60	2.50	1.50	1.71	-12.28
55	Utilities	5.58	2.76	102.17	3.73	3.41	9.38
Industry Group	Industry Group						
1010	Energy	13.22	15.24	-13.25	12.02	15.79	-23.88
1510	Materials	8.96	6.07	47.61	7.48	8.04	-6.97
2010	Capital Goods	6.70	6.23	7.54	5.68	5.65	0.53
2020	Commercial Services & Supplies	0.73	1.42	-48.59	1.08	1.01	6.93
2030	Transportation	1.55	1.47	5.44	1.38	1.70	-18.82
2510	Automobiles & Components	1.73	1.67	3.59	1.45	2.31	-37.23
2520	Consumer Durables & Apparel	3.24	2.52	28.57	2.64	3.28	-19.51
2530	Consumer Services	3.98	3.89	2.31	5.48	3.63	50.96
2540	Media	1.93	2.79	-30.82	2.96	4.86	-39.09
2550	Retailing	5.16	5.40	-4.44	5.86	7.73	-24.19
3010	Food & Staples Retailing	2.55	1.24	105.65	1.25	1.29	-3.10
3020	Food Beverage & Tobacco	4.91	5.16	-4.84	4.05	3.17	27.76
3030	Household & Personal Products	0.67	1.21	-44.63	0.59	0.62	-4.84
3510	Health Care Equipment & Services	5.10	4.00	27.50	5.08	3.79	34.04
3520	Pharmaceuticals, Biotechnology & Life Sciences	4.85	6.04	-19.70	4.39	4.56	-3.73
4010	Banks	2.12	2.89	-26.64	3.74	2.84	31.69
4020	Diversified Financials	3.80	4.18	-9.09	3.26	3.67	-11.17
4030	Insurance	1.50	1.69	-11.24	4.23	1.63	159.51
4040	Real Estate	4.10	5.34	-23.22	6.46	6.83	-5.42
4510	Software & Services	8.06	6.94	16.14	6.92	5.39	28.39
4520	Technology Hardware & Equipment	4.82	5.38	-10.41	4.91	5.12	-4.10
4530	Semiconductors & Semiconductor Equipment	3.12	4.88	-36.07	3.85	2.00	92.50
5010	Telecommunication Services	1.64	1.60	2.50	1.50	1.71	-12.28
5510	Utilities	5.58	2.76	102.17	3.73	3.41	9.38

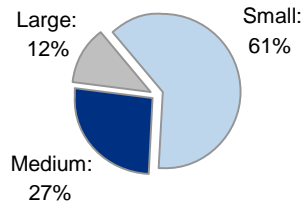
Source: S&P (GICS); Citi U.S. Securities Lending. Executions of shorts and short covers settled at Citi Prime Finance based on Market Value



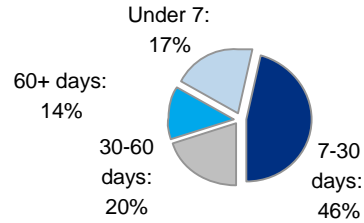
Hedge Fund (Fund Level) Profiles

Data as of Dec-2011

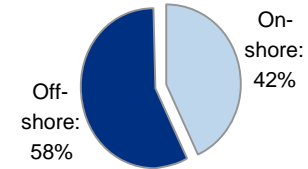
By Fund Size—No. of Funds



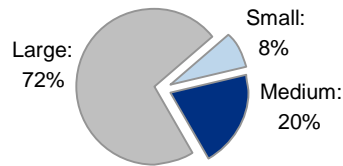
Redemption Notice Period



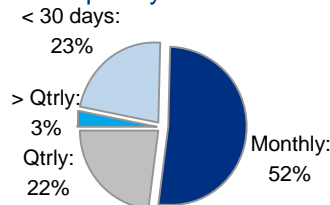
On-shore/Off-shore



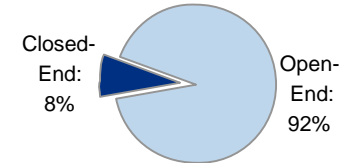
By Fund Size—\$ AUM



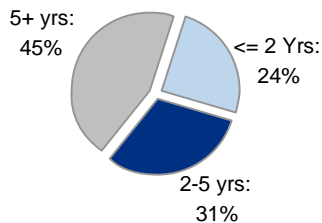
Redemption Frequency



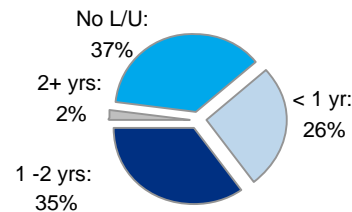
Legal Status



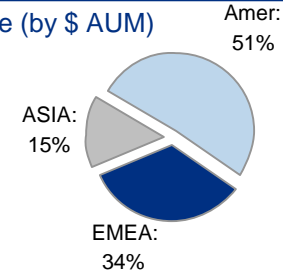
By Fund Age—No. of Funds



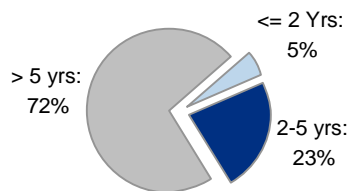
Lock-Up



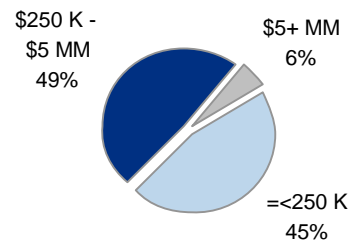
Domicile (by \$ AUM)



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 Dec-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	5%	\$1,217	0.2%	3.9%	69%	77%	n/m	n/m	Monthly / 58%
2-5 yrs	22%	\$850	0.1%	0.5%	58%	69%	1-2 yrs / 47%	60+ days / 32%	Monthly / 45%
Over 5 yrs	73%	\$1,009	0.0%	-2.5%	64%	69%	1-2 yrs / 45%	7-30 days / 36%	Monthly / 52%
Total	100%	\$964	0.0%	-1.1%	63%	69%	1-2 yrs / 47%	7-30 days / 33%	Monthly / 51%

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%	\$152	0.2%	-1.5%	44%	87%	n/m	Under 7 / 44%	Under 30 / 59%
2-5 yrs	31%	\$173	0.2%	-1.8%	52%	70%	1-2 yrs / 52%	7-30 days / 36%	Monthly / 44%
Over 5 yrs	61%	\$193	0.1%	-2.6%	71%	64%	No / 51%	7-30 days / 51%	Monthly / 52%
Total	100%	\$179	0.2%	-2.1%	63%	68%	No / 45%	7-30 days / 46%	Monthly / 48%

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	15%	\$22	0.0%	-2.1%	46%	73%	1-2 yrs / 74%	7-30 days / 38%	Monthly / 43%
2-5 yrs	32%	\$26	0.0%	-2.8%	57%	65%	1-2 yrs / 46%	7-30 days / 43%	Monthly / 54%
Over 5 yrs	53%	\$30	-0.2%	-4.5%	68%	59%	No / 49%	7-30 days / 54%	Monthly / 50%
Total	100%	\$28	-0.1%	-3.7%	62%	63%	No / 45%	7-30 days / 49%	Monthly / 50%

Source: Citi ICG Analytics

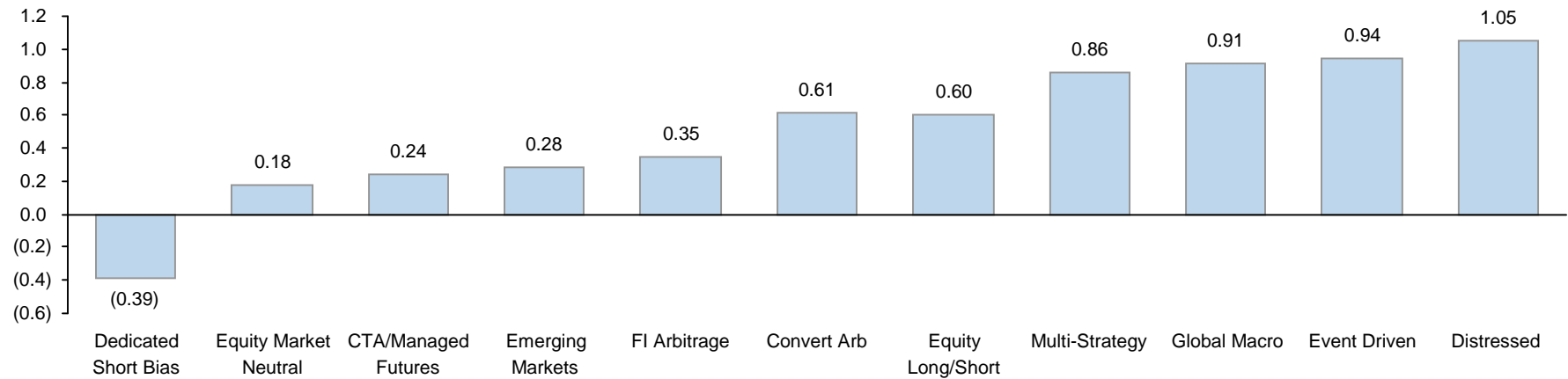
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. Median YTD performance is calculated from funds reporting for all underlying periods. - "n/m" = Not Meaningful.



Risk and Return Metrics

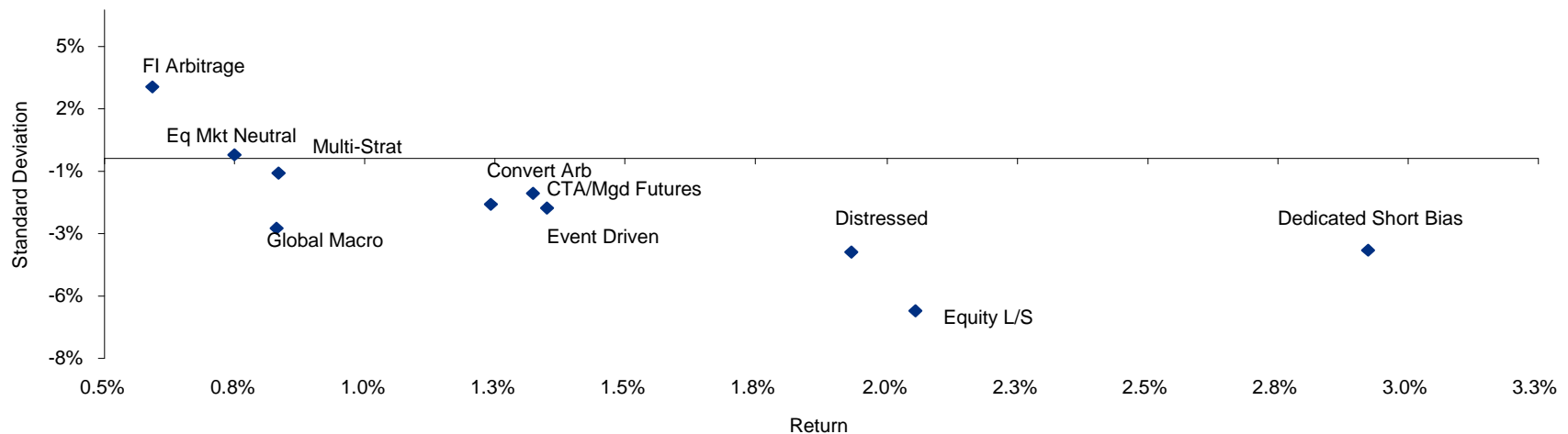
Data as of Dec-2011

Sharpe Ratios (Jun-94 – Dec-11)



Source: Credit Suisse Tremont

Risk vs. Return (Jan-11 – Dec-11)



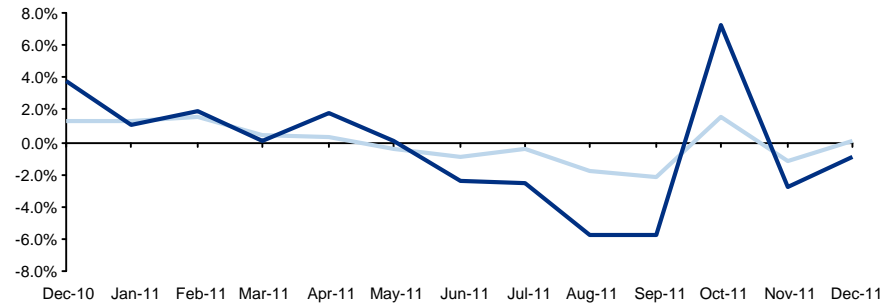
S

Convertible Arbitrage

Data as of Dec-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	FY
Citi-derived Median	1.4%	1.5%	0.4%	0.3%	-0.4%	-1.0%	-0.5%	-1.8%	-2.1%	1.5%	-1.2%	0.1%	-1.8%

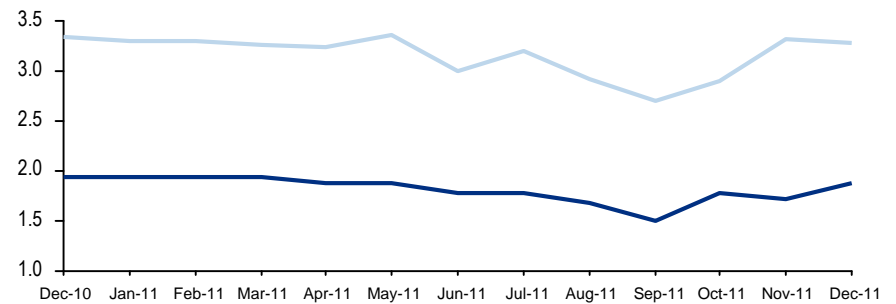
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Dec-11	Nov-11	Dec-10	FY-11
Convert Arb	0.1%	-1.2%	1.3%	-1.8%
CWB ETF	-1.0%	-2.8%	3.7%	-8.7%

Source: Citi ICG Analytics; FactSet

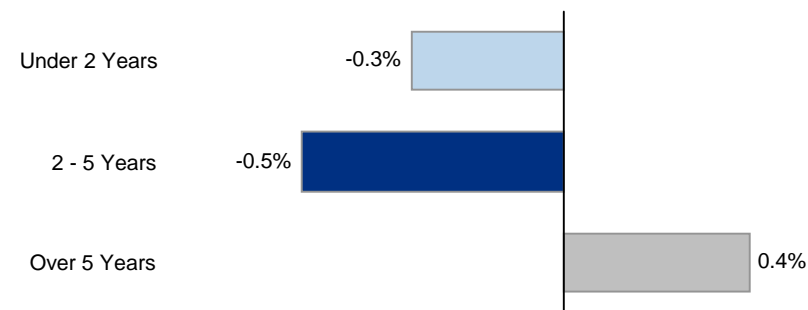
Leverage Profile (Monthly, LTM)



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

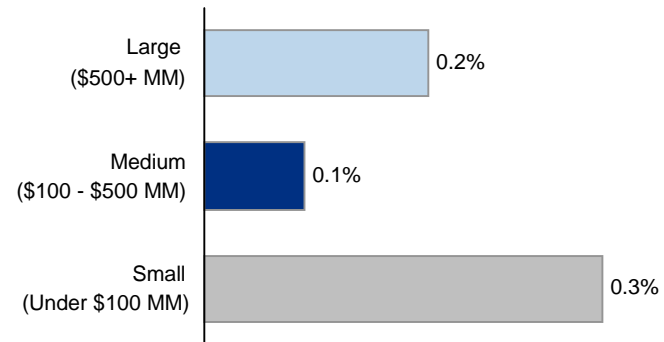
Source: Citi Prime Finance

Hedge Fund Performance by Age (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.

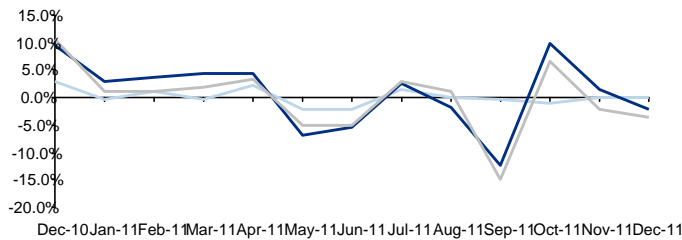


CTA/Managed Futures

Data as of Dec-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	FY
Citi-derived Median	-0.2%	1.3%	-0.4%	2.2%	-2.3%	-2.0%	1.4%	0.1%	-0.3%	-1.2%	-0.1%	0.1%	-1.4%

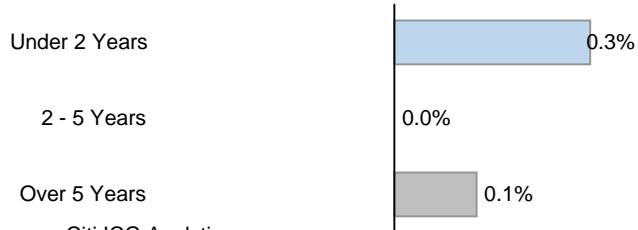
Hedge Fund Performance vs. Benchmark



	Dec-11	Nov-11	Dec-10	FY-11
CTA/Mgd Futures	0.1%	-0.1%	3.1%	-1.4%
S&P GSCI Commodity (SPGSCI)	-2.1%	1.4%	9.4%	-1.2%
DJ-UBS Commodity (DJAGK)	-3.7%	-2.2%	10.7%	-13.4%

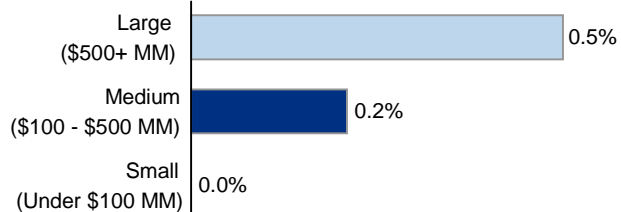
Source: Citi ICG Analytics; FactSet

Hedge Fund Performance by Age



Source: Citi ICG Analytics

Hedge Fund Performance by Size

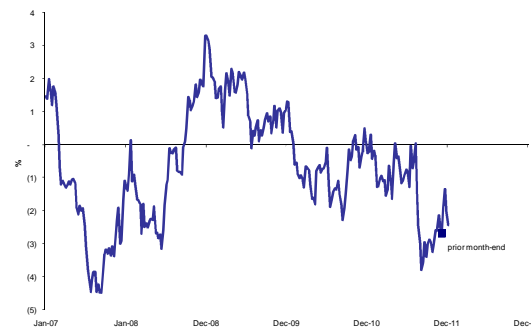


Source: Citi ICG Analytics

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.

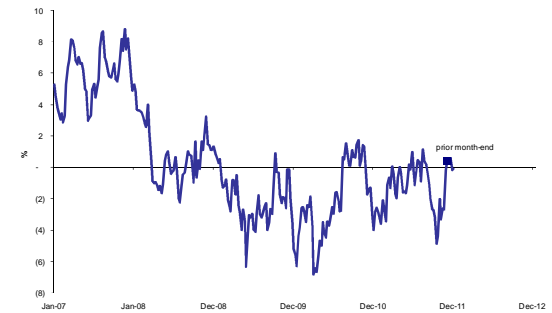
Large Speculator Positions: CFTC Commitment Of Trader (Futures & Options) Report Net of Longs Less Shorts As Percent of Total Open Positions

Combined S&P / Weighted Mini S&P Contracts



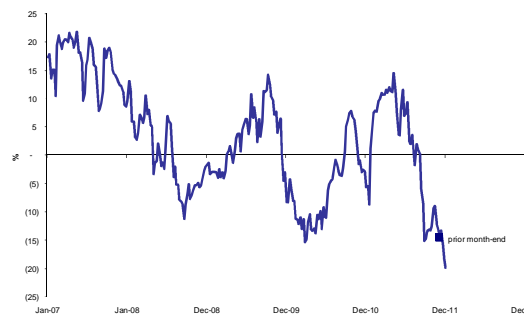
Last Update: 12/27/11 -2.4%

U.S. 10-Year Treasury Futures



Last Update: 12/27/11 -0.1%

EuroFX Futures



Last Update: 12/27/11 -19.9%

Gold Futures



Last Update: 12/27/11 +10.9%

Source: CFTC, Bloomberg, Citi Futures Perspective

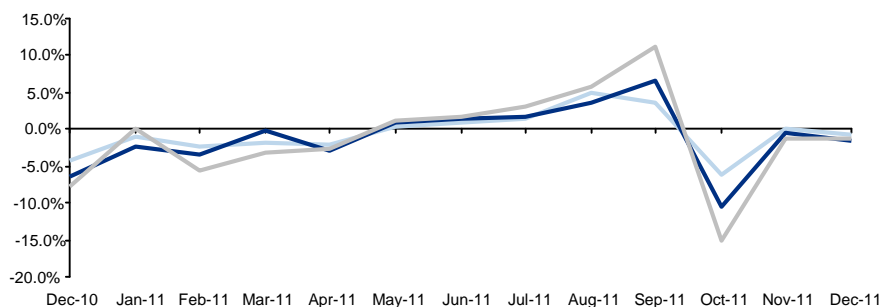


Dedicated Short Bias

Data as of Dec-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	FY
Citi-derived Median	-0.9%	-2.5%	-1.9%	-2.2%	0.3%	0.9%	1.5%	4.9%	3.6%	-6.2%	0.1%	-0.8%	-3.6%

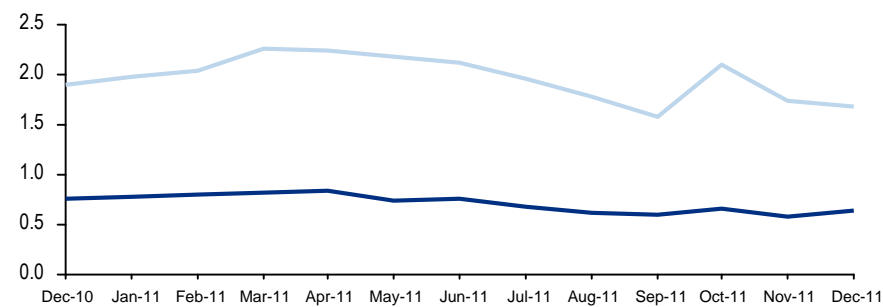
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Dec-11	Nov-11	Dec-10	FY-11
Ded Short Bias	-0.8%	0.1%	-4.2%	-3.6%
S&P Short ETF (SH)	-1.4%	-0.5%	-6.5%	-7.8%
Rus 2000 Short ETF (RWM)	-1.2%	-1.3%	-7.7%	-7.8%

Source: Citi ICG Analytics; FactSet

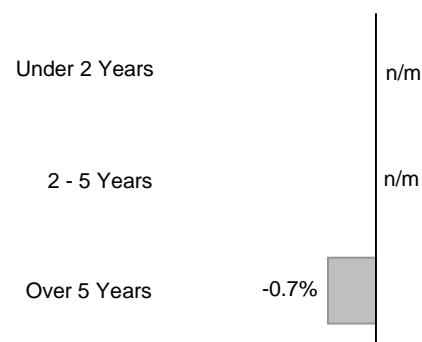
Leverage Profile (Monthly, LTM)



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

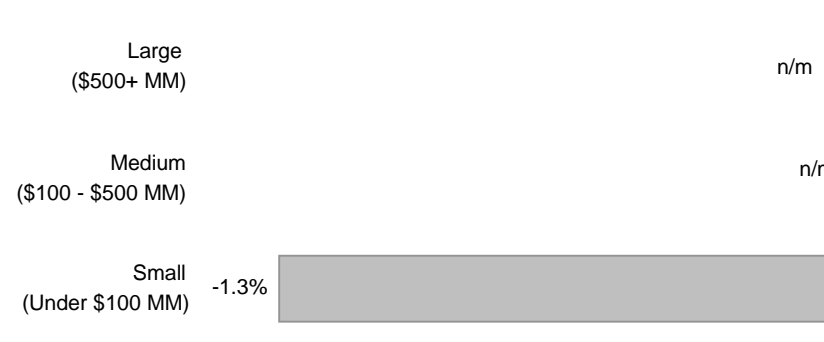
Source: Citi Prime Finance

Hedge Fund Performance by Age (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.

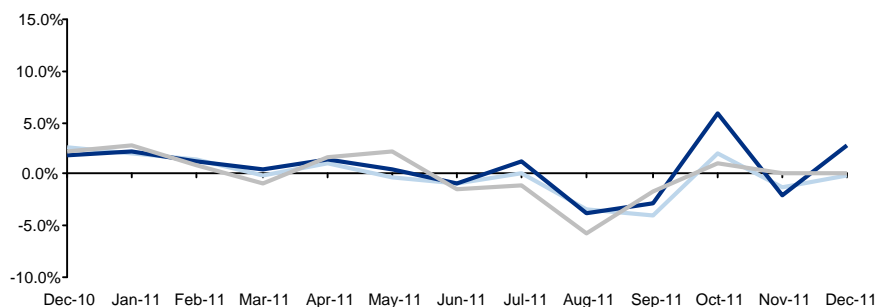


Distressed

Data as of Dec-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	FY
Citi-derived Median	2.0%	1.4%	-0.1%	1.0%	-0.2%	-0.9%	0.1%	-3.4%	-4.1%	2.1%	-1.2%	-0.2%	-3.7%

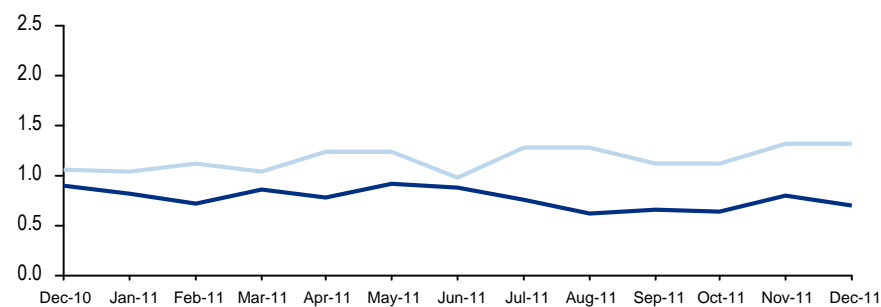
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Dec-11	Nov-11	Dec-10	FY-11
Distressed	-0.2%	-1.2%	2.6%	-3.7%
Citi HY Bond Index	2.7%	-2.1%	1.9%	5.5%
Altman Defaulted Index	n/a	n/a	2.2%	n/a

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

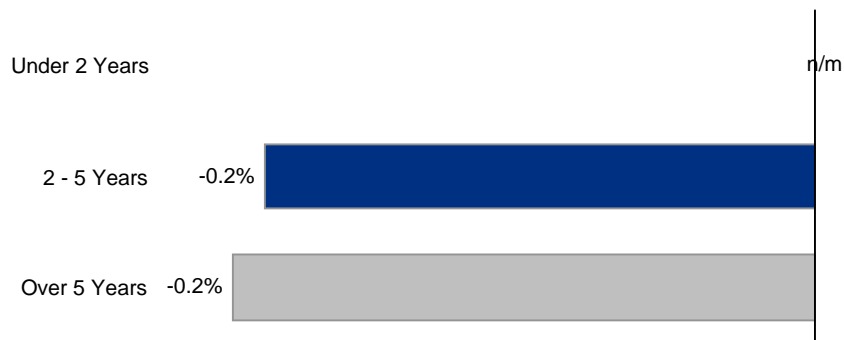
Leverage Profile (Monthly, LTM)



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

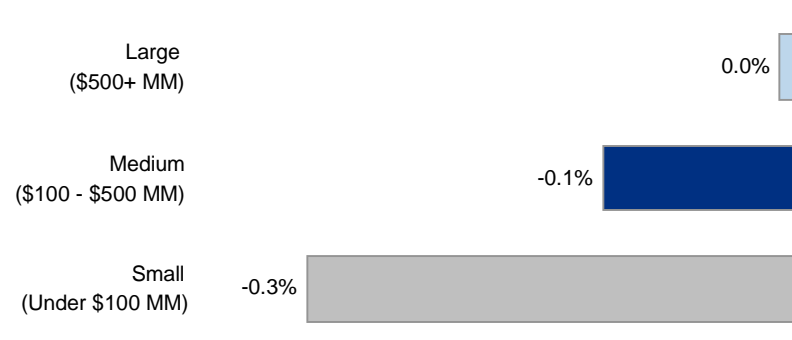
Source: Citi Prime Finance

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.

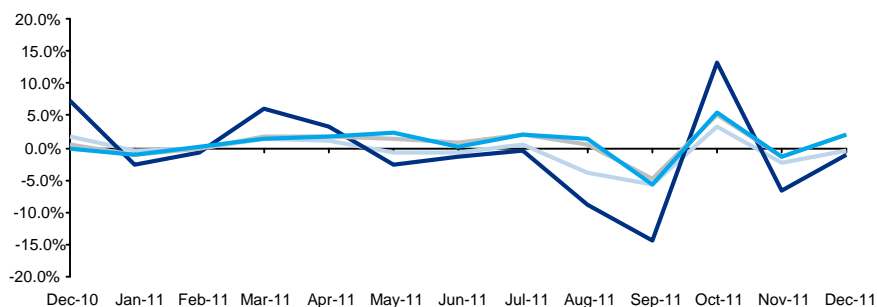


Emerging Markets

Data as of Dec-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	FY
Citi-derived Median	-0.6%	0.0%	1.4%	1.2%	-0.9%	-0.6%	0.4%	-3.8%	-5.7%	3.2%	-2.4%	-0.5%	-8.3%

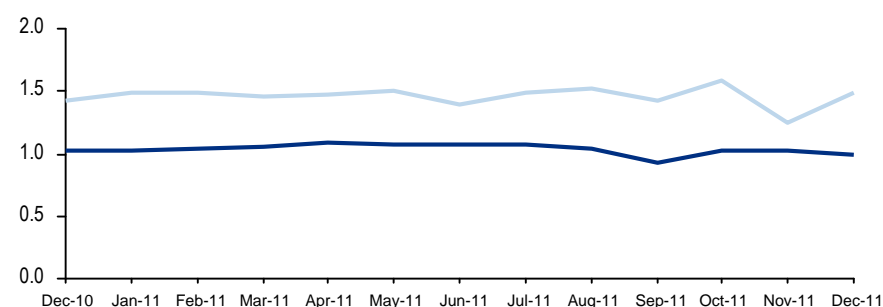
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Dec-11	Nov-11	Dec-10	FY-11
Emerging Mkts	-0.5%	-2.4%	1.8%	-8.3%
MSCI EM	-1.2%	-6.7%	7.1%	-18.2%
JPM EMBIG Core ETF (EMB)	1.9%	-1.3%	0.4%	7.6%
DB EM Liquid ETF (PCY)	2.1%	-1.4%	-0.3%	8.4%

Source: Citi ICG Analytics; FactSet

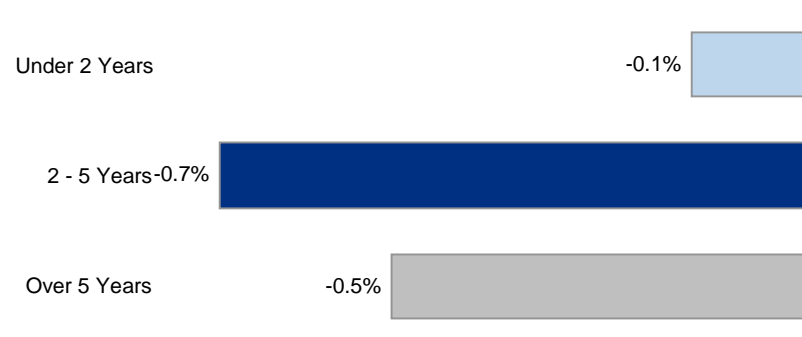
Leverage Profile (Monthly, LTM)



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

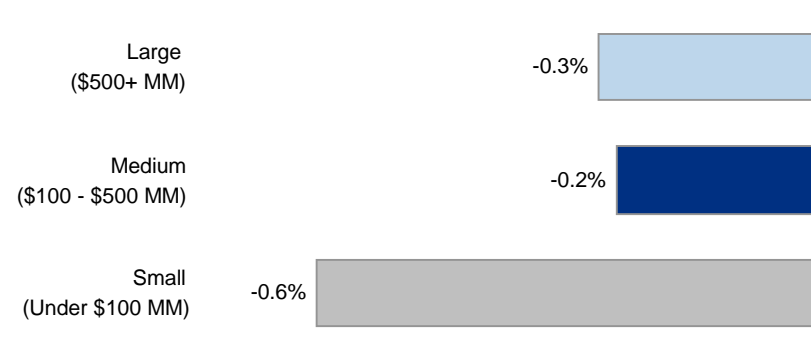
Source: Citi Prime Finance

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.

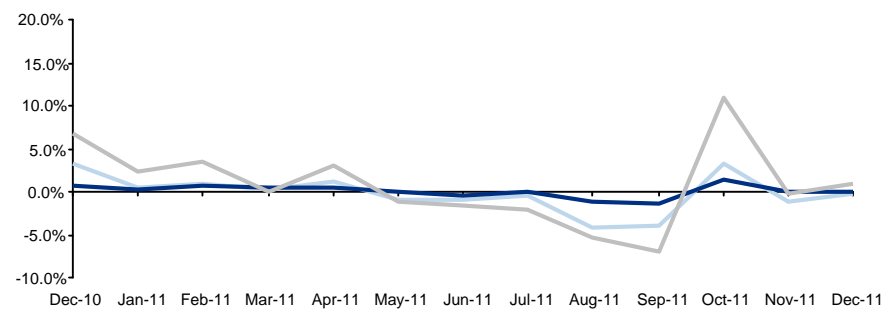


Equity Long/Short

Data as of Dec-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	FY
Citi-derived Median	0.4%	1.0%	0.2%	1.1%	-0.9%	-0.9%	-0.5%	-4.2%	-4.0%	3.1%	-1.2%	-0.2%	-6.1%

Hedge Fund Performance vs. Benchmark (Monthly, LTM)



		Dec-11	Nov-11	Dec-10	FY-11
Eq Long/Short		-0.2%	-1.2%	3.2%	-6.1%
Eq Mkt Neutral		0.0%	0.1%	0.8%	0.1%
S&P 500		1.0%	-0.2%	6.7%	2.1%

Source: Citi ICG Analytics; FactSet

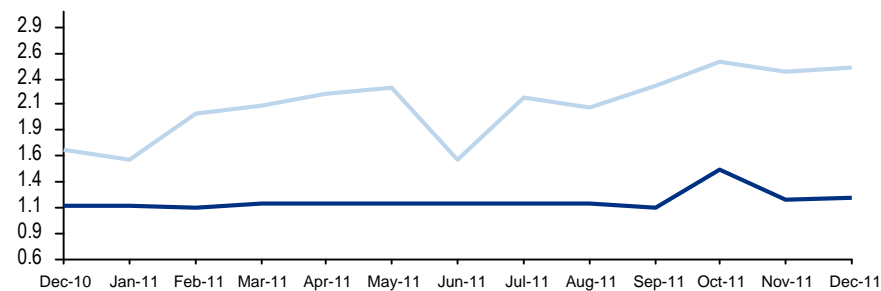
Hedge Fund Performance by Age



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

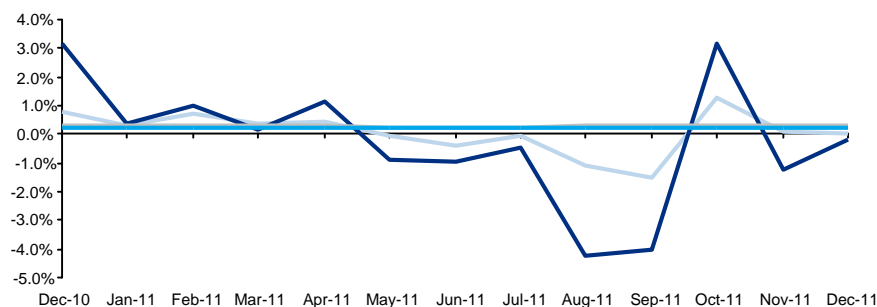


Equity Market Neutral

Data as of Dec-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	FY
Citi-derived Median	0.3%	0.7%	0.4%	0.4%	0.0%	-0.4%	-0.1%	-1.1%	-1.5%	1.3%	0.1%	0.0%	0.1%

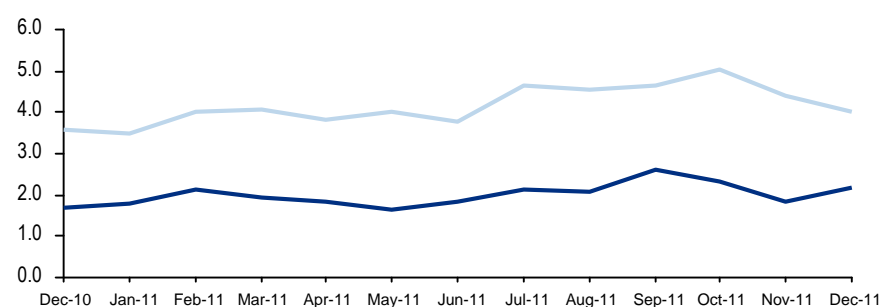
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Dec-11	Nov-11	Dec-10	FY-11
Eq Mkt Neutral	0.0%	0.1%	0.8%	0.1%
Eq Long/Short	-0.2%	-1.2%	3.2%	-6.1%
LIBOR + 300 bps	0.3%	0.3%	0.3%	3.3%
US T-Bill + 300 bps	0.3%	0.3%	0.3%	3.1%

Source: Citi ICG Analytics; FactSet

Leverage Profile (Monthly, LTM)

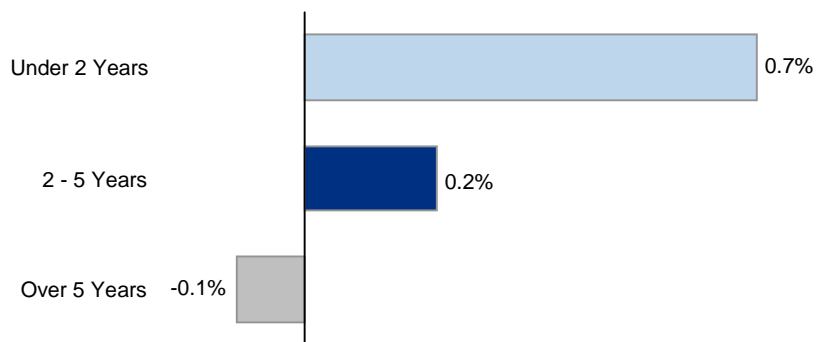


Gross Leverage (Mean): Defined as the sum of (LMV + abs SMV) / Net Equity

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

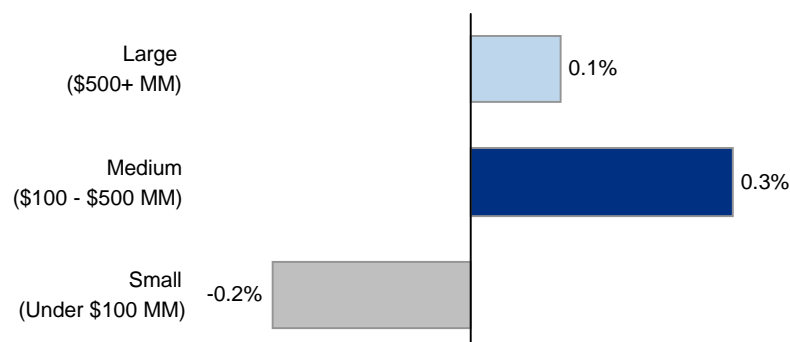
Source: Citi Prime Finance

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.

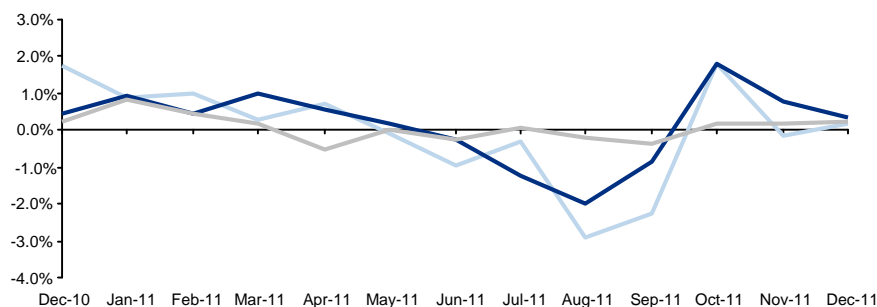


Event Driven

Data as of Dec-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	FY
Citi-derived Median	0.9%	1.0%	0.3%	0.7%	-0.1%	-1.0%	-0.3%	-2.9%	-2.3%	1.8%	-0.1%	0.2%	-1.9%

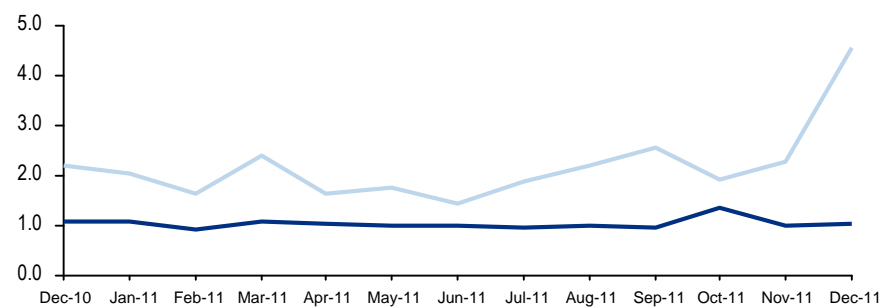
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Dec-11	Nov-11	Dec-10	FY-11
Event Driven	0.2%	-0.1%	1.8%	-1.9%
The Merger Fund (MERFX)	0.3%	0.8%	0.4%	1.7%
AQR Div Arb Fund (ADANX)	0.2%	0.2%	0.2%	0.8%

Source: Citi ICG Analytics; FactSet

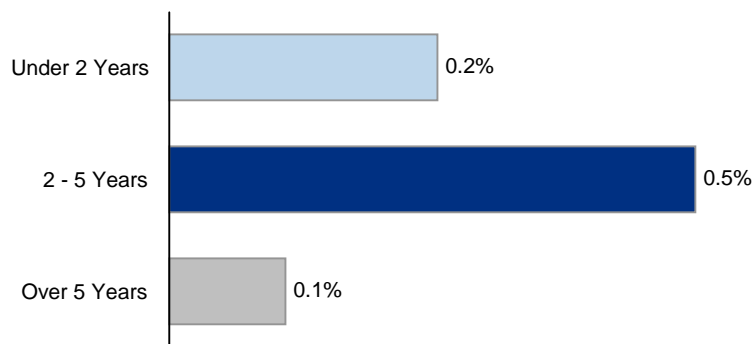
Leverage Profile (Monthly, LTM)



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

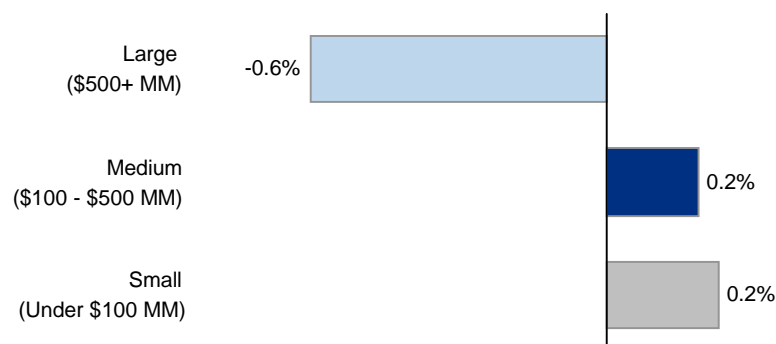
Source: Citi Prime Finance

Hedge Fund Performance by Age



Source: Citi ICG Analytics

Hedge Fund Performance by Size



Source: Citi ICG Analytics

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

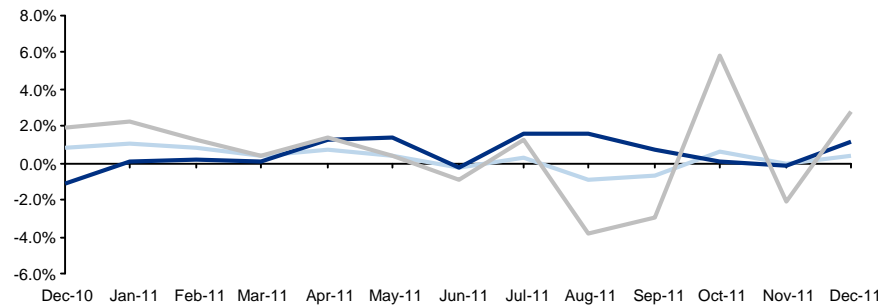


FI Arbitrage

Data as of Dec-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	FY
Citi-derived Median	1.1%	0.8%	0.4%	0.7%	0.4%	-0.2%	0.3%	-0.9%	-0.7%	0.6%	0.0%	0.4%	2.9%

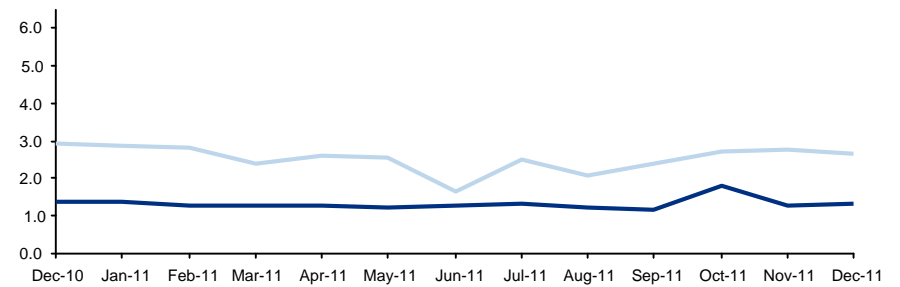
Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Dec-11	Nov-11	Dec-10	FY-11
FI Arbitrage	0.4%	0.0%	0.8%	2.9%
Citi US BIG Index	1.1%	-0.1%	-1.2%	7.9%
Citi HY Bond Index	2.7%	-2.1%	1.9%	5.5%

Source: Citi ICG Analytics; Citigroup Index LLC

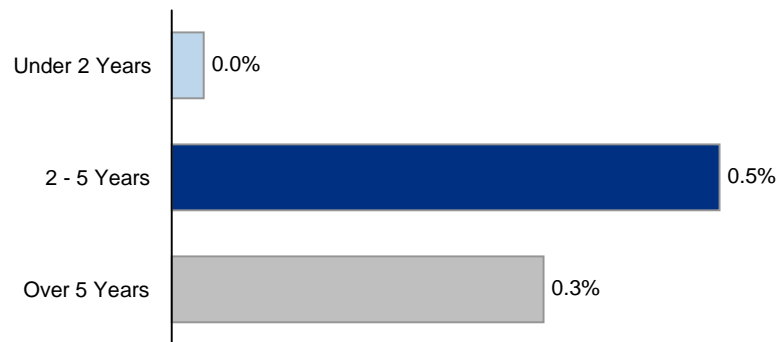
Leverage Profile (Monthly, LTM)



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

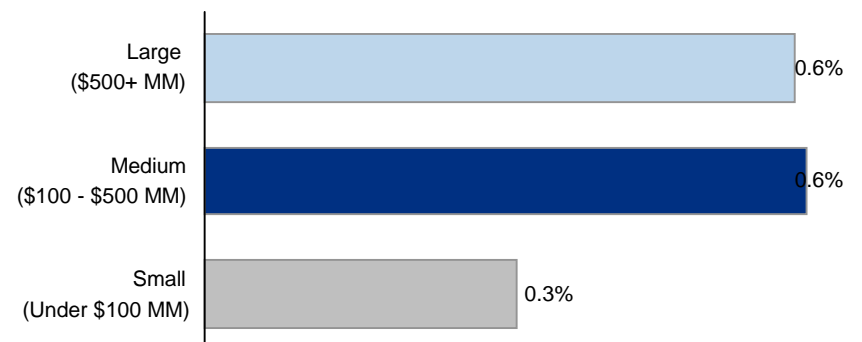
Source: Citi Prime Finance

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.

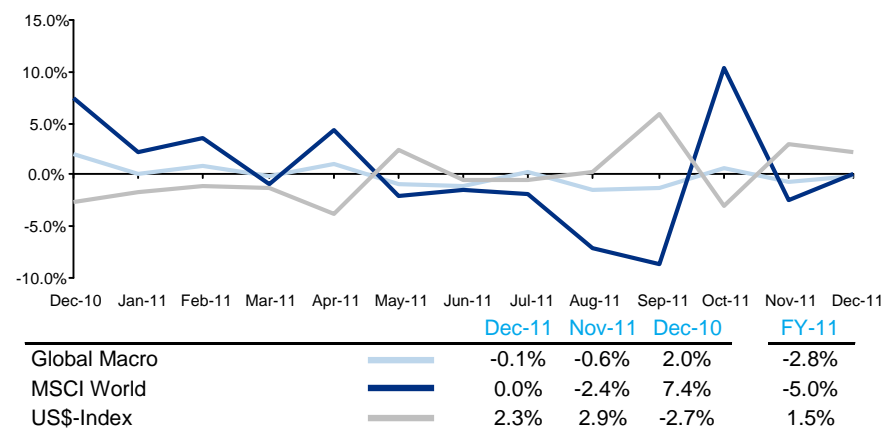


Global Macro

Data as of Dec-2011

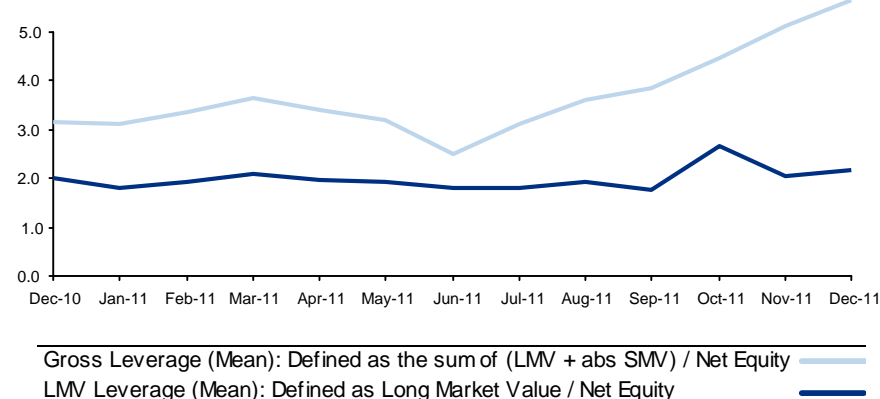
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	FY
Citi-derived Median	0.1%	0.8%	-0.1%	1.0%	-0.9%	-1.0%	0.2%	-1.5%	-1.2%	0.7%	-0.6%	-0.1%	-2.8%

Hedge Fund Performance vs. Benchmark (Monthly, LTM)



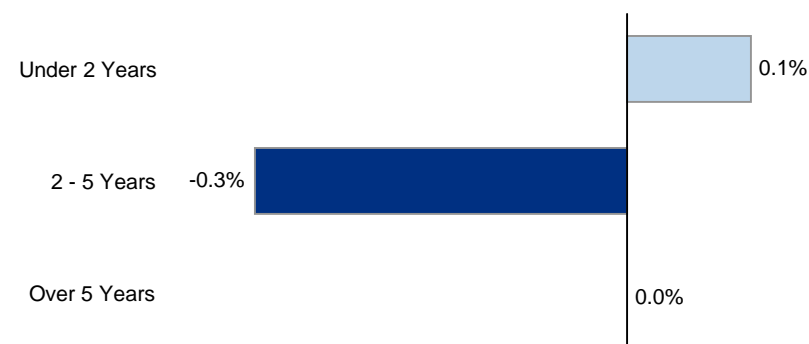
Source: Citi ICG Analytics; FactSet

Leverage Profile (Monthly, LTM)



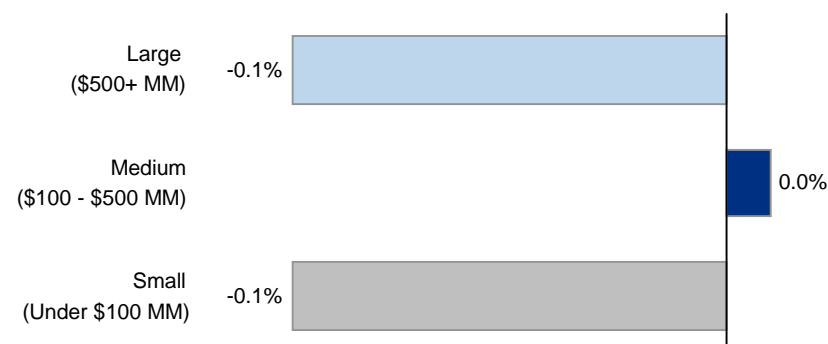
Source: Citi ICG Analytics; FactSet; Citi Prime Finance

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.

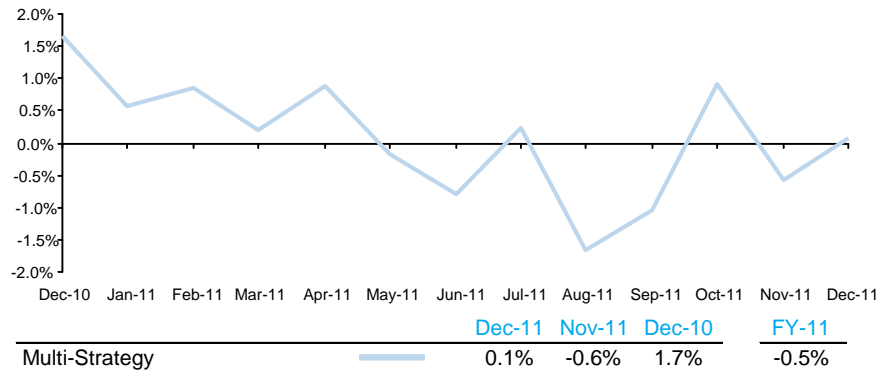


Multi-Strategy

Data as of Dec-2011

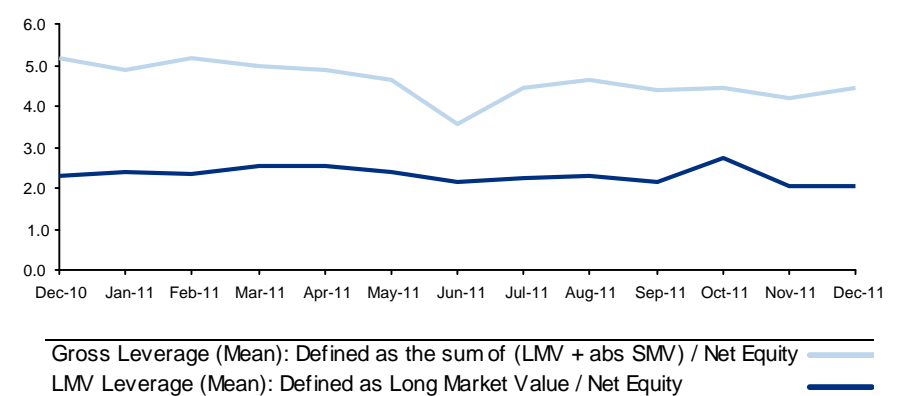
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	FY
Citi-derived Median	0.6%	0.8%	0.2%	0.9%	-0.2%	-0.8%	0.2%	-1.7%	-1.1%	0.9%	-0.6%	0.1%	-0.5%

Hedge Fund Performance vs. Benchmark (Monthly, LTM)



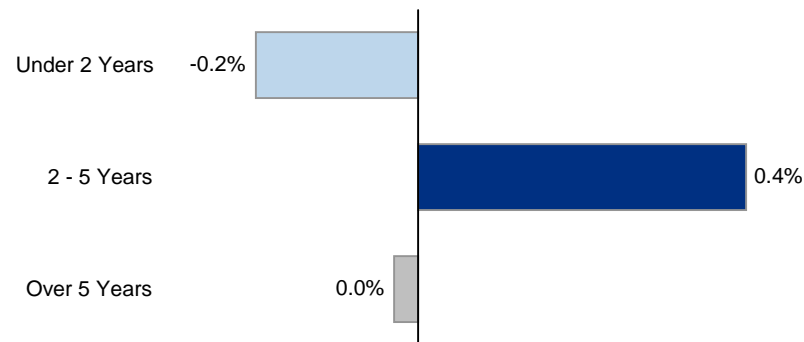
Source: Citi ICG Analytics

Leverage Profile (Monthly, LTM)



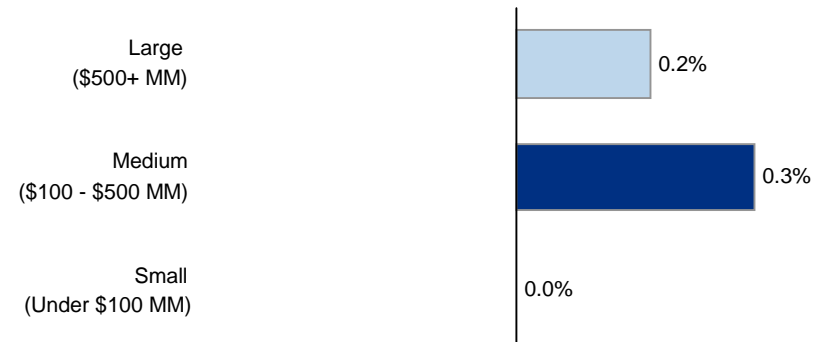
Source: Citi Prime Finance

Hedge Fund Performance by Age



Source: Citi ICG Analytics

Hedge Fund Performance by Size



Source: Citi ICG Analytics

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



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Contacts

For further information, please contact:

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

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